

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
POWER COMPANY FOR THE SIX-MONTH	)	2016-00109
BILLING PERIOD ENDING DECEMBER 31, 2015	)	

COMMISSION STAFF'S SECOND 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 in paper medium and an electronic version of the following information. The information requested herein is due no later than May 20, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to 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, it 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a document containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"). In the same format as provided on page 6 of the Elliott Testimony, provide an analysis of the environmental surcharge factor for the months in this review period, using Kentucky Power's proposed methodology, compared to the factors actually filed. Provide the comparison for both the Residential and All Other Classification factors utilizing the proposed new ES Form 3.32. Include all supporting calculations and documents in electronic spreadsheet format with all formulas intact and unprotected and all rows and columns accessible.

2. Refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Item 3. Kentucky Power did not address the change in Monthly 2003 Plan Non-Fuel O&M Expenses from April 2015 to May 2015, which was greater

than 10 percent. Explain the reasons for the change in the expense level from April 2015 to May 2015.

3. Refer to the response to Staff's First Request, Item 4. Kentucky Power did not address the change in Monthly SO<sub>2</sub> Emission Allowances from April 2015 to May 2015, which was greater than 10 percent. Explain the reasons for the change in the expense level from April 2015 to May 2015.

4. Refer to the response to Staff's First Request, Item 7, KPCO\_R\_PSC\_1\_7\_Attachment1.xls ("the Attachment"), and Kentucky Power's monthly environmental surcharge filings for the review period.

a. On the Attachment, confirm that the column labeled SO<sub>2</sub> (2010/2011/2012/2013/2014/2015 vintage) reflects Kentucky Power's total emission allowance inventory that includes future allowances that are not currently available for use by the Big Sandy, Rockport, and Mitchell generating stations.

b. Explain why emission allowance usage is reported after May 2015 for Big Sandy, given that Big Sandy 2 was retired in May 2015.

c. Refer to the month of October 2015 in the column labeled CSAPR SO<sub>2</sub> (2015 & prior). ES Form 3.11B of the October 2015 monthly environmental surcharge filing shows that Kentucky Power received 30,171 allowances from the Environmental Protection Agency, which is not reflected on the Attachment for October 2015. Explain this discrepancy.

d. For the months in this review period, explain the differences in the SO<sub>2</sub> (2010/2011/2012/2013/2014/2015 vintage) column versus the CSAPR SO<sub>2</sub> (2015 & prior vintage) column.

5. Refer to the response to Staff's First Request, Item 12.
  - a. Provide the actual amounts of the under-recovery for each month due to the misstatement.
  - b. Explain how the under-recovery would have been collected in a subsequent month, and identify the months in which the under-recovery was collected.
6. Refer to the monthly environmental surcharge reports for the review period, ES Form 3.11B, CSAPR SO<sub>2</sub> Emissions Allowances Consumed in Current Month at Big Sandy Plant. Explain the basis for which the current month consumption of SO<sub>2</sub> emission allowances at Big Sandy is recovered through the Big Sandy Unit 1 Operation Rider (B.S.1.O.R.).
7. Refer to the monthly environmental surcharge report for the October 2015 expense month, ES Form 3.11B.
  - a. Explain Kentucky Power's reasoning for recording emission allowance consumption at an average cost of \$12.761.
  - b. Would Kentucky Power agree that it is more appropriate to re-establish the average unit cost by adding the new EPA Allowances received in October 2015 to the beginning balance, determine a new average unit cost, and then using that average unit cost to record allowances consumed for that month?
  - c. Calculate the new average unit cost using the example cited in 7.b. Using this cost, provide revised consumption and ending balance amounts.

*Aaron D. Greenwell*

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Aaron D. Greenwell  
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DATED           **MAY 05 2016**          

cc: Parties of Record

Case No. 2016-00109

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