

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY)	
FOR APPROVAL OF AN AMENDED COMPLIANCE)	
PLAN FOR PURPOSES OF RECOVERING)	
ADDITIONAL COSTS OF POLLUTION CONTROL)	CASE NO.
FACILITIES AND TO AMEND ITS)	2005-00068
ENVIRONMENTAL COST RECOVERY)	
SURCHARGE TARIFF)	

SECOND DATA REQUEST OF COMMISSION STAFF TO
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due May 2, 2005. 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. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the Direct Testimony of John M. McManus (“McManus Testimony”), Exhibit JMM-1. For each of the 53 projects listed in this exhibit, provide the following information concerning the decisions by the American Electric Power Company (“AEP”) Pool Surplus Companies to undertake the projects:

a. A listing of the options or alternative technologies that addressed the environmental problem which were available at the time the project was selected.

b. A description of the evaluation process employed by AEP and the Surplus Company to determine the selected project was the best available technology and the most reasonable alternative to deploy, based on the information available at the time the decision was made. Include copies of any written studies or analyses performed in conjunction with the evaluation. If no written studies or analyses were performed, explain in detail why this step was not part of the evaluation process.

c. Copies of any regulatory commission approvals received for the project.

2. During 2001 and 2002, AEP was considering a reorganization which would have resulted in the generating facilities of Ohio Power Company (“Ohio Power”) being declared an exempt wholesale generator (“EWG”). For each project listed on Exhibit JMM-1 that is at an Ohio Power generating facility, describe the effect that possibly becoming an EWG had on the decision to undertake that project and include copies of any documents that discuss the impact that becoming an EWG would have on any of the projects.

3. Concerning the environmental costs associated with each of the projects listed on Exhibit JMM-1:

a. When did Kentucky Power become aware that it was paying the environmental costs associated with these projects through the Rockport Unit Power Agreement (“Rockport UPA”) charges or the capacity equalization charges under the AEP Interconnection Agreement (“AEPIA”)?

b. How long has Kentucky Power been paying the environmental costs associated with these projects through the Rockport UPA charges or the AEPIA?

c. For the environmental costs associated with the Rockport generating facilities, explain why the recovery of these costs was not addressed by Kentucky Power as part of the stipulation and settlement agreement submitted to and approved by the Commission in Case No. 2004-00420.¹

4. Refer to the McManus Testimony, Exhibit JMM-3.

a. Provide supporting documentation for the air emission fees paid in 2004 for each generating plant.

b. Provide a schedule showing the air emission fees paid for these same generating plants for calendar years 2000 through 2003. If the annual fees paid for any generating plant changed by more than 10 percent, include the reason(s) for the change.

5. Refer to the Direct Testimony of Errol K. Wagner (“Wagner Testimony”), Exhibit EKW-1.

a. For each project listed on this exhibit, provide documentation supporting the amounts reported as the “New Environmental Facilities Cost.”

¹ Case No. 2004-00420, Application of Kentucky Power Company for Approval of a Stipulation and Settlement Agreement Resolving State Regulatory Matters, final Order dated December 13, 2004.

b. For each project with an amount reported in the “Less Original Facility Cost in Base Rates” column, explain how Kentucky Power determined the amount of original cost.

c. Refer to page 4 of 4 of the exhibit, lines 42 and 43. The exhibit shows that 85 percent of Rockport Unit 1 and 65 percent of Rockport Unit 2 are recovered through the AEP Pool. Does this mean the remaining 15 percent from Rockport Unit 1 and 35 percent from Rockport Unit 2 are recovered through the Rockport UPA? Explain the response.

6. Refer to the Wagner Testimony, Exhibit EKW-2. Describe how the member load ratio is calculated and how frequently it is calculated.

7. Refer to the Wagner Testimony, Exhibit EKW-3.

a. Explain why the November 2004 capacity rate calculations reflect the steam production plant and steam capability for the AEP Surplus Companies as of December 31, 2003.

b. Explain how the carrying charge of 16.44 percent was determined. Show all components of the charge and describe all assumptions used in the determination of the carrying charge. Indicate when the carrying charge was last calculated.

8. Refer to the Wagner Testimony, Exhibit EKW-4.

a. Explain why the return on investment is applied to the net cost of the environmental facilities rather than a rate base, where the net cost of the environmental facilities would be reduced by accumulated depreciation and accumulated deferred income taxes.

b. Provide Kentucky Power's Pool Capacity Deficit and Member Load Ratio as of February 2005.

c. Using the November 2004 levels of investment and costs, prepare a revised Exhibit EKW-4 showing the impact from using Kentucky Power's February 2005 Pool Capacity Deficit.

9. Refer to the Wagner Testimony, Exhibit EKW-10, lines 13 through 16. Explain how the generating capacities shown in this part of the exhibit are determined.

10. Refer to the Wagner Testimony, Exhibit EKW-12.

a. Reconcile the low NOx burners' installed cost shown on this exhibit with the "New Environmental Facilities Cost" shown on Exhibit EKW-1, page 4 of 4, lines 42 and 43.

b. Explain how the weighted average cost of capital of 12.19 percent was determined. Show all components of the charge and describe all assumptions used in the determination of the carrying charge.

c. Explain how Kentucky Power's portion of the Rockport low NOx burners of 30 percent was determined.

11. Refer to the Wagner Testimony, Exhibit EKW-13.

a. Reconcile the low NOx burners' installed cost shown on this exhibit with the "Less Original Facility Cost in Base Rates" shown on Exhibit EKW-1, page 4 of 4, line 42.

b. Explain how the weighted average cost of capital of 12.6216 percent was determined. Show all components of the charge and describe all assumptions used in the determination of the carrying charge.

12. Assume for purposes of this question that the Commission approves Kentucky Power's amendment to its environmental compliance plan and modification to the surcharge mechanism as proposed. Indicate what schedules Kentucky Power would propose to include with the monthly environmental surcharge filing to document the additional environmental costs it was permitted to recover from ratepayers.



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DATED April, 18, 2005

cc: All Parties