COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE TRANSFER TO THE COMPANY OF AN UNDIVIDED FIFTY PERCENT INTEREST IN THE MITCHELL GENERATING STATION AND ASSOCIATED ASSETS; (2) APPROVAL OF THE ASSUMPTION BY KENTUCKY POWER COMPANY OF CERTAIN LIABILITIES IN CONNECTION WITH THE TRANSFER OF THE MITCHELL GENERATING STATION; (3) DECLARATORY RULINGS; (4) DEFERRAL OF COSTS INCURRED IN CONNECTION WITH THE COMPANY'S EFFORTS TO MEET FEDERAL CLEAN AIR ACT AND RELATED REQUIREMENTS; AND (5) ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2012-00578

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 18, 2013. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, Kentucky Power shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Kentucky Power's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 3, which discusses the reasons for the decrease in Kentucky Power's deficit capacity position. Describe what impacts the merger between Columbus Southern Power and Ohio Power Company has had on Kentucky Power's 2012 deficit capacity position.

2. Refer to Kentucky Power's response to Staff's Second Request, Item 4, which states, "Kentucky Power agrees that the Mitchell Plant's Unit 1 fuel cost is approximately 11-12% less than the fuel cost for Big Sandy Unit 2 for the years 2011 and 2012." Also refer to Kentucky Power's response to Commission Staff's First Request for Information, Item 12, Attachment 1. Provide the following:

a. The line number which reflects the 11-12 percent reduction in fuel cost as stated above; also provide the dollar amount reflected in Attachment 1.

b. The reduction in fuel cost which would flow to Kentucky Power's retail customers through the fuel adjustment clause, and how it is reflected in Attachment 1.

3. Refer to the Kentucky Power's response to Staff's Second Request, Item 5, which states:

> a. Sales committed under the current American Electric Power [("AEP")] Interconnection Agreement [("Pool Agreement")] that continue beyond the agreements scheduled termination will use the same allocator, Member Load Ratio [("MLR")], as was used at the time such sales were made.
>
> b. The Company cannot confirm this statement. The calculation as presented in the request utilizes a 2012 peak aid and therefore is not reflective of the capacity required in 2014, nor does it account for any type of reserve margin capacity.
>
> With that said, Kentucky Power is currently expected to have surplus capacity during the 17-month transitional period beginning January 1, 2014, and customers will receive the majority of the energy benefits of any surplus capacity.
>
> c. As of January 1, 2014, there will be no "deficit" and "surplus" companies under the AEP Interconnection Agreement since that agreement will have terminated. Capacity sales that continue after January 1, 2014 were entered into while the current pool was active, consequently, MLR is being used as the allocator for such sales.
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> d. The phrase "predominantly in PJM" is used solely to recognize that the Agent, on behalf of KPCo, will seek the best prices for KPCo surplus energy and as a consequence may sell certain blocks of energy from time to time outside of PJM (e.g., MISO).

a. Confirm that today under the Pool Agreement, the current month MLR is used as an allocator to allocate any current month's capacity sales.

b. Explain why Kentucky Power proposes to use the final MLR as the allocator to allocate any future month's capacity, even though the Pool Agreement terminates December 31, 2013.

c. State when the final MLR will no longer be used to allocate energy sales.

d. Confirm that today under the Pool Agreement, Kentucky Power and its customers receive its current month's MLR share of the energy benefits.

e. Explain why it is reasonable for Kentucky Power and its ratepayers to receive the majority of the energy benefits of any surplus capacity, but receive only their final MLR share of the capacity sales from the same surplus capacity.

f. Explain why, since the MLR and the Capacity Payments are both provisions of the Pool Agreement, it is appropriate to continue the MLR provision after the termination date for capacity sales and not continue the Capacity Payment provision.

g. State how many times, from 2010 to 2012, the Agent made sales outside of PJM, and provide the associated amount of MWH for those sales.

4. Refer to Kentucky Power's response to Staff's Second Request, Item 10, Attachment 1.

a. Explain whether the Darby Plant capacity costs are used in calculating the AEP Pool Capacity costs paid by the AEP Pool deficit members.

b. State whether the Darby Plant energy costs (fuel, fuel-handling and variable O&M) are used in calculating the primary energy rate for AEP Pool purposes.

c. State whether the Waterford Plant capacity costs are used in calculating the AEP Pool Capacity costs paid by the AEP Pool deficit members.

d. State whether the Waterford Plant energy costs (fuel, fuel-handling, and variable operation & maintenance) are used in calculating the primary energy rate for AEP Pool purposes.

e. If the answer to any of Items a through d above is yes, explain any response of "No" in the Company's response to Staff's Second Set, Item No. 10, Attachment 1, Section B, column titled "Historically Provide Pool Cap & Energy.

5. Refer to Kentucky Power's responses to Staff's Second Request, Item 21 and to Staff's Second Request, Item 2.c. Provide and explain the order in which the accounting entries associated with the Mitchell Transfer will occur, along with the accounting entries associated with the Interim Allowance Agreement provision at the end of each calendar year, and whether each of the AEP Pool members are obligated to have their MLR share of the AEP East allowance inventory.

6. Refer to Kentucky Power's response to Staff's Second Request, Item 22, which states, "To capitalize KPCo to the pre-asset transfer capitalization, the intent is to borrow the $75 million."

a. During the time period 2009 through 2012, state whether there were any other AEP operating companies whose dividend to AEP grew 28.7 percent annually.

b. Provide Kentucky Power's forecasted dividend payment to AEP, including the $75 million dividend, for 2013.

7. Refer to Kentucky Power's responses to Staff's Second Request, Item 22 and to Commission Staff's First Request for Information, Item 59. The following table, prepared by Commission Staff, shows the net income, corresponding dividend, and the percentage of dividend to net income, from 2008 to 2012.

Year	Net Income ($000)	Dividend ($000)	Dividend Paid as a Percentage of Net Income
2008	$24,531	$14,000	57.07%
2009	$23,936	$19,500	81.47%
2010	$35,282	$21,000	59.52%
2011	$42,374	$28,000	66.08%
2012	$50,978	$32,000	62.77%
Total	$177,101	$114,500	64.65%

a. State whether any of the other operating companies within AEP paid a dividend of a similar percentage of net income as Kentucky Power paid from 2008 to 2012. If yes, provide the operating company and their associated percentages from 2008 to 2012.

b. State whether any of the other operating companies within AEP paid a similar average percentage of 64.65 percent of net income in dividend as Kentucky Power paid from 2008 to 2012. If yes, provide the operating company and their associated average percentage from 2008 to 2012.

8. Refer to Kentucky Power's response to Staff's Second Request, Item 24, which states, "The Company will provide a depreciation study for the Mitchell plant in its next base rate case and the depreciation rates will be by plant account." State whether

the depreciation rates in the depreciation study will be by plant account for all of Kentucky Power's plant, property, and equipment, not just for the Mitchell Plant.

9. Refer to Kentucky Power's response to Staff's Second Request, Item 26. Explain in detail whether any of Kentucky Power's Labor (including Overheads) and American Electric Power Service Corporation's ("AEPSC") Labor (including Overheads) is already reflected in base rates either by way of direct charges or through the AEPSC billings. The explanation should include any associated amounts already reflected in base rates.

10. Refer to Kentucky Power's response to Staff's Second Request, Item 32, which states, "The BS 1 Gas Conversion is assumed to have a 15-year life and retire in 2030. Data beyond that date is unnecessary." State whether a 15-year life is normal for a plant being converted to gas.

11. Refer to Kentucky Power's response to Staff's Second Request, Items 33 and 34. Confirm that Ohio Power Company was not the most deficit AEP Pool member just prior to the addition of the Waterford Generating Station or the Lawrenceburg Plant.

12. Refer to Kentucky Power's response to Staff's Second Request, Item 35. Confirm that Appalachian Power Company was the most deficit AEP Pool member just prior to the addition of the Dresden Plant.

13. Refer to Kentucky Power's response to the Attorney General's ("AG") Supplement Request for Information ("Supplemental Request"), Item 14, Attachment 1. Explain why the KPCO Market Energy Sales Revenues for October 2014 is $85,000.

14. a. State whether any other regulatory approvals are required for Kentucky Power to assume a 50 percent undivided interest in the Mitchell Plant, in addition to that of the Kentucky Public Service Commission and the Federal Energy Regulatory Commission. Describe any impact of other regulatory approvals on Kentucky Power.

b. Describe what will occur if other required regulatory approval is denied.

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DATED APR 09 2013

cc: All Parties

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