

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 2002 INTEGRATED RESOURCE PLANNING)	
REPORT OF KENTUCKY POWER COMPANY)	CASE NO.
D/B/A AMERICAN ELECTRIC POWER TO THE)	2002-00377
KENTUCKY PUBLIC SERVICE COMMISSION)	

INITIAL DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY POWER COMPANY

Kentucky Power Company d/b/a American Electric Power (KPCO), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due February 18, 2003. 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 person 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. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to page 1-1 of KPCO s Integrated Resource Planning Report (IRP) referencing the amended interconnection agreement between Appalachian Power, Indiana & Michigan Power, KPCO and American Electric Power Service Corporation. Provide the current status of the request for approval of the amended agreement by the Securities and Exchange Commission.

2. Refer to page 1-4 of the IRP which refers to the fact that the American Electric Power East system (AEP East) is in the process of transferring functional control of certain transmission facilities to the PJM Regional Transmission Organization.

a. Describe in detail the manner and extent to which this transfer is reflected in the IRP.

b. Regional Transmission Organizations, like PJM, will be involved in decisions concerning the construction of new transmission facilities. Describe the level of input, if any, that PJM or its members will have on decisions concerning the maintenance of AEP East s transmission system, including right-of-way clearing. In the answer, discuss the remedies available to PJM if AEP s transmission losses became a concern, and FERC s role in such a scenario.

3. Refer to page 1-6 of the IRP which indicates that the three member AEP East system s annual peak demand is expected to occur in the winter, the same season in which KPCO s annual peak demand occurs and is forecasted to occur in the future. Historically, the annual peak demand of five member AEP East system occurred in the summer. Explain how this loss in system-wide diversity is expected to impact KPCO.

4. Refer to the discussion of demand-side management (DSM) programs included on page 1-8 of the IRP.

a. The discussion refers to DSM having a more uncertain future due to impending retail competition. Explain whether KPCO believes retail competition is impending in Kentucky.

b. Given the existing DSM regulatory structure in Kentucky, and since KPCO is part of the AEP East system, explain why no new requirement for DSM conservation programs in the regulated AEP East system is planned beyond 2005.

5. Refer to page 1-11 of the IRP. KPCO states that it will purchase capacity and/or energy from the developing market to provide adequate daily operating reserves. Describe KPCO's plans to provide price protection for its power purchases in the event of a recurrence of the volatility in wholesale power markets experienced in 1998-1999.

6. Refer to page 1-12 of the IRP which refers to sensitivity analyses which indicate the proposed resource plan is sufficiently flexible to accommodate changes, including load growth.

a. Explain whether the plan is sufficiently flexible to adapt to a 100 Megawatt (MW) industrial load locating in KPCO's service area by the end of 2005.

b. Although the plan indicates future load growth is expected to be met through purchases of power in the wholesale market, if plans were changed and the need arose, in what period of time could KPCO site and construct a medium sized base load coal-fired generating unit, for example 250 MW?

7. Refer to page 2-1 of the IRP. Explain the significance of using Gross Domestic Product (GDP) for the Kentucky area served.

8. Refer to page 2-6 of the IRP. Provide the U.S. DOE/EIA 2002 Annual Energy Outlook used in the forecasts of natural gas prices and regional coal production.

9. Refer to page 2-8 of the IRP, specifically the statement that forecast losses for KPCO are based on an analysis of the historical relationship between energy sales

and generation. Provide a comparison of the losses forecast for KPCO with the other members of the new three-member AEP East system.

10. Refer to the notification of contract termination with Vanceburg and Olive Hill referred to on page 2-8 of the IRP, which indicates that sales to the two customers will go to zero beginning January 1, 2006.

a. For each customer, identify which party (buyer or KPCO) provided the notice of contract termination.

b. Identify the specific reduction in load KPCO expects will occur as a result of no longer serving Vanceburg and Olive Hill.

11. Refer to page 2-10 of the IRP. Provide the methodology used to determine that higher energy prices have had the effect of inducing a permanent change toward conservation. Include all supporting documents, analysis, and studies used to reach this determination.

12. Refer to page 2-10 of the IRP regarding appliance saturation surveys.

a. When was the last appliance saturation survey conducted for the Kentucky service area?

b. If KPCO has not conducted an appliance saturation survey, explain in detail why such a survey has not been conducted.

c. If a survey has been completed, describe the trends detected, for example, more High Efficiency Heat Pump installations, Geothermal heat pumps, etc.

13. Refer to pages 2-10 and 2-11 of the IRP, specifically the discussion of appliance efficiency standards. Provide the current U.S. Department of Energy requirements for electric heat pumps and central air conditioning.

14. Refer to page 2-11 of the IRP. Identify the substitutes for electric space cooling.

15. Refer to page 2-14 of the IRP which indicates that KPCO changed from Woods and Poole Economics, as the source for the regional economic forecasts relied upon in developing its load forecast, to Economy.com. KPCO had a fairly long-term relationship with Woods and Poole Economics. Explain the reasons for the change to Economy.com.

16. Refer to page 2-16 of the IRP, where, referring to KPCO's actual loads versus its forecasts for the period 1999-2001, KPCO states that normalized peaks were less than forecast in each winter. Has any determination been made by KPCO for why this occurred? If yes, what were the results? If no, explain why this was not done.

17. Refer to page 3-1 of the IRP, and the statement that KPCO believes that a properly structured competitive environment will ensure fair and reasonable prices without special attention to DSM. Explain whether this is a general statement or if it refers to KPCO's expectations of a retail competitive environment in Kentucky.

18. Refer to page 3-2 of the IRP and the discussion of competitive influences causing DSM to be based on a market-driven analysis that is in line with the Ratepayer Impact Measure (RIM) cost-benefit test and with utilities' shareholders' value.

a. If a DSM program that does not pass the RIM test is implemented with an adequate cost-recovery mechanism in place, explain whether shareholder value is impacted negatively, positively, or not at all.

b. Under the existing DSM regulatory structure in Kentucky, to what extent have KPCO's shareholders been affected by its existing DSM programs?

19. Refer to page 3-12 of the IRP which includes KPCO's responses to some of the recommendations in Staff's report on KPCO's 1999 IRP, specifically its concerns about net metering.

a. It appears that some of KPCO's concerns relate to the possible consequences of a large net metering program. Explain whether KPCO is aware of the small scale pilot net metering programs that the Commission has approved within the past two years for the other major investor-owned electric utilities in Kentucky.

b. Explain whether KPCO is totally opposed to net metering programs or if it might consider a small scale pilot program.

20. Refer to page 4-2 of the IRP, specifically the discussion of the workings of the AEP East interconnection agreement and how its members address not having sufficient capacity to meet demand.

a. For each of the years 2000, 2001 and 2002, provide load shape curves for KPCO showing the numbers of hours that its demand exceeded the capacity available from its Big Sandy plant and its Rockport power agreements.

b. Based on the load forecast in the IRP, provide KPCO's estimate of the number of hours that its demand will exceed the available capacity from Big Sandy and Rockport during each of the years from 2003 through 2010.

21. Refer to page 4-3 of the IRP and the discussion centering on the need for planning reserves to be assessed on a regional, rather than an individual system, basis. Given the Commission's findings in Administrative Case No. 387,¹ regarding KPCO's plans to meet future demand growth through purchased power rather than new

¹ Administrative Case No. 387, A Review of the Adequacy of Kentucky's Generation Capacity and Transmission System.

generation, explain why KPCO should not be assessing its need for planning reserves on either a stand-alone basis or based on the generation capacity of the regulated AEP East system.

22. Refer to page 4-5 of the IRP, specifically the discussion of a 12 percent planning reserve margin and Exhibits 4-11 and 4-12, which show that the three member AEP East system forecasts the need to purchase capacity in amounts ranging from 1,024 MW in 2002-2003 up to 4,174 MW in 2016-2017 to meet demand and maintain this reserve margin level.

a. Provide KPCO's current forecast of the cost of purchased power over the 2002-2017 forecast period and a narrative description of how the forecast purchased power costs were determined.

b. Provide the results and a summary description of any analysis performed by KPCO comparing the cost of purchased power with the cost of constructing new generation over the forecast period. If KPCO has performed no such analysis, explain how it determined that a resource plan relying on purchased power to meet 100 percent of future load growth was appropriate.

23. Refer to page 4-7 of the IRP. Provide the recently issued *Assessment of ECAR-Wide Capacity Margins: 2002-2011* that is cited by KPCO in conjunction with its plans to meet future load growth through wholesale power purchases.

24. Refer to page 4-9 of the IRP, specifically the discussion of the Wyoming-Jackson Ferry 765-kV transmission project. Provide a brief description of the project and the current status of pending approval requests.

25. Provide the calculation of all discount rates utilized in the IRP, along with a narrative description of all underlying assumptions.

A handwritten signature in black ink, appearing to read "T. M. Dorman", is written over a horizontal line.

Thomas M. Dorman
Executive Director
Public Service Commission
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DATED: January 21, 2003

cc: All parties