COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

<u>COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY</u>

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due no later than July 3, 2013. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

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

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

If the signed partial stipulation agreement is different from the May 28, 2013 Memorandum Of Understanding ("MOU") Regarding Stipulation and Settlement Agreement, Kentucky Power shall revise its responses to the following items accordingly.

1. Refer to the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony"), RKW-Exhibit 4 and to paragraph 3 of the MOU.

a. Confirm that Kentucky Power is seeking $45.127 million additional annual revenues, that annual sales revenues were $565.286 million, and that the percentage increase is 7.98 percent.

b. Confirm that the Fuel Adjustment Clause ("FAC"), System Sales Clause and the Environmental Surcharge were going to continue to operate in their current fashion as originally proposed in Kentucky Power's application of December 19, 2012.

c. Confirm that any reduction in fuel cost due to Mitchell Generating Station's ("Mitchell") cost of fuel being less than that of Big Sandy would have flowed through the FAC to the retail customers as originally proposed in Kentucky Power's application of December 19, 2012.

d. Confirm that any reduction in environmental costs to the American Electric Power ("AEP") Pool from what is currently built into base rates, due to the termination of the AEP Pool, would have flowed through the monthly Environmental Surcharge to the retail customer as originally proposed in Kentucky Power's application of December 19, 2012.

e. Provide a schedule supporting Kentucky Power's forecasted return on equity for the 12 months ending December 31, 2014 and the 12 months ending May 31, 2015 and reflecting the $45.127 million additional revenue along with any reductions in fuel costs and any changes in environmental costs as originally proposed in Kentucky Power's application of December 19, 2012.

f. Provide a schedule supporting Kentucky Power's forecasted return on equity for the 12 months ending December 31, 2014 and the 12 months ending May 31, 2015 reflecting the $44 million additional revenue from the MOU along with any reduction in fuel costs.

g. Provide a schedule reconciling, along with explanations, each difference between the return on equity provided in response to part e. as compared to the return on equity provided in response to part f.

2. Refer to the Wohnhas Testimony, RKW-Exhibit 5, and to paragraph 8 of the MOU. The total amount of the preliminary engineering analysis costs for the scrubbing options of Big Sandy Unit 2 as of November 31, 2012, was $29,287,494, of which $630,376 is for land. In the MOU the amount to be recovered is $28,113,304, a difference of $1,174,190.

a. Explain the difference between the two numbers and provide, by type of cost, the components that make up the difference of $1,174,190 between the two amounts.

b. Provide the amount of allowance for funds used during construction ("AFUDC") in the $29,287,494 and the $28,113,304.

c. Refer to Kentucky Power's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 18, filed January 27, 2012 in Case No. 2011-00401.[1] Explain, by type of cost, the additional charges to the preliminary engineering analysis costs, from $15,212,425[2] to $29,287,494 in the current proceeding.

3. Refer to paragraph 3 of the MOU which states, "The Company agrees to remove test year Operations and Maintenance expenses related to Big Sandy Unit 2

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[1] Case No. 2011-00401, 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 Grant of a Certificate of Public Convenience and Necessity for the Construction and Acquisition of Related Facilities (Ky. PSC May 31, 2012).

[2] *Id.*

from the cost of service study in the Base Rate Case." Explain whether Kentucky Power anticipates removing any other expenses associated with Big Sandy Unit 2, such as property taxes or depreciation expense, from the cost of service study in the Base Rate Case. If the response is yes, provide a complete list of Big Sandy Unit 2 expenses the Company agrees to remove from the cost of service study in the Base Rate Case. If no, explain why not.

4. Refer to paragraph 4 of the MOU which states, "The Asset Transfer Rider will be set to collect $44 million annually, with a true-up mechanism to ensure no over or under recovery." Provide a copy of the Asset Transfer Rider Tariff including the true-up mechanism, and also provide a description of how the Asset Transfer Rider will operate.

5. Refer to paragraph 5 of the MOU which states, "Effective January 1, 2014, the monthly Environmental Surcharge factor (Tariff E.S.) will be fixed and maintained at 0.00% until new base rates are set by the Commission." Also, refer to Kentucky Power's Tariff E.S. (Environmental Surcharge), Original Sheet No. 29-1, P.S.C. ELECTRIC NO. 9 ("Tariff E.S."). The total monthly base net environmental costs on Tariff E.S. are $44,185,079. Provide a schedule, in both paper format and electronic format with formulas intact and cells unprotected, showing the following:

a. By month, the amount of NOx and SO2 costs reflected in the monthly base net environmental costs amount of $44,185,079;

b. By month, the amount of Environmental AEP Pool Capacity Costs reflected in the monthly base net environmental costs amount of $44,185,079; also, by month, the amount of All Other Environmental costs reflected in the monthly base net environmental costs amount of $44,185,079; and

c. By month, the Kentucky Retail Jurisdictional Allocation Factors reflected in the monthly environmental filings for the 12 months ending September 30, 2009.

d. Explain whether the AEP Pool environmental cost amounts shown in response to part b. would have flowed back to Kentucky Power ratepayers once the AEP Pool is terminated on January 1, 2014, if the Environmental Surcharge continues to operate after January 1, 2014.

6. Refer to paragraph 5 of the MOU and to Kentucky Power's Monthly Environmental Surcharge Report filings for the 12 months ending December 31, 2012. Provide a schedule, in both paper format and electronic format with formulas intact and cells unprotected, showing the following:

a. By month, the amount of NOx and SO2 costs reflected in the 12 months ending December 31, 2012;

b. By month, the amount of Environmental AEP Pool Capacity Costs reflected in the 12 months ending December 31, 2012;

c. By month, the amount of All Other Environmental costs reflected in the 12 months ending December 31, 2012; and

d. By month, the Kentucky Retail Jurisdictional Allocation Factor for the 12 months ending December 31, 2012.

7. Refer to paragraph 6 of the MOU which states:

> When base rates are set in the Base Rate Case, all costs associated with the Mitchell Units 1 and 2 Flue Gas Desulfurization (FGD) equipment will be recovered through the environmental surcharge (Tariff E.S.) and excluded from

> base rates in the Base Rate Case. This collection mechanism shall continue at least until the Commission sets new base rates for a period commencing after June 30, 2020 that include these costs. The Environmental Surcharge will be determined by first allocating the revenue requirement between full requirements wholesale customers and retail customers based upon typical allocation factors. The retail allocation of costs will then be allocated between residential and non-residential retail customers based upon their respective total revenues. The Environmental Surcharge will be implemented as a percentage of total revenues for the residential class and as a percentage of non-fuel revenues for all other customers.

a. Provide the estimated level of revenue requirement, broken down between return on investment and all other costs, associated with the Mitchell Units 1 and 2 Flue Gas Desulfurization which would normally be reflected in base rates.

b. Explain what is meant by the term "typical allocation factors."

c. Confirm that currently the Environmental Surcharge costs are allocated based upon the monthly revenues of Kentucky Retail Revenues, FERC Wholesale Revenues, Associated Utilities Revenues and Non-Associated Utilities Revenues net of Non-Physical Revenues.

d. Confirm that when the AEP Pool is terminated on January 1, 2014, the Associated Utilities Revenues will also be terminated. If not, explain why.

e. Confirm that currently, the Environmental Surcharge is allocated to both the residential and non-residential customers based upon a percent of total revenues. If not, explain the allocation.

f. Using the April 2013 Monthly Environmental Surcharge Report costs filed in May 2013, demonstrate the effects this new allocation methodology would have had on that monthly percentage applied to the residential and non-residential customers had this new allocation methodology been in effect.

g. Explain whether the MOU contemplates using this new environmental allocation methodology only on the environmental costs associated with the Mitchell Units 1 and 2 Flue Gas Desulfurization (FGD) equipment as stated in the MOU or if Kentucky Power is proposing to use this new allocation methodology for all of Kentucky Power's environmental costs reflected in the current Monthly Environmental Surcharge Report filings.

8. Refer to paragraph 12 of the MOU which states:

> The Company agrees to institute a new two-year Demand-Side Management ("DSM") program to help fund energy management programs for schools affected by KRS 160.325. The annual funding level will be $75,000 in 2014 and $50,000 in 2015. Further, Kentucky Power agrees to increase its aggregate annual spending on cost-effective DSM and energy efficiency measures through Commission-approved DSM programs to $4 million in 2014; $5 million in 2015; and $6 million in 2016, 2017, and 2018. The Company also will seek to maintain a minimum spending level of $6 million for Commission-approved cost-effective DSM and energy efficiency measures in years after 2018. The Sierra Club may participate in the Company's DSM collaborative and receive the Company's periodic reports and evaluations of its DSM programs.

a. Provide the number of school energy managers that could be funded in 2014 and 2015, along with the number of school districts in Kentucky Power's service territory, and identify the schools districts in which these school energy manager(s) might be located.

b. Provide the kinds of DSM or energy efficiency ("EE") programs in which the additional aggregate annual spending on cost-effective DSM and EE measures will occur, the type of costs to be expended, whether there will be associated lost revenues and utility incentives, and the amount of estimated increases in the DSM factor by customer class for such spending.

c. If known by Kentucky Power, describe the types (ex. site built, manufactured housing, other) of housing stock in Kentucky Power's service area and provide the approximate percentage by type of the total housing stock.

d. Provide the total number of homes that have been weatherized by Kentucky Power through its DSM weatherization program, and the average amount that has been spent on each home.

e. Provide the number of Kentucky retail customers, as of December 31, 2010 and December 31, 2012, by residential, commercial and industrial classes, along with the difference between the two time periods and the percent change for each customer class.

f. Provide by retail jurisdiction for each of the AEP–East Operating Companies the most current average monthly cost per kWh that each company's ratepayers are currently incurring for Commission-approved cost-effective DSM and EE measures.

g. Using December 31, 2012 financial information, provide the effect an additional $6 million of expense or revenue would have on Kentucky Power's return on equity.

h. Using December 31, 2012 financial information, provide the effect an additional $6 million of expense or revenue would have on each of the AEP-East Operating Companies' return on equity.

i. For the 12 months ending December 31, 2012, provide the percent of Kentucky jurisdiction retail kWh sales made to the industrial class.

j. For illustrative purposes, if Kentucky Power's industrial class retail kWh sales are 50 percent of the total Kentucky retail jurisdiction kWh sales; and if Kentucky Power has a goal of reducing its Kentucky total retail jurisdiction kWh sales by only one percent; and considering the fact that Kentucky Power's industrial class has the ability to opt out of Commission-approved, cost-effective DSM and EE programs; provide the percent reduction in kWh sales Kentucky Power must realize from the non-industrial class customers in order to meet the 1 percent goal.

k. If the Sierra Club participates in Kentucky Power's DSM Collaborative, explain whether the Sierra Club will be a voting member and if it will be necessary for the DSM Collaborative's by-laws to be revised.

9. For the 12 months ending December 31, 2012 and the 12 months ending either May 31, 2013 or the latest 12 month period for which information is available, provide an exhibit, along with an electronic copy with all formulas intact and unprotected and with all columns and rows accessible, showing the following:

a. Kentucky Power's revenues broken down between Kentucky Power's wholesale full requirements customers and Kentucky Power's retail full requirements customers;

b. Kentucky Power's retail full requirements customers' revenue broken down by residential and non-residential customers;

c. Kentucky Power's non-residential customer revenue broken down by commercial customer revenues and industrial customer revenues;

d. Kentucky Power's residential, commercial and industrial customer revenue broken down by base rate revenue, fuel adjustment clause revenue, system sales clause revenue, environmental surcharge revenue and DSM adjustment clause revenue; and

e. Kentucky Power's kWh sales broken down by wholesale full requirements customers, Kentucky Power's retail full requirement residential customers, commercial customers and industrial customers.

10. Provide an exhibit, with an electronic copy with all formulas intact and unprotected and with all columns and rows accessible, using the same Kentucky Jurisdiction 12-month revenues in all three columns. The schedule should reflect all known and measurable adjustments, and at a minimum should reflect the following:

a. On an annual basis, Column 1 should be similar to Exhibit LPM-1 to the Direct Testimony of Lila P. Muncy filed in Case No. 2011-00401,[3] except it should be allocated according to base rate methodology and not the Environmental Surcharge Report percent of revenue methodology. It should include any effects for known and measurable adjustments now known, such as reduction in fuel costs, any reduction in environmental costs due to the January 1, 2014 termination of the AEP Pool and any effects of amortization of scrubber study costs;

b. On an annual basis, Column 2 should be similar to RKW-Exhibit 4[4] filed in this proceeding, considering Kentucky Power's proposed assumption of 50 percent of the Mitchell Units 1 & 2 during the approximately 17 months ending May 31,

[3] *Id.*, filed Dec. 6, 2011.

[4] Direct Testimony of Ranie K. Wohnhas on Behalf of Kentucky Power Company, filed Dec. 19, 2012.

2015 when both Big Sandy Unit No. 2 and the Mitchell Units will both be operating. Column 2 should also include the effects for any known and measurable adjustments now known, such as reduction in fuel costs, any reduction in environmental costs due to the January 1, 2014 termination of the AEP Pool and any effects of amortization of scrubber study costs;

c. On an annual basis, Column 3 should be similar to RKW-Exhibit 4[5] filed in this proceeding, considering Kentucky Power's proposed assumption of 50 percent Mitchell Units 1 & 2, beginning June 1, 2015 when Big Sandy Unit 2 is scheduled to be retired. This column should show the effects of removing the additional system sales because Big Sandy Unit 2 is no longer available to be dispatched, as well as the removal of any costs (O&M, taxes and depreciation) associated with Big Sandy Unit 2 due to its retirement; the effects of any Big Sandy Unit 2 decommissioning costs; the effects of the amortization of the Big Sandy Unit 2 un-depreciated balance at the time of the decommissioning; and the effects of any other associated costs proposed to be amortized. Each of the items should be a separate line item on the schedule with a full explanation for including the item along with the method of calculating the amount.

11. With regard to the depreciation rates that Ohio Power Company is incurring associated with the Mitchell Units 1 and 2, explain whether there are any costs associated with the decommissioning and net salvage (negative or positive) reflected in the depreciation rates. If not, explain why not.

12. Refer to the Kentucky Power's response to the Staff's First Request, Item Nos. 10 and 11.

[5] *Id.*

a. Confirm that the average cost of fuel shown in Item 10.b. at both Mitchell Units for 2012 was approximately $0.02705 per kWh (($0.02808 + $0.02602)/ 2);

b. Confirm that the total fuel cost at the Mitchell Units for 2012 was $217,110,511 ($1,123,823 + $118,541,347 + $97,445,341);

c. For 2012, provide the total cost of fuel consumed, the cost and quantity of each type of fuel consumed at the Mitchell Units, and a breakdown of the tons of coal consumed by the percent of sulfur;

d. Explain whether there was any other type of fuel used for the Mitchell Units;

e. Confirm that the average cost of fuel at Big Sandy Unit 2 for 2012, in Item 11, was $0.03159 per kWh or approximately 16.78 percent ($0.03159 - $0.02705)/ $0.02705) more than the average cost of fuel consumed at the Mitchell Units;

f. For 2012, provide the total cost of fuel consumed, the cost and quantity of each type of fuel consumed at the Big Sandy Unit 2, and a breakdown of the tons of coal consumed by percent of sulfur;

g. Explain whether there was any other type of fuel used for Big Sandy Unit 2;

13. If a FGD or scrubber had been installed on Big Sandy Unit 2, explain what type of fuel or fuel mix would have been acceptable after 2015 to meet known Environmental Protection Agency standards.

14. Refer to Kentucky Power's response to Commission Staff's Third Request for Information, Item 3.f., which states "...it is appropriate to maintain this allocation until such transactions can all be settled." Explain why it is appropriate to maintain the final Member Load Ratio ("MLR") allocation methodology until such legacy portfolio of off-system sales of capacity and trading transactions can all be settled.

15. Refer to the June 24, 2013 Supplemental Response to the Staff's First Request, Item No. 66.

a. Confirm that the date of the Expenditures is as of 04/30/2013.

b. Refer to KPCo Labor (Including Overheads) of $110,477.

(1) Provide the incremental labor and associated overhead amount.

(2) Provide the labor and associated overhead amount that is included in base rates.

(3) Provide any Kentucky Power employee travel and related expense.

c. Refer to American Electric Power Service Corporation ("AEPSC") Labor (Including Overheads) of $908,684.

(1) Provide the incremental labor and associated overhead amount.

(2) Provide the labor and associated overhead amount that is included in base rates.

(3) Provide any AEPSC employee travel and related expense.

(4) Explain why the AEPSC Labor (Including Overheads) increased from $644,336[6] to $908,684, or by 41 percent.

d. Refer to Outside Services-Professional of $132,218. Provide a breakdown of the outside services-professional.

e. Refer to Other Charges of $12,377. Provide a breakdown of the other charges.

Stephanie Bell for JD

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DATED JUN 26 2013

cc: Parties of Record

[6] Per the May 22, 2013 Supplemental Response to Commission Staff's First Request for Information, Item 66.

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