

421 West Main Street  
Post Office Box 634  
Frankfort, KY 40602-0634  
[502] 223-3477  
[502] 223-4124 Fax  
www.stites.com

July 29, 2011

RECEIVED

JUL 29 2011

**HAND DELIVERED**

PUBLIC SERVICE  
COMMISSION

Mark R. Overstreet  
(502) 209-1219  
(502) 223-4387 FAX  
moverstreet@stites.com

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

**RE: Case No. 2011-00042**

Dear Mr. Derouen:

Enclosed please find and accept for filing in accordance with the Commission's July 14, 2011 Order, the original and ten copies of Kentucky Transmission Company, Inc.'s responses to the Staff's Third Set of Data Requests in the above matter. Copies of the responses are being served upon the parties, along with a copy of this letter.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Mark R. Overstreet

MRO

cc: David F. Boehm  
Lawrence W. Cook

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE**  
**PUBLIC SERVICE COMMISSION OF KENTUCKY**

RECEIVED

JUL 29 2011

IN THE MATTER OF

PUBLIC SERVICE  
COMMISSION

THE APPLICATION OF AEP KENTUCKY )  
TRANSMISSION COMPANY, INC. )  
FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO )  
OPERATE AS A TRANSMISSION ONLY )  
PUBLIC UTILITY )

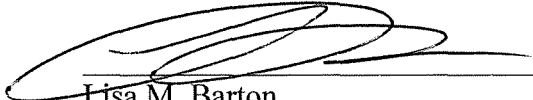
CASE NO. 2011-00042

**RESPONSES OF KENTUCKY POWER COMPANY TO  
COMMISSION STAFF'S THIRD SET OF DATA REQUESTS**

July 29, 2011

**AFFIDAVIT**

Lisa M. Barton, upon first being duly sworn, hereby makes oath that if the foregoing questions were propounded to her at a hearing before the Public Service Commission of Kentucky, she would give the answers recorded following each of said questions and that said answers are true.

  
\_\_\_\_\_  
Lisa M. Barton

State of Ohio                    )  
  )     Case No. 2011-00042  
County of Franklin            )

Subscribed and sworn to before me, a Notary Public, by Lisa M. Barton this 27<sup>th</sup>  
day of July 2011.

  
\_\_\_\_\_  
Notary Public

My Commission Expires November 2, 2013



ROBIN S. SMITH  
NOTARY PUBLIC  
IN AND FOR THE STATE OF OHIO  
MY COMMISSION EXPIRES  
NOVEMBER 2, 2013





## KENTUCKY POWER COMPANY

### REQUEST

Refer to the Supplemental Testimony of Lisa M. Barton, specifically, the answer beginning on page 2 at line 16, continuing to page 3 at line 4. Clarify whether the last sentence on page 3 at lines 2-4 is intended to mean that (1) a possible future transmission project between the NM Interconnection and the Tennessee Valley Authority systems in Kentucky, constructed by either Authority systems in Kentucky, constructed by either Kentucky Power or KY Transco, will have no direct impact on either Kentucky Power or KY Transco; or (2) because no such project is presently planned and because it has not been determined who would build or own any such facilities, there will be no immediate direct impact on either Kentucky Power or KY Transco due to the recent Memorandum of Understanding between TVA and American Electric Power Company, Inc. ("AEP").

### RESPONSE

The sentence is intended to mean (2), with the minor modifications indicated in strike-through and italics below:

"because no ~~such~~ projects are presently planned and because it has not been determined who would build and own any ~~such~~ new facilities *identified by the study*, there will be no immediate direct impact on either KPCo or KY Transco due to the recent MOU between TVA and AEP."

This point of clarification is needed because this MOU is limited to undertaking transmission planning studies to identify beneficial transmission enhancements along the interface of PJM and the TVA transmission system rather than a proposal for any specific new transmission project.

**WITNESS:** Lisa M. Barton



## **KENTUCKY POWER COMPANY**

### **REQUEST**

Refer to the Direct Testimony and Exhibits of Gregory G. Pauley ("Pauley Testimony") beginning on page 3 at line 12, continuing to page 4 at line 11.

- a. The reference to the speech by Mr. Michael G. Morris states that "Mr. Morris used Kentucky Power Company as an example of an asset that has had a recent history of under earning . . ." When reviewing the earnings of its assets, describe what time time frame AEP typically considers as "recent history."
- b. Provide, for each year from 2001 through 2010, the earned return on equity for each of the AEP operating companies.

### **RESPONSE**

- a. There is no standard definition of "recent history" employed by AEP when reviewing the earnings of its assets. The time period employed may vary depending on the purpose for which the earnings review is being undertaken, the general economic conditions at the time of the earnings review, or other constraints. Moreover, as the general nature of the term itself suggests, the term "recent history" is not intended to indicate a precise period of time.
- b. Please see Page 2 of this response.

**WITNESS:** Gregory G Pauley



**American Electric Power  
 Operating Companies' Per Books Returns on Equity  
 TWELVE MONTHS ENDED**

<u>COMPANY</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Appalachian Power Company	4.88%	5.93%	5.35%	2.60%	9.42%	8.32%	10.86%	21.85%	17.22%	14.24%
Wheeling Power Company	58.63%	62.55%	60.68%	53.14%	24.78%	8.83%	18.92%	33.92%	15.38%	14.67%
Ohio Power Company	9.64%	10.58%	9.37%	12.44%	11.69%	15.13%	14.20%	27.16%	16.43%	12.29%
Columbus Southern Power Company	16.06%	21.09%	19.18%	22.91%	17.84%	14.54%	15.28%	22.98%	21.22%	21.45%
Indiana Michigan Power Company	7.40%	13.71%	9.12%	10.22%	9.42%	12.91%	12.14%	8.10%	6.96%	8.46%
Kentucky Power Company	8.12%	5.75%	6.14%	8.57%	9.73%	6.25%	8.08%	10.68%	6.79%	8.26%
Kingsport Power Company	29.42%	-7.03%	7.24%	13.80%	10.23%	14.13%	12.93%	19.42%	18.05%	14.60%
AEP Texas Central Company	11.22%	14.69%	17.88%	13.81%	4.96%	-14.56%	14.74%	18.69%	25.42%	13.11%
Public Service Company of Oklahoma	8.83%	9.66%	11.13%	-3.91%	6.46%	10.69%	7.79%	11.93%	9.85%	12.16%
Southwestern Electric Power Company	8.90%	8.29%	8.46%	7.49%	11.23%	9.44%	12.31%	14.57%	12.01%	13.04%
AEP Texas North Company	7.92%	5.69%	10.26%	13.79%	4.77%	10.41%	18.17%	28.55%	-5.87%	4.76%



**KENTUCKY POWER COMPANY**

**REQUEST**

Refer to Pauley Testimony, page 8 at lines 1-16.

- a. If Kentucky Power and KY Transco were no longer under common ownership at some point in the future, explain whether the Project Selection Guideline process would continue to be viable.
- b. Refer to the statement beginning on line 9 and ending on line 12. Explain whether by "consumers within the Commonwealth" the statement means that, in the event Kentucky Power and KY Transco are not under common ownership, the transmission facilities to be constructed and owned by KY Transco would be intended to provide service to Kentucky Power customers, non-Kentucky Power customers, or both.

**RESPONSE**

- a. No, the Project Selection Guideline process would no longer be viable. This process is intended to identify which new transmission facilities are eligible to be funded and owned by KY Transco, assuming Commission approval of this application, versus those that would be funded and owned by KPCo. If KPCo and KY Transco were no longer under common ownership, this selection guideline would not be necessary and KY Transco would only have the opportunity to fund and own new transmission facilities to which it had rights under applicable laws and regulations.
- b. Both. Facilities owned by KY Transco will be intended to provide service to KPCo and non-KPCo customers even if KPCo and Transco are under common ownership.

**WITNESS:** Gregory G Pauley