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COMMISSION

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May 14, 2012

Jeff R. Derouen
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RE: *In the Matter of: Application of Kentucky Power Company for Approval of its 2011 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, and the Grant of a Certificate of Public Convenience and Necessity for the Construction and Acquisition of Related Facilities, Case No. 2011-00401*

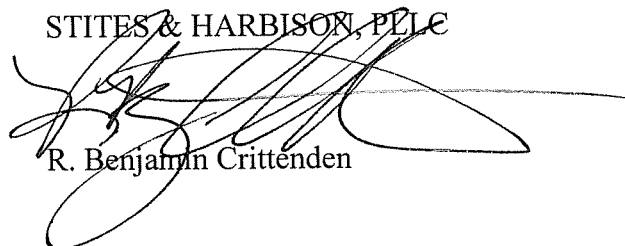
Dear Mr. Derouen

Enclosed for filing, please find the original transcript of the hearing conducted on April 30, 2012 through May 2, 2012 in the above-styled matter. For the reasons set forth in the accompanying petition for confidential treatment, Kentucky Power Company ("Kentucky Power") is filing portions of the transcript under seal. Kentucky Power's contract with the court reporter, McLendon-Kogut Reporting Service, precludes service of the transcript to the other parties to this proceeding.

If you have any questions about this filing, please don't hesitate to contact me at (502) 209-1216 or bcrittenden@stites.com.

Sincerely,

STITES & HARBISON, PLLC



R. Benjamin Crittenden

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

**APPLICATION OF KENTUCKY POWER
COMPANY FOR APPROVAL OF ITS
2011 ENVIRONMENTAL COMPLIANCE
PLAN, FOR APPROVAL OF ITS
AMENDED ENVIRONMENTAL COST
RECOVERY SURCHARGE TARIFF, AND
FOR THE GRANTING OF A
CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY FOR
THE CONSTRUCTION AND
ACQUISITION OF RELATED
FACILITIES**

CASE NO. 2011-00401

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PETITION FOR CONFIDENTIAL TREATMENT

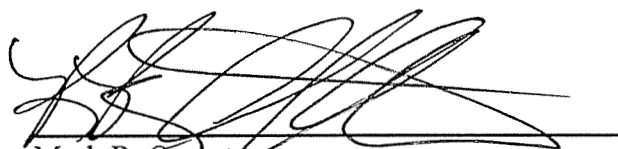
Kentucky Power Company (“Kentucky Power”) moves the Commission pursuant to 807 KAR 5:001, Section 7, for an Order granting confidential treatment for the identified portions of the transcript of the hearing conducted before the Commission on April 30, 2012 through May 2, 2012. Specifically, Kentucky Power seeks confidential treatment of all of the information included on pages 221-246, 258-298 and 683-687. These portions of the transcript contain testimony that was offered to the Commission in confidential session. The information addressed in the testimony is the subject of confidentiality petitions previously filed in this proceeding. These filings include, but are not limited to the petitions filed by Kentucky Power with the Commission on January 27, 2012, February 7, 2012, February 16, 2012, February 20, 2012 and March 28, 2012. Kentucky Power incorporates those petitions for confidential treatment by reference and asks that the Commission afford the information at issue confidential treatment.

Kentucky Power is filing the original transcript with the Commission. The confidential portions of the transcript have been removed and are being filed separately under seal. Kentucky Power's contract with the court reporter, McLendon-Kogut Reporting Service, precludes service of the transcript to the other parties to this proceeding.

Wherefore, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. According confidential status to and withholding from public inspection the identified information; and
2. Granting Kentucky Power all further relief to which it may be entitled.

Respectfully submitted,



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I hereby certify that a copy of the foregoing was served by first class mail, postage prepaid, upon the following parties of record, this 14th day of May, 2012.


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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

APPLICATION OF KENTUCKY POWER COMPANY)
FOR APPROVAL OF ITS 2011 ENVIRONMENTAL)
COMPLIANCE PLAN, FOR APPROVAL OF ITS)
AMENDED ENVIRONMENTAL COST RECOVERY)
SURCHARGE TARIFF, AND FOR THE GRANTING)
OF A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE CONSTRUCTION AND)
ACQUISITION OF RELATED FACILITIES)

ORIGINAL

CASE NO.
2001-00401

VOLUME I

Transcript of hearing before PSC
Commissioners David L. Armstrong, Chairman, and James
W. Gardner, Vice-Chairman, on April 30, 2012, at the
Kentucky Public Service Commission, 211 Sower
Boulevard, Frankfort, Kentucky 40602-0615.

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1 COMMISSIONER ARMSTRONG: Good morning.

2 COUNSEL: Good morning.

3 COMMISSIONER ARMSTRONG: Welcome. My
4 name is Dave Armstrong. I'm chairman of the Public
5 Service Commission, and with me is the vice chairman,
6 Jim Gardner.

7 We're here to consider the case
8 2011-00401, Application of the Kentucky Power Company
9 for Approval of its 2011 Environmental Compliance
10 Plan, for the Approval of its Amended Environmental
11 Cost Recovery Surcharge Tariff, and for the Grant of a
12 Certificate of Public Convenience and Necessarily --
13 Necessity for Construction and Acquisition of Related
14 Facilities.

15 If you have a cell phone, I'd appreciate
16 it if you'd turn it to off.

17 If you need a place to meet for a
18 conversation, go to the receptionist outside and
19 she'll find you a place to sit.

20 And I think we now have the Intervenors
21 as well as the Applicant here.

22 Mr. Overstreet, how are you?

23 MS. OVERTON: Good morning,

24 Mr. Chairman. I'm well.

25 COMMISSIONER ARMSTRONG: I apologize for

1 my voice. I was chosen to cut the grass at my house,
2 and I have a little allergy to hay fever, so I'm
3 paying for it today.

4 MR. OVERSTREET: I understand.

5 COMMISSIONER ARMSTRONG: Would you
6 introduce your cocounsel, please?

7 MR. OVERSTREET: Thank you. I'm Mark
8 Overstreet with the law firm of Stites & Harbison.
9 I'm here on behalf of Kentucky Power Company.
10 Appearing with me today, to my immediate left is Ken
11 Gish, also with Stites & Harbison.

12 MR. GISH: Your Honor.

13 MR. OVERSTREET: He's in our Lexington
14 office. And to Ken's left is Hector Garcia of
15 American Electric Power Service Corporation.
16 Mr. Garcia has been admitted pro hac vice by the
17 Commission.

18 MR. GARCIA: Thank you, Your Honor.

19 COMMISSIONER ARMSTRONG: The
20 Intervenors, KIUC, Mr. Kurtz.

21 MR. KURTZ: Good morning, Mr. Chairman.
22 For KIUC, Mike Kurtz, Kurt Boehm, and Jody Kyler,
23 Boehm, Kurtz & Lowry, 1510 URS Center, Cincinnati,
24 Ohio.

25 COMMISSIONER ARMSTRONG: Welcome.

1 General.

2 MR. HOWARD: On behalf of the Attorney
3 General's office, Dennis Howard, II, Lawrence Cook,
4 and Jennifer Black Hans. You understand our address.
5 I won't repeat that. We don't want too many things in
6 the record.

7 Good morning, Your Honor.

8 COMMISSIONER ARMSTRONG: Welcome. The
9 Sierra Club.

10 MS. HENRY: Kristin Henry on behalf of
11 Sierra Club. I'm here with my colleagues Shannon Fisk
12 and Joe Childers.

13 MR. CHILDERS: Good morning, Your Honor.

14 COMMISSIONER ARMSTRONG: Welcome. Thank
15 you.

16 And representing the Commission is Faith
17 Burns?

18 MS. BURNS: Yes, Your Honor, and my
19 cocounsel is Quang Nguyen.

20 COMMISSIONER ARMSTRONG: Has public
21 notice been received?

22 MS. BURNS: Yes, Your Honor, it has
23 been.

24 COMMISSIONER ARMSTRONG: Are there any
25 outstanding motions?

1 MS. BURNS: Not unless something was
2 filed late Friday afternoon or early this morning, I
3 don't believe, Your Honor, anything that's --

4 MR. OVERSTREET: To my knowledge, none,
5 Your Honor.

6 COMMISSIONER ARMSTRONG: Okay. We have
7 a microphone here, and --

8 MR. CHILDERS: Excuse me.

9 COMMISSIONER ARMSTRONG: Yes, sir.

10 MR. CHILDERS: Just one procedural
11 matter. Would it be an appropriate time to bring that
12 up?

13 COMMISSIONER ARMSTRONG: Sure.

14 MR. CHILDERS: On Thursday for the first
15 time, during a conference call, informal conference
16 call, we were notified that the company intends to
17 call its witnesses out of order or somewhat out of
18 order. They would like to call, I think, five of
19 their witnesses, then have the intervenors call their
20 witnesses, and then call three witnesses at the end of
21 the hearing.

22 I would just note that that's highly
23 unusual. We objected to it during the call, and we
24 just wanted to bring that to your attention. I've
25 been practicing in front of the Commission for 12 to

1 15 years, I've never seen that done before. We
2 still -- we'd like to renew our objection to that,
3 Your Honor.

4 COMMISSIONER ARMSTRONG: Mr. Overstreet.

5 MR. OVERSTREET: It's my understanding
6 from my discussions with Mr. Nguyen this morning that
7 that objection may be moot. I -- it's my
8 understanding that the Commission directed Kentucky
9 Power to put its witness on -- witnesses on together.

10 MR. NGUYEN: That's correct, Your Honor.
11 Staff counsel had advised the parties to this case,
12 the counsel to this case, with respect to the order of
13 witnesses on Friday and had outlined that Kentucky
14 Power would have all of their -- call all of
15 their -- all of their witnesses in one batch, so to
16 speak, instead of breaking up the direct and the
17 rebuttal testimony witnesses. So I believe that issue
18 should be moot.

19 MR. CHILDERS: It's moot. Thank you,
20 Your Honor.

21 COMMISSIONER ARMSTRONG: I understand we
22 have some confidentiality witnesses. I would like the
23 nonconfidential testimony first and then for those who
24 are going to give confidential testimony so we'll be
25 able to clear the courtroom here, and if you want to

1 proceed that way. But if you have resolved those
2 matters, I'm happy with that.

3 MR. OVERSTREET: Surely. I --
4 that -- that procedure is fine with the Company. It
5 probably will be up to the intervenors in what
6 questions they ask, but --

7 MS. BURNS: And, Your Honor, to clarify,
8 are we saying that a witness comes on and the portion
9 we can have in public hearing, we'll do that, and then
10 if there's confidential questions of that witness,
11 then we'll take those confidential questions at the
12 time -- at that time; is that correct?

13 COMMISSIONER ARMSTRONG: In the latter
14 part of the presentation, yes.

15 MS. BURNS: Yes. Yes. So each witness
16 will potentially have an open public hearing portion
17 and a confidential portion, if needed.

18 COMMISSIONER ARMSTRONG: It's better for
19 us, for the vice chairman and myself, to be able to
20 assure that there's confidentiality, and to do that
21 we'd have to clear the courtroom here. So I'd like to
22 do that toward the end so we don't constantly disrupt
23 with every witness.

24 MR. OVERSTREET: Absolutely. I think
25 except for -- for one -- one issue, the

1 confidentiality concerns are very limited in this
2 case.

3 COMMISSIONER ARMSTRONG: Okay. Yes,
4 ma'am.

5 MS. HENRY: The Sierra Club would -- I
6 have a question first. Is it after each witness --
7 after I'm doing my cross-examination, if I have
8 confidential, I have to put it at the end of my cross,
9 or after all intervenors and the Commission have done
10 it, then we have to raise our confidential?

11 COMMISSIONER ARMSTRONG: It's all.

12 MS. HENRY: All. Then I would object to
13 that, because it takes our -- our cross out of
14 sequence. You kind of -- you craft your
15 cross-examination to cover certain issues, and there
16 are certain issues that are interwoven with the public
17 information that do address confidential matters, and
18 then they have to kind of -- they have to be extracted
19 out and addressed later.

20 COMMISSIONER ARMSTRONG: We could be
21 here a week at that -- if that's what you want. I'm
22 not going to allow that.

23 MS. HENRY: Thanks.

24 COMMISSIONER ARMSTRONG: I think this is
25 the most equitable way to do it.

1 Okay. If there are members of the
2 public who wish to be heard at this time, we have a
3 microphone here, and I'll allot up to three to five
4 minutes for anyone who wants to present opinions about
5 this hearing or anything that is relative to the case.

6 Seeing none, let me remind you that the
7 official record is the video that's being taken now,
8 and anyone, at the conclusion of the hearing, that
9 would like a copy of this, we can make a copy within a
10 reasonable amount of time.

11 I notice there is a court reporter here,
12 and you're welcome, and if you can't hear me, just ask
13 that I repeat it.

14 Mr. Overstreet, your first witness.

15 MR. OVERSTREET: Thank you,
16 Mr. Chairman.

17 Kentucky Power calls its first witness,
18 Ranie K. Wohnhas.

19
20 * * *
21
22
23
24
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1 RANIE K. WOHNHAS, called by Kentucky
2 Power Company, having been first duly sworn testified
3 as follows:
4

5 DIRECT EXAMINATION
6

7 By Mr. Overstreet:
8

9 COMMISSIONER ARMSTRONG: Your witness.

10 MR. OVERSTREET: Thank you, Your Honor.

11 Q Mr. Wohnhas, please state your name,
12 position, and business address for the record.

13 A My name is Ranie K. Wohnhas. I am the
14 managing director of regulatory and finance for
15 Kentucky Power Company, 101 Enterprise Drive,
16 Frankfort, Kentucky.

17 Q And, Mr. Wohnhas, have you caused to be
18 filed in the record of this proceeding direct
19 testimony, rebuttal testimony, and responses to data
20 requests?

21 A Yes, I have.

22 Q Do you have any corrections or other
23 modifications to those three items?

24 A No, I do not.

25 Q And if you were asked those questions

1 here today, would your answers be the same?

2 A Yes, they would.

3 MR. OVERSTREET: Your Honor, I believe
4 the witness is available for cross-examination.

5 MR. HOWARD: Mr. Chairman, if I may, the
6 intervenors have grouped up, and from time to time we
7 may decide one intervenor will go first with one
8 witness and vice versa. Obviously we're just
9 trying -- we're not going -- I don't --

10 MR. OVERSTREET: I have no objection. I
11 have no objection.

12

13

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CROSS-EXAMINATION

16

17 By Mr. Howard:

18

19 Q Good morning, sir.

20 A Good morning.

21 Q Are you an officer of Kentucky Power
22 Company?

23 A No, I am not.

24 Q Do you have the authority to commit
25 Kentucky Power to any condition that might arise

1 during this hearing?

2 A Not directly, no.

3 Q When you say "not directly," by what do
4 you mean?

5 A I would have to go back and talk to
6 others within Kentucky Power and AEP. I would not be
7 able to just agree to something here on the stand.

8 Q And the -- the total value of the ECR
9 and the various components involved in this case
10 approximates or perhaps even exceeds a billion
11 dollars, correct?

12 A That is correct.

13 Q If you would reference your testimony in
14 the application pages 8 through 10, please. And
15 please tell me when you're there.

16 A I'm there.

17 Q If you'll look at approximately, I
18 believe, line 18, where it says "Market prices at \$75
19 per ton," comma. Do you see that?

20 A Yes, sir.

21 Q Will you read the remaining part of that
22 sentence?

23 A Coal sales --

24 Q You can read the entire sentence if
25 you're inclined.

1 A (Reading) With market prices at \$70 per
2 ton, coal sales to Big Sandy plant inject
3 approximately \$165,000,000 per year into the local
4 economy, which would be eliminated, along with the
5 indirect impact on mining and transportation, and then
6 in parens, 500 jobs, 8,000,000 in severance taxes, and
7 25,000,000 in wages per year, end paren, of the gas
8 options.

9 Q And perhaps I misheard, but I think that
10 you meant to say, at line 18, that's market prices at
11 \$75 per ton? I think I heard you say \$70 per ton.

12 A Oh, no. Well, I meant to say 75 if I --

13 Q Thank you.

14 Do you state that the socioeconomic
15 factors alone were not the reason for choosing the
16 retrofit of Big Sandy? And now you might want to
17 reference page 9. I'll help you out.

18 A That is correct.

19 Q And what is it that you say at the
20 last -- actually it's line 2. What is your full
21 sentence there?

22 A (Reading) But the socioeconomic effects
23 informed and reinforced that decision.

24 Q Is the Company prepared today to
25 guarantee that the retrofit will not affect those

1 socioeconomic benefits to the community?

2 A Could you repeat the question? I'm not
3 sure I understand the question, sir.

4 Q Certainly. Is the Company prepared
5 today to guarantee that the retrofit will not affect
6 those socioeconomic benefits to the community? And
7 those are the socioeconomic benefits that you just
8 referenced in the prior page.

9 A If the application were approved as
10 filed, what I have read to you in our opinion would
11 not have those effects on the community; that is
12 correct.

13 Q So it's of your opinion that those coal
14 sales and -- and the number of jobs, the amount in
15 severance taxes, and the dollars in wages per year
16 would -- would continue if the retrofit were to occur?

17 A That is correct.

18 Q Can you commit to that?

19 A What do you mean by "commit to that"?

20 Q Can the Company commit that those
21 socioeconomic benefits that you say exist today will
22 continue in the future?

23 A Well, we would continue to pay property
24 taxes, we would continue to purchase coal, the jobs
25 for the coal mines would still be there, so all of

1 that would stay in place, the best that we know at
2 this point in time.

3 Q But you cannot commit?

4 A I am not sure what "commit" means, but
5 I -- I mean, all I can do is -- is still have the coal
6 plant there, and for the -- how the coal operators,
7 how the -- everyone uses the -- you know, to serve
8 that coal plant, I cannot, because they don't report
9 to us.

10 Q And, Mr. Overstreet, if you'll allow me
11 the liberty, because I don't want to beat a dead
12 horse, but the question I have for the witness: If
13 the retrofit is to occur, or were to occur, is there a
14 guarantee that those current jobs, the severance
15 taxes, and the wages would continue?

16 A There -- there's no guarantee in life,
17 so, I mean, I can't guarantee that the number of jobs
18 at Big Sandy would continue at the level. I can't
19 guarantee the number of jobs that are out there in the
20 coal mines. You know, the market changes, things
21 change, so I cannot guarantee that.

22 Q Is the Company prepared to commit to
23 purchase the same current amount of coal from the
24 local industry going forward as it is today?

25 A No. I think we would continue to, as we

1 have stated in many fuel cases, go out there and try
2 to purchase coal at the most economical prices, and
3 where that is -- you know, if it comes from within
4 Kentucky, we'll continue to do that; if it were to
5 come outside of Kentucky, we would continue to do
6 that, to try to provide the most economical prices to
7 the ratepayers.

8 Q If you'll go to page 10, please, at line
9 7. Would you read the last sentence in that
10 paragraph, which states -- or starts with "More
11 specifically," comma.

12 A (Reading) More specifically, the
13 proposed facilities will allow the plant to both --
14 I'm sorry. The plant both to continue to consume coal
15 from the CAPP region and will expand its fuel options
16 to include other potentially lower-cost coals.

17 Q Now, since it's your testimony, I would
18 like you to explain to me, at lines 8 and 9, when you
19 state "and will expand its fuel options."

20 A As part of the scrubber being built,
21 there -- the -- there will be some boiler
22 modifications that will allow high-sulfur coal to be
23 brought into the mix and combined with the low-sulfur
24 coal. A blending, would be the best way to describe
25 it, of those coals could be used in -- in the

1 generation of electricity there at Big Sandy Unit 2.
2 Those high-sulfur coals would come from two regions.
3 One is the Illinois basin, and the other is the -- the
4 NAC, the Northern Appalachian area.

5 Q So when I'm reading your testimony, when
6 it says to consume -- "to consume coal from the CAPP
7 region and will expand its fuel options to include
8 other potentially lower cost options," that means to
9 purchase coal outside of the CAPP region, does it not?

10 A Yes, it does.

11 Q If you'll bear with me for just a
12 moment, sir, please.

13 A No problem.

14 Q How long did it take the Company to
15 prepare its ECR application?

16 MR. OVERSTREET: I'm sorry, I didn't
17 understand your question, Mr. Howard.

18 Q How long did it take the Company to
19 prepare its ECR application, that which is before us
20 today? I can --

21 A The actual -- I mean, to put the actual
22 application together and file -- filing it took
23 approximately three months.

24 Q And prior to filing a notice of intent
25 to file this case at the PSC, the Company, again, had

1 prepared its application, like I said, and that
2 takes -- and like you said, it took three months.
3 When was the notice of intent filed, the original
4 notice of intent?

5 A I don't -- the original intent was
6 filed -- and I'm not going to know the exact. I'm
7 going to give you an approximation. Somewhere -- I
8 believe the original notice of intent was somewhere
9 around the first of September, subject to check. I --
10 we did file, if I believe correct, two different
11 requests to ex -- to extend the time period.

12 Q Do you know when the Company filed its
13 application with this Commission?

14 A On December the 5th, 2011.

15 MR. HOWARD: If you could hand these out
16 for me. Hand one to Mr. Overstreet first.

17 Q Mr. Wohnhas -- and did I pronounce your
18 name correctly?

19 A You did great.

20 Q Thank you.

21 A I've been called much worse.

22 Q I am handing out -- or rather Mr. Cook
23 is handing out, he's presenting to counsel first, a
24 copy of the Company's supplemental response to AG
25 1-26.

1 Now, Mr. Overstreet advised counsel
2 that -- you'll see the date on it. It is dated is
3 March -- March 9th, and it was a supplemental response
4 to both KIUC 1-41 as well as AG 1-26, and all I have
5 done in this current handout is put in the response to
6 the Company's supplemental to AG 1-26.

7 Do you need a minute to confirm that?

8 MR. OVERSTREET: So -- Mr. Howard, so I
9 understand, what you're saying is that this is my
10 notice of filing along with the attached response?

11 MR. HOWARD: That's correct.

12 MR. OVERSTREET: Okay.

13 MR. HOWARD: And it was both to KIUC
14 1-41 and AG 1-26. All I have done is taken your cover
15 letter and attached your response to AG 1-26 and did
16 not attach KIUC's 1-41.

17 MR. OVERSTREET: All right.

18 Q Mr. Wohnhas, I want to ask you a
19 question, and, of course, I would suggest or actually
20 ask you and any other parties in the room today that
21 if you do not know the answer, that I would ask that
22 you provide me the name of the person who would know
23 that answer.

24 Having stated that, if you will go to
25 what is designated as page 2 of the response, and this

1 response, if I'm correct, is entitled Moody's
2 Investors Service, is it not?

3 A Yes, that's what it states on page 1.

4 Q And is that -- thank you, sir. And what
5 is the date of that?

6 A It says the global credit research is
7 the 7th of February 2012.

8 Q Thank you. Now, if you go to page 2 of
9 7, as it's entitled at the top of the right-hand page,
10 what is the first -- it's not a complete sentence, but
11 what does the first fragment state?

12 A At the top of the page?

13 Q That's correct, sir, yes.

14 A (Reading) Planned environmental
15 expenditures enormous relative to the company's size.

16 Q Now, if I'll ask you to read what would
17 be on the top, the third fragment, beginning with
18 "Maintenance."

19 A (Reading) Maintenance of current ratings
20 will depend on capital injections from the parent.

21 Q Will KPCO, will its parent be injecting
22 capital into Kentucky Power Company? And if so, how
23 much and identify the source of those funds.

24 A To the best of my knowledge, at this
25 point in time, we are -- are not planning for the

1 Service Corporation to inject any capital into
2 Kentucky Power Company.

3 Q So that capital infusion will be the
4 result of the ratepayers, correct, over time?

5 A I'm not sure I understand your question,
6 sir.

7 Q If there's not going to be a capital
8 infusion by the Company, who else will be borne --
9 upon whose backs will those costs be borne?

10 A Well, the current structure of our
11 capitalization, all right, the -- the ratepayers, as
12 they pay for the service they are receiving, will
13 continue to be used to -- in the terms of equity,
14 long-term debt, and short-term debt. So they will
15 continue to pay for the service, and so it will
16 continue that way.

17 Q Thank you, sir. If you'll go to the
18 middle of page, then, if you would, there is a
19 paragraph entitled Summary Rating Rationale. If you
20 would be kind enough to read that complete paragraph.
21 It's only about two or three sentences long.

22 A (Reading) Kentucky Power Company -- it
23 says KPO's Baa to senior unsecured rating primarily
24 reflects the reasonably constructive relationship with
25 the KPSC, financial metrics that have improved to a

1 level that is consistent with the rating, and the
2 Company's position as a member of the AEP family
3 balanced against an enormous planned capital
4 expenditure program that could stress financial --
5 that could stress financial metrics and need for
6 capital injections during the construction period and
7 the impact of an expected near doubling of rate base
8 on retail rates.

9 Q And those last words, again, were "near
10 doubling of rate base on retail rates," correct?

11 A That's what they stated, yes.

12 Q Under the Company's as-filed proposal,
13 by how much will base rates increase, both in dollars
14 and percentage of needed revenue increment?

15 A I believe the adjusted percent of
16 increase supported by Witness Munsey was 29 plus
17 percent. I don't remember the exact numbers. That
18 would -- and the total revenue requirement would be
19 roughly \$167,000,000.

20 Q Now, I want to make sure that we're
21 comparing apples to apples here. Is that for the ECR
22 or is that for just general rates?

23 A That is for -- that would be flowing
24 through, at this point in time, the ECR.

25 Q And yet you were saying roughly

1 29 percent?

2 A Yes, sir.

3 Q Under the -- under the Company's
4 proposal, would Kentucky Power Company remain energy
5 long?

6 A Under the proposal to scrub Big Sandy
7 Unit 2?

8 Q Under your proposal that you have before
9 the Commission, yes.

10 A As these -- as the -- as everything
11 is -- is today, excuse me, yes, we would still be
12 energy long, capacity short.

13 Q That being the case, is it not true that
14 other AEP operating companies would be first in line
15 to purchase Kentucky Power's excess generation, and it
16 would not be at below market prices?

17 A The use of the pool agreement that's
18 currently in effect would continue as it is today, and
19 so, you know, as there is need for energy from sister
20 companies, they would continue to get energy, if there
21 was excess, from Big Sandy, and it was a need for one
22 of the pool members, it would continue to go through
23 them as it is today.

24 Q That mechanism provides that it is
25 currently below market price; is that correct?

1 A I believe that's correct, yes.

2 Q In light of that -- in light of that, is
3 it not true that Kentucky Power's ratepayers living in
4 the most economically deprived counties in the
5 Commonwealth would be subsidizing the costs of AEP
6 customers in other states?

7 A No, sir. You know, the pool runs both
8 ways, and the customers of Kentucky Power have for
9 years benefitted from the pool of when there's a need
10 for capacity and energy within Kentucky Power and we
11 were short, that those costs came from sister
12 companies. So there is -- I do not believe there
13 is -- subsidization is an improper characterization.

14 Q If I could step back for just a moment.
15 Is it true that the cost for the ECR compliance is
16 going to jeopardize or could potentially jeopardize
17 the Company's credit metrics?

18 A I do not believe so, no.

19 Q Are there any assumptions based on your
20 answer?

21 A I'm not sure, when you say "Are there
22 any" --

23 Q When you --

24 A -- "assumptions" --

25 Q I'm sorry to cut you off. When you say

1 you do not believe so, is part of that answer based on
2 the belief that there will be a near doubling of rate
3 base on rental [sic] rates in the future?

4 A No. The -- in looking at -- now I have
5 forgotten your question. I'm sorry.

6 Q Again, we're wanting to know whether the
7 financial metrics will be jeopardized on a
8 going-forward basis.

9 A And I -- and the -- you know, as you
10 look at what you just presented to me, and if -- in
11 reading through that, I think you'll see that in this
12 case, which is Moody's -- I had forgotten who it
13 was -- that even though there's large amounts of
14 capital investment and such, that they state that
15 the -- the ratings are going to stay at where
16 they're -- you know, relatively where they are at the
17 best they know at this point in time.

18 So -- and that was our determination
19 when we initially planned and looked at capital
20 structure, infusion and such, is that, you know, the
21 Company could make this investment and not have an
22 impact on the credit ratings of the Company.

23 Q Okay. But if I -- if we can circle back
24 around to page 2 of 7. At the summary rating
25 rationale in the middle of page --

1 A Uh-huh.

2 Q -- does it not state that (Reading)
3 Balanced against an enormous planned capital
4 expenditure program that could stress financial
5 metrics, a need for capital injections during the
6 construction period and the impact of an expected near
7 doubling of rate base on retail rates?

8 A Yeah. I think the key words in there is
9 that it could. If you read up before that, though,
10 (Reading) rates primarily reflects the reasonably
11 constructive relationship with the PSC. Financial
12 metrics have been improved to a level that is
13 consistent with the rating. And balancing all of
14 that, you know, I think what you're reading there is
15 that the ratings -- though anything could happen, that
16 it's reasonable that they will stay where they're at.

17 Q You have indicated that while you're not
18 an officer, and I understand that, are you required to
19 oversee operations in order to make sure that the
20 ratepayers receive safe, adequate, and reliable
21 service at fair, just, and reasonable rates?

22 A Yes. As my -- as part of my title, that
23 would be a fair characterization.

24 Q And you're aware that there were four
25 public comment hearings made or conducted in this case

1 several weeks in the -- I guess it was back the first
2 week of April?

3 A Yes, and I attended all four of them.

4 Q Generally, what did those ratepayers --
5 when they had their opportunity for comment, what did
6 they inform the Company and those that were in
7 attendance?

8 A I think their --

9 MR. OVERSTREET: Your Honor -- excuse
10 me. Object. I understand this is an administrative
11 proceeding, but he's asking for hearsay, and to the
12 extent those matters were stated publicly, they
13 weren't stated under oath, and I don't necessarily
14 think that we need -- it's appropriate to have
15 Mr. Wohnhas's sworn testimony somehow place them under
16 oath.

17 COMMISSIONER ARMSTRONG: Mr. Overstreet,
18 he was there at all four, he -- his own testimony just
19 a moment ago. Let's let him answer that.

20 MR. OVERSTREET: Sure.

21 A In general, there was really probably
22 two thoughts that came across in all four of the
23 sessions. One was, predominantly there was a support
24 for scrubbing, the option that we chose of Big Sandy
25 Unit 2, but then there was concern over the -- the

1 rate impact of -- that would be the 29 percent that
2 was going to be added to their bill come in 2016.
3 There was concern on how those, in general, would be
4 able to absorb such an increase.

5 And probably the other thing that came
6 out was, you know, that -- understanding that it's an
7 EPA-based reason for it, everywhere we're going there
8 was questions about was there ways that we could
9 possibly phase in this increase.

10 In general, that's -- I would say that's
11 what I recall hearing.

12 Q Did any of those individuals tell you
13 that they were already having trouble affording paying
14 their bills?

15 A They didn't tell me, but they told
16 the -- as a public statement, that, yes, that they
17 were having trouble currently.

18 Q Are you aware of the fact that the
19 company just a few years ago received an increase in
20 base rates?

21 A Yes, I am.

22 Q Do you know what the average was of --
23 on that increase?

24 A The overall increase was approximately
25 17 percent.

1 Q And I was ---

2 A I'm sorry. I'm sorry. That --

3 Q I'm sorry. Go ahead.

4 A The over -- the residential, the overall
5 was something -- the residential was at the roughly
6 17 percent. The overall was a little less than that.
7 I don't recall the exact amount.

8 Q Thank you, sir. We referenced the
9 notice to customers earlier, and -- and I didn't want
10 to try to taint your answer, but do you have the
11 application in front of you, or can counsel provide
12 that?

13 A Yes, I do.

14 Q Okay. If we turn to Exhibit 5 of the
15 application, would that be the notice to customers?

16 A Yes, sir.

17 Q Would you please turn to page 2 of that,
18 of that notice, which is page 6 of 8 of the tab -- of
19 the exhibit, I believe.

20 A Oh, okay. Yes.

21 Q Do you see the -- the first and second
22 line of that, of that page?

23 A Yes, I do.

24 Q Which indicates, and correct me if I'm
25 wrong, that the approximate increase of 31.41 percent

1 in 2016? Do you see that?

2 A Yes, sir.

3 Q And that references the ECR increase,
4 does it not?

5 A That is correct.

6 Q So if we add 31 and 17, we come up with
7 approximately 48 percent, correct?

8 A Mathematically, yes.

9 Q So these individuals that were appearing
10 before the Public Service Commission the first week of
11 April were commenting about what would be in a -- in
12 essentially a few years, a 48 percent increase on
13 their electric bills, correct?

14 A That would be correct.

15 Q Since this notice went out that we just
16 referenced in Exhibit 5, has there been an amended
17 notice sent to the ratepayers?

18 A There was no amended notice.

19 MR. HOWARD: If you would be kind enough
20 to hand those out, first to Mr. Overstreet, I'd
21 appreciate it.

22 COMMISSIONER ARMSTRONG: General, did
23 you want to admit this?

24 MR. HOWARD: Yes. Thank you,
25 Mr. Chairman. I would like to admit that into the

1 record.

2 COMMISSIONER ARMSTRONG: As Attorney
3 General Exhibit 1?

4 MR. HOWARD: Yes, please. Thank you for
5 reminding me.

6 COMMISSIONER ARMSTRONG: Without
7 objection, so ordered.

8 (Attorney General Exhibit 1 admitted.)

9 Q Mr. Wohnhas, I'm going to allow Mr. Cook
10 to hand out copies to everyone so we'll be on the same
11 page.

12 What I have handed out is a notice of
13 filing of supplemental response to identify data
14 requests in this case dated 22 February 2012.

15 Do you see that, sir?

16 A Yes, I do.

17 Q Now, if you'll turn to page 2 of 2,
18 please. Okay. Now, I want you to set that aside for
19 a moment and then also look at Exhibit 5 from the
20 application. In the application, in that notice, that
21 notice was based on 1,000 kilowatt hours usage,
22 correct?

23 A Yes, it was.

24 Q And that showed a cost increase of how
25 much, on average, based on 1,000 kilowatt hours?

1 A \$30.76 in 2016.

2 MR. HOWARD: I'm sorry, Mr. Overstreet,
3 were you --

4 MR. OVERSTREET: I was just going to ask
5 for which period of time you were asking, but
6 Mr. Wohnhas answered.

7 MR. HOWARD: Okay. Thank you.

8 Q Now, going back to the document that
9 Mr. Cook handed out, which was the supplemental
10 response, page 2 of 2, the Attorney General asked you
11 to run the actual average consumption, did he not?

12 A It doesn't state there, but I do
13 believe, and if we could look at C, that that was
14 correct that we did do that on the actual average
15 versus a thousand, yes.

16 Q Okay. And so if we're looking at, for
17 example, the year 2016, based on the numbers, again,
18 based on the actual average consumption, that number
19 is \$38.02, correct?

20 A That is correct, sir.

21 Q So based on the actual average, the
22 Company anticipates that the increase will be closer
23 to \$38.02 versus \$30.76 as it was listed in the notice
24 that was sent to the customers, correct?

25 A Well, I think the key point here is that

1 it's a reduction from 30 point -- 31.41 percent to
2 28.61 percent. I mean, do you -- if you --
3 mathematically there's a difference between 38.02 and
4 30.76, but it's because of the difference of using
5 1,000 kilowatt hours versus roughly 1,400 and some.
6 I'm not exactly sure what our average was. But the
7 percentage went down.

8 Q The -- the percentage on the cost for
9 the ECR compliance or the percentage based on the
10 customers' usage and thus his or her bill?

11 A The percentage based on the ECR went
12 from -- our corrections made it -- took it from
13 31.41 percent down to 28.61 percent.

14 Q And here you'll have to help me with my
15 math because I'm sure you're better than I am. If we
16 look at page 2 of 2, because here we are using a
17 ramp-up to achieve that final ECR cost in 2016, are we
18 not? We're using AFUDC.

19 A Right. But, yes, it is what would go
20 into effect in 2016.

21 Q But would the amount not equate to
22 31.41 percent in 2016, or are you suggesting that the
23 full cost would be 28.61?

24 A 28.61.

25 Q 28.61. Thank you, sir, for the

1 clarification. Are you familiar with the Company's
2 response to PSC Staff 1-20?

3 A The Commission's 1-20?

4 Q Yes.

5 A I can get it. I don't have it in my --

6 Q And you'll excuse me, I don't have a
7 copy of that, an extra copy.

8 A If you'll give me a second, we will get
9 a copy.

10 I now have a copy of 1-20.

11 MR. OVERSTREET: Mr. Howard, can you
12 give me a moment to dig out my copy?

13 MR. HOWARD: I'll be glad to.

14 MR. OVERSTREET: Thank you, sir.

15 MR. HOWARD: And I apologize for not
16 having extra ones.

17 MR. OVERSTREET: Apparently it's
18 maintaining a prominent presence on my desk, so you
19 can proceed.

20 MR. HOWARD: I've had that happen before
21 myself.

22 Q So you now have the Company's response
23 to status, first data request one, item number 20,
24 correct?

25 A Yes, sir.

1 Q If we go to page 1 of 3, which is the
2 attachment.

3 A Yes, sir.

4 Q What number is listed there, please?

5 A There's a lot of numbers.

6 Q The last bottom. I'm sorry. I should
7 have been more specific.

8 A Okay.

9 Q The line, what is designated as 17,
10 percentage change.

11 A 28.62 percent.

12 Q If you'll go to page 2 of 3, then, sir,
13 line 19, percentage change, what is that number?

14 A .77 percent.

15 Q Now, this 28.62 that's referenced in
16 this Commission status first data -- first set of data
17 requests is an actual correction to the ECR amount
18 that the Company is requesting to be recovered in this
19 case, is it not?

20 A It was a correction to the original as
21 filed, yes.

22 Q And so now the total, if we also look at
23 the .77, which is the new environmental cost
24 associated with allowance -- or allowance inventory,
25 if we take the 28.62 and add .77, so the new number is

1 now what? 29.39?

2 A Well, if you go to page 3 of 3 of that
3 same response, on lines 5, 6, and 7, you'll see there
4 is another component which is related to the, in this
5 request, dollars coming of projects that we get
6 through the pool. You'll see that they add up to
7 29.49.

8 Q Thank you, sir.

9 MR. HOWARD: If you'll excuse my delay,
10 Mr. Chairman, but we're kind of squished together here
11 a little bit, so it's a little difficult to maneuver.

12 COMMISSIONER ARMSTRONG: I'm sure
13 they'll make room for you there.

14 MR. HOWARD: We'll get there, I promise.

15 Q For the moment, though, without that
16 correction for the additional 10 or .10, if we look at
17 29.39 -- when we added the 28.62 and .77, that was
18 29.39 percent?

19 A That -- mathematically that's correct.

20 Q Okay. And I'm trying to arrive at what
21 is going to be the ultimate figure or the ultimate
22 cost by the residential ratepayer is where I'm going.
23 I'll just tell you that right up front.

24 So if we take -- if we go back to the
25 supplemental response to the AG's 1-11 and we look at

1 year 2015, do you see that?

2 A Yes, sir.

3 Q And we multiply that by 29.39, what
4 number -- at what number do we arrive?

5 A I'm sorry, sir, you've lost me.

6 Q We're trying to figure out as of year
7 2016, based on the average usage of a residential
8 customer, what will be the finan -- financial impact.
9 So if we look at 2015, that year, we look at the
10 residential bill, the actual average of 134.03, and we
11 multiply that by the increase based on the ECR, and we
12 were using the 29.39 instead of the 29.49, which is a
13 higher amount, because you -- you added another factor
14 in, but if we took the 29.39 and multiply that by
15 134.03, what would that amount be?

16 MR. OVERSTREET: That's not --

17 A I think the best way to look at this is
18 to -- just give me a second, if you would.

19 Q I can rephrase.

20 A Well, I guess what I was going to do was
21 add \$1.16, one penny, and 38.02, and that's how much,
22 at the end of '16, that a residential customer would
23 be paying for everything being requested in this ECR
24 filing.

25 Q Well, would you agree that I can take

1 the 2015 bill of 134.03 --

2 A All right.

3 Q -- and multiply that by 29.39 percent?

4 A I mean, you could, but, I mean, I guess
5 I'm asking why would you do that in 2015?

6 Q Well, I'm looking at it to get to the
7 number for 2016. I'm taking the base year of 2015
8 before the full phase-in, which occurs in 2016. We
9 previously debated the 28.61 versus the 28.62. You've
10 agreed the 28.62 is the right number, correct?

11 A All right.

12 Q Okay. And the 28.62 plus the .77 is
13 29.39, correct?

14 A Correct. So if you multiply that times
15 1 -- 134.03, you'd get some number, yes.

16 Q Okay. And do you know what that number
17 would be?

18 A I can't use that calculator, I gotta use
19 my own.

20 Q Subject to check, would you accept
21 \$472.68?

22 A Well, if you'll give me a second, I'll
23 check it.

24 Q Thank you.

25 A And what was the percentage we were

1 saying? Twenty-nine?

2 Q 29.39. And actually my math I have to
3 do here too.

4 A It would give an increase of 39.39.

5 Q Per month, correct?

6 A Per month, yes.

7 Q Okay. And then if we multiply that by
8 12.

9 A 472.70, rounded.

10 Q So \$472.70 on an annual basis would be
11 the increase for the average residential bill?

12 A Be very close to that, yes.

13 Q Are you a -- are you familiar with
14 Mr. Kollen's testimony in this case?

15 A I have read his testimony.

16 Q Are you aware of the fact that he
17 believes that there will be the need for a base rate
18 case in the near term?

19 A That's his opinion.

20 Q Well, we can go back to what the
21 previous Moody's investor said if you're inclined.
22 Did Moody's -- did Moody's not also indicate that you
23 would have to seek a rate increase?

24 MR. OVERSTREET: Could you point him to
25 the --

1 MR. HOWARD: And I'm pointing back to
2 what was -- Mr. Chairman, I think it's AG 1. It's the
3 notice of filing of supplemental response to identify
4 data requests dated March 9th, the summary --

5 MR. OVERSTREET: Could you point him to
6 the portion of that --

7 MR. HOWARD: Which says summary rating
8 rationale, which is page 2 of 7. Are you following
9 me, Mr. Overstreet?

10 MR. OVERSTREET: I have it, yeah.

11 MR. HOWARD: Okay.

12 Q Does Moody's not believe that you'll
13 have to ask for a near doubling of rate base on retail
14 rates?

15 A Again, that's what they state.

16 Q Well, what is your opinion? Do you
17 believe that you'll have to come in for a rate case to
18 recover some of these costs associated with the ECR
19 compliance?

20 A No. The ECR -- I mean, that's why we're
21 running it through the ECR. So I'm not -- I don't
22 have -- without need of base rates for another
23 purpose, I would not come in for a base rate case just
24 for the -- what we're asking for, because we're asking
25 it to be flowed through the ECR.

1 Q But if we accept Mr. Kollen's testimony,
2 he indicates that the Company would be required to
3 request an increase of approximately 5.84 percent,
4 does he not?

5 MR. OVERSTREET: Would you direct him --

6 A I would have to --

7 MR. OVERSTREET: -- to that portion --

8 A I'd have to see his -- I mean, I don't
9 remember that number. I'd have to look at his
10 testimony.

11 Q If you'll give me a moment, I'll give
12 you a reference here to it. Page 9, Kollen direct.

13 A All right. I'm on page 9 of
14 Mr. Kollen's direct testimony.

15 Q And do you see at the top where he
16 references the need for an increase in base rates?

17 A I see the first Q and A, yes.

18 Q And the percentage that he indicates --
19 indicates is what?

20 A He indicates that we'd have a retail
21 customer of 35.23 percent.

22 Q And if we take that 35.2 and we subtract
23 the 5.8 -- or we -- actually we add on -- if we take
24 the 29.39 and we add on 5.84, we get to 35.2, correct?

25 A That is correct.

1 Q Okay. What does he indicate would be
2 the dollar impact?

3 A I don't know.

4 Q Unfortunately, Mr. Wohnhas, I have
5 misplaced that particular cite, so I won't provide
6 that to you. But, again, if we go back, just looking
7 at the corrected, and we'll set aside any need for a
8 base rate case, if we look at the average impact on a
9 residential bill as adjusted by the Company, what was
10 that amount again?

11 A We have 29.49 percent.

12 Q And then we multiply that times one
13 point -- or rather \$134.03?

14 A Yes, sir.

15 Q Which is \$39.39 per month?

16 A Yes.

17 Q Which on an annual basis is --

18 A The four whatever, 470.

19 Q 472.70 is what you rounded it. Are you
20 familiar with the demographics of your customer base,
21 especially their financial status?

22 A I'm familiar with what -- probably the
23 latest thing that I saw was that our 20 counties all
24 are in a very depressed economic state compared to the
25 rest of the state. I do not know customer specific.

1 COMMISSIONER ARMSTRONG: Mr. Howard,
2 General Howard, do you want to admit this
3 supplemental --

4 MR. HOWARD: I would, yes, and thank you
5 for staying on top of those.

6 COMMISSIONER ARMSTRONG: Let's try and
7 stay on track with these.

8 MR. HOWARD: Yes, I'll do so.

9 COMMISSIONER ARMSTRONG: This is AG
10 Exhibit Number 2.

11 MR. HOWARD: Yes.

12 COMMISSIONER ARMSTRONG: Without
13 objection, so ordered.

14 (ATorney General Exhibit 2 admitted.)

15 MR. OVERSTREET: What is the source of
16 this?

17 MR. HOWARD: This is the Kentucky State
18 Data Center compiled by the University of Louisville.
19 I just wanted to show it to you now. I want to move
20 it for admission, but I wanted to let you see it
21 before I handed it to the witness.

22 MR. OVERSTREET: All right.

23 MR. HOWARD: Do you need a copy of this?

24 THE REPORTER: Sure. Thank you.

25 MR. OVERSTREET: Mr. Howard.

1 THE WITNESS: Mr. Howard.

2 MR. HOWARD: Yes.

3 MS. KATHY GILLUM: You forgot the
4 record.

5 MR. HOWARD: By golly, I sure did.
6 That's what happens when you try to get up and ask
7 questions at the same time. We're in multi-task mode,
8 doggone it.

9 Q Mr. Wohnhas, I've handed to you a map
10 which is from the Kentucky State Data Center. Have
11 you ever seen that before?

12 A Yes, I have.

13 Q Do you believe it to be accurate?

14 A I don't have any firsthand knowledge,
15 but I trust that the data there was -- was verified,
16 and so I take it on its value from the -- strictly
17 face value.

18 Q Does that map indicate that the 20
19 counties in which you serve are well below the
20 national poverty line?

21 A Yes.

22 Q Would you accept, subject to check, it's
23 not a weighted average, but just a weighted average,
24 that those counties, on average, are at 28 percent
25 poverty?

1 A Subject to check, I would accept that.

2 Q In your opinion and in light of your --
3 and in light of the impoverishment -- impoverishment
4 of your ratepayers, do you agree that the Company's
5 request will have a potentially major impact on many
6 of the ratepayers?

7 A What we've requested in this application
8 will have an impact on all ratepayers, but as a, you
9 know, company doing business in the -- in the
10 Commonwealth of Kentucky, and we as a company have the
11 obligation to serve our customers reliable, and part
12 of that is meeting the EPA standards, and then also,
13 in order to do that, part of our responsibility, and I
14 feel my responsibility, is to provide a return to the
15 investors to have to incur this cost.

16 So realizing that, yes, it is an impact,
17 it's also a fiduciary responsibility of mine to make
18 sure that we provide the return to the investors that
19 they so desire.

20 Q And you did testify a few moments ago,
21 did you not, that in the past few years, if this
22 application is approved, that the ratepayers will
23 receive an increase within that time period of
24 approximately 48 percent on their electric bills, on
25 average, for the residential client?

1 A Going back to 2009, that would be
2 correct, not from -- not just on this. You were
3 adding for the 47 percent, if you recall --

4 Q That's correct.

5 A -- 2009 rate case on top of this. If
6 you add those two together, that would be true.

7 Q You're -- you're -- thank you. Has the
8 Company done an economic feasibility test to determine
9 whether the resulting rates would significantly reduce
10 demand for utility services so as to -- so as to
11 negate or significantly reduce the need for the
12 proposed facilities?

13 MR. OVERSTREET: I'm not sure what you
14 mean by "economic feasibility test," Mr. Howard.
15 That's not --

16 MR. HOWARD: Mr. Overstreet, what I'm
17 doing here is I'm referring to the legal standard that
18 the Public Service Commission has applied when it has
19 looked at certificate cases, especially in a very
20 heated case involving the Kentucky-American pipeline
21 case, and in that case -- and I'll hand it to you
22 without testifying to let you see what I'm referencing
23 when I talk about economic feasibility.

24 Now -- yeah, Mr. Chairman, what I'm
25 referring to is in the matter of the application of

1 Kentucky-American Water Company for a certificate of
2 public convenience and necessity authorizing the
3 construction of Kentucky River Station 2, associated
4 pipe -- associated facilities, and transmission main.
5 This was case number 2007-00134.

6 For your reference I have included,
7 Mr. Overstreet, the index, at least certain -- well,
8 actually the full index. The legal standard is listed
9 as at page 28. And at page 28 -- actually, we'll even
10 go to page 27.

11 MR. OVERSTREET: I don't have 27, I'm
12 sorry, Mr. Howard.

13 MR. HOWARD: I'm sorry. Twenty-eight.
14 You'll excuse me, Mr. Overstreet. But do you see a
15 page 28?

16 MR. OVERSTREET: I do. I'm sorry. Go
17 ahead.

18 MR. HOWARD: Okay. At that particular
19 page -- actually, we'll refer to page 29. When this
20 Commission is discussing need, in the middle of the
21 page, the adequacy -- actually, I'm sorry, need
22 requires a showing of a substantial inadequacy of
23 existing service involving a consumer market
24 sufficiently large to make it economically feasible
25 for the new system or facility to be constructed and

1 operated.

2 So in that particular case, which was a
3 certificate case, the Commission did, in fact, apply
4 that legal standard on economic feasibility, and there
5 was later discussion had at page 36 on that issue.

6 MR. OVERSTREET: Yeah. Your Honor, I'm
7 going to object to this line of questioning. This has
8 to do with a proposal to construct a water pipeline.
9 There was no requirement under the law, as in the case
10 of these federal environmental standards, that it --
11 that it be done, and I would suggest that the economic
12 feasibility standard has no bearing on this particular
13 question when there's a legal requirement that this be
14 done.

15 MR. HOWARD: The legal standard is in
16 the statute, Mr. Chairman, and I'm simply quoting the
17 legal standard as applied by the Commission. Now,
18 granted, the EPA has certain regulations that have
19 come into play, but likewise the Commission has
20 clearly articulated the standard that must be met.
21 And, in fact, goes on when they discuss the legal
22 standard, and I was asking a question directly from
23 the Commission's order.

24 MR. OVERSTREET: The statute refers to
25 need, Mr. Chairman, and the Commission in the context

1 of this particular case citing KU -- the KU case from
2 1952, which I think we can all agree would not have
3 involved the EPA or the requirements, the
4 environmental requirements that are in effect now,
5 went on to define need in the fashion set out here.
6 But the question here is, we're required by law to do
7 this.

8 And I'm not sure what question
9 Mr. Howard wants to ask. This seems like something
10 that's perhaps fodder for a brief, but I'll certainly
11 hand this to Mr. Wohnhas and Mr. Howard can ask his
12 questions subject to --

13 MR. HOWARD: Oh, I'm not asking him to
14 render a legal opinion, I'm simply asking the witness
15 if he's done an economic feasibility test to determine
16 whether the ratepayers can afford to pay their bills.

17 MR. OVERSTREET: That's not what that
18 says.

19 MR. HOWARD: Well, again, we're getting
20 into legal argument. Have -- we can leave it at this:
21 Has the Company --

22 COMMISSIONER ARMSTRONG: I think you're
23 going a little far afield on this question, and the --
24 I guess you're going to introduce this as a --

25 MR. HOWARD: That will be AG 3.

1 COMMISSIONER ARMSTRONG: Okay.

2 MR. HOWARD: I'm simply trying to ask,
3 Mr. Chairman, whether the Company -- I'm not asking
4 for a legal opinion. I want to know whether the
5 Company has done an economic feasibility test to
6 determine whether the ratepayers will be able to
7 afford to pay their bills and thus remain online.

8 COMMISSIONER ARMSTRONG: Okay.

9 MR. HOWARD: And thus not drop off and
10 decrease the demand and thus --

11 COMMISSIONER ARMSTRONG: Do you
12 understand --

13 MR. HOWARD: -- call into the question
14 the --

15 COMMISSIONER ARMSTRONG: -- the
16 question?

17 MR. HOWARD: -- the application.

18 COMMISSIONER ARMSTRONG: Do you
19 understand the question?

20 THE WITNESS: Yes, I do.

21 COMMISSIONER ARMSTRONG: Let's let him
22 try to answer, then.

23 A No.

24 MR. HOWARD: Thank you.

25 COMMISSIONER ARMSTRONG: The AG

1 Exhibit 3 has been received, so ordered.

2 (Attorney General Exhibit 3 admitted.)

3 MR. HOWARD: Thank you, Mr. Chairman.
4 I'll do a better job next time of keeping on top of
5 the particular exhibits.

6 We have no further questions at this
7 time.

8 MR. KURTZ: Thank you, Mr. Chairman.

9
10 * * *

11
12 CROSS-EXAMINATION

13
14 By Mr. Kurtz:

15
16 Q Good morning, Mr. Wohnhas.

17 A Good morning.

18 Q You indicated to Mr. Howard you did
19 review the testimony of KIUC witness Mr. Kollen?

20 A Yes, sir.

21 Q And you recall that the environmental
22 surcharge and base rate increase that he calculated
23 with respect to your compliance plan was 35.23 percent
24 in 2016?

25 A That is his calculation, yes.

1 Q And you -- Kentucky Power filed seven
2 sets of rebuttal testimony in this case; is that
3 correct?

4 A That sounds right. I don't know how
5 many exactly, but --

6 Q And not one of those seven Kentucky
7 Power witnesses challenged Mr. Kollen's calculation
8 that the rate increase, environmental plus base rate,
9 would be 35.23 percent; isn't that correct?

10 A Nothing was filed in the rebuttal;
11 that's correct.

12 Q And nothing was filed in the rebuttal
13 that Mr. Kollen calculated that based upon the
14 Company's own forecasts of market pricing, that if you
15 went with a five-year or ten-year purchase power
16 option under your assumptions, that the rate increase
17 on consumers would be 10 to 12 percent, not
18 35 percent. No one challenged that on rebuttal
19 either, did they?

20 A I don't know -- I guess I don't -- I'm
21 not sure what you're referring to there, sir.

22 Q Well, you're -- you're familiar with
23 Option 4A and 4B, the five-year and ten-year market
24 purchase scenarios that Mr. Weaver discussed and
25 presented? You're -- you're familiar with that,

1 correct?

2 A Yes, sir.

3 Q And you're familiar that under those
4 scenarios, in year 2016 the rate increase on consumers
5 would be between 10 and 12 percent, depending on which
6 of those high carbon, low carbon, high fuel, CSAPR
7 scenarios you look at, the rate increase would be 10
8 to 12 percent, not 35 percent?

9 A In --

10 Q In 2000 --

11 A -- 2016?

12 Q Yes.

13 A I'd have to go back. I don't know
14 exactly the year. I'd have to go back and check, but
15 the overall of 4A, you know, is not at a -- at a point
16 in time. You know, it's the idea of what the cost is
17 going to be over time of looking at these
18 alternatives.

19 Q And I'm asking you --

20 A All right? And the -- the 4A is never
21 cheaper than Alternative 1. 4B, at the end of time,
22 is reasonably neutral to Option 1, except for the idea
23 that you are -- the uncertainty of the market plays a
24 lot of havoc to making the decision to -- to there
25 versus steel in the ground, if we were to choose

1 Option 1, of knowing what you got.

2 Q Let me ask the question again: You
3 don't deny and you did not challenge on rebuttal that
4 the purchase option would be a 10 to 12 percent rate
5 increase in 2016, not a 35 percent rate increase,
6 which is what you're proposing?

7 A We filed no rebuttal testimony.

8 Q Does Kentucky Power file a FERC Form 1
9 every year?

10 A Yes, they do.

11 Q And is the information contained in that
12 document accurate as far as you're aware?

13 A Yes, it is.

14 MR. KURTZ: Okay. Mr. Chairman, I'd
15 like to have marked as KIUC cross -- or Exhibit 1.

16 Q Do you have that document in front of
17 you, Mr. Wohnhas?

18 A I do. The court reporter --

19 Q In the FERC Form 1 every year you report
20 the average cost of electricity by customer class,
21 residential, commercial, and industrial?

22 A I'm sorry. There was some -- could you
23 repeat that again, sir?

24 Q Every year in your FERC Form 1 you
25 report the average cost of electric -- electricity by

1 customer class, that being residential, commercial,
2 and industrial; is that correct?

3 A I guess we state, as you're showing on
4 pages 304 and such, megawatt hours sold, revenue,
5 average number of customers, that you could make a
6 calculation of that, yes.

7 Q And when we look at the data from 2003
8 to the most recent, 2011, that all of your customer
9 classes have experienced significant rate increases
10 over that eight-year period; isn't that correct?

11 MR. OVERSTREET: Excuse me, Your Honor.
12 Is -- Mr. Kurtz, this -- this chart, is this part of
13 the FERC Form 1?

14 MR. KURTZ: It's the -- the backup data
15 is contained -- this is all FERC Form 1 data. All
16 this chart does is take the data and put it on a chart
17 so it's easily accessible.

18 MR. OVERSTREET: There's no witness here
19 to sponsor it; is that correct?

20 MR. KURTZ: Mr. Chairman, the FERC Form
21 1 data is accurate data, Mr. -- the witness has
22 testified to that. All I've done is put this into a
23 chart form. We could walk through every one of these,
24 these numbers for eight years and you'd get the same
25 result.

1 MR. OVERSTREET: I mean, if you're using
2 this as demonstrative, I think I'm okay with it, but I
3 do have -- this first page.

4 MR. KURTZ: That's how I'm using it.

5 Q Mr. Wohnhas, would you agree that your
6 customers have experienced significant rate increases
7 over the last eight years?

8 A I mean, subject to check and what you
9 have shown here on this first page, I mean, it shows
10 increases.

11 Q And whatever increase results from this
12 case would be on top of the historical rate increases?

13 A I think -- let's make sure we
14 understand, when we say rate increase, I mean that,
15 you know, these increases if -- whatever they are,
16 could be in base rates or in various clauses and such.
17 So, yes, it would be something on top of that, yes.

18 Q Probably largely the fuel adjustment
19 charge. That's gone up considerably over the last
20 eight years, hasn't it?

21 A It's went up. I don't know that you
22 could state that it's largely responsible to just the
23 fuel.

24 Q Mr. Howard asked you some questions.
25 You remember in your testimony how you told the

1 Commission that there's a \$165,000,000 injection into
2 the local economy from the Big Sandy plant buying coal
3 in the local market?

4 A Yes, sir.

5 Q You remember that? Isn't it true
6 that -- that the Big Sandy plant in 2011 only used --
7 about 30 percent of its total consumption was from
8 East Kentucky and the rest was from West Virginia?

9 A I don't know the exact percentage, but
10 there was -- it was less than 50 percent came from
11 within mines within Kentucky.

12 MR. KURTZ: Mr. Chairman, if I could
13 have marked as KIUC Exhibit 2. These are data
14 responses from Mr. Wohnhas.

15 COMMISSIONER GARDNER: Mr. Kurtz, while
16 that's being handed out, let me make sure I understand
17 Exhibit 1. So that includes fuel adjustment clause,
18 environmental surcharge, base rates, everything?

19 MR. KURTZ: Everything.

20 COMMISSIONER GARDNER: Okay. Thank you.

21 Q Mr. Wohnhas, this is where staff asked
22 you for the support for your contention that the Big
23 Sandy unit provides \$165,000,000 per year injection
24 into the local economy, and you just simply calculated
25 \$75 per ton of coal times 2.2 million tons used on

1 average?

2 A Yes, sir.

3 Q Okay. Now, we know that -- that not all
4 the coal that is burned in the plant comes from
5 Eastern Kentucky, correct?

6 A That is within the boundaries of the
7 state of Eastern Kentucky, no. That's correct.

8 Q Okay. Now, under your logic -- well,
9 let me just see if I understand. You pay the coal
10 suppliers \$165,000,000, and you collect that money
11 from your ratepayers through the fuel adjustment
12 charge, so the money goes from the pockets of the
13 ratepayers into the pockets of the coal company. How
14 is that a net benefit to the local economy?

15 A They -- I think it's -- the coal
16 companies, whether it's in Kentucky or whether it's in
17 West Virginia, as they are well intertwined, as
18 com -- as operating -- as companies have different
19 coal mines in different places, but I guess I'm not
20 sure I understand your question.

21 Q Well, my question is this: Under your
22 logic, if we doubled the price of coal to \$330,000,000
23 a year and you in -- ran that through the fuel
24 adjustment clause, under your thinking, that would be
25 a benefit to the economy. Or tripled it, wouldn't

1 that be even a triple benefit, under your -- under
2 your logic?

3 A It would increase the amount of revenue
4 going to the -- to the -- into the area, yes.

5 Q And it would -- and it would increase
6 the costs on consumers by an equal amount, wouldn't
7 it?

8 A Mathematically, yes.

9 Q So how is that a benefit, a net benefit
10 to the local economy?

11 A It's not about a -- you know, a math --
12 it's -- triple the amount of coal is not a realistic
13 number.

14 Q Wouldn't --

15 A So, you know, the idea is the fact that
16 the -- the -- and the people in that area and at the
17 public comment proceedings that we -- meetings that we
18 went to, the people, the customers at -- and the
19 workers that are in the coal mines, all right, feel
20 that mining of coal to deliver to Big Sandy and other
21 places is a very important part of their -- and so
22 they are a business working to -- to provide their
23 product at a reasonable price to the market.

24 Q I'm talking about your testimony. When
25 you told this Commission that there's \$165,000,000

1 infusion into the local economy, you conveniently
2 ignored that that cost -- there's an equal cost on
3 consumers of the exact same amount?

4 MR. OVERSTREET: Your Honor, I'm going
5 to object and ask Mr. Kurtz not to yell at my witness.

6 COMMISSIONER ARMSTRONG: Mr. Kurtz --

7 A I don't --

8 COMMISSIONER ARMSTRONG: -- behave
9 yourself.

10 A I don't believe that -- you know, it is
11 a cost that they have to pay, but if those jobs go
12 away, all right, the economy there in that area,
13 unless they can find somewhere else to mine their
14 coal, which maybe they can, that's not -- you know, my
15 knowledge, that that is something that hurts the
16 economy in that area.

17 Q You would agree with me, under your
18 logic, if the price of coal doubled to \$330,000,000 a
19 year, so that's how much went to the coal companies,
20 and your ratepayers, the consumers, these impoverished
21 consumers got charged double, under your way of
22 thinking, that would be good for the economy?

23 A That's just a mathematical calculation,
24 sir. It, you know, has nothing to do with how it
25 affects -- I'm sorry if we don't agree there, but how

1 it affects the community.

2 Q Well, I'm using your testimony. You
3 took 2.2 million tons of coal times \$75 a ton, you got
4 the simple math answer 165,000,000, and you told the
5 Commission that that's a net bene -- that that's a
6 benefit to the local economy. So I'm saying if you
7 doubled the price of coal, under your math, under your
8 thinking, that would be double the benefit?

9 A It's on the idea that if that -- if
10 those tons were then lost, all right, there is no
11 benefit to the economy there. They -- it's gone.

12 Q Now, turn to the second page of this.
13 The staff also asked you, where -- provide the
14 calculations that support the 500 jobs, 8,000,000
15 severance taxes, and \$25,000,000 in wages. You see
16 that question?

17 A Yes, sir.

18 Q A?

19 A Uh-huh.

20 Q And then you referred the staff to --
21 you say that this was provided by Committee to Save
22 the Big Sandy Power Plant, which was sponsored by
23 Energy Ventures. Please see page 2.

24 So you -- and that's -- you've attached
25 that, do you see that, as page 2 of your response?

1 A Yes, sir.

2 Q Okay. So the Committee to Save the Big
3 Sandy Plant said that there would be 500 direct mining
4 jobs and severance taxes of 8,000,000 and \$25,000,000
5 of wages, and you just took that as being accurate at
6 face value and put it in your testimony to this
7 Commission, correct?

8 A We put it in the -- in the -- in my
9 direct testimony as a proxy for what could possibly
10 happen, yes.

11 Q Did you do any independent verification
12 that the Committee to Save the Big Sandy was accurate?

13 A No, sir.

14 Q Okay. And that's what you think -- and
15 you swore to this Commission that your testimony was
16 accurate, though, didn't you that?

17 A It was accurate to what the information
18 I provide -- that was provided.

19 Q Did you look at some of the other
20 statements made by the Committee to Save the Big Sandy
21 Power Plant? For example, number 2, the Big Sandy
22 plant burns about 2.5 million tons per year of coal,
23 almost all mined in East Kentucky. A little comes
24 from West Virginia. That's not correct, is it?

25 A What is not correct specifically?

1 Q That statement.

2 A Well, two and a half tons -- million
3 tons is a -- is a -- it says "about," not exact, and
4 they are -- we, Kentucky Power, mine -- the statement
5 of almost all mined in East Kentucky is not correct.

6 Q That's not correct, is it?

7 A It's not correct.

8 Q In fact, if you turn the page, in 2011,
9 in response to a data request, you indicated that
10 30 percent came from sources within Kentucky, with the
11 balance coming from West Virginia.

12 A That's correct.

13 Q Okay. So it's not a little comes from
14 West Virginia, it's 70 percent came from West Virginia
15 in 2011, and 30 percent came from Kentucky, correct?

16 A Correct.

17 Q Okay. But yet you took what these --
18 what this -- what these folks said about the 500 jobs,
19 and you -- you be -- you testified to the Commission
20 that's correct when this first statement in paragraph
21 two is obviously incorrect.

22 A I think that I also stated in my
23 testimony that even though we looked at the
24 socioeconomic -- what possibilities it would have an
25 effect of scrubbing, that our decision had no bearing

1 on this information. It was out there just to
2 understand that -- that we understood that there were
3 going to be some type of effect in the community no
4 matter what type of decision was made and wanted
5 people to be aware of it.

6 Q So -- so you -- when you -- let me just
7 understand this. You took what these -- what these
8 people said and you testified to the Commission that
9 it was accurate even though part of what they say is
10 clear -- clearly false, and you didn't do an
11 independent assessment as to whether this document
12 is -- is correct or not?

13 A There are some statements, as I go back
14 and look, that aren't exact. We did not do an
15 independent evaluation of this. It was information
16 provided to us. As we looked, some of the coals
17 burned we used as what our proxy was. In other words,
18 we used, if you recall, 2.2 million versus two and a
19 half million tons, is closer to what the number was.
20 Again, the whole idea was to give a proxy as to what
21 some of the impacts would be.

22 Q Well, the statement that a little comes
23 from West Virginia, unless you think 70 percent is a
24 little, that's pretty -- pretty far off, isn't it?

25 A It's not the most accurate statement.

1 Q Do you know how much -- how much coal is
2 mined in East Kentucky per year, on average?

3 A Totally mined, no, I do not.

4 Q Do you know that the Big Sandy plant is
5 just a small fraction of the total coal mined?

6 A I don't know what you mean by "small
7 fraction," but --

8 Q Well --

9 A Again, I don't know the percentages, but
10 it's --

11 MR. KURTZ: Let me have this marked as
12 KIUC 3.

13 THE WITNESS: Thank you.

14 Q I'll represent to you that this is from
15 the most recent Kentucky Coal Association document.
16 Have you ever seen this, this document?

17 A I have. Yes, I have.

18 Q Okay. If you turn to the first page
19 that I have here, page 20, it shows that in 2009
20 Eastern Kentucky shipped -- produced 73,000,000
21 tons -- 73.7 million tons of coal. You see that?

22 A Yes, I do, sir.

23 Q You see that the amount of coal actually
24 used in Kentucky was only 6.8 million or 9.3 percent
25 of the total, correct?

1 A That is correct.

2 Q And if -- and if the Big Sandy plant
3 used, let's just use your number, 2.2 million tons of
4 coal, 30 percent came from Kentucky, that's about
5 750,000 tons of Kentucky coal?

6 A I'm not sure I followed that last
7 calculation.

8 Q 2.2 million tons is about the average
9 coal use at Big Sandy?

10 A Yes.

11 Q Okay. In 2011 30 percent came from
12 Kentucky, or about 750,000 tons?

13 A Okay.

14 Q Okay. So 750,000 tons out of
15 73.7 million is about one percent of total production?

16 A Roughly, yes.

17 Q Okay. Just to be complete, I have also
18 from the Energy Information Administration, have for
19 2010 and '11 --

20 COMMISSIONER GARDNER: Excuse me,
21 Mr. Kurtz, isn't that just Eastern Kentucky coal that
22 you've been talking about?

23 MR. KURTZ: Yes.

24 COMMISSIONER GARDNER: Okay.

25 MR. KURTZ: Yes. Yes. The Western

1 Kentucky high-sulfur Illinois Basin coal is separately
2 reported.

3 Q And do you see how the EIA, Energy
4 Information Administration, also reports Eastern and
5 Western Kentucky coal separately, because they're --
6 the Central Appalachian low-sulfur East Kentucky coal
7 is -- is a different quality versus the West Kentucky
8 high-sulfur Illinois Basin coal. That is correct,
9 isn't it?

10 A Yes.

11 Q Okay. So even at about 750,000 tons of
12 Kentucky coal, even though production in East Kentucky
13 appears to have gone down in 2010 and '11, it's still
14 just over one percent total production?

15 A Roughly, yes.

16 Q Okay. Now, do you know if -- if the Big
17 Sandy plant is retired, whether -- whether or not that
18 coal that had been serving the plant from Kentucky can
19 be resold elsewhere?

20 A I mean, that -- I have no idea.

21 Q Okay.

22 A I just don't know.

23 Q If it was resold elsewhere, whatever
24 detriments or benefits to the local economy would be
25 unchanged?

1 A If they were able to -- other than the
2 effect of -- of the plant and the property tax base
3 and such on it being shut down, the coal, from the
4 coal standpoint, if they could sell it elsewhere, I
5 would agree that there would not be the effect on the
6 coal miners and the truckers.

7 Q Has Kentucky Power coordinated with this
8 Committee to Save the Big Sandy Power Plant or any
9 other coal interest to lobby the political powers to
10 influence the rate case decision here?

11 A We have not worked with the Committee to
12 Save the Big Sandy or any other group to lobby anyone,
13 no.

14 Q The people within AEP or Kentucky Power
15 have not been in correspondence with the Committee to
16 Save and coordinate letter-writing campaigns and that
17 sort of thing?

18 A We -- we have been notified. We have
19 received that they were going to proceed, and we said,
20 "You need to do whatever you need to do," but we did
21 not get involved with them in what they did.

22 Q Did you ever try to correct some of
23 their misunderstandings about -- about the Big Sandy
24 usage of Kentucky coal, instead of it just being a
25 little comes from West Virginia, 70 percent comes from

1 West Virginia, anything like that? Did you try to
2 correct their -- their misunderstanding?

3 A No, sir.

4 MR. KURTZ: Okay. Let me have also
5 marked, Your Honor, as KIUC Number 4. This is a
6 response to data requests from Kentucky Power.

7 Q The Staff, I believe, in this question
8 asked for all correspondence -- all correspondence,
9 letters, agreements, communications in support of
10 Kentucky Power's application. And I just -- I'll ask
11 you to turn to the -- what is page 12 of 22. It's the
12 first document here.

13 A Yes, sir.

14 Q This is a letter from Seth -- Seth
15 Schwartz to Greg Pauley; is that right?

16 A That's correct.

17 Q Okay. Who is Seth Schwartz?

18 A He is the person that was the contact
19 person for the Committee to Save the Big Sandy Power
20 Plant.

21 Q Okay. And he's writing Mr. Pauley
22 about -- about that?

23 A Yes. He sent him an e-mail to tell him
24 what he was going to do.

25 Q Okay. The second paragraph says,

1 (Reading) Our next step will be to contact the
2 politicians in East Kentucky, county judge executives,
3 state representatives, and state senators, to get them
4 to support the investment to keep the Big Sandy plant
5 burning coal. You see he goes on.

6 Do you know if Mr. Pauley responded to
7 this notice from Seth Schwartz?

8 A I am not aware that he did respond.

9 Q Do you know if he spoke to Mr. Schwartz
10 about this political action?

11 A About this particular e-mail?

12 Q About his efforts to try to influence
13 the decision of this Commission.

14 MR. OVERSTREET: Whoa. Whoa. Excuse
15 me. I object.

16 Q Okay. Let me rephrase. Of his efforts
17 to get the East Kentucky county judges, state
18 representatives, and state senators, to get them to
19 support the investment to keep the Big Sandy plant
20 burning coal. Do you know if he responded to that?

21 A I know that Mr. Pauley told Mr. Schwartz
22 that he needed to do whatever he needed to do and that
23 we would -- we would be doing what we needed to do and
24 kept that at that arm's length understanding.

25 Q Did Kentucky Power meet with these

1 elected officials about your -- your application here?

2 A Mr. Pauley, at the various settings, not
3 only met with particular legislative representatives
4 but also the public in general, explaining what we
5 were doing with our filing for Big -- to scrub Big
6 Sandy Unit 2, yes.

7 Q Did you explain to them that -- that
8 your filing would cause, let's just use between a 28
9 and 35 percent rate increase on consumers?

10 A Yes, we did.

11 Q Okay. Did you tell them that the Big
12 Sandy plant was not using exclusively East Kentucky
13 coal?

14 A Yes, we did.

15 Q Did you explain to them that after you
16 put a scrubber on the plant, you don't know whether
17 you're going to use more or less East Kentucky coal
18 because part of the advantage of a scrubber is the
19 ability to burn lower-quality, high-sulfur coal, not
20 the low-sulfur, high-quality East Kentucky coal --

21 A Yes, we did.

22 Q -- did you explain that? Let me ask you
23 to turn to the last page of this -- of this document
24 which was provided in discovery to the Staff. This is
25 a -- the e-mail chain starts from Michael W. Autry to

1 Tom Householder of American Electric Power, Managing
2 Director Labor Services.

3 Do you know who this Mr. Householder is?

4 A I know of him. I don't know him
5 personally.

6 Q Okay. This Mr. Autry is a boilermaker
7 union representative; is that correct?

8 A That's -- that's what he states at the
9 bottom here, yes. I do not know him.

10 Q Okay. And he's asking this AEP
11 representative to look over these letters. He's
12 proposing to see if he needs to add or remove anything
13 in the form letters that are -- are to be sent to the
14 Kentucky Public Service Commission representatives?

15 A Yes.

16 Q Okay. Do you know if Mr. Householder --
17 do you know what Mr. Householder did with this
18 communication?

19 A I -- I do not know what he did with the
20 communication.

21 Q Didn't he forward it on to Mr. Pauley,
22 asking, (Reading) Greg, any comments would be
23 appreciated. I will channel your comments to and
24 through the unions. If you do not want any letters,
25 let me know and I will back them off. In Ohio and

1 West Virginia I sought the union support in the past.

2 So he -- is that what you understood, he
3 passed this along to Mr. Pauley?

4 A That -- that's what it states here.

5 Q Okay. Then Mr. Pauley responded back,
6 this is the next page, page 18 of 22, to
7 Mr. Householder. Is that what this e-mail indicates?

8 A I see on page 18, yes.

9 Q Okay. Mr. Pauley writes back, (Reading)
10 Thanks, Tom. Let me share some thoughts on this
11 for -- he explains that you probably should use AEP
12 Kentucky Power, and also if they decide to send a
13 letter, be just as effective, if not more so, to
14 include the county judge executives in our service
15 territory, who have as much, if not more, influence
16 than the representatives and senators; is that
17 correct?

18 A Yes, sir.

19 Q So Mr. Pauley is giving him advice on --
20 on how the letter-writing campaign might be most
21 effective?

22 A Mr. Pauley is trying to get out that --
23 the information, just as he did personally, to let
24 people fully understand what is out there and what --
25 why we filed for this scrubber, so that everyone has

1 the most information available to -- to -- to, you
2 know, decide what -- where they stand on the issue.

3 Q Okay.

4 A We were not trying to hide anything with
5 this case, the amount of the increase, what we were
6 trying to do, and our avenues of doing that were
7 widespread in trying to get the information, the
8 factual information of our position, of why we filed
9 what we filed.

10 Q It's true, isn't it, that AEP has a
11 corporate policy of growing its earnings; is that
12 correct?

13 A We, as a corporation, and I thoroughly
14 enjoy -- like to have increase in that as well, so
15 yes.

16 Q And one of the ways that the AEP
17 corporate policy to grow earnings is through
18 environmental investments?

19 A It's not about the investment, it's the
20 idea that wherever we do an investment, environmental,
21 whether it's generation, whether it's transmission,
22 whether it's distribution, our investors require, to
23 keep them investing, for us to earn a return.

24 Q What rate of return are you requesting
25 in this case, pretax?

1 A Ten -- ten and a half percent.

2 Q That's after tax.

3 A Oh, after tax.

4 Q Yeah. Do you know what the pretax
5 return is? If you look at Ms. Munsey's Exhibit --

6 A Yeah.

7 Q -- 3, if you have that, I think you'll
8 see it's 16.55 percent pretax rate of return.

9 A Subject to check, I believe that's --

10 Q Okay.

11 A -- correct.

12 Q Do you think that the impoverished
13 consumers in East Kentucky are able to earn
14 16.55 percent on whatever investments they might have?

15 A I don't know, sir.

16 Q Okay. If Kentucky Power were to enter
17 into an environmental compliance strategy that
18 involved purchasing power instead of building
19 environmental rate base, what return would you earn on
20 your purchase power?

21 A I don't know, sir.

22 Q Wouldn't it be zero?

23 A Would you ask the question again,
24 please?

25 Q Yes. If you purchased power as a part

1 of environmental compliance strategy, like your Option
2 4A and 4B, you don't earn any return on that, do you?

3 A That is correct. I'm sorry, sir.

4 Q The Commission doesn't allow you to mark
5 up purchased power costs?

6 A That's correct.

7 Q So -- but you're asking for a 16.55
8 percent pretax return on a \$940,000,000 rate base
9 investment here, correct?

10 A But again --

11 MR. OVERSTREET: Objection. That
12 inaccurately states the application. That's not all
13 going to be financed by equity.

14 Q That's correct. Forty-three -- the
15 equity portion of the \$940,000,000 rate base you're
16 seeking is about 43 percent, I guess, a 16.55 percent
17 pretax return, correct?

18 MR. KURTZ: While you're looking for
19 that, I'll have this document marked as KIUC Number 5.
20 This is already in the record. It's an exhibit from
21 Mr. Kollen's testimony.

22 Q Are you checking on that 16.55 percent?

23 A Yeah. I do not see that.

24 Q I think it's on her Exhibit 3. She
25 uses -- she has a gross revenue conversion factor, I

1 think. Yeah, it's LPM Exhibit 3, page 1 of 1, line 4.

2 A And you are doing what to get your 16?

3 Q Multiplying 10.5 percent by -- by
4 1.5762.

5 A Subject to check, without a calculator,
6 that's -- I'll take that.

7 Q Now, the document that's just been
8 marked as KIUC Number 5, now, who is Nick Atkins
9 [sic]?

10 A Nick Atkins --

11 Q Atkins.

12 A -- is the new CEO, present CEO of --
13 well, he is now the CEO of --

14 Q When did Mr. --

15 A -- American Electric Power.

16 Q When did Mr. Morris retire and Mr. Atkins
17 take over?

18 A November 11th, 2011.

19 Q Okay. The page 4 of this, (Reading) My
20 areas of strategic focus, ROE optimization, earnings
21 and dividend growth.

22 A Yes.

23 Q Okay. The last page -- page of this,
24 well, page 6, he says, (Reading) Grow rate base and
25 earnings through adding environmental controls.

1 Would that be the type of thing we're --
2 we're facing here?

3 A These are environmental controls, yes.

4 Q And -- and you would grow your rate
5 base, nearly double your rate base, according to what
6 Mr. Howard showed you earlier, if the Commission
7 approves this application, correct?

8 A That would be correct.

9 Q And that would grow your earnings,
10 correct?

11 A As we make investments, again, that's
12 part of the -- as I said before, you know, for people
13 to invest in American Electric Power, they're not --
14 or Kentucky Power, they're not going to invest if
15 they're not going to get a return on their investment,
16 so, yes --

17 Q That's -- that's what the --

18 A -- we work towards, as we make
19 investments, that it's just not -- the idea of adding
20 environmental controls is that that is what currently
21 is one of the biggest capital pieces for AEP, meeting
22 the various EPA compliances across all of our
23 operating companies, so, you know, for those
24 investments, there are going to be a lot of
25 environmental investment currently being done, and the

1 investors, because of that, are going to want a return
2 on that investment.

3 Q And that's how AEP plans to grow its
4 earnings, by these environmental investments doubling
5 your rate base?

6 A They are required to make these
7 environmental investments, so if they are required to
8 make them, yes, they will earn a return on them.

9 Q Well, you are required to comply with
10 the statute in the least-cost, cost-effective way,
11 correct?

12 A That is correct too.

13 Q And if the Commission determines that
14 this purchase option is more cost effective, you don't
15 get any earnings, any return on that, correct?

16 A But I won't have an investment by
17 investors, so, no, I won't.

18 Q And you want -- you want to grow rate
19 base? You want the investment?

20 A When the investment is proper, yes.

21 Q Because AEP wants that 16.55 percent
22 pretax rate of return on its equity investment?

23 A Not -- not for just the purpose of
24 growing investment, sir. All right? We make the
25 investments that need to be made in order to provide

1 safe, reliable electricity, and, you know, when those
2 investments are made, you know, they -- our
3 stockholders deserve to receive that return.

4 Q If your rate base doesn't grow, your
5 earnings don't grow, isn't that right? If your rate
6 base --

7 A That would be correct.

8 Q If your rate base is shrinking, your
9 earnings are shrinking?

10 A Mathematically that's correct.

11 Q That's not what your shareholders want,
12 is it?

13 A They want, whenever there is investment
14 made, to earn a return. They are not making
15 investments just for the purposes to get a return.

16 Q Now, if -- if you were to have a
17 purchase power compliance strategy, you would buy the
18 amount of electricity that is needed by your native
19 load customers, correct?

20 A Generally, yes.

21 Q Now, if you engage in this scrubber
22 retrofit strategy, you would be -- you would have
23 excess energy to sell into the market?

24 A Why would we have -- I mean, we're
25 still -- we would still be energy long, so we would --

1 nothing would change there, so as we are today, but it
2 has nothing to do with the idea of -- that's where
3 we're at today, that's where we would be if we had a
4 scrubber. It --

5 Q Well --

6 A The scrubber doesn't change our long
7 in -- energy being long in the -- in the market.

8 Q Well, in addition to the 16.55 percent
9 pretax rate of return, when you're energy long,
10 selling power in the market, the shareholders of AEP
11 get part of the profits from off-system sales through
12 the sharing mechanism in place; isn't that correct?

13 A That is correct.

14 Q And if you -- and if you retired the
15 unit, Big Sandy 2, and purchased power, there would be
16 no off-system sales profit sharing, correct?

17 A If we didn't have a facility there, that
18 would be correct.

19 Q Now, do you -- do you recall Staff
20 asking you a question, this is -- this is Staff set
21 two, item one, subpart E. Explain how the Commission
22 can make an informed decision as to Kentucky Power's
23 application for the approval of its 2011 Environmental
24 Compliance Plan and Certificate of Public Convenience
25 and Necessity to construct a dry flue gas

1 desulfurization without knowing the complete financial
2 impact to Kentucky Power and its ratepayers if the
3 current East Pool Agreement is effectively terminated
4 on January 1, 2014.

5 Do you recall that question?

6 A Well, you'll have to let me get to it,
7 sir. That was second set, number one?

8 Q Yes.

9 A I am there now. I'm sorry.

10 Q Okay. Do you remember that fundamental
11 question? How can the Commission make an informed
12 decision if -- if -- without knowing the complete
13 financial impact to Kentucky Power and its ratepayers
14 if the current pool agreement is effectively
15 terminated on January 1, 2014?

16 A Yes.

17 Q That was the question.

18 A Yes.

19 Q Okay. And your answer, essentially you
20 talked about, well, under the proposed power
21 cost-sharing arrangement filed with the FERC, there's
22 no provision related to environmental compliance
23 costs, and you also talk about if there's no
24 pool-related costs allocated to Kentucky Power for
25 environmental, like the Amos facilities that are part

1 of this thing, that those would just no longer be
2 recovered?

3 A That would be a possibility, yes.

4 Q Okay. Now, isn't it more fundamental
5 than that?

6 A I don't believe so.

7 Q Isn't part of the -- the pool
8 modification proposal at FERC -- well, first of all,
9 it was filed, then it was unfiled because of the
10 turmoil in Ohio, correct?

11 A It was filed and unfiled, yes.

12 Q Okay. But your -- AEP's plan is still
13 to move forward with that new FERC agreement, new pool
14 agreement, once -- at some point in the future?

15 A We -- we would -- we would hope to,
16 again, file something. Whether it would be exactly as
17 we filed back in February, I am not completely sure.

18 Q The proposal is still to -- as part of
19 this new pool agreement, that Kentucky Power would
20 acquire 20 percent of the Mitchell units?

21 MR. OVERSTREET: Object. There is no
22 proposal. It was withdrawn.

23 Q There's -- there's a response to
24 discovery where that is still Kentucky Power's --

25 A Yeah. There was a response to discovery

1 that -- that states that, you know, we would -- that
2 still would be an option to proceed down that path,
3 yes.

4 Q Isn't that -- isn't that still the
5 intent of AEP --

6 A That's --

7 Q -- that Ohio Power would transfer
8 ownership?

9 A That's still an option, yes.

10 Q Isn't that -- that AEP's -- still its
11 current intent?

12 A It's still an option. I don't know what
13 it's going to be, sir.

14 Q And --

15 A We don't know what is going to happen,
16 and so it would clearly be an option, but if -- if
17 things changed, we might have to go a different route,
18 and I don't know what that is.

19 Q So you're saying -- and I didn't bring
20 that answer because I know you -- you don't know if
21 that's AEP's corporate intent? They haven't told you
22 whether the intent is for Kentucky Power to take
23 ownership of 20 percent of Mitchell still, like you
24 were before?

25 A I have been involved, and that is still

1 an option that will be considered when we decide to go
2 forward, but it's not -- nothing's been finalized,
3 sir.

4 Q When's -- when is AEP going to tell you
5 if that's the plan?

6 A Again, we're waiting, at this point in
7 time, to see what happens in Ohio.

8 Q The -- the 20 percent of the Mitchell
9 unit that was currently -- that was the prior plan and
10 is currently an option, that's a 312-megawatt base
11 load coal unit?

12 A That is correct.

13 Q Okay. And that's a fully scrubbed and
14 environmentally compliant unit?

15 A That's correct too.

16 Q Okay. And the --

17 COMMISSIONER GARDNER: Excuse me. The
18 Mitchell is not 312 megawatts, is it?

19 MR. KURTZ: Correct. Twenty percent is
20 312.

21 Q That's a -- and that unit is located in
22 West Virginia?

23 A Yeah, I believe it is.

24 Q Okay.

25 A I get -- because it's Ohio, but it is

1 located in West Virginia, yes.

2 Q And the net book cost of the Mitchell
3 plant is approximately \$650 per kW?

4 A That was the price that -- to get the --
5 to transfer it at net book cost for the pool purposes,
6 yes.

7 Q So --

8 A Roughly.

9 Q -- under the prior plan, which is still
10 an option, Kentucky Power would get 312 megawatts of
11 additional base load coal at about \$650 per kW?

12 A Based on the prior filing, yes.

13 Q Okay. And the cost of the Big Sandy
14 retro -- Big Sandy 2 scrubber retrofit is how much per
15 kW, just -- just the scrubber?

16 A Roughly \$1,100.

17 Q About \$1,175 a kW?

18 A Roughly.

19 Q So the Mitchell plant is -- the whole
20 plant is almost half the cost of just the Big Sandy
21 scrubber?

22 A That's just the net book value. We do
23 not know that -- and likely they would not and would
24 not have the likelihood to take the rest of the unit
25 and sell it at net book value. It was only being done

1 for the purposes of the pool.

2 Kentucky Power being part of the pool
3 and the Kentucky ratepayers received benefit of the
4 pool for years, and so it was determined internally
5 that that would be a proper thing to do. To say that
6 they would sell additional pieces of Mitchell or any
7 other Ohio unit at net book value would be completely
8 false.

9 Q No, no, I'm not talking about
10 additional, I'm just talking about the 20 percent that
11 was part of the first FERC filing and that's still an
12 option.

13 A Okay.

14 Q That would be at net book cost, correct?

15 A That -- as it was originally filed and
16 taken away, yes.

17 Q Okay. So that was at half -- the whole
18 plant is half the cost of just the scrubber here,
19 about half, a little bit more than half. 650 is about
20 13 --

21 A Well, in a cost per kW.

22 Q Yeah.

23 A Yeah.

24 Q Right. So -- so if -- so when the Staff
25 asked you, "How can we make an informed decision until

1 we know what the new pooling arrangement looks like,"
2 how can you make an informed decision until we know
3 whether or not Kentucky Power is going to get this
4 additional 312 megawatts of base load coal capacity?

5 A Well, first of all, I'm not sure -- you
6 know, as much as the pool is an integral part of
7 Kentucky Power's full load requirement, I don't see
8 where it has a play in deciding what is the proper way
9 to take care of 800 megawatts of capacity at Big Sandy
10 Unit 2.

11 Q Well, wouldn't that change the economic
12 analysis, the Strategist runs, if you -- if you
13 assumed that Kentucky Power had 312 megawatts of
14 additional base load coal?

15 A The -- the runs were based on Big San --
16 replacing Big Sandy Unit 2. It had nothing to do with
17 replacing the -- the energy -- or the capacity, I'm
18 sorry, that would be used for -- in that case would
19 really be to replace Big Sandy Unit 1 in the pool.

20 Q Is that your understanding of how the
21 Strategist works, that it wouldn't make any difference
22 if you put another 312 megawatts of base load coal
23 into the Kentucky Power portfolio, it wouldn't change
24 the outcome of the model runs?

25 A When you talk about details of

1 Strategist runs, you're going to have to talk to
2 Mr. Weaver.

3 Q Okay.

4 A I am not an expert whatsoever.

5 Q Right. But -- but assuming -- but if
6 it -- if it did change the Strategist outcomes, then
7 they -- and Kentucky Power got the Mitchell unit,
8 then -- then those Strategist runs would be --

9 A I'm going to make no comment to that.

10 Q Okay.

11 A You need to talk to Mr. Weaver.

12 Q Now, under the -- under the pool
13 agreement as filed at FERC and withdrawn, and the
14 intent is still to -- to have a -- to get Ohio out --
15 out of the pooling agreement and to have just an
16 Appalachian Power, Kentucky Power, I&M pool.

17 A That is our intent.

18 Q Okay. And under the -- and under the
19 pool agreement as filed, there was a -- it was an
20 energy-sharing pooling agreement, among other things,
21 correct? Energy sharing?

22 A Energy sharing, yes.

23 Q Right. So if you were energy long, you
24 would sell power -- sell energy to the energy short
25 companies at below market?

1 A The -- if you look at the details of
2 that P -- I think it's PCSA, you know, we were pretty
3 much energy neutral, but if you had energy, that for
4 whatever reason that you were down, if one of those
5 sister companies needed that energy, then you would
6 sell them energy.

7 The -- it was much different than the
8 current pool arrangement in the fact that it was based
9 on capacity, based on the member load ratio, and there
10 was a lot of shifting of dollars back and forth over
11 the year and such.

12 The intent of this new energy pool was
13 to make that -- those types of transactions, even
14 though -- so they may happen, they would be fewer type
15 of transactions and for short periods of time.

16 Q Let me ask my question again. Under the
17 new -- under the pooling agreement as proposed, a long
18 energy company would be required to sell to its
19 affiliates at below market if they needed the energy?

20 A I'd have to go read the -- I don't -- I
21 cannot state that. I don't know that for a fact.

22 Q Don't you remember that it was a split
23 to savings, the difference between market price and
24 the production cost of the long member so that the
25 short, the energy short member would get -- get the

1 price at below market, the -- the --

2 A I'd have to go back and look at it, sir.
3 I cannot agree to that without looking at it.

4 Q You don't remember how --

5 A I don't remember.

6 Q That was a pretty major part of the --
7 of the proposed pooling agreement.

8 A And like I said, I don't remember what
9 it is right now.

10 Q Now, if, under that -- wouldn't that --
11 do you know if that would change the Strategist
12 market -- Strategist model outcomes? Ask Mr. Weaver?

13 A Ask Mr. Weaver.

14 Q Okay. I just want to ask you about your
15 direct testimony, page 11. We don't need to refer to
16 it necessarily, but you talked about -- you're asking
17 for \$15.2 million of recovery of some study costs; is
18 that correct?

19 A Yes, sir.

20 Q Okay. Those were the costs of studying
21 a wet scrubber at the Big Sandy unit in the 2000 -- in
22 the April 2004 to April 2006 time period?

23 A That's correct.

24 Q Okay. And that was what was called the
25 Phase 1 study period?

1 A I believe that's what that first period
2 is called.

3 Q That's addressing Mr. Walton's --

4 A Walton.

5 Q -- timeline?

6 A Yeah. I believe that's Phase 1, yes.

7 Q So you were studying whether or not you
8 should put a scrubber, a wet scrubber on the Big Sandy
9 unit for that two-year period in Phase 1 and
10 ultimately concluded not to?

11 A No, it's not about whether you're
12 scrubbing, it was looking at what the cost was to
13 scrub that unit.

14 Q And you concluded, in that two-year
15 Phase 1 study period, that it was not economic and you
16 canceled the -- the program?

17 A No. What happened is, during that
18 period of time, and Mr. Walton will give you much more
19 detail, but at a high level, during that period of
20 time, the coal prices changed considerably. The
21 difference between high- and low-sulfur coal became
22 much closer together, and it did not make -- and then
23 there was also a large capital restriction internally.
24 Between those two, it did not make sense to move
25 forward at that point in time.

1 Q Right.

2 A And so what we did is we postponed that,
3 we did not cancel it, and to go sit back and to think
4 when we might want to, because we knew we still had to
5 get in compliance with EPA regulations, but it was not
6 proper to, we felt, in business, not to move forward.

7 Q And that's what you discuss on page 11
8 of your testimony, your direct testimony?

9 A Yes.

10 Q Okay. And do you -- do you recall what
11 Phase 1 is, from Mr. Walton's discussion, the
12 preliminary investigation?

13 A It's preliminary. I don't know the
14 details.

15 Q Do you know where we are in Phase 1
16 right now of the dry Big Sandy scrubber that's the
17 focus of this case?

18 A No. You'd have to ask Mr. Walton.

19 Q Do you know that your environmental
20 surcharge application and your certificate filing here
21 was made at the very beginning of Phase 1, before the
22 preliminary investigation was even completed?

23 A You have to ask that again. I didn't
24 follow that.

25 Q This case was filed at the very

1 beginning of Phase 1, the very beginning of the
2 preliminary assessment, isn't that true?

3 A Hold on a minute. At the time -- as
4 Mr. Walton states on page 5 of his testimony, the
5 project at the time we filed was currently in Phase 1.

6 Q The very beginning of Phase 1. See that
7 chart? Do you see the chart, Exhibit 1 to his
8 testimony?

9 A Based on this chart, yes.

10 Q So in 2 -- April 2004-April 2006 Phase 1
11 study period for the wet scrubber, you studied it for
12 two years and ultimately concluded not to go forward.
13 Here you've asked for the -- the rate increase that
14 we're at now at the very beginning of Phase 1; is that
15 correct?

16 A I guess I'm -- I'm not sure what
17 you're -- how to answer going to Phase 1. I mean,
18 we're asking for this scrubber, this technology to be
19 built to meet the -- the EPA compliances or
20 regulations that are out there. We have phases that
21 are in there. I -- you know, it's in Phase 1 now, so
22 I guess you need to ask Mr. Walton.

23 Q Okay.

24 A Because you -- I don't know what else to
25 tell you.

1 Q Okay. Also on page 11 you -- you
2 indicate that the -- on line 19, the Company restarted
3 conceptual and analytical work in support of a CPCN
4 filing in first quarter of 2010. Is that correct?
5 Did I read that correctly?

6 A Where are you at, sir?

7 Q Page 11, line 19.

8 MR. OVERSTREET: I'm sorry, Mr. Kurtz.
9 Of whose testimony?

10 MR. KURTZ: Of his direct.

11 MR. OVERSTREET: Of Mr. Wohnhas's?

12 MR. KURTZ: Yes.

13 MR. OVERSTREET: Thank you.

14 A Yeah, we say the company restarted
15 conceptual and analytical work in support of a CPN in
16 the first quarter of 2010, yes.

17 Q Okay. And that ultimately led to the
18 June 9, 2011, decision to retire both Big Sandy 1 and
19 Big Sandy 2 and to repower Big Sandy 1 with natural
20 gas?

21 A At that June time frame, looking at the
22 information that we had and -- and in what we said was
23 a plan, not the plan, we were in the middle of doing a
24 more detailed analysis of the repowering of Big Sandy
25 Unit 1, but in that press announcement that came out,

1 we did state that we would be going to repower Big
2 Sandy Unit 1 as our option, but we were still
3 investigating, analyzing the details in a much more
4 detailed fashion, and then that's why then, later,
5 when those numbers were completed, we then chose,
6 because those numbers came in higher than the scrubber
7 options, that we then chose to scrub.

8 Q Well, let me -- let me read you on page
9 of your direct testimony, line 3. Here you're
10 asked -- you asked yourself a question, (Reading)
11 Please reconcile the Company's current proposal to
12 retrofit Big Sandy --

13 A And where are you -- where are you at,
14 sir?

15 Q Page 9, line 3.

16 A Of my direct testimony?

17 Q Your direct testimony.

18 A Thank you.

19 Q Okay. Sorry. The question is,
20 (Reading) Please reconcile the Company's current
21 proposal to retrofit Big Sandy Unit 2 with a FGD unit
22 with its June 9, 2011, announcement that it intended
23 to retire Big Sandy Units 1 and 2 and repower Big
24 Sandy Unit 1 as a combined cycle gas unit.

25 Do you see that -- do you see that

1 question?

2 A Yes, sir.

3 Q So you did announce on June 9 that you
4 were going to not -- not -- you were going to retire
5 Big Sandy 1 and 2 as coal units?

6 A We did announce that it was a plan to
7 retire them.

8 Q When you announce that in a press
9 release and tell the investment -- investment
10 community, don't you have to also report to PJM so
11 that they can do reliability assessments? That's not
12 something you do lightly, is it?

13 A It's not something we do lightly, and at
14 some point in time you would have to present something
15 to PJM, but not at that point in time.

16 Q So that's not -- that's not a -- so that
17 announcement was not just some sort of off-the-cuff
18 something, that was a result of the serious study that
19 began back in, I guess, June of -- of the first
20 quarter of 2010, wasn't it?

21 A And in that announcement, if -- you
22 know, it talks about not only Kentucky, but it talks
23 about AEP's fleet and said these are things that --
24 and it's, you know, could possibly happen, and one of
25 those was that we would repower Big Sandy Unit 1 as --

1 as a replacement for Big Sandy Unit 2.

2 Q Then your answer on page 9 is, you say,
3 (Reading) After the June 9, 2011, announcement, there
4 was a more robust and detailed analysis, and that's
5 why you decided to switch gears and go with the
6 scrubber option?

7 A Yes. After the -- when we received
8 that -- that analysis, then we evaluated that back
9 against Option 1, Option 3, which was to build a
10 brownfield gas unit, and Option 4A and 4B to make the
11 determination that, of those five options, scrubbing
12 was the least cost option.

13 Q Now, did -- during that period after
14 June 9th, 2011, did AEP Kentucky Power get pressure,
15 political pressure or pressure from the coal interests
16 to -- to change courses?

17 A No.

18 Q You did not?

19 A No.

20 Q This -- this correspondence we looked at
21 earlier was in September of 2011. When did you file
22 this case?

23 A What correspondence are you talking
24 about in September?

25 Q The correspondence between Mr. Seth

1 Schwartz and Mr. Pauley.

2 A Yeah. That's correspondence. That's
3 not pressure.

4 Q Okay. Now, that was before you made the
5 announcement here to do the scrubber on December 5th,
6 2011, correct?

7 A That's correct.

8 Q I guess I -- it's true, isn't it, that
9 AEP can decide at the end of Phase 1 not to go forward
10 with the scrubber project even if the Commission
11 approves it?

12 A I believe AEP Kentucky Power could make
13 the decision anytime down through there that they
14 wanted to stop it, and I think they would have to come
15 back to the Commission and explain why in order to get
16 recovery, but, I mean, we have the option to do that,
17 but I --

18 Q Yeah. Now, are you --

19 A It's a matter of practice.

20 Q Okay. Are you aware of the Staff data
21 requests, the fourth set, item one, in this case,
22 where -- where the staff said --

23 A Fourth set of whose?

24 Q Of staff to Kentucky Power where they
25 said please rerun your studies, your Strategist model

1 studies, updating with the most current information,
2 which would be in April of 2011. Are you aware of
3 that Staff request to AEP?

4 A Yes, I am.

5 Q And AEP said, "Nothing's changed. We're
6 not rerun -- there's no need to rerun anything"?

7 A Yes.

8 Q Okay. That's still your position?

9 A Yes, it is.

10 Q There's no need to update the Commission
11 on -- on more current information?

12 A Based on the reasons that were stated in
13 there, yes.

14 MR. KURTZ: Okay. Thank you,
15 Mr. Chairman. Those are all my questions.

16 COMMISSIONER ARMSTRONG: It's about 22
17 after noon, and I have discovered now, working here
18 three years, that if you don't get into one of the
19 eateries around here in the window between 12:00 and
20 1:00, you may not get much to eat.

21 So I know you're up. Would you mind
22 breaking for lunch?

23 MS. HENRY: That's acceptable.

24 COMMISSIONER ARMSTRONG: Okay. Let's
25 break for lunch and be back at 1:30.

1 MR. OVERSTREET: Thank you, Mr.
2 Chairman.

3 (Lunch recess.)

4 COMMISSIONER ARMSTRONG: We're back on
5 the record.

6 MR. KURTZ: Mr. -- Mr. Chairman, at the
7 close of my cross-examination, I failed to move in
8 KIUC Exhibits 1 through, I think, 5.

9 COMMISSIONER GARDNER: Five.

10 MR. OVERSTREET: And, Your Honor, we
11 have no objection except to the first page of 1, which
12 was -- Mr. Kurtz agreed to use as a demonstrative, and
13 hence wouldn't be admitted.

14 MR. KURTZ: Yeah.

15 MR. HOWARD: And, Mr. Chairman, we were
16 under instructions at the beginning of the hearing
17 that in the event that we had any confidential -- or
18 questions pertaining to confidential material, that we
19 would save those toward the end of the hearing --

20 COMMISSIONER ARMSTRONG: Correct.

21 MR. HOWARD: -- cooperating in that
22 fashion, because we will have some additional ones for
23 Mr. Wohnhas.

24 COMMISSIONER ARMSTRONG: Okay.

25 MR. HOWARD: Thank you.

1 COMMISSIONER ARMSTRONG: Mr. Wohnhas,
2 you're still under oath.

3 MR. COOK: Mr. Chairman, if I may too.
4 In working with other intervenor counsel, we had a few
5 other questions, the Attorney General did, we were
6 wondering if we could ask before -- before the Sierra
7 Club proceeds with its line of questioning.

8 COMMISSIONER ARMSTRONG: You have to ask
9 her.

10 MR. COOK: Yes, and why don't we put it
11 on the record? Is that okay?

12 MS. HENRY: Yes. That's -- that's
13 acceptable.

14 MR. COOK: Okay. Thank you. Thank you,
15 Your Honor.

16
17 * * *

18
19 CROSS-EXAMINATION

20
21 By Mr. Cook:

22
23 Q Good afternoon, Mr. Wohnhas.

24 A Good after -- good afternoon.

25 Q I have just a few questions for you. In

1 your role as AEP's manager of for regulatory affairs
2 and finance, are you familiar with the company's --
3 I'm sorry. Kentucky Power's. I beg your pardon.
4 Thank you. Are you familiar with the company's
5 regulatory policy initiatives in Kentucky and other
6 states, perhaps?

7 A Say that again, please.

8 Q Are you familiar with the Kentuck --
9 with the company's regulatory policy initiatives in
10 Kentucky and, perhaps, other states as well?

11 A Yes. I mean, I'm briefed on things
12 going on around the AEP system. Yes.

13 Q Okay. I understand. So are you aware
14 that one of Kentucky Power's sister companies,
15 Appalachian Power and Wheeling Power, supported
16 legislation in West Virginia to permit secured
17 possession or ratepayer-obligated cost bonds to
18 finance environmental upgrades by industry-owned
19 utilities?

20 A I do -- I am aware that they made a
21 filing in West Virginia. It was specific to not
22 nec -- not an asset, but to a regulatory asset, but I
23 am aware of that filing, yes.

24 Q Okay. And are you aware also that AEP
25 supported similar legislative initiatives in Texas and

1 Ohio?

2 A I also know that there were, again,
3 different type of -- it was all towards a regulatory
4 asset and not a physical asset, but that they were
5 using securitization as a tool. Yes.

6 Q Okay. Thank you. Directing your
7 attention back to West Virginia. The legislation to
8 permit securitization of environmental costs was
9 successful, was it not?

10 A I am not completely -- I do not know
11 that. I don't know if it passed or not. I do not
12 know.

13 Q Okay. And do you know whether the --
14 that law was designed as a means of consumer rate
15 relief during times of economic stress?

16 A I do not know.

17 Q Okay.

18 COMMISSIONER ARMSTRONG: Is that it?

19 MR. COOK: Your Honor, yes. At -- I
20 believe that is it. As Mr. Howard indicated earlier,
21 we have some questions that we're not sure whether
22 they will be confidential, but we can wait until the
23 end of questioning to -- until we proceed to the
24 confidential record to make that determination.

25 COMMISSIONER ARMSTRONG: Sierra Club?

1 MS. HENRY: Thank you, Commissioner.

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CROSS-EXAMINATION

6

7 By Ms. Henry:

8

9 Q Good afternoon, Mr. Wohnhas. My
10 name's --

11 A Good afternoon.

12 Q -- Kristin Henry, and I'm counsel for
13 the Sierra Club. I'm going to ask you a few
14 questions. First I'm going to move to -- I would like
15 to mark as Sierra Club Exhibit 1 a copy of Kentucky
16 Power Company's responses to Commission Staff fourth
17 data request, number one.

18 So Mr. Wohnhas, I'm going to direct you
19 to page 4, and it's the last sentence of that first
20 paragraph. And is it correct that the company states
21 that it lacks a reasonable basis to project the
22 availability or price of additional -- additional Ohio
23 generation?

24 A That's true.

25 Q When they're talking about the

1 additional Ohio generation, were they also referring
2 to the Waterford plant as a possible additional Ohio
3 generation?

4 A I am not sure of that. I don't know if
5 that would include the Waterford plant. And it's
6 really -- the way we had phrased this was it's any
7 generation that Ohio has.

8 Q Are you aware --

9 A It's our assumption, you know, that it
10 could be available to the market, so that could, but I
11 don't know that --

12 Q Okay.

13 A I mean, I don't know the way that would
14 go.

15 Q So you are familiar with the Waterford
16 plant, and that it might be available for the market?

17 A I do know that Waterford's a plant -- a
18 gas plant in O -- yes.

19 Q And do you know what the net book value
20 is, approximately, for that plant?

21 A I do not.

22 Q If I said that the net book value was
23 approximately \$250 a kilowatt hour, does that sound
24 about right?

25 A I don't know.

1 Q Okay. I would like to mark and move
2 into exhibit Sierra Club Number 2, which is going to
3 be American Electric Power's 2010 IRP. I'm going to
4 direct you to page 44 of that IRP.

5 MR. COOK: 44?

6 MS. HENRY: 44.

7 Q And there will be a chart on that page.

8 A I have no chart on page 44. Be 44 of
9 169?

10 Q 44 of the IR --

11 A Oh.

12 Q -- P.

13 A Okay.

14 Q Sorry.

15 A That's all right. So we're talking
16 about page 68 of 169 is --

17 Q 68 --

18 A -- in the top right.

19 Q -- of 169 at the top. Yes.

20 A All right. Yes, I am there.

21 Q Okay. And can you see what the net book
22 value of the Waterford plant is from this chart,
23 approximately?

24 A I see the Waterford --

25 Q Does it look like a --

1 A -- plant is on there. I don't see
2 anything that calls it the net book value, but I see
3 where it's on there.

4 Q And then it looks like it's
5 approximately \$250 per kilowatt hour?

6 A Yes.

7 Q Do you see on there also the
8 Lawrenceburg plant?

9 A Yes, I do.

10 Q And is that one approximately \$295 per
11 kilowatt hour?

12 A It is close to the 300 line. Yes.

13 Q What is the cost per kilowatt hour of
14 the proposed Big Sandy retrofit?

15 A Approximately \$1,100.

16 Q 1,175? Is that approximately correct?

17 A Approximately.

18 Q And what is the cost per kilowatt hour
19 of the Big Sandy combined cycle repowering that you
20 considered?

21 A I don't recollect exactly what it was.

22 Q Approximately \$1,262 kilowatt hours?

23 A Subject to check, I would agree with
24 that.

25 Q Okay. And what is the -- what is the

1 cost per kilowatt hour of the new build natural gas
2 plant option?

3 A Again, I'd have to look it up. I don't
4 know off the top of my head.

5 Q Subject to check, would you agree that
6 it's around \$1,169 per kilowatt hour?

7 A Subject to check.

8 MR. KURTZ: Mr. Chairman, I hate to
9 interrupt, but just so the record's clear, I think
10 it's per -- per kilowatt.

11 MS. HENRY: Kilowatt. Sorry.

12 Q So the net book value of Waterford is
13 approximately a fourth of the estimated cost of the
14 Big Sandy retrofit?

15 A Based on -- and, again, assuming
16 these -- I don't know what these costs are on Exhibit
17 6-1, but --

18 Q Did Kentucky Power inquire whether it
19 could acquire the Waterford facility from AEP?

20 A The -- all of the plants, from a gas
21 perspective, were done from an AEP perspective and was
22 put out to whichever sister company felt was the most
23 applicable for them to own that -- that plant.

24 Q And which plants were -- would -- were
25 Kentucky Power considered for?

1 A I'm not readily -- I mean, all the
2 operating companies are in the mix when they
3 considered that. None of them were purchased -- I
4 mean were set up for ownership by Kentucky Power.

5 Q But Kentucky Power can ask AEP for
6 ownership of certain plants?

7 A I mean, we're involved in discussions.

8 Q And how -- how does corporate AEP decide
9 who gets which -- who has the ability to acquire
10 certain plants?

11 MR. OVERSTREET: Your Honor, could I ask
12 Miss Henry to specify the time period when this
13 acquisition would take place? Are you talking about
14 now or are you talking back in 2004 or 2010?

15 MS. HENRY: I'm talking about now.

16 A So what was the question again?

17 Q The question is: There are a number of
18 Ohio plants that are likely to be acquired by
19 different utilities. Waterford, Lawrenceburg, and
20 KIUC mentioned the Mitchell plant. So my question is:
21 The parent company, AEP, do they make the decisions
22 about who gets to acquire those?

23 A I'm not sure how that's going to -- to
24 work out. You know, we don't know what's going to
25 happen in Ohio. And so I really don't know how that

1 will -- will -- will play out once Ohio decides on
2 what type of regulations they want to -- orders they
3 want to proceed with.

4 Q What criteria do -- will AEP -- parent
5 AEP use to determine who gets to acquire those
6 facilities?

7 A I don't know.

8 Q Do you know when those decisions are
9 likely to be made?

10 A I can only say that sometime in the
11 third or fourth quarter this year, it's hopeful that
12 there'll be some orders, but it's -- it's up to the
13 Ohio commission.

14 Q And who decides at AEP?

15 A Decides what?

16 Q Who gets to acquire these units.

17 A Again, I don't -- I don't know. I'm not
18 sure these units will be available to -- to move.
19 That's an assumption.

20 Q Kentucky Power asked for a larger
21 portion of the Mitchell plant? Kentucky Power Company
22 asked for a larger portion of the Mitchell plant?

23 A We asked for a larger portion when?

24 Q Let's see. I would like to mark and
25 move into exhibit Sierra Club Number 3.

1 MR. GIAMPIETRO: Actually, there's a
2 confidential page in here.

3 MS. HENRY: There is a confidential page
4 in the documents, but we're going to use this exhibit
5 later. We're not going to refer to this.

6 COMMISSIONER ARMSTRONG: I ad --
7 admonished you on this.

8 MS. HENRY: No. I'm not going to refer
9 to the confidential page, but we would -- it's part of
10 the same exhibit that we're going to introduce later.

11 COMMISSIONER ARMSTRONG: But you're
12 passing it out.

13 MS. HENRY: Only -- but we're not
14 referring to it on the record.

15 MR. OVERSTREET: Your Honor, I thought
16 the understanding was is that --

17 COMMISSIONER ARMSTRONG: Yeah.

18 MR. OVERSTREET: -- we would handle
19 con -- anything that's confidential --

20 COMMISSIONER ARMSTRONG: As far as
21 confidential, ma'am.

22 MS. HENRY: Okay. Then we'll address
23 this topic after.

24 COMMISSIONER ARMSTRONG: That'd -- that
25 would be the time to do it.

1 MS. HENRY: Okay. I wasn't -- I wasn't
2 trying to interrupt the procedure. I just thought if
3 I was referring to an earlier portion of the document
4 that --

5 COMMISSIONER ARMSTRONG: I just need
6 you --

7 MS. HENRY: -- was not --

8 COMMISSIONER ARMSTRONG: -- to --

9 MS. HENRY: -- confidential, that it
10 would be allowed.

11 COMMISSIONER ARMSTRONG: Go ahead.

12 Q Mr. Wohnhas, in response to Kentucky
13 Power Company's -- in -- in Kentucky Power Company's
14 response to Sierra Club question 1-52.

15 A Just a moment.

16 COMMISSIONER ARMSTRONG: What page is
17 that on?

18 MS. HENRY: Page -- it's page 2 of 3,
19 Your Honor.

20 A I have it now.

21 Q So if you look at the third full
22 paragraph, it states that Kentucky Power Company
23 management also requested an additional analysis to be
24 formed, under which Kentucky Power would seek to
25 receive a greater portion of Mitchell units 1 and 2

1 that would serve to effectively be substituted for the
2 lake size Big Sandy 2.

3 This evaluation also assumed that in
4 lieu of retiring Big Sandy 1, it would consider
5 converting that unit to burn solely natural gas. Has
6 the -- has -- have you received an answer on that
7 request?

8 A We did perform -- we requested that an
9 analysis be performed, and it was performed, and it
10 was made available as part of this proceeding --

11 Q Did you ask --

12 A -- in a data request.

13 Q Did you ask AEP to also receive a larger
14 portion? Parent AEP.

15 A All we asked for is for a study to be
16 ran based on net book value, and that's all that was
17 asked.

18 Q Okay. I'd like -- I'd like you to refer
19 to your direct testimony. Page 14, line 21.

20 A Yes.

21 Q Is it correct that the proposed
22 installation of the FGD at Big Sandy unit 2 would
23 allow it to operate under currently promulgated and
24 proposed EPA regulations?

25 A Yes, it does.

1 Q Do you agree that Mr. Weaver has modeled
2 the operation of Big Sandy 2 through 2040, a projected
3 life of 25 years, from the anticipated 2016 start
4 date?

5 A Yes.

6 Q The company is proposing to depreciate
7 Big Sandy 2 over 15 years starting from 2016, though?

8 A That is correct.

9 Q Do you agree that under the proposed
10 15-year depreciation Kentucky Power would recover its
11 full capital investment in Big Sandy 2 plus its return
12 on equity by approximately 2030?

13 A It would recover that in the 15-year
14 stan -- timeframe.

15 Q And do you agree that that's ten years
16 less than the operating life that Mr. Weaver has
17 projected?

18 A That is correct.

19 Q I'd like you to refer to your testimony
20 on page 15, lines 1 through 4.

21 A Yes.

22 Q Is it correct that this states that the
23 company wants to recover its full capital investment
24 by 2030 because of the risk that future increased EPA
25 standards, particularly carbon legislation, could

1 cause operation of this unit to be noneconomic?

2 A There is a concern, and what I as -- in
3 trying to make this filing was to strike a balance
4 between the idea of a useful life and an economical
5 life. And in striking that balance, choosing 15 years
6 versus 25 years was a concern that there could be
7 something coming down, and to protect my shareholders
8 without also additionally burden customers with what
9 the increase would be of 15 versus 25 years, but there
10 is concern and risk, and this was trying to strike a
11 balance between a useful life and an economic life.

12 Q All right. I would like to mark and
13 move into exhibit as Sierra Club -- Exhibit Sierra
14 Club 3, a copy of the company's response to
15 Commission's first set data requests, number 91.

16 MS. HENRY: This is Kentuck -- KPC's
17 response to the Staff.

18 MR. COOK: Okay.

19 MS. HENRY: 191. Thank you.

20 MR. HOWARD: Thank you.

21 Q Isn't it true that you believe that
22 there is a medium risk that future EPA rules would
23 result in a stranded investment in the FGD absent a
24 15-year depreciation?

25 A That's what we state there. Yes.

1 Q And isn't it true that alternatives two
2 and three that the company considered do not face that
3 same risk?

4 A The same risk as the coal, no, but there
5 would probably still be some risk, but not to the
6 exact it would be here with the -- the scrubber.

7 Q I would like to mark and move into
8 exhibit Sierra Club Exhibit Number 4, which is the
9 Company's response to the Commission's first set of
10 data requests, number 89.

11 If you look at your response to subpart
12 D, do you acknowledge that Options 2 and 3 do not need
13 a 15-year depreciation because they would be gas units
14 and will not have the same EPA -- EPA regulations to
15 hinder their operations?

16 A Yes. We had that as a -- for a couple
17 reasons. One being the fact that the -- the gas units
18 would be much newer, and with -- you would have more
19 time if you had any EPA regulations. And even with
20 the 15-year depreciation life on Option number 2, it
21 still came in as the least cost option.

22 Q Is it true that option number 4, which
23 is the market option, also does not have to have the
24 same depreciation, 'cause it doesn't have the same
25 risk about future EPA regulations?

1 A It doesn't have depreciation, 'cause
2 there's no plant. There's no asset.

3 Q Correct. Isn't it true if Kentucky
4 Power Company were to acquire units from the -- Ohio,
5 possibly the Mitchell or Waterford plant, that they
6 would also not be subject to this risk of retirement
7 become -- beco -- in 15 years due to future EPA
8 regulations, 'cause they would be newer gas units?

9 A Well, Mitchell is a coal unit, and it
10 could -- you said Mitchell.

11 Q I'm -- I'm sorry, Waterford.

12 A Oh. Again, Waterford was something that
13 was purchased in 2005. All right. I'm not sure why
14 we keep going back to Waterford. I don't know how to
15 reconcile between Waterford and what you're asking
16 here.

17 Q If you -- if -- how about if Kentucky
18 Power Company were to acquire a newer gas unit from
19 Ohio, would they suffer the -- would they have the
20 same risk about shutting down in 15 years because of
21 future EPA regulations due to carbon legislation?

22 A They could possibly have risk due to EPA
23 regulations. As things change, and as the -- the coal
24 market and the things that are going -- that are
25 currently being asked of them, you know, and -- and

1 gas -- people switch to gas if that's what they
2 choose, and like anything else, it's very possible
3 there will be more stringent EPA regulations on gas as
4 well.

5 Q Didn't you acknowledge in your response
6 to subset D in the exhibit that I just distributed
7 that because Option 2 would be newer gas units, they
8 would not suffer or they would not be hindered by new
9 EPA regulations?

10 A Under what we know today. It's not
11 saying it won't happen in the future.

12 Q Isn't it true that Kentucky Power
13 Company even considered a more accelerated
14 depreciation rate?

15 A A more accelerated depreciation rate?

16 Q Yeah. Currently, the public servi --
17 oh. Currently, Kentucky Power Company has requested a
18 15-year depreciation rate.

19 A Yes.

20 Q Is it true that the Company also
21 considered a ten-year depreciation rate due to future
22 environmental legislation making the units uneconomic?

23 A There may have. I don't recall
24 specific -- I won't say we didn't. I can't say for
25 sure that we did.

1 Q All right. I would like to mark and
2 move as Exhibit Sierra Club 5 a copy of the Company's
3 response to KIUC's first set of data requests, number
4 28, and the -- the attachment thereto. Is this a
5 comparative present worth analysis done by Kentucky
6 Power Company? And if you look at --

7 A If -- if you don't mind, would you --
8 I'd like to turn to -- this is just the attachment.
9 I'd like to see the question, if you don't mind. Give
10 me a second to get KIUC 28.

11 Q Take your time.

12 THE WITNESS: Can you give me that,
13 Shannon, please?

14 A All right.

15 Q So in this question, KIUC asks for any
16 additional analysis done by the Company, and this was
17 provided as part of the response to that question.

18 In -- does it note it that they -- in
19 base, the Option 1 for this analysis, that for
20 purposes of addressing future environmental-driven
21 recovery risk, a retrofit option was accelerated to a
22 ten-year recovery period? It's footnote A that says
23 that.

24 A It does say ten years. Yes.

25 Q So -- so the company even considered an

1 accelerated recovery period of ten years due to this
2 risk?

3 A It was analyzed. Yes.

4 Q I would like to mark and move into
5 exhibit Sierra -- SC6, Sierra Club 6, which is going
6 to be a copy of the company's response to Sierra
7 Club's initial re -- initial request for information
8 17. I'd like -- well, I'll wait until -- I'd like to
9 refer you to 17 -- your response to 17 H.

10 A Yes.

11 Q Is it correct that in response to this
12 data request, you stated that the company did not
13 attempt to analyze the risk associated with future
14 unknown increased EPA standards?

15 A That is correct. It's to try to
16 quantify -- you know, it's -- would be making, again,
17 a lot of assumptions, but realizing that it's out
18 there, but we did not try to associate any analysis.

19 Q Okay. I would like to mark and move as
20 Exhibit SC 7 a copy of the Company's response to
21 Sierra Club's second request for information, number
22 16 B.

23 Is it correct -- I wanted -- sorry.
24 Sir, I directed your attention to 16 B and your
25 response thereto. Is it correct that in response to

1 this question, you stated that it's difficult to
2 consider the risk of future environmental regulations?

3 A We state that and then go on to state
4 that we have proactively tried to -- the risks that we
5 do know of, to tend to incorporate those.

6 Q So is it your position that Mr. Weaver's
7 analysis using Aurora are not an attempt to analyze
8 the risks associated with future unknown EPA
9 standards?

10 A Could you restate that question, please?

11 Q Is it your position that Mr. Weaver's
12 analysis of risk using the Aurora model are not an
13 attempt to analyze the risk associated with future
14 unknown EPA rules?

15 A I think you would have to ask Mr. Weaver
16 that specifically.

17 Q Is it your position that the company
18 needs a 15-year depreciation to address that risk,
19 because Mr. Weaver's analysis of those options did not
20 adequately estimate that risk?

21 A It's not a -- it's not a word -- it's
22 not inadequately. It's a fact that we're trying to
23 balance a difference between an economic life and a
24 useful life, realizing that there is a difference, and
25 realizing that there is the risk of future EPA type of

1 regulations that we can't quantify. Realizing that
2 even with that 15-year depreciation life, again, unit
3 one -- the Option 1 was the least cost and still
4 trying to protect the -- the re -- customer as well as
5 our shareholders.

6 Q Okay. So let's -- let's talk about
7 that. Can I refer you to your direct testimony on
8 page 15, line 3?

9 A Yes.

10 Q So the company wants a 15-year
11 depreciation to reduce the risk of stranded
12 investment; is that correct?

13 A Yes, ma'am.

14 Q And I want to refer you back to the
15 question and response to Sierra Club's initial request
16 number 17. And we're going to look at sub check --
17 subsection J this time.

18 A Yes.

19 Q And I'm trying to understand the
20 stranded investment in relation to the response you
21 gave here. The attachment -- I mean, it compares the
22 depreciation of an asset over 15 years and over 25
23 years, and it shows that there is -- if the company
24 were to -- if EPA standards caused the company to
25 retire Big Sandy unit 2 after 15 years, there would be

1 \$370 of undepreciated plant.

2 MR. OVERSTREET: Excuse me. That's
3 the --

4 A \$370 million.

5 Q 370 million.

6 A If we were depreciating over 25 years.

7 Q So there would be 370 million
8 undepreciated plant if you had to retire early?

9 A That is correct.

10 Q So under the hypothetical here, Kentucky
11 Power shareholders would absorb that \$370 million?

12 A They would be at the risk of -- of
13 having to cover that. We would, I think,
14 appropriately come ask the Commission for recovery of
15 that, those dollars over some time period, but
16 would -- there is a risk.

17 Q And there would also be a risk that the
18 Company would lose the return on equity for tho -- for
19 that value, the 370 million?

20 A Any return would be in there, possibly,
21 yes.

22 Q But in contrast to the illustration in
23 subsection J, you're asking for a 15-year depreciation
24 so that there wouldn't be this \$370 million of
25 undepreciated plant value?

1 A You would be -- you would reduce the
2 risk tremendously, yes.

3 Q You would reduce the risk to
4 shareholders?

5 A That is correct.

6 Q I would like to mark and move as Exhibit
7 Sierra Club 8 a copy of the Company's response to
8 Sierra Club's second information request, number 18.

9 Is it correct that in response to Sierra
10 Club request for information 2-18, you indicate that
11 if the Company was sure it could recover all of the
12 costs associated with the flue gas desulfurization
13 unit at Big Sandy 2, you would not be concerned about
14 the number of years over which it recovers those
15 costs?

16 A That's correct.

17 Q So it's your position that the Company's
18 ability to recover for Big Sandy unit 2 modification
19 under the environmental surcharge tariff does not
20 assure the Company recovery of all of those costs?

21 A It does not assure us, if we have to
22 economically shut down Big Sandy unit 2 prior to the
23 full depreciation of the unit, that there could -- it
24 doesn't do that. No.

25 Q So the 15-year depreciation reduces the

1 risk of stranded investment to Kentucky Power Company
2 shareholders by accelerating that recovery period?

3 A That is correct.

4 Q I want to refer back to 17, the question
5 and answer, which was marked as Exhibit 6. This time
6 to subsection I.

7 A Yes.

8 Q Is it correct that in response, you
9 state that the company should not bear any risk of
10 stranded investment?

11 A That's correct. We prudently go and
12 request for dollars to be invested and to spent -- to
13 build, in this case, the scrubber, and if those are
14 approved, we feel that those should be prudently
15 provided recovery.

16 Q Do you agree that Mr. Weaver is
17 justifying the investment in Big Sandy unit 2 as being
18 the least cost option based on his assumption that
19 this unit would operate until 2040?

20 A The model that he runs -- that he runs
21 for Option 1 does go out through 2040.

22 Q Did the Company run the model where
23 Option number 1 is retired in 2030 because of the
24 medium risk you identified?

25 A Not that I'm aware of.

1 Q Did the Company determine whether it
2 would be the least cost option to build the proposed
3 plant -- to -- to modify Big Sandy 2 if it was retired
4 in 2030 because of your identified medium risk?

5 A You'd have to ask Mr. Weaver to -- for
6 sure. I don't believe so, but you'd have to ask Mr.
7 Weaver too.

8 Q Let me ask you this: Do you think it's
9 prudent for the Commission to grant the recovery of a
10 billion dollar retrofit project when there is an
11 identified medium risk that the Company did not
12 analyze, and whether their proposed option is still
13 the least cost option in light of that acknowledged
14 risk?

15 A Absolutely. Wi -- with the things that
16 we have shown is that it is -- even with a 15-year
17 depreciation life. All right. It is the least cost
18 option.

19 Q We're not --

20 A And --

21 Q -- talking about a 15-year depreciation
22 life.

23 A That's what I'm talking about.

24 Q Did the -- did the Company model, not a
25 depreciation life, but an actual life of 15 years, did

1 it determine whether --

2 A It did --

3 Q -- the billion dollar --

4 A -- over 30 years, and it still came in
5 as the least cost option.

6 Q Under -- under a model that was ran --
7 run until 2040?

8 A That is correct.

9 Q And did you run a model where Option 1
10 had it retiring in 2030?

11 A Not to my knowledge.

12 Q And you did not have an analysis that
13 found that would be the least cost option if it had to
14 retire in 2030?

15 A Not to my knowledge.

16 Q And do you think if the plant had to
17 retire ten years earlier, it's likely that it would no
18 longer be the least cost option?

19 A I don't know.

20 MS. HENRY: Thank you. That's all the
21 questions I have for now.

22 COMMISSIONER ARMSTRONG: Thank you.

23 MS. BURNS: Yes.

24 COMMISSIONER ARMSTRONG: Miss Burns.

25

* * *

CROSS-EXAMINATION

1
2
3 By Ms. Burns:

4
5 Q Mr. Wohnhas, I have a few questions of
6 you as well, sir. And the first few are going to
7 refer to your 2010 finance report. All right. There
8 is -- the first page here, the page entitled Electric
9 Operation and Maintenance Expenses. It shows the
10 Company's power production expenses. It looks like
11 fuel expenses that are almost all for coal for about
12 174 million; is that right? You're on the -- under
13 the second --

14 A Yes. I see 174 --

15 Q Fuel.

16 A -- million. For fuel 501?

17 Q Yes. And all this subject to check,
18 obviously. The next page over, where it's entitled
19 Steam-Electric Generating Plant Statistics, including
20 the quantity of coal burned. The coal burned was just
21 under 2.574 million tons; is that correct?

22 A That is correct.

23 Q All right. And it looks like that these
24 are both -- that both of these pages, obviously, in
25 the coal is for the Big Sandy units 1 and 2. Based on

1 the size of the two units, is it reasonable to assume
2 that under normal operating conditions, the Big Sandy
3 unit 2 would burn about three-quarters of the total of
4 the coal burned at the station?

5 A I don't know if that's reasonably to --
6 to -- to make that analysis. A lot of it has to do
7 with the economics of the unit, and if unit 2 was more
8 economical than unit 1, then it -- it would -- it
9 could run more than just a division of, you know, what
10 the 800 is in comparison to 1,078. So I'm not sure I
11 can make that assumption that it would be that split.

12 Q Okay. Well, as a -- as a post-hearing
13 response, if you could do some numbers for us, if you
14 don't mind. Staff has done a calculation, and we've
15 based it on that three-quarters ratio. And Staff's
16 calculation is that the 130.5 million of the total 174
17 million in fuel cost would be for fuel burned at unit
18 2.

19 So if you don't mind to do a -- do a
20 calculation of what the appropriate amounts of coal
21 burned at Big Sandy unit 2 are in a post-hearing
22 response.

23 MR. HOWARD: If -- if I may, Mr.
24 Chairman. From what source did you get this? I
25 just --

1 MS. BURNS: The 2010 annual report.

2 MR. HOWARD: Oh, you did?

3 MS. BURNS: The financial report that
4 was filed here.

5 MR. HOWARD: Thank you very much.

6 MS. BURNS: Yes.

7 MR. OVERSTREET: Miss Burns, I want to
8 make sure I understand your --

9 MS. BURNS: Sure.

10 MR. OVERSTREET: -- request so we can
11 answer it. You -- you --

12 MS. BURNS: Right.

13 MR. OVERSTREET: -- want to know the --
14 the -- the cost of the coal burned --

15 MS. BURNS: The percentage of the coal
16 burned for unit 2 versus unit 1 and then the cost
17 allocation.

18 MR. OVERSTREET: Okay. And in what --
19 and in what year? The 2011 --

20 MS. BURNS: This is 2010.

21 MR. OVERSTREET: 2010.

22 MS. BURNS: Uh-huh.

23 MR. OVERSTREET: Okay. Thank you.

24 Q If the blend of the coal -- if the blend
25 of the coal is producing a 4.5-pound mmBtu sulfur

1 content was priced 30 percent lower than the cost of
2 the lower sulfur coal currently burned in Big Sandy,
3 would the cost of the fuel for unit 2 be likely to
4 decline from our number would be -- from the 130.5
5 million to an amount of approximately 91 million?

6 A Well, I guess it would depend, not
7 knowing your calculation, what percentage of blend
8 rate that you had for the unit.

9 Q If you would please refer to the
10 Company's response to the Staff's first data request,
11 item number 62. Okay. And that response, I believe,
12 discusses the relative price difference in three
13 different sulfur content coals.

14 A That's correct.

15 Q Okay. Is it correct that at the present
16 time, Big Sandy unit number 2 burns a low-sulfur coal
17 that has a sulfur content of 1.7-pound mMBtu sulfur or
18 less?

19 A They -- yes. They do burn the
20 low-sulfur coal. Yes.

21 Q All right. Under the scrubber
22 retrofit -- retrofit proposal, the unit 2 is modeled
23 to burn a blend of coals with the sulfur content of
24 4.5 pounds?

25 A Up to -- up to --

1 Q Up to --

2 A -- four and a half --

3 Q Yes.

4 A -- pounds. Yes.

5 Q All right. Your response indicates that
6 over the period ending in 2040, the delivered price of
7 1.7 mmBtu coal is projected to be, on the average, 30
8 to 35 percent higher than the cost of the 4.5-pound
9 coal. My question is: Is the 1.7-pound coal priced
10 higher than the 4.5-pound coal at present and by how
11 much?

12 A I'd have to get you that. I don't know
13 exactly what those --

14 Q Okay.

15 A -- numbers are.

16 Q Okay. That's fine.

17 A So --

18 MS. BURNS: And, Your Honor, I'd like to
19 move this financial exhibit --

20 COMMISSIONER ARMSTRONG: Objection?

21 MR. OVERSTREET: No objection.

22 COMMISSIONER ARMSTRONG: So ordered.

23 (Staff Exhibit admitted.)

24 Q If you would go to page 5 of your
25 rebuttal testimony. Starting around lines 3 through

1 8, you discuss the Company's willingness for this
2 proposed retrofit project to discontinue the practice
3 of recording AFUDC and instead earn a cash return on
4 construction work in progress and rate base.

5 Without the AFUDC accrual, the installed
6 cost of the proposed scrubber in the related
7 facilities would be about 839 million instead of the
8 940 million; is that correct?

9 A It would be 839 million without the
10 AFUDC. That is --

11 Q Yes.

12 A -- correct.

13 Q Okay. Then this lower -- this 839
14 million would then become the investment on which the
15 company would earn a return after the scrubber went
16 into service. Have you made any attempt to quantify
17 the impact that would have on the revenue requirement
18 associated with the retrofit project?

19 A If we were to earn a cash return on CWIP
20 beginning with -- as the project starts today?

21 Q Yes.

22 A Yes, we have.

23 Q And where is that reflected?

24 A Nothing has been submitted in the
25 record.

1 Q The 839 million is slightly less than 90
2 percent of the 940 million that would we -- be
3 capitalized if AFUDC were accrued. Would it be
4 reasonable to assume that, all other things being
5 equal, the annual depreciation of property tax expense
6 would be reduced roughly ten percent from the amount
7 shown on Miss Munsey's revised exhibit?

8 And Miss Munsey's revised Exhibit 2 was
9 filed later in response to a data request. Was filed
10 in response to Staff second data request, item number
11 23, attachment 1, page 2 of 15.

12 A Yes. By reducing the capital cost by
13 roughly \$100 million would -- would have about a
14 10-percent adjustment on the depreciation. Yes.

15 Q And earning a cash return on CWIP
16 instead of accruing AFUDC would reduce the amounts
17 charged customers after the scrubber went into service
18 and would allow the Company to begin recovering the
19 capital cost of the dry FGD project through its
20 environmental surcharge, when the costs are incurred,
21 with customers being charged two months later based on
22 the two-month lag reflected in the surcharge
23 mechanism.

24 Would it be accurate to say that this
25 lessens the rate shock that customers would likely

1 experience if their bills were to increase by more
2 than 30 percent coincident with when the scrubber
3 became operational?

4 A What it will do was it will phase in
5 the -- the rate increase over a period of time
6 starting 2012 through '16. At the time in 2016 that
7 the plant would go in service, the amount that -- of
8 that large jump would be less for that particular time
9 that they would have to -- to pay.

10 But if you price out all the way where
11 it becomes very economical to the customer, it's --
12 it's out a little farther when the total cost to the
13 ratepayer will be less in total versus what it would
14 cost under AFUDC.

15 Q Do investors and credit rating agencies
16 generally view the ability to earn a cash return on
17 CWIP favorably due to the increased cash available to
18 the utility during the period a project is under
19 construction?

20 A I'm not the expert that could answer
21 that specifically. I would assume so, because of the
22 cash, but I don't have any knowledge of -- or anything
23 to back that up from an -- an agency.

24 Q Would it be accurate, then, to say that
25 generating a cash return on CWIP can be viewed as

1 having some benefits for the Company in addition to
2 lessening rate shock for customers?

3 A That would be true. Yes.

4 Q Okay. Was Kentucky Power's last general
5 rate increase effective June 29, 2010, if you recall?

6 A Rates went into -- yeah. Rates went
7 into effect June 29th of 2010. Yes.

8 Q And that rate increase was just under 17
9 percent for residential customers; is that correct?

10 A That is correct.

11 Q After that 2010 increase was reflected
12 in rates, are you aware of some protests being filed
13 and a hearing being held by a legislative committee in
14 March of 2011?

15 A I'm not sure what you mean by a protest
16 being filed.

17 Q Any -- any letters to legislators from
18 consumers being written that you're aware of or
19 concerns?

20 A I mean, we had -- after the rate case?

21 Q Uh-huh. Yes, sir.

22 A I cannot rec -- recall anything right
23 after the rate case.

24 Q That's fine.

25 A No.

1 Q Okay. Would you expect a one-time
2 increase of approximately 25 percent in 2016 to result
3 in significant protests from your cust -- customers as
4 well as from elected officials?

5 A I hope not.

6 Q Will the rate increase proposed in
7 today's case be the only rate increase for customers
8 between now and 2016?

9 A I don't know. If we don't -- don't have
10 anything planned at this point but don't know.

11 Q Okay. Are you projecting that Kentucky
12 Power will be able to earn a reasonable return through
13 2016 without filing a general rate case?

14 A The numbers will have to show how -- as
15 we proceed. If -- as long as they do, we won't be in
16 for a base rate case.

17 Q All right. Would you please go to your
18 direct testimony, please? Page 12.

19 A I'm sorry. Page?

20 Q Twelve.

21 A Thank you. All right.

22 Q And you talk about Rockport, Amos, and
23 Tanner's Creek. Who owns the Rockport plant?

24 A Indiana Michigan Power Company.

25 Q Okay. And how are the costs to that

1 split up?

2 A Let me -- and -- and also AEP
3 Generating. I'm sorry. It's --

4 Q All right.

5 A -- it's joint that.

6 Q That's fine. And how are those costs
7 passed down to Kentucky Power ratepayers from the
8 Rockport plant?

9 A We receive some of those costs through
10 the unit power agreement, and some of the costs we get
11 is through the pool.

12 Q What about Tanner's Creek?

13 A Tanner's Creek is all through the pool.

14 Q And Tanner's Creek is in?

15 A It's in Indiana Michigan as well.

16 Q Okay. And what about the Amos plant?

17 A Amos plant is a -- make sure I -- an
18 Ohio plant, and it comes through the pool as well.

19 Q Okay. In the AEP pool, is it correct
20 that generally Ohio Power and I&M are two surplus
21 companies?

22 A Under the current pool arrangement, yes.

23 Q Okay.

24 COMMISSIONER GARDNER: Excuse me. What
25 was your question again?

1 MS. BURNS: Under the pool agreement,
2 are generally Ohio Power and I&M surplus companies?

3 Q And could you explain, what's a surplus
4 company?

5 A They have more capacity, generating
6 capacity, than they need to serve their MLR base
7 capacity within their service territory.

8 Q All right. And what's a deficit
9 company?

10 A Someone who has less capacity.

11 Q And, generally, is Kentucky Power a
12 deficit company?

13 A Yes. They're a deficit.

14 Q How -- how is -- is the amount
15 calculated, the monthly amount that Kentucky Power is
16 required to pay, because it's a deficit company under
17 the AEP pool arrangement?

18 A I think if you go to Exhibit LPM 7,
19 which is exhibit -- page 1 of 1. This is in the
20 direct testimony of Lila Munsey.

21 Q Uh-huh.

22 A Her Exhibit 7 gives you, using August of
23 2011, how that calculation is determined. If you were
24 to look at -- I guess I'll give you a second. You
25 want to look at it?

1 Q So --

2 A Line 2, you know, basically shows that
3 for -- in showing Kentucky Power Company, you know,
4 there is an MLR percentage, and when you multiply that
5 times our kW, our capacity, it tells us what our --
6 how much we should have. In this case, it's a million
7 seven hundred and fifty-four kW. We only have
8 capacity of a million 471, so we have a deficit of
9 283,900.

10 That calculation is done for both
11 surplus and deficit and then multiplied out by the
12 rates for the -- the surplus companies.

13 Q Okay. And only a portion of Ohio Power
14 share of Amos and a portion of I&M Tanner Creek
15 environmental costs flow to Kentucky Power through the
16 pool agreement; is that correct?

17 A That is correct.

18 Q Okay. On page 4 of your rebuttal
19 testimony, line 19. The construction work in progress
20 account accumulates the actual cost of constructing
21 the Big Sandy DFGD facilities and in this case will
22 total 839 million, as you state on page 4, line 19,
23 correct?

24 A Total cost excluding AFUDC would be 839
25 million. Yes.

1 Q Okay. Do you agree with the general
2 statement allowance for funds used during construction
3 as a regulatory cost accounting procedure, whereby
4 both interest charge -- charges on borrowed funds and
5 a return on equity capital used to finance
6 construction are included in the recorded cost of
7 utility plant and equipment being constructed?

8 A That would be in that total 940 million.
9 Yes.

10 Q Equity portion of capitalized AFUDC is
11 accounted for as other income and recorded in FERC
12 account 419.1; is that correct?

13 A I believe that, subject to check, that's
14 the right account.

15 Q The Company does not expect to recover
16 the actual CWIP during construction but rather earn
17 AFUDC or earn a cash return on CWIP during
18 construction; is that correct?

19 A We have filed for AFUDC, and we have
20 stated that -- you know, that if it seems appropriate
21 that for this project that we go with the cash return
22 less CWIP, we clearly entertained doing that.

23 Q In this case, the debit side of the
24 AFUDC account will accumulate the monthly amounts and
25 will reflect the 101 million as you state on line 21

1 on page 4 of your rebuttal testimony; is that correct?

2 A I am not sure.

3 Q All right. Page 4, line 21.

4 A All right. 101 million.

5 Q All right. Debit side of the AFUDC
6 account will accumulate monthly amounts and will
7 reflect the 101 million. Question.

8 A I believe that is correct, subject to
9 check, but I'd have to -- yes.

10 Q And is it correct that the credit side
11 of the monthly AFUDC amounts will be reflected as a
12 revenue item in the Company's monthly income
13 statement?

14 A You're checking my accounting. I'd have
15 to verify that. I do believe that's true. I'd have
16 to --

17 Q Okay. That's fine.

18 A I have trouble visualizing in my head.

19 Q Is it correct that the monthly credit
20 AFUDC amounts increases the Company's monthly net
21 income and the Company's earned return during the
22 construction period?

23 A Do -- would you repeat that, please?

24 Q Uh-huh. Is it correct that the monthly
25 credit AFUDC amounts increases the Company's monthly

1 net income and the Company's earned return during the
2 construction period?

3 A I'm going to have to check.

4 Q Okay. That's --

5 A I'm sorry.

6 Q -- fine. That's fine, sir. Would you
7 refer, please, to your rebuttal testimony, page 4
8 again? Around lines 10 through 14 where you state,
9 (Reading) The electric plant and service cost of the
10 project will not be included in the monthly
11 environmental surcharge calculations until the first
12 of the year following the in-service date.

13 A Yes.

14 Q Question is: Are you saying that the
15 environmental costs associated with the AEP pool
16 environmental facilities and the environmental costs
17 associated with Kentucky Power's Big Sandy and its
18 15-percent share of the Rockport environmental
19 facilities are not reflected in the monthly
20 environmental surcharge calculations until the first
21 of the year following the in-service date?

22 A The electric plant in-service cost of
23 Big Sandy, which would include -- which would be the
24 940 million, will not show in the calculation. We do
25 not update, per the process, the co -- the plant in

1 service until the first of every year. The
2 depreciation, the O and M costs related to those would
3 start appearing two months after it went in service.

4 Q Does this mean that the project will
5 continue to accrue AFUDC after its in-service date?

6 A No. When it goes into service, AFUDC
7 stops.

8 Q Okay. And this is definitely going to
9 be a post-hearing response. If you look at the
10 monthly environmental filings from Kentucky Power for
11 the month of May 2003, the month that the Big Sandy
12 SCR went into -- into service, it appears to Staff
13 that in addition to Kentucky Power's 15-percent share
14 of Rockport, pursuant to the AEP pool environmental
15 facilities, the Big Sandy SCR costs were reflected in
16 that monthly environmental filing.

17 Could you review the -- the monthly
18 environmental filing for the expense month of May 2003
19 and report whether or not the Big Sandy SCR costs were
20 included in that filing?

21 A Yes, we can.

22 Q Will Kentucky Power still be energy long
23 after in -- installing the retrofit at unit 2 if unit
24 1 is retired and with Kentucky Power's 15 percent of
25 Rockport?

1 A If -- I mean, we would have to fill Big
2 Sandy unit 1 when it's retired. We've got to
3 determine how we're going to fill that -- that hole.
4 You know, while if -- so I would say that with that
5 being just an al -- analysis, we would probably not be
6 long if we did not have Big Sandy unit 1 as part of
7 our fleet.

8 Q Miss Henry asked you some questions a
9 while ago about depreciation, and Big -- Kentucky
10 Power is proposing a 15-year depreciation for
11 recovering on your investment unit 2 for the dry
12 system; correct?

13 A That is correct.

14 Q Is it correct to say that Kentucky
15 Power's proposing use of 15-year depreciation period,
16 because of the uncertainty of environmental
17 regulations that could potentially render the Big
18 Sandy unit 2, FGD investment as a stranded investment?

19 A I guess I am missing what the actual
20 question was. That --

21 Q Is it correct --

22 A -- sounded like a statement.

23 Q Is it correct to say that Kentucky
24 Power's proposing to use a 15-year depreciation
25 period, because of the uncertainty of future

1 environmental regulations, that could potentially
2 render the Big Sandy unit 2 FGD investment as a
3 stranded investment?

4 A That would be correct.

5 Q And if you don't mind to turn to Staff's
6 second data request, item number 20, please. Down in
7 your response to question A, if a 3.78-percent
8 depreciation rate is used, the annual revenue
9 requirement is expected to do -- decrease by about
10 19.4 million; is that right?

11 A Yes.

12 Q So ratepayers will be paying an
13 additional 19.4 million per year to mitigate the risk
14 of stranded investment; is that correct?

15 A Yes.

16 Q Okay. Is it possible that the
17 investment could become stranded in less than 15
18 years?

19 A It's possible.

20 Q If the investment does become stranded
21 in less than -- than 15 years, is it possible that in
22 some years ratepayers could pay more than that
23 additional 19.4 million to mitigate that risk of a
24 stranded investment?

25 A That would depend on how it was -- how

1 the stranded investment was handled. I don't know.

2 Q Okay. Are you familiar with the risk
3 assessment that Mr. Weaver performed using the Aurora
4 model?

5 A I am -- I know of it, yes.

6 Q Okay. Do you know if the risk of
7 stranded investment has been included in the Aurora --
8 Aurora model?

9 A I do not. You'd have to ask Mr. Weaver.

10 Q Under the 2007 consent decree with EPA
11 that Kentucky Power entered, if the decision to
12 retrofit Big Sandy number 2 is delayed past December
13 15, December 31, 2015, what's the impact on the Big
14 Sandy station?

15 A Big Sandy unit 2 would have -- would
16 have to shut down until it became -- until it would
17 come in compliance with the consent decree.

18 Q The member companies of the AEP power
19 pool have all signed a formal notice of termination,
20 and the agreement will terminate as of December 31,
21 2013 or '14?

22 A '13.

23 Q '13. Okay. And a notice of termination
24 was also filed at FERC; is that correct?

25 A That is correct.

1 Q That -- and that notice of termination
2 was withdrawn?

3 A No.

4 Q No?

5 A No. The -- we -- that -- that notice of
6 termination was filed in December -- late December of
7 2010, and that has not been retracted.

8 Q Okay. Going forward, do you know if
9 there's going to be a new power pool agreement?

10 A Not -- we -- we had one -- we had
11 something that we submitted, and then we took it back
12 away from the FERC, and as I told Mr. Kurtz, we don't
13 know what we're going to have yet.

14 Q Do you have any idea which plants are
15 going to be included?

16 A No, ma'am.

17 Q Do you know if Kentucky Power has any
18 plans to buy the Mitchell plant?

19 A Not at this time.

20 Q If Kentucky Power retires Big Sandy unit
21 1 by January 1, 2015, as it proposes, how is Kentucky
22 Power going to replace the capacity of that unit?

23 A Don't know the specifics for that.
24 That's part of what we are waiting to see and make
25 determination based on some other things that are

1 going on in Ohio as well as other places, and we'll
2 have to make that determination.

3 MS. BURNS: I think that's all I have
4 right now, Your Honor.

5 COMMISSIONER ARMSTRONG: I have a couple
6 questions, Mr. Wohnhas.

7

8 * * *

9

10 EXAMINATION

11

12 By Commissioner Armstrong:

13

14 Q When you were introduced today, you've
15 held a number of different positions within Kentucky
16 Power, have you not?

17 A Yes.

18 Q You came there in '83?

19 A Yes.

20 Q And during the consent decree, what
21 position did you have?

22 A In 2007, I would have been what was
23 called a manager of business operation support which
24 was dealing with budgetary and accounting issues for
25 Kentucky Power.

1 Q And you were fully -- you were at -- at
2 that time, fully aware of the -- what the consent
3 decree meant to the Company?

4 A Yes. I was aware.

5 Q What did it mean to you?

6 A That we would have to, by the end of
7 2015, either put on something at Big Sandy unit 2 to
8 get it in compliance or choose another alternative to
9 be -- to take care of the megawatts that's needed by
10 Kentucky Power. But the consent decree said that we
11 had to get -- if we were going to continue to run that
12 after 2015, we would have to get it in -- put what --
13 whatever pieces of equipment needed to get it in
14 compliance.

15 Q And to you that meant what?

16 A The most obvious. It's building a --
17 putting a scrubber. If you were going to get unit 2
18 into compliance, in and of itself, would put a
19 scrubber on that unit.

20 Q The position you hold today, is that --
21 tell me about that.

22 A I am now the managing director of
23 regulatory and finance, which incorporates what I was
24 doing in business operation support, and then also now
25 incorporates the regulatory oversight of Kentucky

1 Power Company.

2 Q How long have you had that position?

3 A It's now been about 18 months.

4 Q And so you are a contact person; is that
5 correct? To the Commission.

6 A Yes.

7 Q You are the regulatory manager?

8 A Say that again, sir. I'm sorry.

9 Q I'm sorry. My voice.

10 A That's okay.

11 Q You are the regulatory manager for
12 Kentucky Power?

13 A Yes. I'm a contact as long -- as well
14 as Lila Munsey.

15 Q I have -- I've only been here three
16 years, so I'm not an old hand at this, but it seems to
17 me that we wanted to -- we should have heard from
18 Kentucky Power long before December of last year. Was
19 there a reason that we didn't?

20 A From the period of --

21 Q The consent decree.

22 A Okay.

23 Q From '07.

24 A All right.

25 Q That's --

1 A There --

2 Q -- six years.

3 A We -- during that time, from 2007, was
4 also the time when there was starting to begin a lot
5 of changes at the EPA from CSAPR rules to CAIR and
6 other such EPA type of -- of --

7 Q And --

8 A -- regulations.

9 Q -- I didn't ask about -- I didn't ask
10 about EPA. I asked about the Commission.

11 A Coming before the Commission. Right.
12 And -- and -- and I guess I'm leading up to the fact
13 that in evaluating all of that and making sure that
14 when we came before the Commission, that we had the
15 right alternative to meet that consent decree and
16 whatever else was going on, that we were evaluating
17 options during that period of time and seeing the
18 landscape of what would be the proper way for Kentucky
19 Power to move forward.

20 Q Did you -- did you think the Commission
21 had some planning opportunities for you to -- to look
22 at as well?

23 A Some planning opportunities?

24 Q Planning. Help you plan for this
25 inevitability.

1 A I guess I'm not sure what you're asking,
2 sir. I --

3 Q I was --

4 A -- apologize.

5 Q -- going to say that again. From '07
6 until late December last year, we didn't hear from you
7 about this.

8 A Well, actually, I believe we came in in
9 the 2010 time frame and informally discussing where,
10 you know, we thought we were going, what we were
11 evaluating, and at a very high level type of deal
12 to -- as -- as moving forward, but between '7 and '10,
13 I would say that we did not come before the Commission
14 in any way that I'm aware of.

15 Q In your planning and -- and your
16 thinking about how to address this, did you issue an
17 RFP for power?

18 A We did not is -- issue an RFP. We did
19 not feel it was an appropriate way to -- and when
20 you're looking at different types of alternatives, to
21 issue an RFP that would provide us any true answers to
22 when you're comparing a gas to a coal facility, it
23 would not give us what we thought would be.

24 If you were going to, quote, say, have
25 chosen a gas facility, and then you sent out an RFP

1 to -- for the different vendors to -- to bid on that,
2 building that particular facility, that made -- that
3 makes sense from an RFP, but from where looking at --
4 trying to look at our alternatives, sending out RFPs
5 is not, in our opinion, a way of doing that and
6 getting the results that you would like to see.

7 COMMISSIONER ARMSTRONG: Well, that --
8 and it seems to me that would be one of the things
9 that you'd want to look at, but I'm not in your
10 business. Those are my questions. Proceed.

11 COMMISSIONER GARDNER: Thank you.

12
13 * * *

14
15 EXAMINATION

16
17 By Commissioner Gardner:

18
19 Q Mr. Wohnhas, I have a few questions,
20 please. The first is -- let me make sure I understand
21 some things. The -- with respect to the percentage of
22 coal now, approximately 30 percent is from eastern
23 Ken -- or at least as of maybe 2010, approximately 30
24 percent is -- is east Kentucky, and the other 70
25 percent is CAPP coal but from West Virginia?

1 A From the Appalachian region.

2 Q Right.

3 A Yeah. Thirty percent would be mines
4 that are in -- physically within eastern Kentucky, and
5 the rest would be in that CAPP region. Predominantly
6 West Virginia, but you could even have some in
7 Pennsylvania.

8 Q Okay. Which does not include west
9 Kentucky or the Illinois basin?

10 A Yeah. And Western Kentucky Coal is part
11 of the Illinois basin. So if we were to -- could do
12 the fuel blending as with the -- not using the
13 four-and-a-half-pound coal. All right. Then we would
14 be getting some of that coal from within, again, the
15 Commonwealth of Kentucky.

16 Q Okay. But right now you're not using
17 any Illinois basin coal?

18 A That is correct.

19 Q Okay. So if you're allowed to scrub
20 this, then that in -- you would expect -- and, again,
21 depending on your blending, 50 percent arguably would
22 come from the Illinois basin of which some of that
23 would -- could or would come from Kentucky?

24 A Yes. If you use that in a -- we use a
25 50/50 blend just as a proxy. I mean, until the unit

1 is built and used, that may --

2 Q Sure.

3 A -- adjust some.

4 Q 50/50 --

5 A -- but yes.

6 Q -- is the proxy. 50 percent -- 50
7 percent from Central Appalachian and then 50 percent
8 from Illinois basin or Wyoming.

9 A Or the --

10 Q Northern Appalachian?

11 A Nor -- yeah. The northern Appalachian.

12 Q Okay. I have a few extra questions
13 about depreciation. What was the -- in -- in 2003, I
14 believe, is when you-all put the SCR on to Big Sandy
15 2; is that correct?

16 A I think that's roughly the time frame,
17 yes.

18 Q Do you know what the term of
19 depreciation is for that?

20 A Well, there was -- actually, there was
21 three terms, and depending -- there was the -- that --
22 depending on the type of equipment, it came up with
23 three different years, but they were all done under --
24 at that point in time, under the -- the -- the useful
25 life of the -- of the equipment being put in. So it

1 was probably -- my recollection doesn't remember, but
2 in 20, 25-year time frame.

3 Q Okay. Not 15?

4 A Not 15. No.

5 Q Okay. Do -- are you aware of any
6 environmental projects with respect to other AEP
7 subsidiaries that have used the 15-year depreciation
8 length of time?

9 A Currently in Indiana, the Rockport
10 application for a scrubber there is requesting a
11 15-year depreciation term. We are also asking, I
12 believe, in Louisiana for a project that -- scrubber
13 that is asking for a 15-year depreciation term.

14 Q But as far as any -- so those are two
15 potential, just like the one here is potential, but
16 are you aware of any that exist --

17 A Oh.

18 Q -- right now?

19 A Not that I -- that I know of, no.

20 Q Okay. With respect to Big Sandy 1, has
21 it been fully depreciated?

22 A No. Not --

23 Q Do you know --

24 A -- yet --

25 Q -- how many years are left, roughly?

1 A Well, it's not really year -- it's
2 dollars, and -- and I'd have to go -- I don't have
3 that --

4 Q Okay. You --

5 A -- have that number off the top of my
6 head.

7 Q What about Big Sandy 2? Has it been
8 fully --

9 A No.

10 Q -- depreciated?

11 A It's not fully depreciated either.

12 Q Okay. I guess I'd like to see as a
13 post-hearing data request the -- the percent or the
14 dollars so I can get a feel for how much is left to be
15 depreciated on them.

16 A Sure.

17 Q Both in dollar amount and length of
18 time.

19 A Sure.

20 Q If you know, how is the fact that Big
21 Sandy 2 is an older facility, so right now, I mean, I
22 think that this -- the -- the date is went into effect
23 was '69, so that's -- so that's 31 -- so that's 45
24 years ago or 43 years ago, that it's an older
25 facility. How is the fact that it's an older facility

1 accounted for, if at all or -- and if you know, with
2 respect to the modeling that's done to determine, does
3 it make sense to put new scrubbers on a facility
4 that's 43 years old?

5 A Well, I think Mr. Weaver could give you
6 an in-depth as to, you know, how the model worked, but
7 at a -- at a high level, you know you're looking at
8 the -- how that unit operates, you know, and how it
9 has operated in the past, how -- from a standpoint of
10 forced outages and things of that nature and -- and
11 determine whether, you know, this unit can be, you
12 know, modified to -- you know, if -- if you go back
13 until when it was built, expected life of power plants
14 was probably 35 years, 40 years. And now due to
15 technology and various different ways, we can expand
16 that, which is much cheaper than building a brand-new
17 power plant.

18 So a lot of that goes into effect of
19 saying is it worth putting on. We have units within
20 the AEP system that we're not putting on units and
21 decided to close them down, because it's not -- not
22 economically feasible to install them. So it's a
23 plant-by-plant decision, sir.

24 Q And -- and I guess I'm -- I'm not asking
25 as much -- I guess I'm asking how is that accounted

1 for in the modeling. Is -- is -- so I should ask Mr.
2 Weaver that?

3 A Yeah. If it's something in the model,
4 you have to ask --

5 Q Okay.

6 A -- Mr. Weaver.

7 Q With respect to the settlement of the
8 lawsuit that the Chair asked you about, is there
9 anything that you-all have to do to satisfy the
10 lawsuit that you would not have to do to comply with
11 CSAPR or the utility MATS rule?

12 A I would ask you -- that you hold that
13 question to Mr. McManus.

14 Q Okay.

15 A He would know, and he's very much into
16 that, and --

17 Q And -- and then --

18 A -- I'll pass that on to him.

19 Q And then, likewise, the reverse of that
20 question. Is there anything required by CSAPR or MATS
21 that is not required by the -- by the settlement? So
22 I should ask him that?

23 A And -- yes.

24 Q Okay.

25 A Make sure you get the proper answer.

1 Q I'm trying to get my arms around the --
2 the agreements that describe and -- and evaluate the
3 function -- or the -- the relationship between AEP and
4 its sister companies. So let me talk -- let me give
5 you some of my understanding, and then I'm going to
6 ask you some questions.

7 I guess the first is right now, there is
8 an AEP power pool of which Kentucky Power is about a
9 seven-percent member of or --

10 A Yes.

11 Q Okay. And listening to counsel staff,
12 the -- there -- the power pool, there has been a
13 filing at FERC a couple years ago to terminate it by
14 all the -- the -- the -- the subsidiaries, including
15 Kentucky Power, and that is still there. That's not
16 been withdrawn.

17 A That is correct.

18 Q What was withdrawn was the proposal for
19 the new power pool agreement?

20 A That is correct, sir.

21 Q Okay. And does this Commission have to
22 approve the new power pool agreement if, in fact,
23 there will be one? Will you-all be presenting that to
24 us for approval as well as FERC? I know FERC has to
25 approve it, but --

1 A You know, and we have -- I do not
2 believe that there has to be an official approval
3 of -- by the Kentucky Public Service Commission, but
4 we would realize that it has -- at some point in time
5 would have to go before -- whether it was on a
6 separate proceeding to -- to do something or through a
7 rate case. So to get approval to -- for that to be
8 included in base rates.

9 Q Okay. The -- the power pool agreement
10 as it relates now -- as it functions now, is it --
11 does it do more sharing than just the capacity
12 payments that -- that you described with Ms. Munsey's,
13 I think, Exhibit Number 7 where you were giving an
14 example of -- of that? Is it more than capacity
15 payments?

16 A Yes. There is energy -- it's mainly
17 a -- you know, when we look at passing through a
18 capacity pool, but there are energy transactions that
19 go through the pool as well.

20 Q Okay. So if -- if -- so if Ken -- does
21 it deal with all energy transactions that -- like if
22 Ken -- if Kentucky, we said, is a -- is a surplus
23 company with respect to energy. So all of the surplus
24 payments are described and analyzed with respect to
25 the power pool agreement or are the pow -- or are the

1 energy payments that Kentucky Power would get, are
2 they on a -- bilateral with particular companies?

3 A The -- give me a second to figure how to
4 formulate this answer. When we're energy long --

5 Q Uh-huh.

6 A -- which, because we have that energy,
7 you know, we can sell that energy to sister pool
8 members, you know, if there is a need there. If there
9 is not a need, then we would sell that energy out on
10 the market as part of an off-system sales and have the
11 sharing agreement of that energy that sold off system.

12 Q And that's the 40/60 --

13 A That's --

14 Q -- deal?

15 A That's the 40/60. Yes, sir.

16 Q So --

17 A You know, the -- the capacity part of
18 that, you know, because the idea that we -- each of
19 the operating companies, and for this pool, were to
20 have an ownership the way it was initially established
21 to, you know, their fair share based on the MLR, then
22 we make monthly capacity payments, you know, based on
23 whether you're a surplus or deficit.

24 Q And that's not going to vary by month?

25 A And it will -- I mean, it could vary by

1 month on the capacity, because normally it doesn't
2 vary too much, because the -- the MLRs only change
3 roughly twice a year. In the winter when peaks are
4 being set and in the summer when peaks are being set.

5 So they're -- once those are established
6 for the next four, five, six months, it's pretty
7 consistent, but then it can take a jump depending on,
8 you know, weather and the peaks that affect those --
9 our sister companies.

10 Q Okay. And what -- what other matters of
11 compensation other than potential energy sales
12 capac -- capacity equalization payments, what other
13 charges flow through under the power pool between the
14 sister companies, or are there any others?

15 A There are no others.

16 Q Okay. So when -- so that's one
17 agreement, and there was a new one that was presented
18 to -- to FERC which has since been withdrawn, and in
19 that agreement, that included Mitchell; is that right?
20 That included that -- which was something different
21 from what is in the existing power pool?

22 A That's right. The -- the -- the
23 agreement that was submitted and then retracted about
24 two weeks later was what we're calling an energy pool,
25 and, basically, the -- the three opera -- the three

1 members of the pool, that pool, which was Kentucky
2 Power, I&M, Indiana Michigan, and Appalachian Power,
3 where the idea was to go out and capacity-wise get the
4 capacity you need that was -- pretty much everybody
5 was capacity neutral.

6 And for us to get there, then we would
7 had to have acquired 20 percent of the Mitchell plant
8 as was filed, which is about 312 megawatts.

9 Q Okay.

10 A And then that pool would operate, then
11 because you're capacity neutral between the three,
12 then it would only be for energy, for the most part.
13 You could have a capacity. There was provisions to
14 have some capacity sales, but it would be very
15 limited, and so you'd be normally just doing it on an
16 energy basis.

17 Q Okay.

18 A At a high level. That was what it was.

19 Q Okay. So it be -- the -- the theory
20 being, to paraphrase what you just said, is because it
21 would equalize capacity as a general matter, then you
22 wouldn't have the capacity payments the way you do
23 right now in the existing power pool?

24 A That is correct.

25 Q Okay. And are there -- with respect to

1 the -- the existing power pool, are environmental
2 retrogrades made on other facilities, such as Amos or
3 any of the others, they -- some of those flow through
4 to Kentucky Power?

5 A Yes, and --

6 Q And is that through the power pool?

7 A Yes. I mean, currently, the way the --
8 on the current pool setup, if -- for the surplus
9 companies, which would -- you know, for the most part
10 was Indiana Michigan and Ohio Power, that if -- with
11 those plants, and then we also went through an
12 environmental cost recovery filing plan filing for
13 each one of those that are in our tariffs says for a
14 particular project at those plants, a portion of those
15 costs would flow that -- flow through the pool would
16 come through and be recovered through Kentucky VCR.

17 Q Construction as well as operation and
18 maintenance?

19 A Yes.

20 Q Okay. But the reason it's -- the reason
21 that's occurring is because of the capacity issue?

22 A That -- that is correct.

23 Q Okay. And because Kentucky Power's
24 capacity short?

25 A Short.

1 Q Okay. In the new -- in the proposed
2 power pool agreement which was withdrawn, does it
3 treat environmental retrofits or whatever the same
4 way?

5 A It was not brought up at all in -- in
6 the filing how that would be treated.

7 Q Okay. So it would -- had -- were you
8 involved in any discussions as to whether Kentucky
9 Power would have obligations with respect to
10 environmental retrofits on some of these other AEP
11 companies?

12 A We have had internal discussions, you
13 know, that once it is determined exactly what would be
14 the pool arrangement, that we would have to go back
15 and see whether or not our current list of projects
16 and the way that those were approved would still be
17 legitimate costs to recover through Kentucky. And if
18 not, you know, one of two options.

19 If they're not, you would either quit --
20 once a -- that pool reg went away, quit flowing them
21 through, or two, come in and ask for some type of
22 environmental revision plan.

23 Q Okay. And under the new power pool, the
24 proposed power pool, do you know what the -- the
25 existing is seven percent. Do you know what the --

1 the percent was for Kentucky under the proposed one?
2 Was it also seven percent? Kentucky --

3 A Well the seven --

4 Q -- share --

5 A It says based on capacity.

6 Q Okay. So it -- it --

7 A That doesn't --

8 Q -- doesn't make any --

9 A -- correlate --

10 Q -- sense?

11 A -- at all.

12 Q Okay.

13 A That's correct.

14 Q All right. That makes sense. Are there
15 any other -- okay. So with respect to this filing,
16 what percent of the filing relates to environmental
17 upgrades at other AEP companies that would flow
18 through the power pool, the existing power pool, to
19 Kentucky Power, roughly? And if you -- if --

20 A If -- it's one percent.

21 Q Okay. So it's -- I mean, these are big
22 numbers, but relatively insignificant?

23 A Yes.

24 Q Okay. The -- and then Mitchell was
25 there to help where Kentucky Power would get 20

1 percent of that, and is Mitchell -- I heard that it
2 was fully scrubbed. Does that mean it satisfies CSAPR
3 and utility MATS as well -- already?

4 A Best of my knowledge, I mean, you can
5 ask Mr. McManus as well, but it does satisfy
6 everything that's -- it's fully scrubbed and ready to
7 meet as we know them today.

8 Q Okay. Now, if -- and -- and so have you
9 been in discussions with AEP people as to what would
10 be -- what alternatives are to Mitchell with respect
11 to the capacity that is needed for unit 1, because as
12 you indicated, it was -- Mitchell, the 20 percent was
13 going to be the capacity?

14 A That -- that really is a purpose of the
15 Mitchell is to replace Big Sandy unit 1. Big Sandy
16 unit 1 is currently 278. Twenty percent of Mitchell
17 was 312, so it's a little more than that. You know,
18 so that -- that whole purpose behind to Mitchell was
19 to take care of that -- the -- the Big Sandy unit 1.
20 To cover that once it retired.

21 Q Okay. And prior questions of you talked
22 in terms of \$650 per kilowatt for the transfer of
23 the -- the Mitchell to Kentucky Power. Is that what
24 that means?

25 A In the original application, that was a

1 rough net book value cost per kW that was indicated in
2 the filing, yes. I think it was 655.

3 Q Okay. Do you know what percentage of
4 the applications related to that? The cost. You --
5 you said there was -- tell me how the -- tell me how
6 Kentucky Power would pay for the purchase, if you
7 will, of the --

8 A Uh-huh.

9 Q -- 20 percent of Mitchell.

10 A I mean, there was a whole list of
11 accounting transactions that would have to take place
12 to get that on the books of Kentucky Power Company.
13 I'm not -- clearly don't -- not ready to --

14 Q Okay.

15 A -- talk about that.

16 Q Sure.

17 A But, I mean, there is a --

18 Q Was it --

19 A -- there was a list of --

20 Q Was it part of the application here?
21 Was it part of the --

22 A No. It was not part of this
23 application.

24 Q Okay.

25 A I'm sorry.

1 Q So --

2 A Not --

3 Q So that would be an additional cost to
4 ratepayers? That 20 percent. That Kentucky
5 ratepayers -- Ken -- Kentucky Power would somehow have
6 to compensate whomever owns 100 percent of Mitchell
7 for that 20 percent.

8 A Yes. We would have to -- we'd have to
9 pay, in this case, if it was Mitchell, a high-power
10 cost to -- but then, you know, we would retire Big
11 Sandy unit 1. So to say that it's just a cost on top
12 of whatever is --

13 Q Not --

14 A -- not the proper analogy.

15 Q Okay. Now, also, there is another
16 agreement with respect to Rockport; is that right?

17 A Yes.

18 Q Okay. And is that between Indiana
19 Michigan and some AEP entity, because they own 50
20 percent each?

21 A Yes. AE -- called AEP Generating.

22 Q Okay. And so Kentucky Power has a
23 15-percent in -- interest in that?

24 A Yes.

25 Q And that's both energy and capacity?

1 A Yes.

2 Q And are -- is Rockport fully scrubbed?

3 A No.

4 Q Okay. So are -- so part of the
5 environmental retrofits to Rockport would flow through
6 the -- do I understand it through the power pool as
7 well as a separate agreement?

8 A Yes. It comes through in two different
9 pieces, and we would -- Kentucky Power would be
10 obligated to come back before the Commission with
11 another environmental cost plan to get it approved to
12 flow through to Kentucky ratepayers as a project.

13 Q Okay. So that those costs are not
14 included in this application?

15 A That is correct.

16 Q Okay. And I'm sorry if I didn't ask
17 this or if I did ask it and I didn't remember. Based
18 on that, are the -- the cost of -- but the cost of
19 Amos and the other ones in the power pool, those
20 retrofits are included in this application?

21 A Yes.

22 Q Okay.

23 A For the -- for the -- I think there is
24 six specific projects that we listed, and so we're
25 asking for those as well.

1 Q Okay. So AEP did not, basically, go to
2 market for trying to see what options were out there
3 for the retrofit of Big Sandy or what -- what options
4 were available to AEP? Didn't go -- didn't go out to
5 market or just do RFPs or anything for that?

6 A There were no RFPs.

7 Q Right.

8 A Option 4A and 4B is looking at going to
9 market for a period of time. I think 4A was for five
10 years, 4B was for ten years, and then building
11 combined cycle units, and -- and so, you know,
12 Scott -- we would address those, but then we did look
13 at going to market, but there were no RFPs issued for
14 anything that we did.

15 Q Okay. And -- and I realize that -- that
16 800 megawatts is an awful lot, but was there any
17 discussion about how much reduction in capacity or
18 energy would be needed or used with aggressive energy
19 efficiency or demand side management?

20 A I mean, we're constantly looking at
21 energy efficiency dema -- demand side management. I
22 mean, even green power and such. You know, we had an
23 application before the Commission on wind power. You
24 know, but for the reality of looking to replace 800
25 megawatts, you know, those options just aren't, in

1 reality, feasible options because of, you know, it's
2 too big.

3 Q Sure.

4 A It has to be --

5 Q Sure.

6 A -- capacity that's -- that's constant.

7 But having said that, you know, we do and are
8 constantly working to -- with programs to increase --
9 you know, 'cause it does make it bene -- a difference
10 on energy efficiency, demand side management.

11 Q Uh-huh.

12 A Unfortunately, for the customers within
13 the -- we deal with in eastern Kentucky, we have
14 really struggled with trying to get them to take that
15 step to be involved and to work towards -- and I think
16 part of -- work towards energy efficiency, and part of
17 that has been that the rates have been so cheap for so
18 long, getting people to, with a change of habits,
19 realizing that they're not going to stay at those
20 levels any longer, we have really struggled, but we
21 continually work towards that.

22 Q Have you-all done any kind of study or
23 potential study to let you know what is out there in
24 demand side management? How -- how much is available
25 in your territory. How much --

1 A I'm not sure I --

2 Q How much --

3 A -- fully understand --

4 Q How much --

5 A -- your question.

6 Q -- reduction is possible out there? Has
7 there been any study that you -- have you-all done a
8 study that lets you know what might be available?
9 Because you were talking about how the rates have been
10 low, and, you know, it's a tough market, so I'm
11 wondering have you-all done a study to determine how
12 much is available to reduce?

13 A Kentucky Power has not done a study
14 specific to says that there is X number of --

15 Q Okay.

16 A -- availability. You know, even at an
17 AEP level, I'm not aware of anything that was done to
18 that --

19 Q Okay. And --

20 A -- specificity.

21 Q And, again, I understand that, you know,
22 we're pla -- that we're not talking about replacing
23 800 megawatts with -- with, you know, DSM. I
24 understand that. Want to follow up on a few other
25 questions. You indicated you are not an officer of

1 Kentucky Power. Is Mr. Pauley an officer?

2 A I believe he is an officer. Yes.

3 Q Okay. You had -- would -- there was
4 some discussion earlier about capital infusion from
5 the parent in order to -- to do some of these. Using
6 that same term, capital infusion, when was the last
7 time that you know of there was capital infusion to
8 Kentucky Power from AEP?

9 A Subject to check, I believe that in
10 2010, there was some capital fusion than went in, you
11 know, to Kentucky Power and others.

12 Q Do you know roughly the amount?

13 A I don't.

14 Q Okay. Do you know roughly what the --
15 generally what the purpose of that was?

16 A Not off the top of my head.

17 COMMISSIONER GARDNER: Okay. I guess
18 I'd like to know that, please.

19 MR. OVERSTREET: Surely.

20 Q And I think I heard you say that -- I
21 think I heard you say that the -- although we talked
22 about the -- sort of the mythical customer that uses
23 1,000 kilowatts a month, kilowatt hours a month. Tell
24 me what -- did I hear you say that the reality for
25 you-all is in the 1,400 range?

1 A Yeah. I believe that the average for
2 the -- when we used in this subject, difference, you
3 know, the change, the adjustment was 1,400, like, 86
4 kilowatt hours, roughly.

5 Q The -- and we had -- we -- we had a lot
6 of discussion this morning about 29 percent, 30
7 percent. Mr. Kurtz talking about 35 percent. I want
8 to make sure I understand what we're talking about.
9 Is this a -- the average bill for a customer including
10 everything, we're talking 29 percent or 30 or 35
11 percent, or is that just related to an increase in the
12 environmental surcharge?

13 A That's just related to an increase in
14 the environmental surcharge.

15 Q Okay. Do you know what -- so the \$130,
16 \$134 or whatever that amount is, that's just for the
17 environmental surcharge?

18 A No. The 134 was just a cost of -- that
19 was the average that we did imply the percent by, but.
20 The -- if I remember our calculations from earlier,
21 the roughly \$39 per month or \$472 on an annual basis
22 would be the amount that, yes, a custo -- residential
23 customer using 1,486 kilowatt hours a month would pay
24 annually just for the Big Sandy and what we're asking
25 for in this one billion dollars.

1 Q Okay. Well, I'm going to -- I'm still
2 not 100-percent sure, so let me make sure. So the --
3 when we talk about 29-percent or 30-percent or
4 35-percent increase, we're talking about an increase
5 in the environmental surcharge that the customer pays,
6 or is that an increase in their overall rates?

7 A Their overall rates.

8 Q Okay. And then the increase in the
9 environmental surcharge would like -- would be a much
10 higher percentage, because this is a big -- a big
11 amount?

12 A If you want to state it that way.

13 Q Okay. All right. But I just wanted to
14 make sure that the -- that the -- that the numbers,
15 whether -- whether it was 29 percent or 35 percent,
16 that's an increase in the total average bill.

17 A Yes.

18 COMMISSIONER GARDNER: Okay. I may have
19 a couple more questions. Just give me a second,
20 please. That's -- that's all I have. Thank you.
21 Thank you.

22 COMMISSIONER ARMSTRONG: Miss Burns, do
23 you have any questions?

24 MS. BURNS: Yes. Yes. I have one more
25 for Mr. Wohnhas in open session, and I have several

1 that will need to go into confidential session for
2 him. Whenever -- I mean, one I can do now, but --

3 COMMISSIONER ARMSTRONG: Yeah.

4 MS. BURNS: -- whenever we go
5 confidential, I've got several for him then. So the
6 one now.

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10 RE-CROSS-EXAMINATION

11

12 By Ms. Burns:

13

14 Q Back to the accounting issues. Would
15 Kentucky Power be willing to consider a phase-in
16 approach that while earning a cash return on CWIP
17 would extend the length of time until it began to
18 recover a return on the full amount of the scrubber's
19 capitalized cost, beyond its in-service date, as long
20 as the resulting shortfall were deferred for later
21 recovery?

22 A I mean, I think that, you know, Kentucky
23 Power is going to be open to any discussions, you
24 know, that would address the amount of increase of
25 this and be willing to -- to listen to what options

1 were there.

2 MS. BURNS: That's all in open.

3 COMMISSIONER ARMSTRONG: Redirect?

4 MR. OVERSTREET: Thank you, Your Honor.

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8 REDIRECT EXAMINATION

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10 By Mr. Overstreet:

11

12 Q Mr. Wohnhas, with respect to Vice
13 Chairman Gardner's question about DSM, do you know
14 whether Mr. Weaver's modeling of the five options
15 includes a reduction in demand through increased DSM

16 --

17 A I'm not --

18 Q -- save -- savings, or should I ask Mr.
19 Weaver that?

20 A Yes. Not that I'm aware of.

21 Q Okay. So I should ask Mr. Weaver that

22 --

23 A Yes.

24 Q -- question? He'd -- he would know
25 better?

1 A Yes.

2 Q Okay. Mr. Wohnhas, do you have any
3 reason to believe that beyond the 312 megawatts of
4 a -- of Mitchell that was discussed in the
5 now-withdrawn FERC filing that Ohio Power would be
6 willing to sell any capacity -- or any portion of any
7 of its facilities at book value?

8 A They have no obligation to do that, sir.

9 Q Do you have any reason to believe they
10 would do that?

11 A Not that I'm aware of.

12 Q Okay. And of Options 1, 2, 3, 4A, as
13 modeled by Mr. Weaver, during the study period, which
14 option results in the least cost to the ratepayers?

15 A Option 1.

16 Q And that Option 1 is?

17 A To scrub Big Sandy unit 2.

18 Q Okay. And Mr. Kurtz was asking you
19 about whether the company earned return on equity with
20 respect to costs incurred under a purchase power
21 agreement. Do you remember that discussion?

22 A I do.

23 Q Okay. Do -- do you know whether anyone
24 else returned -- earns a return on equity in
25 connection with those payments that Kentucky Power

1 would make?

2 A Well, with any PPA, you know,
3 somebody -- we're buying the power from someone, so
4 someone somewhere is investing dollars to -- in order
5 to sell on the market or whatever, so there would be
6 someone down the road that is getting a return on the
7 investment in order to provide us with that
8 purchase of that power.

9 Q Both the Chairman and the Vice Chairman
10 asked you about, in connection with the modeling, why
11 the company did not go out or -- and -- and seek -- or
12 issue an RFP for purchase power; is that correct? Do
13 you remember that discussion?

14 A Yes.

15 Q And you indicated there were certain
16 problems with -- with doing that in -- in connection
17 with the modeling stage of the process. Could you
18 explain what those problems are?

19 A When you are -- and -- and Mr. Weaver
20 would be a much better -- and you probably could ask
21 him and get a better answer, almost, is that with an
22 RFP, when you're going out and you're trying to,
23 number one, compare an RFP to look at your scrubber
24 versus an RFP to look at your gas unit or whatever,
25 they're not on the same basis.

1 And so then trying to take those results
2 and say that they are something that you can use to
3 truly use in your model, it would become very
4 problematic. And -- you know, versus if you were to
5 decide to go with an alternative and say, "All right.
6 Now I'm going to send this out for bids when
7 everything is on an equal playing field. Here is what
8 we're going to build. Give me your best price," then
9 you have -- the RFP is a much more efficient use at
10 that point in time was all I was trying to say.

11 MR. OVERSTREET: I think that's all I
12 have, Your Honor. I'm sorry.

13 COMMISSIONER ARMSTRONG: Mr. Kurtz.

14 MR. KURTZ: Thank you.

15 MR. HOWARD: Yeah. Actually, Mr.
16 Chairman, I do have one of two questions, if I may.

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18 * * *

19
20 RE-CROSS-EXAMINATION

21
22 By Mr. Howard:

23
24 Q Mr. Wohnhas, it's my understanding that
25 any additional costs for EPA compliance for other AE

1 pool generators from which Kentucky Power purchases
2 power, that those EPA compliance costs will also be
3 shared with Kentucky Power?

4 A As long as that's an -- already an
5 approved project that's been approved by the
6 commission and is part of a surplus plant on the AEP
7 system, yes.

8 Q Is there a comprehensive listing within
9 this application, whether in discovery or otherwise,
10 that would -- would contain that information, or do
11 you know? I've see --

12 A It --

13 Q -- bits of information, but
14 I don't know if I've seen a copy.

15 A If it is, it's in the application. I
16 don't know if we listed the tariffs in the app -- but
17 in -- on our tariffs, if you would go to our -- the
18 environmental cost recovery tariff, it would list all
19 of the projects from the pool -- all of the projects,
20 Big Sandy and pool, that we have received permission
21 from the Commission to run through the environmental
22 cost recovery mechanism.

23 Q And -- and the reason why I'm asking
24 that is to follow up with questions, especially by
25 the -- the Vice Chairman.

1 MR. OVERSTREET: Your Honor, if --

2 MR. HOWARD: Yeah. Mr. Overstreet.

3 MR. OVERSTREET: I believe that would be
4 Exhibit 3 to the application, Mr. Howard.

5 MR. HOWARD: Thank you, sir.

6 COMMISSIONER ARMSTRONG: Proceed?

7 MR. HOWARD: Yeah. One or two more. I
8 will be brief, Mr. Chairman.

9 Q Mr. Wohnhas, become if a company esc --
10 escalates its depreciation schedule for a project,
11 does it not bear out the -- that securitization will
12 not help reduce stranded costs?

13 A I don't know that we -- I can respond.
14 I don't know if it would help with that or not.

15 MR. HOWARD: One more moment, Mr.
16 Chairman. I'll be brief. Okay. I have no more
17 questions, although I will go back to what Mr.
18 Overstreet has responded to in regard to Exhibit 3 in
19 the application we're reviewing currently, which lists
20 the tariffs, and I don't know that there is a specific
21 dollar amount that is ultimately listed relative to
22 each project, and if I'm wrong, please advise.

23 A I mean, there are no dollar amounts. I
24 mean, what we do is we ask for approval to -- you
25 know, we estimate a dollar amount at the time we ask

1 for that project, you know, as -- so that they know
2 what that would be, but then as they come through,
3 they're -- they're -- you know, on the six-month
4 review proceedings and the --

5 Q Sure.

6 A -- two-year proceedings --

7 Q Uh-huh.

8 A -- they're -- that's part of the
9 investigation is to make sure those costs are proper.

10 Q Okay.

11 A So there are no costs in this exhibit,
12 no.

13 Q Are those costs available? Some
14 realtime data? Approximate?

15 MR. OVERSTREET: I think they're filed
16 every month with our environmental surcharge filing on
17 a two-month lag. It's pursuant to state --

18 MR. HOWARD: Mr. Overstreet, you're a
19 very detailed person, I appreciate that, so we'll see
20 what we can do to locate that. If I'm not -- if I'm
21 unable to locate that, though, may I write you a
22 letter asking?

23 MR. OVERSTREET: Absolutely.

24 MR. HOWARD: Thank you, sir. That'll
25 do.

1 COMMISSIONER ARMSTRONG: Miss Henry?
2 Questions?

3 MS. HENRY: Oh. First I would just like
4 to move all of my exhibits in the record.

5 MR. OVERSTREET: No objection.

6 COMMISSIONER ARMSTRONG: No objection.

7 So ordered.

8 (Sierra Club Exhibits 1 through 8
9 admitted.)

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RECROSS-EXAMINATION

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15 By Ms. Henry:

16

17 Q When answering Mr. Overstreet's
18 question, you noted that Option 1 is the least cost
19 option, correct?

20

A That's correct.

21

22 Q Isn't it true that the company never
23 modeled whether the retrofit proposal is the least
24 cost option if the unit were retired in 2030, as you
acknowledge is likely?

25

A To the best of my knowledge, we did not

1 do that. That's correct.

2 Q Do you think losing ten years of useful
3 life would impact the cost effectiveness of this
4 facility?

5 A I'd have to have -- to see the study
6 done. I don't know.

7 Q In your opinion, after -- as a -- as a
8 regulator, do you think losing 10 years out of 25
9 years of useful life would impact the cost
10 effectiveness of the facility?

11 A Again, until I see the dollars, I don't
12 know.

13 MS. HENRY: No further questions at this
14 time.

15 COMMISSIONER ARMSTRONG: Mr. Kurtz.

16 MR. KURTZ: Thank you, Your Honor.

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20 RECROSS-EXAMINATION

21

22 By Mr. Kurtz:

23

24 Q Mr. Wohnhas, just very quickly. On page
25 5 of your rebuttal, you indicate on the line 22 that

1 the cost of --

2 A I'm sorry.

3 Q -- demolition --

4 A Line what, sir?

5 Q Twenty-two. That the cost of demolition
6 and removal costs associated with the boiler
7 modifications in the ESP are not included in the Big
8 Sandy 2 retrofit project cost estimate. Do you see
9 that?

10 A Yes.

11 Q How much money are we talking about
12 there?

13 A For the demolition and removal cost?

14 Q Yes.

15 A I don't have that number. Mr. Walton
16 would know that number.

17 Q Okay. But that would be -- have to be
18 added to the cost of the Big Sandy project?

19 A Not necessarily. That's costs are going
20 to come out of the -- the ECR filings. I know that
21 our intent, as we looked at this at a high level, is
22 that those demolition, removal costs would be offset
23 by what we would be taking out of -- of the -- the
24 rate base for those -- those items --

25 Q Well --

1 A -- but I don't know exactly what the
2 costs are.

3 Q In other words, you're going to --
4 you're going to -- the -- you're going to have to tear
5 down and redo the boiler, but you're not going to
6 charge consumers for that?

7 A We're going to adjust the -- the -- this
8 is just for getting rid of the precipitator.

9 Q Well, the -- the boiler modifications
10 and the ESP. So you're saying you're not going to
11 charge consumers for that?

12 A The -- the amount for the boiler
13 modifications is in the application currently.

14 Q Well, it says the demolition and removal
15 costs associated with boiler modification ESP are not
16 included in the Big Sandy 2 retrofit project cost
17 estimate.

18 A Right. Demolition and removal.

19 Q Okay. How much will that be?

20 A And I said I don't have that number
21 readily available.

22 Q Okay. You -- you're still in phase one
23 of the -- of the approval process, the preliminary
24 assessment?

25 A We are still in phase one. Yes.

1 Q How much has been spent so far on phase
2 one?

3 A Phase one currently is approximately \$25
4 million.

5 Q So if the Commission issued an order
6 tomorrow saying, "Stop this project," there would be a
7 \$25 million cost that would have to be dealt with?

8 A That is correct.

9 Q Okay. This question about Mitchell and
10 the new pool agreement, I thought it was somewhere.
11 Can I refer you to your response to the Staff -- not
12 you, but Kentucky Power, Staff's fourth set, item
13 number 1, page 4 of 4.

14 A I'm there, sir.

15 Q Okay. At the top it says, (Reading) AEP
16 made a filing at FERC in early February 2012 that
17 included a new power cost-sharing agreement that would
18 replace the pool -- current pool agreement. As part
19 of the proposed PCSA, Kentucky Power would have
20 purchased a 20-percent ownership of Mitchell units 1
21 and 2. That filing has since been withdrawn, but the
22 Company anticipates resubmitting another filing at a
23 later time this year that will include the purchase of
24 20 percent of the Mitchell plant.

25 I knew I saw that somewhere. So is

1 that -- is that Kentucky Power and AEP's current
2 intent?

3 A I mean, that's -- that's one of the
4 options that we intend on fully looking at, but, you
5 know, Ken -- pend -- dependent upon where Ohio comes
6 from, that may not be where we end up.

7 Q But you anticipate res -- you anticipate
8 doing that --

9 A Well --

10 Q -- or you -- you --

11 A -- that's -- again, that's one of the
12 options.

13 Q Okay. Now, would the -- would this
14 Commission have jurisdiction to approve the -- the
15 Mitchell purchase by Kentucky Power of the Ohio Power
16 Mitchell unit?

17 MR. OVERSTREET: I'm going to object to
18 that question. Mr. Wohnhas is not an attorney.

19 Q Okay. Let -- let's assume that -- that
20 the mit -- that the Big Sandy scrubber 2 project goes
21 forward, the Rockport unit stays with Kentucky Power,
22 and A -- Ohio Power transfers Mitchell to Kentucky
23 Power. It would be true that Kentucky Power would be
24 100-percent coal-fired utility?

25 A That'd be correct, sir.

1 Q And Kentucky Power would be 100-percent
2 base load with no peaking or intermediate units?

3 A That would also be correct.

4 Q Do you know of any other utility in the
5 state that is 100-percent base load coal?

6 A I'm not aware.

7 Q Do you know of any utility in the United
8 States that's 100-percent base load coal?

9 A I'm not aware by utility.

10 Q If Kentucky Power got the Big Sandy 2
11 scrubber, Rockport, and Mitchell, Kentucky Power would
12 be hugely energy long, wouldn't you?

13 A They would be energy long.

14 Q You know how many -- how many megawatt
15 hours per year, on average?

16 A No, sir.

17 Q Do you know if it's anywhere in the
18 record?

19 A Not that I'm aware of, sir.

20 Q We'll ask Mr. Weaver. Assuming you were
21 energy long, that would make Kentucky Power have
22 market power risk as a merchant generator selling
23 power into the market, wouldn't it?

24 A They would have the opportunity, if it
25 so came to light, to sell as they currently do.

1 Q Well, of course you would obviously sell
2 at any time your production costs were above the
3 market price, but you would have market risk that the
4 market price would -- would remain low, and you
5 wouldn't make much profit off the -- these big
6 investments.

7 A Just as we do today. Dependent on the
8 -- where the market price goes, you have that risk.

9 Q So --

10 A Nothing --

11 Q -- under that plan, where you're
12 100-percent coal, 100-percent base load energy long,
13 as a -- as a -- as a merchant generator for -- for
14 part of it relying on market pricing for an offset to
15 the revenue requirement, you would have market risk,
16 would you not?

17 A Just as we have today.

18 Q Isn't that one of the criticisms of plan
19 4A and 4B, that there's market risk? Even though
20 it's -- even though it -- it's much, much cheaper in
21 the early years, the criticism is, well, it's riskier,
22 because there's market power risk?

23 A There is a tremendous amount of market
24 risk with 4A and 4B. Uncertainty. Yes.

25 Q Won't you have -- won't you have market

1 risk in the other direction as a merchant generator if
2 you have all this base load coal unit?

3 A There is risk, sir, in every -- every
4 option that's on the board.

5 Q But we know that the purchase risk,
6 the -- the RFP, the purchase power, is -- in the early
7 years, in the first 10 to 15 years, it's conclusively
8 less expensive based upon your own data, isn't it?

9 A I don't think anything's conclusively.
10 Based on the information in the model, it shows that
11 there is a benefit during those first ten years.

12 Q And the first 15 year -- years as well?

13 A On 4B?

14 Q On -- on any of the purchase scenarios
15 versus the -- the Big Sandy scrubber. The first 10 to
16 15 years --

17 A I don't believe --

18 Q -- is much --

19 A -- 4A is that way, but 4B is. 4B -- 4A
20 is not cheaper than -- than Option number 1.

21 Q Over the first 10 to 15 years I'm
22 talking about. Not the 30-year study period.

23 A But we're looking at a 30-year period.

24 Q I know. Now, I want to concentrate on
25 what we can see, the foreseeable future. The -- the

1 10 to 15-year period beginning in 2016. So we're
2 going out quite a ways. The -- the purchase options
3 are -- are much less expensive based upon the
4 Company's own data?

5 A In doing that, you're taking a
6 considerable risk on the market, and those -- because
7 you could say that for the first ten years, that it
8 works out, but if it doesn't, you are behind the eight
9 ball, as my terminology would be, in -- to build a
10 combined cycle, to get ready, to get up to speed to
11 offset that.

12 So, unfortunately, it is a -- I'm -- I'm
13 sorry. It is very risky. You know, much more risky
14 there than putting steel in the ground and going
15 forward with some type of option to meet these EPA
16 regulations.

17 Q Even if that makes you a merchant
18 generator where you have the market power risk as the
19 seller?

20 A I don't see us as a merchant generator.

21 Q As a -- where you would have market
22 power risk for selling your -- your excess energy into
23 the market, and if the market stays low --

24 A Which is no different than the way we
25 operate today.

1 Q Let me see if I have any other
2 questions. Do you think Mr. Weaver would know how
3 much energy long Kentucky Power would be under the
4 scenario where you're Rockport, Big Sandy, and -- and
5 Mitchell?

6 A I would ask him.

7 MR. KURTZ: Do you have that? Okay.
8 Oh. Thank you --

9 A Okay.

10 MR. KURTZ: -- Mr. Chairman.

11 MS. BURNS: Just the confidential
12 questions.

13 MR. OVERSTREET: I'm sorry. Please go
14 ahead.

15 COMMISSIONER GARDNER: I have just a
16 couple more.

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20 REEXAMINATION

21

22 By Commissioner Gardner:

23

24 Q First of all, you -- in response to Mr.
25 Kurtz's question, you said that Mitchell was one of

1 the options. Since that's been withdrawn, what are
2 the other options that you-all are looking at?

3 A I don't know what those are. Oh. I
4 guess what I'm trying to say is that -- that was where
5 we were intended to going, but with the uncertainty in
6 Ohio, there may be op -- other options that we have to
7 consider once the final order has come out, so I don't
8 have saying that there is Option A, B, C or whatever.

9 That will clearly be one of the options,
10 but it might have to adjust based on whatever the Ohio
11 order comes out. We were very surprised on the
12 previous Ohio order.

13 Q Okay. Prior to the filing, what other
14 options were considered for Kentucky Power other than
15 Mitchell?

16 A I would have to get back to you on that,
17 sir. I don't know the details enough to -- there was
18 a lot of different things discussed. I don't know the
19 specificity of -- of every option.

20 Q Okay. With respect to Rockport, that --
21 that's a separate agreement; is that correct?

22 A Yeah. We have the Rockport unit power
23 agreement. Yes.

24 Q What's the -- when -- when is the
25 termination date of that agreement?

1 A I believe it is -- it now runs through
2 2020 -- '22.

3 Q Is that --

4 A I have to check.

5 Q Is that in the record?

6 A I do not believe it's in the record.

7 MR. OVERSTREET: I believe it's 2023,
8 Your Honor --

9 A '23.

10 MR. OVERSTREET: -- but we --

11 A Okay.

12 MR. OVERSTREET: -- we -- we will supply
13 that date for the commission.

14 COMMISSIONER GARDNER: Could you -- I
15 don't -- I don't want the agreement if it's, you know,
16 200 pages, but I would also like to know if there's
17 early-termination clauses or anything like that in
18 there.

19 MR. OVERSTREET: Surely.

20 COMMISSIONER GARDNER: So if it's a
21 reasonable length, if you could put the whole
22 agreement in there.

23 Q And -- and then --

24 A Unit power agreement may be already
25 provided in -- we'll check. It may already be part of

1 the record.

2 Q Okay.

3 A There was a lot of requests.

4 Q Sure. Sure.

5 A I was thinking maybe that was one that
6 was requested.

7 Q Okay.

8 A If so, we'll refer you to that.

9 Q That'd be great. Were you involved
10 directly in the negotiations with respect to
11 Riverside?

12 A No.

13 Q Okay. Were any of our witnesses here
14 that you-all will be calling later, were they directly
15 involved in the negotiations with respect to
16 Riverside?

17 A No.

18 Q Okay. Who of the witnesses knows the
19 most about why that --

20 MR. OVERSTREET: Your Honor, I don't
21 want to -- to interrupt the --

22 COMMISSIONER GARDNER: No.

23 MR. OVERSTREET: -- Commission, but we
24 may be venturing into difficult confidential
25 territory, and we may want to -- to hold that.

1 COMMISSIONER GARDNER: Okay. Sure.

2 COMMISSIONER ARMSTRONG: Mr. Wohnhas, I
3 think we're finished with you.

4 A Probably not.

5 MR. OVERSTREET: That may -- I have a
6 couple redirect re -- if I may.

7 COMMISSIONER ARMSTRONG: Okay.

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REDIRECT EXAMINATION

12

13 By Mr. Overstreet:

14

15 Q Mr. Wohnhas, you've been on the stand a
16 long time, and I just want to make sure I understood
17 what you said in response to Miss Henry's question or
18 what you -- is it your testimony that it's, to use
19 Miss Henry's words, likely that Ken -- that Big Sandy
20 unit 2 will have to be retired in 15 years?

21 A That it's likely to be retired in 15
22 years? No.

23 Q And let me ask you this question: Is
24 Kentucky -- is Kentucky Power capacity deficit under
25 its current ownership of the two Big Sandy units and

1 its interest in the Rockport unit power agreement?

2 A Yes, it is.

3 Q Okay. And under the proposal, the
4 Company is -- is it true that the Company intends to
5 retire Big Sandy unit 1?

6 A That is correct.

7 Q And as initially filed at FERC but
8 subsequently withdrawn, the Company would acquire 312
9 megawatts of the Mitchell units; is that correct?

10 A That is correct.

11 Q Would that 312 megawatts, approximately,
12 replace the retirement of the Big Sandy unit 1?

13 A That is correct.

14 Q So Mr. Kurtz was asking you the question
15 about if -- if the company was allowed to scrub Big
16 Sandy unit 2, if the company acquired the 20 percent
17 of Mitchell, and if the Kentucky can -- company
18 continued its interest in the unit power agreement,
19 it's true that the company would still be capacity
20 short?

21 A It would be capacity short.

22 Q And what -- what -- what plans has the
23 company made to address that capacity deficit?

24 A It would be capacity short in the realm
25 of the way the current pool agreement is set up. All

1 right. Outside of -- if you change that pool
2 agreement, then -- give me one moment.

3 Q Surely.

4 A The company would still be short
5 approximately 150 megawatts for what its peak capacity
6 is with the ownership of Mitchell.

7 Q And could it fill that deficit with
8 something other than base load generation?

9 A It could. Yes. It could.

10 Q And Mr. Kurtz was asking you about
11 market risk in connection with the Company being
12 energy long. Do you remember that discussion?

13 A Say that again, sir. I'm sorry.

14 Q Mr. Kurtz was asking you about market
15 risk --

16 A Uh-huh.

17 Q -- in connection with the Company being
18 energy long.

19 A Uh-huh.

20 Q Do you remember that dis --

21 A Yes --

22 Q -- cussion?

23 A I do.

24 Q Now, under Options 4A and 4B, what is
25 the purpose for acquiring the power that it would

1 purchase under the -- the purchase power agreements
2 that are anticipated under those options?

3 A To cover our base load requirements.

4 Q To keep the lights on?

5 A Yes.

6 Q So that you -- is the risk of not being
7 able to sell excess energy into the market, in your
8 mind, equivalent to the risk of having to go out and
9 purchase power to keep the lights on?

10 A No.

11 MR. OVERSTREET: That's all I have.

12 COMMISSIONER ARMSTRONG: Mr. Wohnhas,
13 thank you very much. Yes.

14 MR. OVERSTREET: Were we going to do Mr.
15 Wohnhas' confidential now, Your Honor, or we can take
16 a break or --

17 MR. HOWARD: Actually, Mr. Chairman, I
18 have one -- just one last cross just to follow up with
19 that the Vice Chairman asked.

20 A See, I told you they weren't done with
21 me.

22 MR. HOWARD: One question that I think
23 has been asked and answered, and I just want to
24 crystallize it, if I may. One question.

25 COMMISSIONER ARMSTRONG: One question.

1 Go ahead.

2
3 * * *

4
5 RECROSS-EXAMINATION

6
7 By Mr. Howard:

8
9 Q Mr. Wohnhas, do I --

10 A Yes, sir.

11 Q -- understand earlier that the ECR costs
12 alone, outside of base rates or anything else, the ECR
13 costs alone for the average actual residential
14 ratepayer, the increase is \$39.39 a month, or on an
15 annual basis, \$472.68?

16 A That is what a residential customer will
17 pay using that average of 1,486 for the environmental
18 cost that we are requesting in this application.

19 MR. HOWARD: Thank you. As I promised,
20 Mr. Chairman, I had only one question. I have been --
21 I have asked that. Thank you.

22 COMMISSIONER ARMSTRONG: Gentleman Cook.

23 MR. COOK: Your Honor, before we do
24 proceed to the confidential part, there is just a few
25 questions we had that we weren't sure might be in the

1 confidential records. So I wonder if I could ask Mark
2 about two pages that --

3 COMMISSIONER ARMSTRONG: How about --

4 MR. COOK: -- in regards --

5 COMMISSIONER ARMSTRONG: -- we wait
6 until the confidential time --

7 MR. COOK: Okay.

8 COMMISSIONER ARMSTRONG: -- then?

9 MR. COOK: All right.

10 COMMISSIONER ARMSTRONG: We're not going
11 to go hunting for those, so --

12 MR. COOK: Okay.

13 COMMISSIONER ARMSTRONG: The witness
14 will stay on the stand. Those who have not been
15 cleared for the confidentiality part would have to
16 step out into our lobby, and then you'll be called
17 back in once the questions are complete.

18 MS. GILLUM: Can we take a short break
19 first?

20 COMMISSIONER ARMSTRONG: That would be
21 good.

22 MS. GILLUM: Yeah.

23 COMMISSIONER ARMSTRONG: At the time, we
24 break.

25 MR. OVERSTREET: So we're going to break

1 now?

2 COMMISSIONER ARMSTRONG: We're going to
3 break for 15 minutes. We're going to adjourn. The
4 ones who have been cleared will stay in or go out and
5 come back.

6 (Recess.)

7 COMMISSIONER ARMSTRONG: Everybody here?

8 MR. OVERSTREET: Where's our witness?
9 Oh, there he is. I'm sorry. Missing the AG, looks
10 like.

11 MR. OVERSTREET: And I guess, Your
12 Honor, I would just ask that -- that everyone in the
13 hearing room --

14 COMMISSIONER ARMSTRONG: One -- one
15 second. Talina, can you ask the Sierra Club to come
16 in?

17 MS. MATHEWS: Huh?

18 COMMISSIONER ARMSTRONG: The Sierra Club
19 is missing.

20 MS. MATHEWS: Yes.

21 COMMISSIONER ARMSTRONG: Lets just wait,
22 Mark.

23 MR. OVERSTREET: Thank you. I'm sorry.

24 MR. HOWARD: Mr. Chairman, I think there
25 was a conversation being had in the hallway anyway,

1 and we'll take this up right now before we have to go
2 through multiple exercises of people exiting the room.

3 One of the questions that we have is
4 whether certain documents are, indeed, confidential,
5 and those will require people to have to leave in our
6 abundance of making sure that nothing is confidential
7 is disclosed. We've got some materials that were --
8 that are subject to question as to whether they're
9 confidential.

10 So, again, we're going through this
11 abundance of caution, but if these are not
12 confidential, we want them in the public domain.

13 COMMISSIONER ARMSTRONG: Sure.

14 MR. COOK: So had an opportunity to
15 discuss this with Staff counsel, and I don't know if
16 we have any insight or not.

17 MR. HOWARD: Well, I can -- I can
18 present it. It's in response to Sierra Club 1-1 from
19 the -- from the Company totaling 9,556 pages, if I
20 recall correctly, from the disc. Confidential
21 treatment, I think, was originally requested of all of
22 the documents, or at least part of those documents.
23 I'm uncertain, quite frankly, whether confidential
24 treatment was granted to all those documents, Mr.
25 Overstreet, and I'll --

1 MR. OVERSTREET: I'm like you. I'm not
2 certain. I'm having that checked right now. We're
3 waiting to hear back right now on that.

4 MR. HOWARD: Okay. And -- and I
5 appreciate that, because this is a very voluminous
6 filing, and, again, we just want to double-check.

7 MR. OVERSTREET: And I understand the
8 importance of -- of having in the public domain
9 everything that -- that belongs in the public domain,
10 and we certainly support that. For purposes of
11 expediting the hearing, would it be acceptable that we
12 proceed, and if we -- if we can't get an answer, that
13 we proceed, with respect to those limited questions,
14 in a confidential manner, and if it turns out they're
15 not confidential, we can put it in the public domain?

16 MR. NGUYEN: I don't even know if that's
17 possible.

18 MR. HOWARD: If -- if that's possible,
19 we are amenable to it, but I tell you, these -- the
20 series of questions that we're about to ask are very
21 important, and if they are supposed to be in the
22 public domain, we want them in the public domain.

23 So if we can, in fact, accommodate your
24 request, I have no problem with that whatsoever. I
25 don't believe the AG will object. And we're trying to

1 move this along, Mr. Chairman, we truly are, and --

2 MR. NGUYEN: Well, Your Honor, insofar
3 as -- you know, if it's a paper documentation that's
4 going to be referred to that hasn't been -- if it
5 hasn't been granted confidential treatment, that's the
6 easy part of moving that from the confidential stack
7 to the -- to the public stack.

8 Insofar as whether or not we can get
9 the -- the -- the video portion of the -- of the
10 questioning from -- and, you know, the -- the video
11 recorder is shaking her head saying no, that we may
12 want to -- to hold those line of questions, if -- if
13 you want to, until, you know, there's been
14 confirmat -- confirmation one way the -- or the other
15 with respect to whether or not that particular item
16 of -- of information has -- has not been granted
17 confidential treatment.

18 MR. OVERSTREET: Surely.

19 MR. HOWARD: I can even give reference
20 pretty brief, if you'll give me just a moment, to
21 particular pages, at least I can try, because these
22 are the questions and answers we want in the public
23 domain, if possible.

24 MR. COOK: There are only two pages.
25 This one.

1 MR. HOWARD: Page 7059. Mr. Overstreet,
2 I'm -- I'm trying to work with you.

3 MR. OVERSTREET: Oh, I know you are.
4 Just -- but I'm just -- I'm just trying to word to see
5 what 7095 might be in my memory.

6 MR. HOWARD: Well, I tell you what, if
7 -- if -- if you can, then you beat me. We are
8 actually referring to a public document. What's --
9 it's currently in the public domain.

10 MR. OVERSTREET: Could you show me the
11 document?

12 MR. HOWARD: I can.

13 MR. OVERSTREET: Maybe I can -- I can --

14 MR. HOWARD: That will be helpful for
15 us, and it might be in one of the documents. This is
16 in testimony by the Sierra Club. I thought -- well,
17 I'm not going to say it out loud.

18 MR. COOK: Mark, I have it right here.
19 I can show you on the computer. Would you like to
20 take a look?

21 MR. OVERSTREET: I would.

22 MR. COOK: Okay. The first one is --
23 yeah.

24 MR. HOWARD: They're marked as
25 confidential, but I believe that -- I'm not sure if

1 that's redacted or not.

2 MR. COOK: It's 1 K. It's part of a
3 presentation. And then we go to page 678.

4 MR. OVERSTREET: We -- we don't think
5 they're confidential.

6 MR. HOWARD: Thank you.

7 MR. COOK: Okay.

8 MR. HOWARD: That resolves that.

9 MR. COOK: So we have only about four or
10 five questions, if we can, on the public record, and
11 then I believe we are all clear for confidential.

12 MR. OVERSTREET: Well, that's -- that
13 was what I wanted to check. I just wondered if maybe
14 the -- the chair could ask -- make -- make sure that
15 everyone in here is either a member of the Staff or
16 has signed a confidentiality agreement that's not with
17 the Company.

18 COMMISSIONER ARMSTRONG: Well, if you
19 heard Mr. Overstreet, if there's anyone who is not a
20 member of the Staff or with the parties here, I'll
21 have to ask you to leave.

22 MR. KURTZ: Miss Kyler has not yet
23 signed it. She's with me. She'll sign it.

24 MR. OVERSTREET: That'd be fine.
25 That'll be fine. We can do that.

1 COMMISSIONER ARMSTRONG: Anyone else?

2 MR. OVERSTREET: Thank you.

3 COMMISSIONER ARMSTRONG: Okay.

4 MR. OVERSTREET: Thank you, Your Honor.

5 COMMISSIONER ARMSTRONG: All right.

6 This is the confidential questions now.

7 MR. COOK: Actually, Your Honor, the
8 ones that we -- that we just discussed were -- are
9 not -- are public.

10 COMMISSIONER ARMSTRONG: Are now public.
11 Yes.

12 MR. COOK: Yes. So there's only a few.
13 There's about five. I think we can get it over with
14 in about five minutes at the most.

15 COMMISSIONER ARMSTRONG: Proceed.

16 MR. COOK: So if we're on the record in
17 the public record. Good afternoon again, Mr. Wohnhas.

18 MS. GILLUM: You're not in the public
19 record. No.

20 MR. COOK: Oh, we're not?

21 MS. GILLUM: No.

22 MS. HENRY: We're in the confidential
23 record.

24 MR. HOWARD: No. The information that
25 we have before us, Mr. Overstreet said it's not -- it

1 is public record, right?

2 MR. OVERSTREET: It is public, but I
3 don't think that's the issue. Why -- why -- why don't
4 we proceed --

5 COMMISSIONER ARMSTRONG: We'll proceed
6 as confidential even though it's public. Okay?

7 MR. OVERSTREET: Or you can wait till we
8 go back out of confidential and ask him at the very
9 end.

10 MR. HOWARD: Let's do that then.

11 MR. COOK: Yeah.

12 MS. HENRY: Thank you very much.

13 MR. COOK: That's fine. Thank you.

14 COMMISSIONER ARMSTRONG: Let's have the
15 confidential questions now.

16 MR. OVERSTREET: Yes. Thank you.

17

18 * * *

19

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REDACTED AS CONFIDENTIAL

1 Wohnhas.

2 A Good afternoon.

3 Q I wonder if you could, please, turn to
4 the Company's response to Sierra Club 1-1, and along
5 with that there is a rather large attachment of about
6 9,500 pages. And, specifically, I can tell you which
7 one to look for if that -- I think that will help
8 narrow it down quite a bit. Page 7059.

9 A I'm not going to have -- I mean, I don't
10 have that.

11 Q Okay.

12 MR. HOWARD: Mr. Overstreet, do you
13 have --

14 A We didn't --

15 MR. HOWARD: -- a copy?

16 A We did not make a --

17 MR. OVERSTREET: I may have a copy.

18 A We did not make a copy of 9,000 pages.

19 Q Well, if you'll bear with me just a
20 moment, I've got a copy, marked up with the right
21 answers to give too.

22 MR. HOWARD: What page?

23 MR. COOK: 7059.

24 MR. OVERSTREET: Thank you, Mr. Howard.

25 MR. HOWARD: Mr. Overstreet, a little

1 leverage is needed right now. What page?

2 MR. COOK: 7059.

3 MR. OVERSTREET: Is it just the one
4 copy?

5 MR. HOWARD: We -- we have a second page
6 if you want him to refer to it. Yeah, that's the only
7 copy that I have. Sorry. I think that'd kill the
8 copier.

9 MR. OVERSTREET: Okay.

10 (Mr. Howard handed document to the
11 witness.)

12 Q All right. And do you have that page in
13 front of you now, sir?

14 A Yes, I do.

15 Q All right. Thank you. Looking at that
16 page, I believe it's titled retrofit, slash, new
17 generation --

18 A Yes.

19 Q -- is that correct? Okay. Would you
20 agree that as late as October 6 of last year, that's
21 2011, the Company was representing that the retirement
22 of both of the existing Big Sandy unit -- units and
23 replacing them with a 640-megawatt natural gas fired
24 unit was the chosen option to comply with the EPA
25 regulations?

1 A It was the option that was publically
2 put out in June, and we did not -- actually, up until
3 we filed our application, did not publically state
4 that we had made any changes to that, so the public
5 would still have seen this as the option in October,
6 yes.

7 Q Okay. And what was the cost estimate
8 associated with that chosen option?

9 A After it was -- I mean, that's --

10 Q Well, as indicated on this document.

11 A Oh. On this -- 525. I'm sorry.

12 Q Five -- five hundred and twenty-five
13 million?

14 A Million dollars is what was there. I'm
15 sorry. Yes. That's what their --

16 Q And that amount is listed in the column
17 that is entitled high-cost estimate for 2012 through
18 2020; is that correct?

19 A That's what it states. Yes.

20 Q All right. All right. We're going to
21 show you another page from this same handout. This
22 is, just for the record, pur -- for purposes of the
23 record, it's the same response to the same discovery
24 request.

25 COMMISSIONER GARDNER: Can we --

1 tomorrow morning, could you get the Commission a copy
2 of it -- those documents?

3 MR. COOK: Sure. Does the Commission
4 have that? I assume the Commission would have it.

5 COMMISSIONER GARDNER: Well --

6 MR. HOWARD: We can provide those, Mr.
7 Vice chairman.

8 COMMISSIONER GARDNER: I mean, if it's
9 page --

10 MR. HOWARD: Yes. We will provide
11 those. I understand the heartache.

12 A I'd rather keep that for a moment if you
13 want to keep that.

14 MR. HOWARD: Okay.

15 A I'm not sure what he may ask, if you
16 don't mind.

17 Q Okay.

18 A Uh-huh.

19 Q And I believe you should have in front
20 of you page 678; is that correct?

21 A That is correct.

22 Q All right. Bear with me just one
23 second. And that page also says retrofit, slash, new
24 generation there?

25 A Yes.

1 Q Okay. Would you agree that the Company
2 made a presentation to Morgan Stanley on or about
3 November 17th of 2011, whereupon the Company had then
4 chosen an FGD retrofit of Big Sandy unit 2?

5 A Roughly to that date, yes. I'm aware of
6 that.

7 Q All right. Okay. And what is the cost
8 associated with that option?

9 A It says 525. It is an error.

10 Q Okay. And --

11 A It was, you know, in the -- what had
12 happened was when they changed the presentation at a
13 later date, they inadvertently did not change the
14 doll -- the -- the -- the figure. The 525 was not
15 changed inadvertently.

16 Q Okay. All right. Hold on just one
17 second.

18 A That's fine.

19 MR. COOK: One moment, please, Mr.
20 Chairman.

21 Q All right. Mr. Wohnhas, between October
22 6 and November 17th, a period of about five weeks, the
23 Company abandoned the natural gas option, went with
24 the retrofit option, and the cost nearly doubled; is
25 that correct?

1 A Yes. When we -- the idea of -- when we
2 submitted in -- in June, we realized -- and we were in
3 the middle of a more detailed cost estimate for the
4 idea of repowering Big Sandy unit 1.

5 And we -- when those results became
6 available, which was later in the year, and then we
7 compared -- then, at that point in time, the
8 repowering of Big Sandy unit 1, the Brownfield build
9 of a gas combined cycle on the Big Sandy site, as well
10 as the scrubber option for Option 1 were all on the
11 same level as far as the amount of engineering
12 studying done to build, so that it would be a more
13 apples to apples comparison.

14 The repowering at the time of June was
15 what we sometimes call a tabletop estimate, and we
16 needed to make sure that it was a viable cost. We
17 hired Sargent & Lundy to -- with another group to help
18 take a two- to three-month period of time and to dig
19 down to the same level of detail that we did for the
20 scrubbers.

21 Q All right. And it's true, is it not,
22 that the Company is proceeding under a tight time --
23 time table to comply with the consent decree in the
24 EPA regulation?

25 A That'd be a fair statement. Yes.

1 Q All right. And what happens if the PSC
2 denies the CPCN to build the retrofit?

3 A We would have to go back and decide what
4 we were going to do.

5 Q Kind of back to the drawing board?

6 A Yes.

7 MR. COOK: Okay. Thank you.

8 COMMISSIONER ARMSTRONG: Questions? I
9 think we're finished.

10 MR. OVERSTREET: I think we're finished,
11 Your Honor.

12 COMMISSIONER ARMSTRONG: Mr. Wohnhas,
13 thank you very much.

14 A Thank you.

15 (End confidential testimony.)

16 COMMISSIONER ARMSTRONG: Mr. -- do you
17 have a -- it's 5:00 o'clock now. We only set aside
18 three days for this hearing.

19 MR. OVERSTREET: Yes, Your Honor.

20 COMMISSIONER ARMSTRONG: And how many
21 more witnesses do you have? Three?

22 MR. OVERSTREET: I have -- I have --
23 actually have seven more witnesses.

24 COMMISSIONER ARMSTRONG: Seven more
25 witnesses.

1 MR. OVERSTREET: Yes, Your Honor. In
2 addition, Mr. -- Mr. Thomas, who Mr. Wohnhas referred
3 to in connection with the confidential matters,
4 available.

5 COMMISSIONER ARMSTRONG: Would you like
6 to take him now?

7 MR. OVERSTREET: I think that might make
8 sense. We'd have to go back into confidential
9 session, but, otherwise, I think that may be the
10 shortest, unless Ms. Mun -- we could put Ms. Munsey on
11 if that -- we're -- we're pretty easy.

12 COMMISSIONER ARMSTRONG: Do you have any
13 time problems?

14 MS. HENRY: Time problems, no, but I
15 would object to having a witness that I didn't know
16 was going to testify testify today.

17 COMMISSIONER ARMSTRONG: Who is that?

18 MS. HENRY: I believe he just referred
19 to Mr. Thomas, who was first brought up while Mr.
20 Wo -- Wohnhas was on the stand. So I'm just saying to
21 give intervenors time to prepare test -- to prepare
22 cross -- to prepare cross-examination --

23 MR. OVERSTREET: That's fine. We
24 have -- we -- we -- we -- I was trying to accommodate
25 the Commission, but --

1 COMMISSIONER ARMSTRONG: We only have
2 three days, so --

3 MS. HENRY: I'm -- I'm fine to continue
4 on. I was just saying that I just heard of Mr.
5 Thomas' name maybe 20 minutes ago.

6 MR. OVERSTREET: Why don't we -- Your
7 Honor, why don't we call -- it's up to the Commission,
8 obviously, but we can call Ms. Munsey.

9 COMMISSIONER ARMSTRONG: She's a longer
10 testimony.

11 MR. OVERSTREET: I'm sorry, Your Honor?

12 COMMISSIONER ARMSTRONG: She would be a
13 little longer testimony?

14 MR. OVERSTREET: I think she would be
15 longer than Mr. Thomas, but --

16 COMMISSIONER ARMSTRONG: Yes.

17 MR. OVERSTREET: -- KIUC had indicated
18 --

19 COMMISSIONER ARMSTRONG: Thomas is here
20 and prepared to testify --

21 MR. OVERSTREET: Yes.

22 COMMISSIONER ARMSTRONG: -- I suppose?

23 MR. OVERSTREET: Yes.

24 COMMISSIONER ARMSTRONG: Anybody else
25 object?

1 MR. HOWARD: I have no objection if she
2 needs time to -- if she needs time to --

3 MS. HENRY: I don't mean to -- I think
4 that -- we don't have any cross-examination of Miss
5 Munsey, so she -- it might be that we could finish her
6 before we adjourn for the day, if time is the
7 Commission's concern.

8 COMMISSIONER ARMSTRONG: Well, I'm just
9 going to have Mr. Thomas testify today.

10 MR. OVERSTREET: We would call Toby
11 Thomas. Ms. Henry, Miss -- Miss Thomas -- Mr. Thomas
12 is only going to testify to what was the subject of AG
13 22 and 23. So to the extent you were going to ask Mr.
14 Wohnhas questions, and he didn't answer them, Mr.
15 Thomas is available to answer those questions.

16 COMMISSIONER ARMSTRONG: Mr. Thomas, be
17 sworn in. Do you solemnly swear to tell the truth,
18 the whole truth, and nothing but the truth subject to
19 the rules of perjury?

20 MR. THOMAS: I do.

21 COMMISSIONER ARMSTRONG: Have a seat.
22 Speak loud and clear.

23 MR. OVERSTREET: Your Honor, we need to
24 go into confidential for Mr. Thomas.

25 COMMISSIONER ARMSTRONG: Yes.

1 MS. GILLUM: Oh.

2 MS. HENRY: Your Honor -- Your Honor.

3 MS. GILLUM: Turn the on air thing off.

4 COMMISSIONER ARMSTRONG: Anyone who has
5 not been cleared for this confidentiality will have to
6 step outside in the lobby.

7 MS. HENRY: Your Honor, may I ask that
8 we have five minutes to prepare to cross-examine Mr.
9 Thomas, since we just found out about his testifying?

10 COMMISSIONER ARMSTRONG: It's only two
11 to four questions here that the Attorney General has
12 come up; is that correct?

13 MR. OVERSTREET: It -- it -- it has
14 to -- Mr. Thomas is here -- if -- review the bidding,
15 if I could. Mr. Wohnhas had to defer a couple of
16 questions that were posed to him about the
17 confidential matter. Presumably, Sierra Club would
18 be -- was ready to question Mr. Wohnhas about those
19 ma -- materials. We're putting Mr. Thomas on simply
20 so that we can get those questions answered.

21 COMMISSIONER ARMSTRONG: It's not a
22 hardship. This is the best testimony you're going to
23 get here, since Mr. Wohnhas couldn't answer it. Okay.
24 You're sworn. The witness.

25 MS. GILLUM: Now, well, turn the on air

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CROSS-EXAMINATION

1
2
3 By Ms. Henry:
4

5 Q Now that we're back on the record, I
6 would like to -- I'd like to mark as Exhibit Sierra
7 Club 11, which is Kentucky Power Company's response to
8 Attorney General's supplemental data request number
9 six. 2-6.

10 A Can I have a copy, please?

11 MR. FISK: Oh, sorry. I thought you --
12 that's where I got cut off.

13 A Thank you.

14 Q Mr. Thomas, in response to the AG's
15 question, you listed a number of gas fire generation
16 units that AEP owns; is that correct?

17 A That is correct.

18 Q Is one of those units listed the
19 Waterford generating station?

20 A That's correct.

21 Q Is the -- does this response state that
22 the Waterford generating station was obtained by AEP
23 in 2005 for \$220 million?

24 A Yes. Yes, it does.

25 Q Did Kentucky Power Company inquire

1 whether it could -- whether it could acquire the
2 Waterford generating station for 220 million or a
3 price close thereto?

4 A That was seven years ago. Those were
5 all done on a system-wide basis. At the time,
6 Kentucky Power did not need any generation, to my
7 recollection, nor was it perceived to need any
8 generation, so --

9 Q Okay. Let me rephrase the question.
10 Sorry for not being clear. When Kentucky Power
11 Company was considering alternatives for the proposed
12 project, did Kentucky Power Company consider inquiring
13 whether they could get the Waterford generating
14 station for this 220 net book value?

15 A I guess I'm con -- from its sister
16 company?

17 Q Yes.

18 A As of right now, that asset is
19 controlled by Columbus Southern Power --

20 Q Well --

21 A -- so that would take an Ohio commission
22 order to say you could transfer an asset today.

23 Q And as of December, when this
24 application was submitted, how were those Ohio
25 assets -- what was -- do you know how those Ohio

1 assets were supposed to be handled?

2 A No, I don't.

3 Q Let's turn to page 2 for the
4 Lawrenceburg generating station. Does this state that
5 the Lawrenceburg generating station was acquired by
6 AEP in 2007 for \$325?

7 A 325 --

8 Q Or 325 --

9 A -- million dollars?

10 Q -- million dollars --

11 A Yes.

12 Q -- per -- per book value -- net book
13 value?

14 A Yes. \$325 million for Lawrenceburg.

15 Q And when Kentucky Power Company was
16 considering alternatives for this proposed project,
17 did you consider approaching whether you could acquire
18 Lawrenceburg generating station?

19 A Lawrenceburg generating station has
20 100-percent unipower agreement with Columbus Southern
21 Power. So it's -- it's fully allocated to its sister
22 company.

23 Q Is Waterford generating fully al --
24 allocated?

25 A It's wholly owned by Columbus Southern

1 Power Company.

2 MS. HENRY: No further questions.

3 COMMISSIONER ARMSTRONG: Any further
4 questions of this witness? Mr. Thomas --

5 MR. OVERSTREET: Thank you, Mr. Thomas.

6 COMMISSIONER ARMSTRONG: -- thank you.

7 MR. OVERSTREET: You want us to call our
8 next witness?

9 COMMISSIONER ARMSTRONG: Well, how long
10 do you expect her to testify?

11 MR. OVERSTREET: My -- my sense is that
12 there's -- unless Staff has a lot, there is probably
13 not a lot of questions, 'cause I haven't heard Mr.
14 Howard or Mr. Cook weigh in on the subject, but --

15 MR. HOWARD: And who will -- who would
16 be the next -- Miss Munsey?

17 MS. BURNS: Ms. Munsey.

18 MR. HOWARD: No questions.

19 MR. OVERSTREET: No questions from the
20 AG.

21 MS. BURNS: We've probably got half
22 hour, maybe, 45 minutes, maybe, for Miss Munsey.

23 MR. OVERSTREET: It's the Commission's
24 choice.

25 MS. BURNS: I'm estimating.

1 COMMISSIONER ARMSTRONG: Well, I'm up
2 for it.

3 MR. OVERSTREET: All right.

4 COMMISSIONER ARMSTRONG: So --

5 MS. GILLUM: Can we have -- can we have
6 a break then? I've been here since 7:00 o'clock this
7 morning? Seriously.

8 COMMISSIONER ARMSTRONG: We can have a
9 break.

10 MS. GILLUM: Okay.

11 COMMISSIONER ARMSTRONG: We'll take
12 about a 10-minute break and then come back and be
13 ready with Miss Munsey's.

14 MR. OVERSTREET: Sure, and I don't mean
15 to impose on anyone.

16 COMMISSIONER ARMSTRONG: You're not.

17 MR. OVERSTREET: Okay. Thank you.

18 (Recess.)

19 COMMISSIONER ARMSTRONG: Be sworn.
20 Swear to tell the truth, the whole truth, nothing but
21 the truth subject to the rules of perjury?

22 MS. MUNSEY: I do.

23 COMMISSIONER ARMSTRONG: Could you hear
24 that and understand it?

25 MR. OVERSTREET: Did you hear that and

1 understand it?

2 MS. HERBERT: Yes.

3 MR. OVERSTREET: Mr. Chairman, Mr. Gish
4 is going to present Ms. Munsey.

5 COMMISSIONER ARMSTRONG: Mr. Gish.

6 MR. GISH: Thank you, sir.

7

8 * * *

9

10 LILA P. MUNSEY, called by Kentucky Power
11 Company, having been first duly sworn testified as
12 follows:

13

14 DIRECT EXAMINATION

15

16 By Mr. Gish:

17

18 Q Miss Munsey, can you please state your
19 full name, job title, and business address for the
20 record?

21 A My name is Lila P. Munsey. I am manager
22 of regulatory services for Kentucky Power Company. I
23 work at 101 Enterprise Drive, Frankfort, Kentucky.

24 Q And did you have -- did you cause direct
25 testimony to be filed in this proceeding?

1 A Yes, I did.

2 Q And did you provide responses to data
3 requests in this proceeding?

4 A Yes, I did.

5 Q And in the course of providing responses
6 to data requests, did you correct portions of your
7 direct testimony?

8 A Yes.

9 Q And other than the corrections made
10 in -- to your direct testimony through the data
11 responses, do you have any additional corrections to
12 make to your direct -- your direct testimony?

13 A Yes, I do.

14 Q And can you please explain the nature of
15 that correction, please?

16 A In Staff's res -- in response to the
17 Staff's first data request, item number 20 concerning
18 the removal of the associated utilities revenues, one
19 of those was when I -- when I filed the new work
20 papers, one of those changes was inadvertently not
21 made. It is on revised Exhibit LPM 13. That would be
22 on line 16.

23 That still included the 98.91-percent
24 associated adder, and that has been removed, and in
25 removing that, it made a change to the Kentucky retail

1 allowances on Exhibit LPM 14, line 6. That was .77
2 percent. It is now .78 percent. So it was a
3 one-hundredth percent change.

4 It also made a total overall change from
5 the 29.49-percent increase that was on the revised
6 spreadsheets to 29.50 percent.

7 MR. GISH: If it pleases the Commission,
8 we'll provide revised sheets to all the parties
9 addressing this change.

10 Q If I were to ask you -- putting aside
11 that correction and the corrections made to that
12 response, if I were to ask you the questions that
13 are -- that are a part of your direct testimony as
14 filed in the proceedings, would you give the same
15 answers?

16 A Yes.

17 MR. GISH: I tender this witness for
18 cross-examination, Your Honor.

19 MR. HOWARD: The A -- the AG has no
20 questions, Mr. Chairman.

21 MR. KURTZ: Very briefly, Your Honor.

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23 * * *

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CROSS-EXAMINATION

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2
3 By Mr. Kurtz:

4
5 Q Miss Munsey, will you turn to your
6 Exhibit 3 from your direct testimony?

7 A Exhibit 3?

8 Q Yes. Do you have that?

9 A Yes.

10 Q Okay. On line 3, the common equity,
11 you're requesting a 10.5-percent after-tax return on
12 equity; is that correct?

13 A You're referring to line 4?

14 Q Yes.

15 A Okay.

16 Q Okay.

17 A That's correct.

18 Q Because for rate-making purposes, you --
19 you recover on a pretax basis so that after you pay
20 taxes, you get 10.5-percent return equity after tax,
21 correct?

22 A I believe that's correct.

23 Q Okay. And if we multiply the 10.5
24 percent times your gross revenue conversion factor, we
25 get a pretax return on equity being requested here of

1 16.55 percent?

2 A I believe that's what you were
3 discussing with witness Wohnhas.

4 Q Okay. On line 2, short-term debt, you
5 -- you have -- you're proposing short-term debt at
6 0.83 percent. That's pretty cheap, right?

7 A Yes.

8 Q And what -- why aren't you proposing to
9 finance construction -- assuming the Commission
10 approves this project, to finance any portion of the
11 construction with this 0.83-percent short-term debt?

12 A AEP normally will use whatever mixture
13 of long tor -- long-term, short-term, and common
14 equity that it needs to come up with a good mixture.
15 You wouldn't finance the entire project with
16 short-term debt, nor would you finance the entire
17 thing with common equity.

18 So even though this -- at that date on
19 April 30th, 2010, it shows that we had no short-term
20 debt at that point in time. We do use short-term
21 debt.

22 Q Well, I'm talking about the construct --
23 actually the construction of the \$940 million project,
24 if it's approved. Are you going to use short-term
25 debt to finance a portion of the construction costs?

1 A That would not be my call. That would
2 be whoever -- whoever works up the financing for this.
3 I don't do that.

4 Q Do you know? Is there a witness here
5 who -- who would know?

6 A I know that we will use the best and
7 least cost means to finance the construction.

8 Q Okay. But is there a witness here
9 that -- who -- who knows anything about the -- the --
10 the construction financing of the scrubber project
11 assuming it's approved?

12 A I don't know of anyone.

13 MR. KURTZ: Those are all my questions,
14 Your Honor.

15 COMMISSIONER ARMSTRONG: Thank you.
16 Questions? Miss Henry.

17 MS. HENRY: I have no questions for the
18 witness, but I just wanted to move into the record
19 Sierra Club Exhibit 11, which was at the end of my
20 previous cross.

21 MR. OVERSTREET: No objection.

22 COMMISSIONER ARMSTRONG: So ordered.
23 (Sierra Club Exhibit 11 admitted.)

24 MS. HENRY: Thank you.

25 MS. BURNS: My turn?

1 COMMISSIONER ARMSTRONG: Yes.

2 MS. BURNS: All right.

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CROSS-EXAMINATION

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8 By Ms. Burns:

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10 Q Miss Munsey, I have a few questions. If
11 you would please refer to your response to Commission
12 Staff's second request for information. And this is
13 going to be item 23, attachment 1, page 13 of 15.
14 It's your revised Exhibit 13.

15 A Yes.

16 Q Okay. Down in columns -- or lines 11
17 and 12, it says estimated monthly CSAPR SO2
18 consumption expense. Should that be estimated annual
19 CSAPR expense or is monthly CSAPR correct?

20 A Yes. I believe you're correct.

21 Q Should be annual. Okay.

22 A Thank you.

23 Q Thank you, ma'am. Same -- same
24 document, line 16 and 17, and you may have to submit
25 this as a post-hearing response. Should line 16 and

1 17 be eliminated on this response due to your response
2 to the Commission Staff's first set of data requests,
3 item number 20, part A?

4 A Yes. That was that correction that I
5 mentioned at the beginning.

6 MS. BURNS: Okay.

7 MR. HOWARD: Ms. Burns, that was lines
8 16 and 17? Is that right?

9 MS. BURNS: Yes --

10 A Yes.

11 MS. BURNS: -- that was.

12 MR. HOWARD: Thank you.

13 Q Miss Munsey, if you would go now to the
14 culmination response to Staff's first data request,
15 item number 45, page 1 of 1.

16 MR. HOWARD: That was the first set?

17 MS. BURNS: Yes.

18 MR. HOWARD: Thank you.

19 A Did you say your first set?

20 Q First set. Yes, ma'am.

21 A Number 45?

22 Q Forty-five.

23 MR. OVERSTREET: Okay.

24 Q Page 1.

25 MR. OVERSTREET: May I --

1 COMMISSIONER ARMSTRONG: Yes.

2 MR. OVERSTREET: -- provide this to --
3 do you have it?

4 Q It's not a chart.

5 A Okay.

6 Q It -- it states that Kentucky Power does
7 not plan to use electrostatic precipitators with the
8 NID technology; is that correct?

9 A That's correct.

10 Q Is that a potential reduction in revenue
11 requirement reflected in the Company's application?

12 A That is not reflected in the application
13 at this point in time. But the way those are normally
14 handled is when -- when that plant is retired, that
15 would be removed from the rate base amount in our
16 monthly filing.

17 Q Currently Kentucky Power is
18 approximately 13.1 million original cost less any
19 accum -- accumulated depreciation and accumulated
20 deferred federal income tax associated with ESP in its
21 monthly environmental filings; is that correct?

22 A I would have to check that.

23 Q Okay. If you would please refer to your
24 response to Staff's second data request. Item number
25 23.

1 A Yes.

2 Q Attachment 1.

3 A Uh-huh.

4 Q Page 14 of 15.

5 A Yes. I have --

6 Q Down at line 8, it says total
7 environmental projects in this filing.

8 A Yes.

9 Q Does that mean the total annual Kentucky
10 retail revenue requirement associated with all of the
11 environmental projects in this filing?

12 A Yes.

13 Q Okay. So if the Big Sandy ESP is
14 removed from the monthly filings, the amount on line 8
15 is going to be less; is that correct?

16 A That would be correct.

17 Q Okay. Refer still to Staff's --
18 response to Staff's second data request, item 23,
19 attachment 1, but page 3 of 15, and that is a chart.
20 It says Kentucky Power Company, pollution control
21 environmental facilities, weighted cost of capital
22 calculations.

23 A Yes. I have it.

24 Q Okay. The heading on column three is
25 capital balance as of April 30, 2010.

1 A That's correct.

2 Q The question is: The amounts shown in
3 column three, are they as of August 31, 2011, or April
4 30, 2010?

5 A These were as of April 30, 2010, I do
6 believe.

7 Q Okay.

8 A But I would have -- I could check that.

9 Q Okay. Same exhibit, next question about
10 footnote one, and that states that the weighted
11 average cost of capital ROR on common equity per case
12 number 2010-00020. Is that --

13 A Yes.

14 Q -- right?

15 A That's correct.

16 Q All right. Same -- same exhibit here.
17 Bottom of the -- bottom portion of the page. It talks
18 about the state income tax calculation down at the
19 very, very bottom.

20 A Yes.

21 Q The fifth line down there in that
22 bottom, it says less state 199 deduction. The
23 question is: Was that 5.6372 amount for that state
24 199 deduction calculated using a six-percent or
25 nine-percent rate?

1 A I would have to check on that with our
2 tax folks.

3 Q All right. Please do. It's Staff's
4 understanding that the section 199 was six percent for
5 calendar years 2007 through 2009, and in calendar year
6 2010 and after, that section 199 percentage is nine
7 percent. And then if it is nine percent, staff has
8 done some further calculations.

9 If it is nine percent, staff believes
10 the 5.6372 is going to change to 8.4728. And then
11 that is going to change the gross up factor from
12 1.5762 to 1.5497, which in turn changes the weighted
13 average cost of capital pretax from 7.27 percent to
14 7.15 percent, and the weighted average cost of capital
15 pretax total changes from 10.69 percent to 10.57
16 percent. And would you confirm that, please, in a
17 post-hearing response?

18 A Yes. We'd --

19 Q And provide a --

20 A -- glad to.

21 Q -- revised second set to this
22 attachment, please? Okay. Thank you. If Big Sandy
23 units -- unit 1, unit 2, or both units are retired,
24 are there any long-term fuel contracts that could be
25 affected?

1 A I don't believe so. I think that was
2 mentioned at our latest fuel hearing, but I would have
3 to check with our payroll --

4 Q Okay.

5 A -- people on that one.

6 Q If there are any long-term contract --
7 fuel contracts that are affected, could Kentucky Power
8 suffer any monetary losses from those contracts?

9 A I guess there is a possibility that that
10 would -- that I -- I don't believe that's the case.

11 MS. BURNS: Okay. I think that's all
12 right now, Your Honor.

13 COMMISSIONER ARMSTRONG: Questions?

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17 EXAMINATION

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19 By Commissioner Gardner:

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21 Q Miss Munsey, I have just a couple
22 questions. On page 8 of your testimony, line 6, 7, 8,
23 when it asked about projects at other facilities, you
24 say yes, the environmental projects being installed on
25 Ohio Power Company in Indiana and Michigan plants

1 could increase the environmental charges to KPC. Do
2 you know when that will be determined?

3 A These items are the ones that I've
4 included in my exhibit LPM 6.

5 Q So those are already included?

6 A So some of them are already included,
7 and -- and all of them are included in this filing,
8 but some of them would not actually go into the rates
9 right away, as they are not yet in service. If you
10 look at the -- the first one, the Ohio Power Amos unit
11 3.

12 Q Uh-huh. What page are you on?

13 A I'm on the page you've talked about.

14 Q Right.

15 A But if you want to look at those
16 specifically, you can go to my Exhibit LPM 6 --

17 Q Okay.

18 A -- where all of those projects are
19 listed, and if you'll notice, column four has the
20 in-service date for those.

21 Q All right.

22 A There are two projects there under Amos
23 common, the FGD HG wastewater treatment and the ash
24 pond discharge diffuser, which are not expected to go
25 in service until later this year. The other projects

1 should go into our ECR filings if they're approved
2 here.

3 Q So these are all new projects or
4 relatively new?

5 A Yeah.

6 Q Okay. The -- but these are not included
7 right now in any of the filings?

8 A They're not in our current environmental
9 filings.

10 Q So --

11 A They have not yet been approved by this
12 commission.

13 Q Okay. So even though the Amos unit 3,
14 for example, the in-service date was August 3rd, 2010,
15 it's not included yet, because we haven't approved it?

16 A That's correct.

17 Q Okay. And the -- this -- and what
18 percentage of these costs would be assigned to
19 Kentucky Power? Am I missing that someplace?

20 A These costs, if -- if you notice there
21 in column seven, that shows the percentage of these
22 projects that are part of the pool costs, and then
23 within that, through our monthly environmental filing,
24 they would be worked through based on the percentages
25 that we use from those plants.

1 Q Okay.

2 A So it's not a number that I can give
3 you. It changes month -- monthly.

4 Q And it -- okay. And is that number
5 approximately seven percent or is that a different
6 number?

7 A I think it would be a different number,
8 but I would --

9 Q What -- what determines what that number
10 is?

11 A Well, if you -- as you go through our
12 filing, each plant, with facilities that are being
13 used, are included. And then, for instance, month
14 before last I think we had four percent was -- of our
15 amount that we needed to purchase out of the pool was
16 from I&M, and the other 96 percent of what we were
17 purchasing came from Ohio Power. So it would be a
18 weighted cost based on the various costs of those
19 different plants.

20 Q Okay. And I guess I was asking what --
21 what is the percentage that -- there's not a uniform
22 percentage that Kentucky Power is allocated these
23 costs from? I mean, I see the share here that's Ohio
24 Power, Indiana and Michigan. Is it the power pool
25 agreement that determines what the cost is? What our

1 percentage is?

2 A Yeah. The -- as you work through the
3 power pool, that -- that determines what we -- what we
4 pay to pool in total, but as far as what gets passed
5 on to the customers, that would be based on our
6 monthly environmental filing.

7 COMMISSIONER GARDNER: Okay.

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EXAMINATION

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13 By Commissioner Armstrong:

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15 Q I think you answered Miss Burns'
16 question with regard to the Kentucky retail customer,
17 and is that going to include the net impact?

18 A I'm sorry. I'm not understanding your
19 question.

20 Q Well, probably 'cause you can't hear it,
21 but -- but the -- the net impact I'm looking for would
22 be following the -- whether scrubbers go in or what --
23 whatever the -- the projected we go in. Have you
24 looked at that, and do you know what that impact would
25 be?

1 A I believe the -- the 29 --

2 Q Typically environmental facilities. I
3 don't know -- finish my sentence. Go ahead.

4 A Okay. If you're -- if you're asking
5 about the -- the increase on our customers, I think
6 it's 29.5 percent less whatever ends up being retired
7 if there -- for the ESP. Is that -- am I getting
8 close?

9 Q You're getting close.

10 COMMISSIONER ARMSTRONG: Are you going
11 to do a post-data request, Miss Burns? Would you
12 include those numbers?

13 MR. OVERSTREET: Yes.

14 A Yes.

15 MR. OVERSTREET: Of course.

16 COMMISSIONER ARMSTRONG: Okay. Thank
17 you, Miss Munsey.

18 MR. GISH: We have no redirect.

19 MS. HENRY: No redirect.

20 MR. HOWARD: Just one, Miss Munsey.

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CROSS-EXAMINATION

1
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3 By Mr. Howard:
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5 Q In response to the Chair's question, the
6 last question asked about the net effect on the -- on
7 the ratepayer. May I assume co -- correctly that that
8 dollar amount for the average residential person would
9 be that to which Mr. Wohnhas testified earlier?

10 A Would you rephrase your question,
11 please?

12 Q Mr. Wohnhas testified earlier that based
13 on the average actual residential bill, the net
14 increase is \$472 and I think it was 68 cents. I could
15 double-check, but --

16 A Okay.

17 Q -- you -- you would not differ from
18 his -- his testimony, would you?

19 A No. I don't think I would.

20 MR. HOWARD: All right. No further
21 questions, Mr. Chairman.

22 COMMISSIONER ARMSTRONG: Thank you, Miss
23 Munsey. You're excused. We're going to, at this
24 time, recess until tomorrow morning at 10:00 o'clock,
25 and you begin with your witnesses at that time.

1 MR. OVERSTREET: We'll be happy to
2 proceed, Your Honor.

3 MS. BURNS: Your Honor, would it be
4 appropriate -- Sierra Club has a witness who does need
5 to -- to get in and get out tomorrow. I don't know if
6 we want to discuss now how we're going to handle those
7 logistics.

8 MS. HENRY: Yeah. Dr. Fisher had -- his
9 second son was born last week, so he was just going to
10 fly in to testify for one day, and we talked to
11 Commission Staff and all the other parties last week,
12 and we agreed that Tuesday Dr. Fisher would be
13 available to testify. So if it's possible, we'd like
14 to take Dr. Fisher out of turn. The only constraint
15 is that Dr. Fisher has to leave here by 5:30 p.m.
16 tomorrow.

17 COMMISSIONER ARMSTRONG: What time does
18 he arrive?

19 MS. HENRY: He'll be here -- he re --
20 arrives tonight, so he'll be here at 10:00 a.m. So --

21 COMMISSIONER ARMSTRONG: Want to take
22 him first thing tomorrow?

23 MR. OVERSTREET: That -- that would be
24 fine, Your Honor.

25 MS. HENRY: That's fine with us, Your

1 Honor.

2 MR. HOWARD: No objection.

3 MS. BURNS: And are -- are we going to
4 start at 10:00 in the morning or --

5 COMMISSIONER ARMSTRONG: Yes.

6 MS. BURNS: Okay. That'd be fine.

7 (Hearing recessed at 6:29 p.m.)

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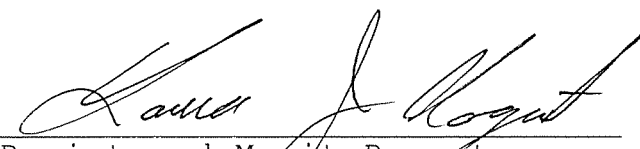
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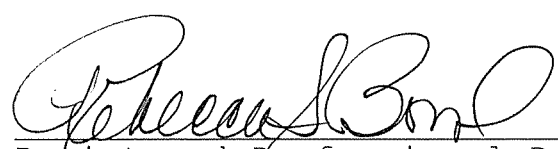
25

1 STATE OF KENTUCKY)
)
 2) SS.
)
 3 COUNTY OF JEFFERSON)

4 We, Laura J. Kogut and Rebecca S. Boyd,
 5 Notaries Public within and for the State at Large,
 6 commissions as such expiring 25 July 2015 and 5
 7 September 14 respectively, do hereby certify that the
 8 foregoing hearing was taken at the time and place
 9 stated and for the purpose in the caption stated; that
 10 witnesses were first duly sworn to tell the truth, the
 11 whole truth, and nothing but the truth; that the
 12 hearing was reduced to shorthand writing in the
 13 presence of the witnesses; that the foregoing is a
 14 full, true, and correct transcript of the hearing;
 15 that the appearances were as stated in the caption.

16 WITNESS my hand this 4th day of May
 17 2012.

18 
 19 _____
 20 Registered Merit Reporter
 21 Certified Realtime Reporter
 22 KY CCR 20042BF060
 23 Notary Public, State at Large

24 
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