COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER TO ASSESS A SURCHARGE UNDER KRS 278.183 TO RECOVER COSTS OF COMPLIANCE WITH THE CLEAN AIR ACT AND THOSE ENVIRONMENTAL REQUIREMENTS WHICH APPLY TO COAL COMBUSTION WASTE AND BY-PRODUCTS	)	CASE NO. 96-489

O R D E R

IT IS ORDERED that Kentucky Industrial Utility Customers ("KIUC") shall file an original and 10 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due no later than March 26, 1997.

1. Refer to the Direct Testimony of Lane Kollen. On page 8, Mr. Kollen states, "If however, there is any relevance to the fact that FERC has approved the various AEP agreements, it would be to preclude changing the FERC filed rate through incremental retail recovery under the ratemaking process of the Kentucky environmental

surcharge mechanism." Describe the factors Mr. Kollen considered in reaching this conclusion.

2. Refer to Kollen Direct Testimony, page 9.

a. Explain how Mr. Kollen reached the conclusion that costs for early compliance or future compliance are prohibited from recovery until the costs are in fact due to current environmental requirements. Include citations to KRS 278.183.

b. Indicate the projects Kentucky Power Company ("Kentucky Power") has proposed to include in its surcharge which do not address the requirements and provisions of the Clean Air Act Amendments of 1990.

3. Refer to the Kollen Direct Testimony, pages 25 through 27. In discussing the appropriateness of including emission allowance inventories in Kentucky Power's surcharge mechanism, Mr. Kollen appears to advocate that the Commission ignore the possible impacts of the Interim Allowance Agreement ("IAA"). Given that the Federal Energy Regulatory Commission has accepted the IAA, how can the Commission ignore the possible impacts of the IAA when considering the treatment of Kentucky Power emission allowance inventories?

4. Refer to Kollen Direct Testimony, pages 28 through 32. In the discussion of the environmental costs at the Big Sandy units, Mr. Kollen does not mention Kentucky Power's "early election" application with the Environmental Protection Agency.

a. Did Mr. Kollen consider the "early election" option in his evaluation of the Big Sandy investments? Explain the response.

b. Should this option be a consideration in the evaluation of the Big Sandy investments? Explain the response.

5. Refer to Kollen Direct Testimony, pages 30 and 31. In the discussion of environmental compliance costs already included in existing rates, Mr. Kollen mentions the costs of the Big Sandy electrostatic precipitators and cooling tower. The Kentucky Power investments at the Big Sandy units included in the proposed surcharge were the low NO_x burners and continuous emission monitors.

a. Is Mr. Kollen proposing that the depreciated cost of the precipitators and cooling tower be used as an offset in the surcharge calculation? Explain the response.

b. Was Mr. Kollen aware that the offsets required in other environmental surcharge cases involved compliance plan projects which caused the retirement and/or replacement of environmental compliance assets already included in existing rates?

6. Refer to Kollen Direct Testimony, pages 34 and 35. Describe the adjustment mechanism Mr. Kollen believes would be needed to recognize the net compliance benefits that the Big Sandy units provide to the American Electric Power ("AEP") system. Include an example of the calculations. Explain how the net compliance benefit would be recognized in those periods where Kentucky Power is not a net seller into the AEP system pool.

Done at Frankfort, Kentucky, this 14th day of March, 1997.

PUBLIC SERVICE COMMISSION

Linda K Breathitt

For the Commission

ATTEST:

Don Mills

Executive Director