

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY FOR APPROVAL OF THE TERMS)
AND CONDITIONS OF THE RENEWABLE)
ENERGY PURCHASE AGREEMENT FOR)
BIOMASS ENERGY RESOURCES BETWEEN) CASE NO.
THE COMPANY AND ECOPOWER) 2013-00144
GENERATION-HAZARD LLC; AUTHORIZATION)
TO ENTER INTO THE AGREEMENT; GRANT)
OF CERTAIN DECLARATORY RELIEF; AND)
GRANT OF ALL OTHER REQUIRED)
APPROVALS AND RELIEF)

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

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 24, 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 the 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, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to page 5 of the application, paragraph 11.

a. Kentucky Power estimates, based on 2012 jurisdictional revenues, that its revenue requirement would increase by approximately 7 percent in the first year of the Renewable Energy Power Agreement ("REPA"). The term of the REPA is 20 years. Provide an estimate of the approximate increase in Kentucky Power's revenue requirement for each year of the 20-year term.

b. This paragraph states that "the REPA could also result in an increase in the Company's cost of capital depending on regulatory treatment and other factors."

i. State whether the increase in the cost of capital referred to in this statement is related to the treatment of the REPA by the credit rating agencies discussed in the application and testimony.

ii. Identify the "other factors" referenced in the statement.

c. This paragraph also states that the contract price will escalate by a fixed percentage each year during the term of the agreement. Explain whether the escalation rate is a standard rate for such contracts.

d. This paragraph further states that "[i]f the EcoPower facility qualifies for the Section 45 Production Tax Credit the Contract Price will be adjusted downward."

i. When will it be known whether the facility qualifies for the tax credit?

ii. If the facility qualifies for the tax credit, for how long will the tax credit be in effect?

iii. Provide an estimate of the downward adjustment to the contract price if the facility qualifies for the tax credit.

2. Refer to pages 7-8 and 10 of the application, paragraphs 17-20 and 27, concerning renewable portfolio standards.

a. Provide a more detailed explanation supporting Kentucky Power's belief of the high likelihood of a renewable portfolio standard being enacted in Kentucky within the 20-year term of the REPA.

b. Of the 37 states and the District of Columbia that have either implemented a renewable portfolio standard or implemented renewable portfolio goals,

identify which of those 38 jurisdictions no longer have a traditional cost-based regulatory environment such as exists in Kentucky.

3. Refer to pages 14-15 of the application, paragraph 50, which states that Kentucky Power anticipates seeking approval of a rider or surcharge to base rates as part of its next base rate case.

a. When does Kentucky Power anticipate filing its next base rate case?

b. Explain why Kentucky Power anticipates that it will seek approval of a rider or surcharge, as opposed to including the REPA costs in base rates in a base rate application timed to coincide with when the facility becomes operational.

4. Refer to page 6 of the Testimony of Jay F. Godfrey (“Godfrey Testimony”) relating to the interconnection point at Kentucky Power’s Engle substation, which is located approximately 1.4 miles from the EcoPower generating facility.

a. Identify all loads that would be affected after the EcoPower generating facility is interconnected to Kentucky Power’s Engle substation.

b. Provide the load flow analysis using a system one-line diagram to show the percent voltage rise and MVA loading on lines and transformers in this area before and after interconnections for normal or no-contingency conditions under summer and winter peak system load conditions for the study period selected by PJM.

c. Provide the load flow analysis using a system one-line diagram to show the percent voltage rise and MVA loading on lines and transformers in this area during the worst outage contingency conditions for summer and winter peak system load conditions for the study period selected by PJM.

d. Provide a list of any low voltages or any overloads that may impact Kentucky Power's load due to the EcoPower's generation interconnection in this area.

5. Refer to pages 11-12 of the Godfrey Testimony. Starting at the bottom of page 11, Mr. Godfrey states that Kentucky Power may sell the renewable energy credits ("REC") in the short-term and credit any proceeds to customers. State the current value of an REC from the type of biomass facility described in the application.

6. Refer to page 12 of the Godfrey Testimony. Starting at line 8, Mr. Godfrey states that "provisions in Section 6.1 require ... approvals by the Commission and FERC of the Mitchell Unit transfer transaction...." Also refer to Exhibit JFG-1, pages 12-13 of 88, on which a "Commission Approval Order" is defined as being a non-appealable order "granting without modification or condition all approvals required to accomplish the Mitchell Transaction..." among other requirements. Explain why the execution of the REPA depends on unmodified and unconditional approval of the Mitchell transaction.

7. Refer to page 4 of the Testimony of Gregory G. Pauley ("Pauley Testimony") concerning the decision to enter into the EcoPower REPA. Provide a detailed description of the genesis of this decision, including a thorough discussion of the factors that prompted Kentucky Power to enter into the REPA, and whether there is a need for such power.

8. Refer to Exhibit JFG-1, page 73 of 88, and the Pauley Testimony. Exhibit JFG-1 shows the construction start date to be May 23, 2013. Page 5 of the Pauley Testimony, lines 15-16, states that construction is expected to begin in 2014. Clarify the date that construction is expected to begin.

9. Refer to the reference on pages 6-7 of the Pauley Testimony to the Commission's rejection of Kentucky Power's previous proposal to enter into a wind-power contract and the reasons in support of the proposed biomass power contract.

a. Explain whether the evaluation performed on behalf of Kentucky Power of the EcoPower biomass-fueled generation project is the first evaluation of a biomass-fueled generation project performed by or for Kentucky Power.

b. If the answer to a. is no, provide the results of the prior evaluation, the date it was performed, and a narrative explanation of why Kentucky Power did not pursue that project.

10. Refer to page 7, lines 7 through 9, of Pauley Testimony, which state "[w]ith the upcoming termination of the Pool Agreement, the Company will no longer have ready access to low-cost energy and capacity from the Pool." Provide the number of hours, during the 12 months ending April 30, 2013, when the price of energy and capacity from the PJM market is greater than the price reflected in the proposed REPA.

11. Refer to page 7 of the Pauley Testimony, lines 12-19. Provide any economic studies or analyses that have been performed in connection with the EcoPower biomass generating facility by Kentucky Power, American Electric Power ("AEP"), any AEP subsidiaries or affiliates, by EcoPower.

12. Refer to Exhibit RKW-1 of the Ranie K. Wohnhas Testimony. Provide the supporting calculations for the Avoided Fuel Costs of \$12,780,000 and Avoided Capacity Costs of \$2,730,000.

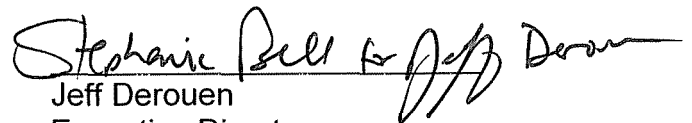
13. Provide the expected capacity factor of the EcoPower biomass generating facility.

14. Provide the number of biomass facilities like the one described in the application that are owned and/or operated by EcoPower, their location, the number of years owned and/or operated by EcoPower, and the capacity factors of those facilities.

15. Elaborate on any expectation of load growth over the next ten years and how Kentucky Power would meet this load growth.

16. Would the power from the REPA necessitate additional facility upgrades to the Kentucky Power system? If yes, provide a schedule of additional upgrades and associated costs.

17. Provide the most recent update of the disposition of Big Sandy Unit 1.



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DATED MAY 10 2013

cc: Parties of Record

Case No. 2013-00144

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