

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) CASE NO. 96-489
CLEAN AIR ACT AND THOSE ENVIRONMENTAL)
REQUIREMENTS WHICH APPLY TO COAL)
COMBUSTION WASTE AND BY-PRODUCTS)

O R D E R

IT IS ORDERED that the Office of the Attorney General ("AG") 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 Testimony of David H. Brown Kinloch, page 5. Is the word "project" being used to mean the same thing as "compliance plan" as identified in KRS 278.183? If not, provide the citations to KRS 278.183 which support his contention that

a utility must receive prior approval of a project from the Commission prior to its inclusion in an environmental surcharge.

2. Refer to the Brown Kinloch Testimony, page 6. Mr. Brown Kinloch states, "In order to fulfill the requirements of KRS 278.183 that recovery is only for costs not already in rates, the reduction in the return on existing environmental assets since the last rate case must be deducted from new environmental charges." Was Mr. Brown Kinloch aware that the Commission has not required such an adjustment in the other authorized environmental surcharge cases?

3. Refer to the Brown Kinloch Testimony, page 11. When the Kentucky Utilities Company and Louisville Gas and Electric Company sought environmental surcharges, both companies proposed that the authorized return be based on the interest rate on the latest pollution control bond issue. Was Mr. Brown Kinloch aware that these utilities proposed to use the pollution control bond interest rate?

4. Refer to the Brown Kinloch Testimony, pages 13 and 14. In the discussion concerning banked emission allowances, Mr. Brown Kinloch makes no reference to the American Electric Power ("AEP") Interim Allowance Agreement ("IAA").

a. Was Mr. Brown Kinloch aware of and has he reviewed the IAA?

b. Given that the Federal Energy Regulatory Commission ("FERC") has accepted the IAA, would Mr. Brown Kinloch agree that the Commission must acknowledge and consider the impacts of the IAA when determining the treatment of the Kentucky Power Company emission allowances? If no, explain why not.

5. Refer to the Brown Kinloch Testimony, pages 15 through 17. In the discussion concerning the Gavin plant, no reference is made to the impacts of the AEP Interconnection Agreement ("Interconnection Agreement").

a. Has Mr. Brown Kinloch reviewed the Interconnection Agreement?

b. Given that the FERC has approved the Interconnection Agreement, would Mr. Brown Kinloch agree that the Commission must acknowledge and consider the impacts of the Interconnection Agreement when determining the treatment of the costs associated with the Gavin plant? If no, explain why not.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director