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Chairman

James W. Gardner
Vice Chairman

Daniel E. Logsdon Jr.
Commissioner

April 2, 2015

PARTIES OF RECORD

Re: Case No. 2014-00396

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter. If you have any questions, please contact Jim Livers at (502)782-2655.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2014-00396

FROM: Jim Livers, Division of Financial Analysis

DATE: April 2, 2015

RE: Informal Conference of March 31, 2015

Pursuant to an Order issued on March 27, 2015, an informal conference (“IC”) was held in this matter at the Commission’s office in Frankfort, Kentucky on March 31, 2015. A list of attendees is attached to this memorandum.

The purpose of the IC was to allow Kentucky Power Company (“Kentucky Power”) an opportunity to inform the parties to this matter and Commission Staff regarding the potential transfer of its 50 percent interest in the Connor Run Dam and Fly Ash Impoundment (“Connor Run Impoundment”) located adjacent to the Mitchell Generating Station near Moundsville, West Virginia. Kentucky Power noted that the Connor Run Impoundment is currently used to store fly ash produced by the Kammer Generating Station as well as fine mining coal refuse generated by the coal mining operations of Consolidation Coal Company, a subsidiary of Murray Energy. The Connor Run Impoundment had also been utilized in the past to store fly ash generated by the Mitchell Generating Station. However, the Mitchell Generating Station was converted to a dry fly ash facility and the conversion along with the construction of a landfill was completed in November 2014. The dry fly ash generated by the Mitchell Generating Station is now being disposed of and stored in the landfill. The only Mitchell Generating Station waste that is currently being stored in the Connor Run Impoundment is blow-down water associated with the cooling tower facility. Given that the Connor Run Impoundment is not currently needed to store any coal combustion waste generated by the Mitchell Generating Station and given that Consolidation Coal has always possessed a right, as well as a continued need, to deposit fine mining coal refuse into the Connor Run Impoundment, Kentucky Power has engaged in negotiations with Consolidation Coal Company for the transfer of Kentucky Power’s interest in the Connor Run Impoundment. Kentucky Power stated that it believes that the potential transfer would not be subject to the provisions of KRS 278.218 and presented a Staff Opinion issued on November 6, 2003, a copy of which is attached, in support of that belief. It is Kentucky Power’s belief that the Connor Run Impoundment is obsolete and will not continue to be used as an impoundment for coal combustion wastes generated by the Mitchell Generating Station and, therefore, KRS 278.218 would not apply to the potential transfer.

Kentucky Power also discussed two upcoming filings with the Federal Energy Regulatory Commission. The first will involve a rate schedule change related to its operations in PJM Interconnection, LLC which would result in a reduction of approximately \$1 million in the cost to be included in Kentucky Power's proposed PJM Rider in Case No. 2014-00396. The second filing will be an amendment to its Power Coordination Agreement to include Wheeling Power Company, which now owns the other 50 percent interest in the Mitchell Generating Station.

Finding that no party had any further questions, the conference was adjourned.

Attachments:

Attendance List

November 6, 2003 Staff Opinion

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY FOR: (1) A GENERAL)
ADJUSTMENT OF ITS RATES FOR)
ELECTRIC SERVICE; (2) AN ORDER)
APPROVING ITS 2014 ENVIRONMENTAL)
COMPLIANCE PLAN; (3) AN ORDER)
APPROVING ITS TARIFFS AND RIDERS;)
AND (4) AN ORDER GRANTING ALL OTHER)
REQUIRED APPROVALS AND RELIEF)

CASE NO. 2014-00396

=====
March 31, 2015 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

Quang D. Nguyen

PSC

Jim Stevens

PSC

JEFF JOHNSON

PSC

Ron Handzoh

PSC

Bob Russell

PSC

Mary Whitaker

PSC

Chris Whelan

PSC

Leah Faulkner

PSC

RICHARD G. RAFF

PSC LEGAL

MARK R. OVERSTREET

STAFF: MARK JOHNSON for KPCO.

Janet Henry

AEP

Ronie Wohukas

KPC

from M. York

AEP

Kurt Boehm

Larry Cook

Nancy Vinzell

Ann Ann Cole

Tim Livers

Jackie Michael (Phone)

Cassie Havers (Phone)

Greg Pawley (ghe)

KIUC

ATA

PSC

PSC

PSC

KSBA

Wal-Mart

Kentucky Power



Paul E. Patton, Governor

Janle A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

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Martin J. Healsmann
Chairman

Gary Weill
Vice Chairman

Robert E. Spurin
Commissioner

November 6, 2003

Mr. Errol K. Wagner
Director of Regulatory Services
American Electric Power
P.O. Box 5190
Frankfort, KY 40602-5190

Re: Request for Opinion Regarding Applicability of KRS 278.218

Dear Mr. Wagner:

This is in response to your November 5, 2003, letter requesting a staff opinion as to whether KRS 278.218 applies to the sale of two office buildings formerly used by Kentucky Power for utility purposes. Specifically, you ask whether Commission approval of the sale of those buildings is required by the statute. Based on the following analysis, we conclude that no Commission approval is required.

KRS 278.218 requires Commission approval of a transfer of utility assets "if the assets have an original book value of one million dollars (\$1,000,000) or more and if one of two additional factors applies:

- (a) The assets are to be transferred by the utility for reasons other than obsolescence; or
- (b) The assets will continue to be used to provide the same or similar service to the utility or its customers.

KRS 278.218.

The buildings are "assets that are owned by a utility as defined under KRS 278.010(3)(a)." Moreover, the "original book value" of each building exceeds the statutory minimum. The original book value of the Ashland office building consists of the original cost, \$9.5 million, plus the \$2 million in improvements. The original book value of the Pikeville office building is the original cost, \$85,000, plus \$1,200,000 in improvements. Thus, the first prong of the statute applies.

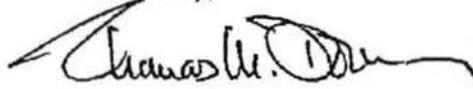


Mr. Errol K. Wagner
November 6, 2003
Page two

The second prong does not, as neither building is to be transferred for a reason other than obsolescence and as neither will continue to be used to provide the same or similar service to Kentucky Power's customers. According to your letter, Kentucky Power no longer requires either office building for utility purposes due to workforce reduction. Accordingly, the buildings are, for Kentucky Power's purposes, obsolete. Furthermore, it does not appear that either building will be used to provide service similar to that provided by Kentucky Power.

This letter is an opinion based on the facts stated in your letter. It is not binding on the Commission should the issues discussed herein be presented for formal resolution. If you have questions concerning this letter, please call Aaron Greenwell or Deborah Eversole of my staff at (502) 564-3940.

Sincerely,



Thomas M. Dorman
Executive Director



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