

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
MAY 2 2005
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF

KENTUCKY POWER COMPANY'S SECOND)
AMENDED ENVIRONMENTAL COMPLIANCE)
PLAN AND SECOND REVISED TARIFF)

Case No. 2005-00068

RESPONSES OF KENTUCKY POWER
D/B/A
AMERICAN ELECTRIC POWER

KIUC'S FIRST SET OF DATA REQUESTS

May 2, 2005

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of the Kentucky Power Company ECR filings for each of the last 18 expense months. In addition, please provide a copy of all supporting computations and workpapers used to prepare these filing, including electronic spreadsheets with formulas intact.

RESPONSE

Kentucky Power Company objects to this data request as voluminous, burdensome, irrelevant, and not calculated to lead to relevant information. The requested information are public documents on file with the Kentucky Public Service Commission.

Notwithstanding this objection, and without waiving it, the Company will make the documents available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of the AEP East Interconnection Agreement presently in effect and the FERC order(s) approving the Interconnection Agreement.

RESPONSE

Please see the Company's response to the Commission Staff-2nd Set of data requests, Item No. 7.

WITNESS: Errol K. Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please provide a copy of the AEP Interim Allowance Agreement presently in effect and the FERC order(s) approving the Interim Allowance Agreement.

RESPONSE

Objection. This Agreement is outside the scope of this case and is irrelevant. Notwithstanding this objection, and without waiving it, the Company has attached Modification No. 1 to the AEP System Interim Allowance Agreement.

WITNESS: Errol K Wagner

MODIFICATION NO. 1 TO THE
AEP SYSTEM INTERIM ALLOWANCE AGREEMENT
BY AND AMONG
APPALACHIAN POWER COMPANY
COLUMBUS SOUTHERN POWER COMPANY
INDIANA MICHIGAN POWER COMPANY
KENTUCKY POWER COMPANY
OHIO POWER COMPANY
AND WITH
AMERICAN ELECTRIC POWER SERVICE CORPORATION
AS AGENT

Filed 6-21-1996

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0.1 THIS AGREEMENT, made and entered into as of the 28th day of July, 1994 by and among APPALACHIAN POWER COMPANY (APCo), a Virginia corporation, COLUMBUS SOUTHERN POWER COMPANY (CSP), an Ohio corporation, INDIANA MICHIGAN POWER COMPANY (I&M), an Indiana corporation, KENTUCKY POWER COMPANY (KPCo), a Kentucky corporation, OHIO POWER COMPANY (OPCo), an Ohio corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power System (AEP), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and the other affiliated companies.

W I T N E S S E T H

T H A T:

0.2 WHEREAS, the Members own and operate electric facilities in the states herein indicated, (i) APCo in Virginia, West Virginia and Tennessee, (ii) CSP in Ohio, (iii) I&M in Indiana and Michigan, (iv) KPCo in Kentucky, and (v) OPCo in Ohio and West Virginia; and

0.3 WHEREAS, the Members have entered into an Interconnection Agreement, dated July 6, 1951, with modifications thereto, which provides for certain understandings, conditions, and procedures designed to achieve the full benefits and advantages available

through the coordinated planning and operation of their electric power supply facilities; and

0.4 WHEREAS, Congress in 1990 enacted amendments to the Clean Air Act, including Title IV, 104 Stat. 2584, 42 U.S.C.A. § 7651, et seq. ("the 1990 Amendments") which limit emissions of sulfur dioxide (SO₂) by electric utilities; and

0.5 WHEREAS, under the 1990 Amendments, compliance is to be achieved in two stages -- Phase I, which begins January 1, 1995 and Phase II which begins January 1, 2000; and reductions in sulfur dioxide emissions are to be effected by a system in which a limited number of "emission allowances" have been allocated by the United States Environmental Protection Agency (EPA) to individual utility generating units; and

0.6 WHEREAS, twenty-one (21) of the Members' generating units have been designated by the 1990 Amendments as Phase I affected units, and fifty-one (51) of the Members' generating units have been designated as Phase II affected units, and as such, have been awarded emission allowances by the EPA; and

0.7 WHEREAS, the Members may have ownership or entitlement to emission allowances through several means, including: (i) EPA-AWARDED ALLOWANCES based on emission levels experienced during a base-line period, (ii) EPA bonus allowances awarded for various compliance strategies, primarily through the installation of FGD systems, and (iii) the purchase of allowances. Generally, Members are permitted to emit SO₂ only to the extent they have allowances to cover such emissions.

0.8 WHEREAS, compliance with the 1990 Amendments has been and will continue to be planned by the Members on an integrated and coordinated basis, consistent with the integrated and coordinated planning and operation of the Members' electric systems; and

0.9 WHEREAS, the Members desire to arrive at an equitable methodology of allocating emission allowances and associated costs and benefits between and among the Members; and

0.10 WHEREAS, the Members have entered into the Interim Allowance Agreement to establish, on an interim basis, a methodology and transfer price for the transfer of SO₂ emission allowances; and

0.11 WHEREAS, the Members believe that an agreement which provides for an equitable assignment of cost and benefits among the Members can best be realized if administered by a single clearing agent; and

0.12 WHEREAS, the Members believe that the Agent designated herein for such purpose is qualified to perform such services;

0.13 NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the parties hereto, hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 The following terms and factors associated with settlements under this Agreement are defined in alphabetic order as follows:

1.2 **DELIVERING MEMBER** -- a Member which sells PRIMARY ENERGY and/or ECONOMY ENERGY to the POOL.

1.3 **ECONOMY ENERGY** -- electric energy delivered to the POOL from the MEMBER PRIMARY CAPACITY of a particular Member to displace energy that otherwise would be supplied by less efficient MEMBER PRIMARY CAPACITY of another Member to meet its MEMBER LOAD OBLIGATION.

1.4 **EPA-AWARDED ALLOWANCES** -- the allowances awarded to each generating unit by the EPA as defined in Section 404(a) of the 1990 Amendments.

1.5 **FERC** -- the Federal Energy Regulatory Commission or any successor agency.

1.6 **GAVIN BONUS ALLOWANCES** -- 184.7, 184.0, 44.6, 44.6 and 44.6 thousand allowances, excluding transfer allowances, for the years 1995, 1996, 1997, 1998 and 1999, respectively, awarded by the EPA to OPCo's Gavin Plant pursuant to Section 404(d) of the 1990 Amendments.

1.7 **GAVIN EPA-AWARDED ALLOWANCES** -- the allowances awarded to the Gavin Plant by the EPA pursuant to Section 404(a) of the 1990 Amendments.

1.8 GAVIN SCRUBBER SO₂ REDUCTION -- the difference between actual SO₂ emissions at OPCo's Gavin Plant operating with scrubbers and GAVIN UNCONTROLLED EMISSIONS for a given year.

1.9 GAVIN UNCONTROLLED EMISSIONS -- an estimated amount of SO₂ emissions that would result from operating the Gavin Plant without scrubbers. The estimate of GAVIN UNCONTROLLED EMISSIONS is calculated by dividing the scrubbed Gavin SO₂ EMISSIONS by (1.00 minus the scrubber SO₂ removal efficiency rate).

1.10 INTERCONNECTION AGREEMENT -- the Interconnection Agreement among the Members dated July 6, 1951, as amended.

1.11 MEMBER AFFECTED UNITS -- a Member's generating units that are required to meet the emission standards established by the 1990 Amendments.

1.12 MEMBER CAPACITY DEFICIT FACTOR -- for any Member, the average for the calendar year of its MEMBER PRIMARY CAPACITY DEFICIT divided by the sum of all members' average MEMBER PRIMARY CAPACITY DEFICITS.

1.13 MEMBER DEMAND -- MEMBER LOAD OBLIGATION determined on a clock-hour integrated kilowatt basis.

1.14 MEMBER GENERATION -- the total of a Member's net generation from its MEMBER PRIMARY CAPACITY.

1.15 MEMBER LOAD OBLIGATION -- a Member's internal load plus any firm power sales to Foreign Companies and to affiliated companies other than Members.

1.16 **MEMBER LOAD RATIO** -- the ratio of a particular Member's MEMBER MAXIMUM DEMAND in effect for a calendar month to the sum of the five MEMBER MAXIMUM DEMANDS in effect for such month.

1.17 **MEMBER MAXIMUM DEMAND** -- the MEMBER MAXIMUM DEMAND in effect for a calendar month for a particular Member shall be equal to the maximum MEMBER DEMAND experienced by said Member during the twelve consecutive calendar months next preceding such calendar month.

1.18 **MEMBER PRIMARY CAPACITY** -- the aggregate capacity of the electric power sources of a particular Member, in kilowatts, that is normally expected to be available to carry load. Such capacity shall include (i) the capacity installed at the generating stations owned by the Member and (ii) the capacity available to that Member through interconnection arrangements with affiliated companies or Foreign Companies.

1.19 **MEMBER PRIMARY CAPACITY DEFICIT** -- difference between the MEMBER PRIMARY CAPACITY and MEMBER PRIMARY CAPACITY RESERVATION of a particular Member, when such MEMBER PRIMARY CAPACITY is less than such MEMBER PRIMARY CAPACITY RESERVATION.

1.20 **MEMBER PRIMARY CAPACITY RESERVATION** -- SYSTEM PRIMARY CAPACITY multiplied by the MEMBER LOAD RATIO of a particular Member.

1.21 **OPCo CAPACITY SURPLUS FACTOR** -- the weighted average for the calendar year of (OPCo's MEMBER PRIMARY CAPACITY minus OPCo's MEMBER PRIMARY CAPACITY RESERVATION) divided by OPCo's MEMBER PRIMARY CAPACITY.

1.22 OVER-COMPLIANCE -- the amount by which a Member's SO₂ EMISSIONS are less than its EPA-AWARDED ALLOWANCES for the current year; provided, however, that in determining OPCo's OVER-COMPLIANCE, its emissions shall be deemed to include, in lieu of actual emissions from the Gavin Plant, 50% of GAVIN UNCONTROLLED EMISSIONS, and its allowances shall be deemed to include, in lieu of actual GAVIN EPA-AWARDED ALLOWANCES, only 50% of GAVIN EPA-AWARDED ALLOWANCES.

1.23 POOL -- electric energy delivered by one Member, from its MEMBER PRIMARY CAPACITY, to another Member shall be considered to be energy delivered to the POOL by the former Member and delivered from the POOL by the latter Member.

1.24 POWER SALES TO FOREIGN COMPANIES -- sales of electric power and energy to Foreign Companies, made by a Member on behalf of the System, where the revenue and cost of such sales are allocated to the Members in proportion to their respective MEMBER LOAD RATIOS.

1.25 PRIMARY AND ECONOMY ENERGY RECEIPT FACTOR -- the ratio of PRIMARY ENERGY and ECONOMY ENERGY receipts by a receiving Member from a DELIVERING MEMBER to the total sales of PRIMARY ENERGY and ECONOMY ENERGY by the DELIVERING MEMBER.

1.26 PRIMARY AND ECONOMY ENERGY SUPPLY FACTOR -- the sum of the Member's PRIMARY ENERGY and ECONOMY ENERGY deliveries divided by the MEMBER'S GENERATION.

1.27 PRIMARY ENERGY -- electric energy delivered to the POOL from the MEMBER PRIMARY CAPACITY of a particular Member to meet another Member's deficiency in capacity.

1.28 RECEIVING MEMBER -- a Member which buys PRIMARY ENERGY and/or ECONOMY ENERGY from the POOL.

1.29 SO₂ EMISSIONS -- the total of the Member's SO₂ EMISSIONS from the MEMBER'S AFFECTED UNITS.

1.30 SURPLUS ALLOWANCES -- the excess of a Member's current year EPA-AWARDED ALLOWANCES, plus allowances transferred to the Member pursuant to Sections 4.1, 4.2, 4.3 and 4.4 of this Agreement, over the Member's annual SO₂ EMISSIONS and its MLR share of the SYSTEM ALLOWANCE BANK.

1.31 SYSTEM ALLOWANCE BANK -- the sum of all the Members' allowances in excess of all the Members' SO₂ emissions.

1.32 SYSTEM COST OF COMPLIANCE -- for calendar year 1995 is \$115.43/ton of SO₂. For each subsequent year, the SYSTEM COST OF COMPLIANCE shall be \$115.43/ton of SO₂ escalated annually at a rate of 10.56%.

1.33 SYSTEM PRIMARY CAPACITY -- the sum of the MEMBER PRIMARY CAPACITY of all the Members.

1.34 UNDER-COMPLIANCE -- the amount by which a Member's SO₂ EMISSIONS are greater than its EPA-AWARDED ALLOWANCES for the current year; provided, however, that in determining OPCo's UNDER-COMPLIANCE, its emissions shall be deemed to include, in lieu of actual emissions from the Gavin Plant, 50% of GAVIN UNCONTROLLED EMISSIONS, and its allowances shall be deemed to include, in lieu

of actual GAVIN EPA-AWARDED ALLOWANCES, only 50% of GAVIN EPA-AWARDED ALLOWANCES.

ARTICLE 2

EMISSION ALLOWANCE MANAGEMENT

2.1 In determining the transfer of costs and benefits related to emission allowances among Members, settlements for the following transactions will be governed by this Agreement: 1) an annual reallocation of Gavin allowances, described in Section 4.1, 2) an annual cash settlement for the transfer of allowances associated with PRIMARY ENERGY and ECONOMY ENERGY, described in Section 4.2, 3) a monthly cash settlement for allowances consumed for POWER SALES TO FOREIGN COMPANIES, described in Section 4.3, 4) sales and purchases of allowances to/from non-affiliated parties, described in Section 4.4, and 5) an annual transfer of allowances for current period compliance and allocation of the SYSTEM ALLOWANCE BANK, described in Section 4.5.

2.2 Agent shall have the authority to make any and all decisions relating to the use, management, purchase, sale and transfer of emission allowances. Except as provided in this Agreement or any superseding agreement, no other payment or compensation shall be made between or among the Members with respect to any such use, management, purchase, sale or transfer.

ARTICLE 3

AGENT'S RESPONSIBILITIES

3.1 For the purpose of carrying out the provisions of this Agreement, the Members hereby delegate to Agent, and Agent hereby accepts, the responsibility of administration of this Agreement, and in furtherance thereof Agent hereby agrees:

3.11 To render to each Member as promptly as possible after the end of each month a statement setting forth the settlements hereunder for such preceding calendar month, in such detail and with such segregation as may be needed for accounting, operating, or other proper purposes.

3.12 To carry out allowance transfer settlements under this Agreement. Settlement for the Gavin Allowance Reallocation shall be recorded annually in December for each calendar year.

3.13 To carry out cash settlements under this Agreement through an account (hereby designated and hereinafter called the SYSTEM ALLOWANCE ACCOUNT) to be administered by Agent. Payments to or from such account shall be made to or by Agent as clearing agent of the account. The total amount of the payments made by the Members to the SYSTEM ALLOWANCE ACCOUNT each month shall be equal to the total amount of the payments made from the SYSTEM ALLOWANCE ACCOUNT for the same period.

3.131 Monthly settlements by the Members shall be determined for Allowances Consumed for Power Sales to Foreign Companies.

3.132 Annual settlements by the Members shall be determined in December of each calendar year for Allowance Transfers for Primary and Economy Energy Transactions.

3.133 Settlements by the Members shall be determined for allowances sold and purchased to/from non-affiliated parties as they occur.

3.134 Annual settlements by the Members shall be determined in December of each calendar year for the Transfer of Allowances for Current Period Compliance and Allocation of the System Allowance Bank.

ARTICLE 4

SETTLEMENTS

4.1 GAVIN ALLOWANCE REALLOCATION - In December of 1995 and each subsequent calendar year, the allowance inventory accounts of the Members will be adjusted to recognize the Gavin Allowance Reallocation. The number of Gavin allowances available for reallocation is determined by multiplying the OPCo CAPACITY SURPLUS FACTOR by the sum of (i) GAVIN BONUS ALLOWANCES and (ii) 50% of the sum of the GAVIN EPA-AWARDED ALLOWANCES and the GAVIN SCRUBBER SO₂ REDUCTION. The Gavin allowances available for reallocation shall be transferred, at zero cost, to the Members having a MEMBER

PRIMARY CAPACITY DEFICIT. Each deficit Member's share of the Gavin Allowance Reallocation is determined by multiplying the Gavin Allowances to Reallocate by the MEMBER'S CAPACITY DEFICIT FACTOR.

4.2 ALLOWANCE TRANSFERS ASSOCIATED WITH PRIMARY AND ECONOMY ENERGY TRANSACTIONS - In December of each year, the DELIVERING MEMBERS shall transfer allowances to or receive allowances from the RECEIVING MEMBERS, according to this Section. A DELIVERING MEMBER shall be transferred allowances from a RECEIVING MEMBER if the DELIVERING MEMBER is in an UNDER-COMPLIANCE position. A DELIVERING MEMBER shall transfer allowances to a RECEIVING MEMBER if the DELIVERING MEMBER is in an OVER-COMPLIANCE position. Members supplying allowances shall be compensated by the Members receiving allowances based on the supplying Member's average allowance inventory cost. For the year, a Member may be both a DELIVERING MEMBER and a RECEIVING MEMBER.

4.21 In December of each year, the Member's annual OVER-COMPLIANCE or UNDER-COMPLIANCE shall be determined.

4.22 The PRIMARY AND ECONOMY ENERGY SUPPLY FACTOR of each DELIVERING MEMBER shall be multiplied by that Member's over/(under) compliance to determine its incremental OVER-COMPLIANCE or incremental UNDER-COMPLIANCE position. The incremental over/(under) compliance position represents the total number of allowances to be transferred from or received by the DELIVERING MEMBER.

4.23 If the DELIVERING MEMBER is in an UNDER-COMPLIANCE position, the number of allowances to be

transferred from the RECEIVING MEMBER is calculated by multiplying the DELIVERING MEMBER'S incremental UNDER-COMPLIANCE by the respective PRIMARY AND ECONOMY ENERGY RECEIPT FACTOR. If the DELIVERING MEMBER is in an OVER-COMPLIANCE position, the number of allowances to be transferred to the RECEIVING MEMBERS is calculated by multiplying the incremental OVER-COMPLIANCE of the DELIVERING MEMBER by the respective PRIMARY AND ECONOMY ENERGY RECEIPT FACTORS.

4.24 The net allowances transferred from the supplying Member during the year are priced at their individual weighted average inventory cost computed at the end of December. The net allowances transferred to the receiving Members shall be based on the weighted average inventory cost of all Members supplying allowances. The average inventory cost of a supplying Member is computed by taking the total book cost of allowances available for transfer divided by the number of allowances available for transfer at the end of December.

4.3 ALLOWANCES CONSUMED FOR POWER SALES TO FOREIGN COMPANIES
- When allowances are consumed for power sales to foreign companies, the customer has the option of reimbursing the supplying company with allowances in kind, or paying cash for the allowances at the current market rate. If the customer reimburses in kind, the allowances shall be retained by the supplying Member (Member company that generated the energy and consumed the allowances); and

a cash settlement shall be made to each Member based on its MLR-share of the current value of the allowances received. If cash is received, in lieu of allowances, it shall be shared by each member based on its current MLR. The supplying Member's consumed cost of allowances for sale to foreign companies shall be allocated to each Member based on its current MLR. The method for determining the allowances consumed in generating the energy for POWER SALES TO FOREIGN COMPANIES is set forth in Appendix E to this Agreement.

4.4 ALLOWANCE TRANSACTIONS WITH NON-AFFILIATED PARTIES - Participation in the allowance market could involve either the sale or purchase of allowances to or from non-affiliated parties.

4.41 SALE OF ALLOWANCES - Except as provided in Section 4.43, in the event allowances are sold to non-affiliated parties, each Member shall contribute its MLR share of the total quantity sold. To the extent a Member cannot provide its MLR share due to a shortfall, that Member shall purchase an amount of allowances necessary to cover the shortfall from other Members having a surplus, at the System Cost of Compliance. Each Member shall receive its MLR share of the total proceeds.

4.42 PURCHASE OF ALLOWANCES - In the event allowances are purchased from non-affiliated parties, each Member shall take ownership of its MLR share of the total quantity purchased and pay its MLR share of the total cost.

4.43 SALE OF WITHHELD ALLOWANCES AT EPA AUCTIONS - The proceeds from sales of allowances withheld by the EPA,

pursuant to Section 416 of Title IV of the 1990 Amendments, shall be retained by the Member owning the generating units from which the allowances were withheld.

4.44 NET PROCEEDS AND COSTS FROM PREVIOUS ALLOWANCE TRANSACTIONS - The net proceeds from sales of allowances to non-affiliated parties which occurred prior to the effective date of Modification No. 1 to this Agreement, the cost of allowances purchased from non-affiliated parties which occurred prior to the effective date of Modification No. 1 to this Agreement and all carrying charges accrued on such proceeds and costs, shall be shared by each Member based on its MLR.

4.5 TRANSFERS OF ALLOWANCES FOR CURRENT PERIOD COMPLIANCE AND ALLOCATION OF THE SYSTEM ALLOWANCE BANK - At the end of December of each calendar year, each Member shall own a share of the SYSTEM ALLOWANCE BANK, based on its current MEMBER LOAD RATIO. A Member whose annual SO₂ EMISSIONS exceed its available allowance inventory, after intercompany settlements described in Section 4.1, 4.2, 4.3 and 4.4 of this Agreement, will purchase allowances to eliminate its shortfall in that calendar year and to provide for its MLR share of the SYSTEM ALLOWANCE BANK. These purchases will be made from Members having SURPLUS ALLOWANCES and will be priced at the SYSTEM COST OF COMPLIANCE. If more than one Member has SURPLUS ALLOWANCES, the buying Member will purchase a proportionate share from the surplus Members.

ARTICLE 5

BILLINGS AND PAYMENTS

5.1 All bills for amounts owing hereunder shall be due and payable on the fifteenth day of the month next following the month to which a settlement has been rendered, or on the tenth day following the receipt of the bill, whichever date is later. Interest on unpaid amounts shall accrue daily at the prime interest rate per annum in effect on the due date at Citibank, plus 2% per annum, from the due date until the date upon which payment is made. Unless otherwise agreed upon, the calendar month shall be the standard period for the purpose of settlements under this Agreement. If bills cannot be accurately determined at any time, they shall be rendered on an estimated basis and subsequently adjusted to conform to the terms of this Agreement.

ARTICLE 6

TAXES

6.1 If at any time during the duration of this Agreement there should be levied and/or assessed by any governmental authority against any Member any tax related to the receipt of settlements calculated pursuant to Article 5 of this Agreement (including, but not limited to sales, excise, etc.), the tax expense incurred by such Member that would not have been incurred were the allowance settlements hereunder not being made, such Member shall be entitled to reimbursement of the tax expense from the Member generating the tax expense.

ARTICLE 7

MODIFICATIONS

7.1 Any Member, by written notice given to the other Members and Agent, may call for a reconsideration of the terms and conditions herein provided. If such reconsideration is called for, the Members shall take into account any changed conditions, any results from the application of said terms and conditions, and any other facts that might cause said terms and conditions to result in an inequitable sharing of costs and benefits under this Agreement. Any modification in terms and conditions agreed to by the Members shall be subject to appropriate regulatory approval and become effective the first day of the month following regulatory authorization.

ARTICLE 8

EFFECTIVE DATE AND TERMS OF THIS AGREEMENT

8.1 This Agreement shall become effective and shall become a binding obligation of the Parties on January 1, 1995, or such other effective date determined by FERC.

8.2 This Agreement shall continue in effect from the effective date until the effective date of any subsequent agreement.

ARTICLE 9

REGULATORY AUTHORITIES

9.1 The Members recognize that this Agreement, and any tariff or rate schedule which shall embody or supersede this Agreement or any part thereof, are in certain respects subject to the jurisdiction of the FERC under the Federal Power Act, and are also subject to such lawful action as any regulatory authority having jurisdiction shall hereinafter take with respect thereto. The performance of any obligation of the Members shall be subject to the receipt of such authorizations, approvals or actions of regulatory authorities having jurisdiction as shall be required by law.

9.2 It is expressly understood that the Members shall be entitled, at any time unilaterally, to make application to the FERC for a change in the rates, charges, classification of service, or any rule, regulation or contract relating thereto, or to make any change in or supersede in whole or in part any provision of the this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder.

ARTICLE 10

ASSIGNMENT

10.1 This Agreement shall accrue to the benefit of and be binding upon the successors and assigns of the respective parties.

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed in their respective corporate names and on their behalf by their proper officers thereunto duly authorized as of the day and year first above written.

APPALACHIAN POWER COMPANY

By (Signature on Original Document)

COLUMBUS SOUTHERN POWER COMPANY
OHIO POWER COMPANY

By (Signature on Original Document)

INDIANA MICHIGAN POWER COMPANY

By (Signature on Original Document)

KENTUCKY POWER COMPANY

By (Signature on Original Document)

AMERICAN ELECTRIC POWER
SERVICE CORPORATION

By (Signature on Original Document)

WHEREAS, APPALACHIAN POWER COMPANY (APCO), a Virginia corporation, COLUMBUS SOUTHERN POWER COMPANY (CSP), an Ohio corporation, INDIANA MICHIGAN POWER COMPANY (I&M), an Indiana corporation, KENTUCKY POWER COMPANY (KPCO), a Kentucky corporation, OHIO POWER COMPANY (OPCO), an Ohio corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power System (AEP), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and the other affiliated companies, all of whom are currently doing business as American Electric Power, desire to establish a mechanism for the allocation of emission allowance costs and proceeds associated with purchases and sales with non-affiliated entities; and

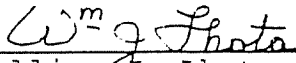
WHEREAS, the Members desire to amend the AEP System Interim Allowance Agreement dated July 28, 1994 to reflect this mechanism and to effect certain other changes to the Agreement; and

WHEREAS, except as changed by amendments, the AEP System Interim Allowance Agreement remains in full force and effect.

NOW THEREFORE, the Members adopt the document attached hereto showing the proposed amendments to the AEP System Interim Allowance Agreement in a form in which deletions appear as struck-through text and additions appear as shaded text, as "Modification No. 1 to the AEP System Interim Allowance Agreement By and Among

Appalachian Power Company, Columbus Southern Power Company, Indiana
Michigan Power Company, Kentucky Power Company, Ohio Power Company
and With American Electric Power Service Corporation As Agent."

Agreed to this ___ day of June, 1996.


By: William J. Lhota

Title: President and Chief Operating Officer of Appalachian Power
Company, Columbus Southern Power Company, Indiana Michigan
Power Company, Kentucky Power Company, and Ohio Power
Company; and Executive Vice President of American Electric
Power Service Corporation, collectively doing business as
American Electric Power

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of the Rockport Unit Power Agreements for Unit 1 and Unit 2 presently in effect and the FERC order(s) approving the UPAs.

RESPONSE

A copy of the Rockport Unit Power Agreement was provided in KPSC Case No. 9061. A copy of the document will be available for inspection at Kentucky Power Company's Frankfort office at a mutually agreed upon time.

Please see the attached pages. The original Rockport Unit Power rates were established by settlement in *AEP Generating Company, et al.*, 37 FERC Par. 61,044 (1986). The settlement was modified by another settlement, which was accepted by FERC in *AEP Generating Company*, 41 FERC Par. 61,112 (1987). The rates were further modified by a third settlement, accepted by the FERC in *American Electric Power Service Corporation*, 51 FERC Par 61, 161 (1990).

WITNESS: Errol K. Wagner

Service: Get by LEXSEE®
Citation: 37 FERC 61,044

KPSC Case No. 2005-00068
KIUC 1st Set Data Request
Order Dated April 18, 2005
Item No. 4
Page 2 of 9

37 F.E.R.C. P61,044, *; 1986 FERC LEXIS 545, **

AEP Generating Company

AEP Generating Company, Appalachian Power Company, Indiana & Michigan Electric Company and Virginia Electric and Power Company

Docket No. ER84-579-000;

Docket No. ER84-707-001

FEDERAL ENERGY REGULATORY COMMISSION - Commission

37 F.E.R.C. P61,044; 1986 FERC LEXIS 545

Order Approving Contested Offer of Settlement

October 22, 1986

CORE TERMS: offer of settlement, settlement, energy, contested, refund, genuine issue of material fact, subject to refund, order issued, jurisdictional, consolidated, suspended, submittal, interest computed, monthly

PANEL:

[**1]

Before Commissioners: Martha O. Hesse, Chairman; Anthony G. Sousa, Charles G. Stalon, Charles A. Trabandt and C. M. Naeve.

OPINION:

[*61,090]

These proceedings involve various agreements by affiliates of American Electric Power Company for the sale of power from the Rockport Generating Station Unit No. 1 (Rockport). On August 2, 1984, in Docket No. ER84-579-000, AEP Generating Company (AEGCO) filed two unit power sales agreements. One agreement provides for the sale of 35% of Rockport capacity and energy to Indiana & Michigan Electric Company (I&M); the second agreement provides for the sale of 15% of Rockport capacity and energy to Kentucky Power Company (KEPCO). n1 By order issued on October 1, 1984, the Commission, *inter alia*, accepted the two agreements for filing, suspended their effective date until the commencement of commercial operation of Rockport, made the rates subject to refund, and ordered a hearing as to the lawfulness of the proposed rates. 29 FERC P61,002 (1984).

n1 AEGCO, I&M, and KEPCO are collectively referred to as the AEP Companies.

On September 28, 1984, in Docket No. ER84-707-000, American Electric Power Service Corporation (AEP) filed an agreement among AEGCO, I&M, [****2**] Appalachian Power Company (APCO), and Virginia Electric and Power Company (VEPCO). The agreement provides for the sale and transmission of power and energy to VEPCO, including the sale of power from Rockport commencing January 1, 1987. On November 21, 1984, the Commission rejected that portion of the agreement relating to the sale of Rockport power and energy and

accepted the balance of AEP's submittal for filing, without suspension or hearing. 29 FERC P61,238 (1984). On December 27, 1984, upon reconsideration, the Commission accepted that portion of the submittal relating to Rockport power and energy, suspended the rates until January 1, 1987, subject to refund, and consolidated Docket Nos. ER84-707-001 and ER84-579-000. 29 FERC P61,347 (1984).

On May 30, 1986, the presiding judge certified a contested offer of settlement in the above dockets [35 FERC P63,074]. The offer of settlement was filed on April 18, 1986, by the AEP Companies. The offer of settlement is intended to resolve all cost- of- service and coal issues raised in the proceeding. The AEP Companies state, however, that the offer is not intended to resolve the "jurisdictional issues," i.e., those issues raised in their **[**3]** then-pending request for rehearing of the Commission's order issued on September 13, 1985, n2 in Docket No. ER84-579-005.

n2 32 FERC P61,364 (1985). The request for rehearing was granted in certain respects by the Commission on August 20, 1986. 36 FERC P61,226 (1986). See also, *Kentucky Power Co.*, Docket No. EL86-10-000, *et al.*, 36 FERC P61,227 (1986). The issues raised by the AEP Companies concern the question of whether KEPCO is obligated, as a member of the American Electric Power Company system, to purchase capacity under the terms of the Rockport unit power sale agreement. The issue was also raised by KEPCO in a petition for declaratory relief filed in Docket No. EL86-10-000. In its August 20 orders, the Commission stated that it would consider the question, which implicates the AEP System Interconnection Agreement and the practices of the AEP System operating utilities regarding generating capacity additions, set the matter for expedited hearing, and consolidated the two proceedings.

The AEP Companies' offer of settlement is supported by VEPCO, the Indiana & Michigan Municipal Distributors Association (IMMDA), the City of Auburn, Indiana (Auburn), the **[**4]** State of Michigan, and the Michigan Public Service Commission. n3

n3 Several of these parties supported the offer of settlement, but requested certain minor clarifications or modifications. The AEP Companies have consented to these changes.

The Public Service Commission of the Commonwealth of Kentucky (Kentucky Commission) states that it is prepared to accept the offer of settlement as a complete resolution of the issues set for hearing, but opposes the offer to the extent that it purports to reserve those issues raised in the AEP Companies' request for rehearing. The Kentucky Commission noted that the Commission had twice refused, in this proceeding, to permit consideration of those issues, and that the same issues were pending before the Commission in Docket No. EL86-10-000.

In response to the Kentucky Commission, the AEP Companies, IMMDA, Auburn, and the Commission's trial staff state that the "jurisdictional issue" is separate from those covered by the offer of settlement and, further, that the Kentucky Commission has not raised any genuine issue of material fact.

Discussion

Pursuant to Rule 602(h) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.602(h)(1986)), **[**5]** the Commission may decide the merits of a contested settlement if it finds that the record contains substantial evidence upon which to base a reasoned decision or that there is no genuine issue of material fact. Here, we find that the

Kentucky Commission's comments raise no genuine issue of material fact. Accordingly, we find that the presiding judge properly certified the contested settlement to the Commission.

We find that the proposed settlement rates n4 are cost-justified, and that the settlement proposal reasonably resolves the matters at issue between the parties. With respect to the Kentucky Commission's objections, we have already acted upon the AEP Companies' request for rehearing and expanded the proceedings to encompass the so-called "jurisdictional issues" which they previously sought to raise. Thus, the Kentucky Commission's objection has already been addressed. In the circumstances, we shall **[*61,091]** approve the AEP Companies' offer of settlement. Our approval of the offer of settlement shall be without prejudice, however, to any further relief which may be warranted following final Commission action concerning the hearings ordered in Docket Nos. ER84-579-006 and EL86-10-001.

*****6]**

n4 See Attachment for rate schedule designations.

The Commission orders:

(A) The AEP Companies' April 18, 1986 offer of settlement is hereby approved, subject to any final Commission action in Docket Nos. ER84-579-006 and EL86-10-001. The settlement rates are hereby accepted for filing to become effective as provided in the offer of settlement.

(B) The Commission's approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding, and is without prejudice to any subsequent Commission action in this or any other proceeding.

(C) All amounts collected in excess of the settlement rates in Docket No. ER84-579-000 shall be refunded within thirty (30) days of the date of this order, together with interest computed in accordance with section 35.19a of the Commission's regulations. Within fifteen (15) days after refunds have been made, AEP Generating Company shall file a compliance report showing the monthly billing determinants and revenues under the present and settlement rates, and the monthly interest computed together with a summary of such information for the total refund period. In addition, AEP Generating *****7]** Company shall furnish a copy of such refund report to each state commission within whose jurisdiction the resale customers distribute and sell electric energy at retail.

(D) Docket Nos. ER84-579-000 and ER84-707-001 are hereby terminated. A new subdocket in Docket No. ER84-579 shall be assigned to the compliance report ordered in Ordering Paragraph (C).

APPENDIX:
Attachment

Settlement Designations

Designations--Other Party/Description

Docket No. ER84-579-000

(1) Supplement No. 2 to Rate Schedule FERC No. 1--Indiana & Michigan Electric Company Settlement Rate Schedule

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(2) Supplement No. 3 to Rate Schedule FERC No. 1 (Supersedes Supplement No. 1 to Rate Schedule FERC No. 1)--Revised Sample Power Bill

(3) Supplement No. 2 to Rate Schedule FERC No. 2--Kentucky Power Company Settlement Rate Schedule

(4) Supplement No. 3 to Rate Schedule FERC No. 2 (Supersedes Supplement No. 1 to Rate Schedule FERC No. 2)--Revised Sample Power Bill

Docket No. ER84-707-001

(5) Supplement No. 2 to Rate Schedule FERC No. 3--Appalachian Power Company Settlement Rate Schedule

(6) Supplement No. 3 to Rate Schedule FERC No. 3 (Supersedes Supplement No. 1 to Rate Schedule FERC No. 3)--Revised Sample **[**8]** Power Bill

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*41 F.E.R.C. P61,112, *; 1987 FERC LEXIS 541, ***

AEP Generating Company

Docket Nos. ER84-579-012 and ER84-707-003

FEDERAL ENERGY REGULATORY COMMISSION - Commission

41 F.E.R.C. P61,112; 1987 FERC LEXIS 541

Letter Order

October 30, 1987

CORE TERMS: settlement, modification, refund, monthly, interest computed, wholesale, customers, staff

PANEL:
[**1]

By Direction of the Commission: Kenneth F. Plumb, Secretary.

OPINION:
[*61,271]

On August 13, 1987, you filed an offer of modification to the settlement agreement among your company, Indiana & Michigan Electric Company and Kentucky Power Company in the above-referenced dockets. On August 24, 1987, staff filed comments in support of the offer of modification to the settlement. Additional comments expressing qualified support and the understandings of the participants were filed by the Public Service Commission of the Commonwealth of Kentucky, by the Indiana and Michigan Municipal Distributors Association and the City of Auburn, and by staff on August 27, September 1, and September 10, 1987, respectively. On September 14, 1987, you filed reply comments by which you accepted the comments and understandings expressed by the other participants; therefore, the modification of settlement is uncontested.

The subject settlement is in the public interest and is hereby approved. The settlement rates submitted with the settlement are accepted for filing and are designated and made effective as shown on the attached Enclosure. The Commission's approval of this settlement does not constitute approval of, or precedent [**2] regarding, any principle or issue in this proceeding.

Within thirty (30) days from the date of this letter, any amounts collected in excess of the modified settlement rate levels shall be refunded together with interest computed under section 35.19a of the Commission's regulations. Within fifteen (15) days after making such refunds, the Company shall file with this Commission a compliance report showing monthly billing determinants, revenue receipt dates, and revenues under the prior, present and settlement rates, the monthly revenue refund, and the monthly interest computed, together with a summary of such information for the total refund period. The Company shall furnish copies of such report to the affected wholesale customers and to each state commission within whose jurisdiction the wholesale customers distribute and sell electric energy at retail.

This letter terminates Docket Nos. ER84-579-012 and ER84-707-003. New subdockets will be

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assigned upon receipt of the required compliance refund report.

Enclosure

Designations for Modification to Settlement

Filing Date: August 13, 1987

Effective Date: July 1, 1987

Designations--Other Party

*Docket No. ER84-579-012 [**3]*

(1) Supplement No. 4 to Rate Schedule FERC No. 1--Indiana & Michigan Electric Company

(2) Supplement No. 4 to Rate Schedule FERC No. 2--Kentucky Power Company

Docket No. ER84-707-003

(3) Supplement No. 4 to Rate Schedule FERC No. 3--Appalachian Power Company

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51 F.E.R.C. P61,161, *; 1990 FERC LEXIS 1023, **

American Electric Power Service Corporation

Docket Nos. ER89-470-000 and ER90-26-000

FEDERAL ENERGY REGULATORY COMMISSION - Commission

51 F.E.R.C. P61,161; 1990 FERC LEXIS 1023

Letter Order

May 1, 1990

CORE TERMS: settlement, filed, refund, proceedings, monthly, offer of settlement, interest computed, consolidated, wholesale, customers

PANEL:

[**1]

By Direction of the Commission: Lois D. Cashell, Secretary.

OPINION:

[*61,440]

On January 26, 1990, you filed an offer of settlement in Docket No. ER89-470-000, and a separate offer of settlement in the consolidated proceedings in Docket Nos. ER89-470-000 and ER90-26-000. On February 13, 1990, the Indiana Municipal Power Agency (IMPA) and the North Carolina Eastern Municipal Power Agency filed comments in support of the settlement in the consolidated proceedings. On February 14, 1990, Commission staff filed comments in support of both settlement agreements. On February 15, 1990, the Indiana and Michigan Municipal Distributors Association and the City of Auburn, Indiana also filed comments in support of both settlements. On February 26, 1990, the Indiana Municipal Power Agency filed reply comments in support of the settlements. No other comments were received. On March 2, 1990, the presiding administrative law judge certified the uncontested settlements to the Commission.

The subject settlements are in the public interest and are hereby approved. The settlement rates submitted with the settlements are accepted for filing and are designated and made effective as shown on the attached Enclosure. [**2] The Commission's approval of these settlements does not constitute approval of, or precedent regarding, any principle or issue in these proceedings.

Within thirty (30) days from the date of this letter, any amounts collected in excess of the settlement rate levels shall be refunded together with interest computed under section 35.19a of the Commission's regulations. Within fifteen (15) days after making such refunds, the Company shall file with this Commission a compliance report showing monthly billing determinants, revenue receipt dates, and revenues under the prior, present and settlement rates, the monthly revenue refund, and the monthly interest computed, together with a summary of such information for the total refund period. The Company shall furnish copies of such report to the affected wholesale customers and to each state commission within whose jurisdiction the wholesale customers distribute and sell electric energy at retail. This letter terminates Docket Nos. ER89-470-000 and ER90-26-000. A new subdocket will be assigned

upon receipt of the required compliance refund report.

**APPENDIX:
Appendix**

Settlement Rate Designations

AEP Generating Company

Docket No. ER89-470-000

Effective: December **[**3]** 1, 1989

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Designation	Other Party/Description
(1)Supplement No. 8 to Schedule FERC No. 1 (Supersedes Supplement No. 5)	Indiana & Michigan Rate Electric Company/Revised Sample Power Bill
(2)Supplement No. 7 to Rate Schedule FERC No. 2 (Supersedes Supplement No. 5)	Kentucky Power Company/ Revised Sample Power Bill
(3)Supplement No. 7 to Rate Schedule FERC No. 3 (Supersedes Supplement No. 5)	Virginia Electric and Power Company/Revised Sample Power Bill

Docket No. ER90-26-000

Effective: January 1, 1990

Appalachian Power Company

(4)Supplement No. 1 to Supplement No. 21 to	Modification No. 2-12.16% return on common equity Rate Schedule FERC No. 24
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Carolina Power & Light Company

(5)Supplement No. 1 to Supplement No. 9 to Rate Schedule FERC No. 44	Modification No. 2-12.16% Hreturn on common equity
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Indiana Michigan Power Company

(6)Supplement No. 7 to Rate Schedule FERC No. 77	Modification No. 2-12.16% return on common equity
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**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of all AEP agreements presently in effect that address the allocation and pricing of SO₂, NO_X or other emission allowances among member companies. If there are no such intercompany agreements, then please provide a copy of the accounting guidelines and/or policies that are used to allocate and price such allowances among member companies.

RESPONSE

Objection. KPCo objects to this request as outside the scope of this case and as burdensome, irrelevant and not calculated to lead to relevant information.

Notwithstanding this objection, and without waiving it, KPCo states that the only agreement presently in effect that addresses the allocation and pricing of SO₂ emission allowances among member companies is the Interim Allowance Agreement which was provided in the Company's response to Commission Staff -1st Set, No. 21 in Case No. 96-489 and in this case Item No. 3. Attached are the interim business rules that address the allocation and pricing of NO_x emission allowances among member companies.

WITNESS: Errol K Wagner

2004 NO_x Season Interim Business Rules

Applicability

The following interim business rules support the management of the NO_x allowance inventories for the AEP Eastern Operating Companies (OCs), including APCO, CSP, I&M, KPCO and OPCO, for the 2004 NO_x season that begins May 31st and continues through September 30th. These business rules will remain in affect through subsequent seasons (subject to any future revisions that may occur from time to time) until such time that AEP files a NO_x allowance treatment plan with the Federal Energy Regulatory Commission (FERC).

Scope

These interim business rules provide the framework for specific inventory management activities, including (a) NO_x allowance pricing used in generation dispatch, (b) NO_x allowance settlement among the AEP Eastern OCs, (c) settlement of NO_x allowances between the AEP Eastern OCs and the AEP Western OCs, including PSO, SWEPCO, TCC and TNC, and (d) allowance transactions and accounting treatment. These rules do not apply to all other activities associated with the OCs' NO_x emissions and allowance management.

Overview

Until such time that the Company submits the aforementioned FERC-filing, these interim business rules have been developed consistent with AEP's current system operating agreements (including the Eastern Interconnection Agreement and the System Integration Agreement) and AEP's current applicable business practices.

**2004 NO_x Season
Interim Business Rules**

NO_x Allowance Interim Business Rules

1. Agent -- The American Electric Power Service Corporation (AEPSC) will act as agent for all of the OCs. All allowance transactions will be identified by OC at the time of the transaction and will be cleared at month end to the applicable OCs.
2. Allowance Allocations and Forecasts
 - a. Allowance inventories by individual generation units and OCs, by vintage, will be maintained in the Allowance Management System (AMS). In general, allowances will be allocated among individual generation units of the OC as necessary to equalize the OC's days' supply of allowances.
 - b. Forecasts of NO_x emissions/allowance consumption will be developed using the computer-modeling program GenTrader licensed to AEP by Power Cost Incorporated. GenTrader output will be developed for a 3-year period including the current season. Such output will be subject to review and subsequent adjustments based on allowance management and specific operational considerations that may not be adequately incorporated into GenTrader. For the purposes of GenTrader modeling, the pricing of NO_x allowances will be based on forecasted allowance market prices at the time the model is run.
3. Operating Company NO_x Position and Rankings -- The allowance inventories and forecasted consumption rates will be used to determine the relative position or ranking of each OC. Such ranking will be based on "days inventory" and other pertinent information. "Days inventory" is the number of days a given OC could operate before its

2004 NOx Season Interim Business Rules

existing supply of allowances, including any anticipated additional allocation, was depleted based upon its forecasted NOx allowance consumption rate.

4. Reconciliation and Revised Forecasts – As the AEP system generation and load characteristics, including load forecasts, undergo periodic revisions, updated GenTrader outputs will produce revised NOx emissions forecasts. Such GenTrader NOx emissions forecasts will be revised at least monthly during the 2004 NOx season based on actual emissions and modeling updates to reflect current and anticipated events that will significantly impact NOx consumption of individual generation units. Such revised forecasts will be used to update the “days inventory” and other information described in Interim Business Rule 3 above. The most current load forecast applicable to the remaining months of the current NOx season, as provided by Generation Load Forecasting, will be used for such updates.
5. Dispatch – The real time dispatch price of generation units for all OCs will include a valuation of NOx allowances at current prevailing market prices. AEPSC will employ the weekly index published in *Argus Air Daily* as the information source for NOx market prices. Such prices will generally be received on the day they are published and utilized for the subsequent seven-days’ dispatch.
6. Pool Settlement of Allowances
 - a. Primary/Economy Energy -- There will be no monetary or in kind settlement of allowances for primary or economy energy supplied by Eastern OCs. Such settlement is governed by the AEP Eastern Interconnection Agreement.

2004 NO_x Season Interim Business Rules

- b. AEP East Off-System Sales -- Each Eastern OC will be reimbursed based upon its average inventory (book) cost for NO_x allowances associated with off-system sales for each business month.
 - c. East/West Economic Energy -- NO_x allowances consumed for purposes of economic transfers of energy between the AEP East and AEP West Zones will be included in to the out-of-pocket costs as described in the System Integration Agreement and treated accordingly. Reimbursement will be based upon each supplying OC's average NO_x allowance inventory costs.
 - d. East/West Off-System Sales Margin Sharing -- NO_x allowances associated with off-system sales subject to the East/West sharing of trading and marketing realizations as described in the System Integration Agreement (SIA) will be treated as out-of-pocket cost per that agreement and treated accordingly. Reimbursement will be based upon each supplying OC's average NO_x allowance inventory costs. Differences between the NO_x allowance inventory costs and the real-time dispatch prices will be treated as additional off-system sales margins for the purposes of the SIA.
7. Purchase or Sale of NO_x Allowances
- a. AEPSC will make allowance sales and purchases on behalf of the OCs. For each purchase or sale, assignment will be made based on the most recent forecast of the NO_x position for each OC. In general, purchases will be assigned to the OC with the fewest forecasted days inventory (as described in Interim Business Rule 3 contained herein) and sales will be assigned to the OC with the greatest number of forecasted

Revised May 25, 2004

**2004 NO_x Season
Interim Business Rules**

days inventory. If two or more OCs are equally long or short, then each OC will share in the additional sale or purchase.

- b. Notwithstanding the above, an allowance sale or purchase may be assigned directly to one or more OCs if such sale or purchase is related to a specific capital investment project or for particular risk mitigation purposes. Detailed documentation will be prepared for each sale or purchase at the time the transaction is made.

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Kentucky Power
d/b/a
American Electric Power

REQUEST

For Kentucky Power Company since the December 2003 expense month, please provide a copy of the monthly bills, invoices, payments, and credits and all supporting documentation, including computations and all electronic spreadsheets with formulas intact, pursuant to the terms of the AEP East Interconnection Agreement. The supporting documentation should be sufficiently detailed to enable a reproduction of the rates and factors that are used to compute the monthly charges.

RESPONSE

Kentucky Power Company objects to this data request as voluminous, burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Company will make the monthly Interchange Power Statements available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

For Kentucky Power Company since the December 2003 expense month, please provide a copy of the monthly bills, invoices, payments and credits and all supporting documentation, including computations and all electronic spreadsheets with formulas intact, pursuant to the terms of the Rockport Unit Power Agreements for Units 1 and 2. The supporting documentation should be sufficiently detailed to enable a reproduction of the rates and factors that are used to compute the monthly charges.

RESPONSE

Kentucky Power Company objects to this data request as voluminous, burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Company will make the monthly Rockport Unit Power bills available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

For Kentucky Power Company since the December 2003 expense month, please provide a copy of the monthly bills, invoices, payments, and credits and all supporting documentation, including computations and all electronic spreadsheets with formulas intact, pursuant to the terms of the Interim Allowance Agreement. The supporting documentation should be sufficiently detailed to enable a reproduction of the rates and factors that are used to compute the monthly charges.

RESPONSE

Kentucky Power Company objects to this data request as outside the scope of this case and is voluminous, burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding the above objection and without waiving it, the Company will make the documents available for inspection at its Frankfort office at a mutually agreed to time. A summary of SO₂ and NO_x allowances is included in the Company's monthly filings with the Kentucky Commission.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

For Kentucky Power Company since the December 2003 expense month, please provide a copy of the monthly bills, invoices, payments, and credits and all supporting documentation, including computations and all electronic spreadsheets with formulas intact, pursuant to the terms of any other emission allowance agreement. The supporting documentation should be sufficiently detailed to enable a reproduction of the rates and factors that are used to compute the monthly charges.

RESPONSE

KPCo objects to this data request as outside the scope of this matter, is irrelevant and not calculated to lead to relevant information.

Please refer to the Company's response to Item No 5. herein.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

For the next twelve-month period, please provide Kentucky Power's forecast of all emission allowance revenue, credits or other compensation it expects to receive from the Interim Allowance Agreement and from any other source.

RESPONSE

Kentucky Power Company objects to this data request as outside the scope of this case and as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding this objection, and without waiving it, the Company states that Kentucky Power Company's current forecast for the next twelve month period (May 1, 2005 through April 6, 2006) does not have any revenue, credits or other compensation from the Interim Allowance Agreement.

Kentucky Power Company's current forecast for the next twelve month period (May 1, 2005 through April 6, 2006) does have \$1.7 Million from the Summer 2005 NOx sale and \$500,000 from the March 2006 EPA SO2 Auction.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a description of the status of deregulation of the generation function in each ratemaking jurisdiction for each member Company that is a party to the AEP East Interconnection Agreement and/or the Rockport Unit Power Agreement.

RESPONSE

Objection. This request calls for a legal conclusion, and is burdensome, irrelevant, and not calculated to lead to relevant information.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please describe the ratemaking process in effect for the generation function in each ratemaking jurisdiction for each member Company that is a party to the AEP East Interconnection Agreement. In your response, please indicate for each jurisdiction for each member whether the Company considers the ratemaking process for the generation function to be cost-based, the basis for that determination, and identify exceptions to cost-based ratemaking, if any.

RESPONSE

Objection. This request calls for a legal conclusion and is burdensome, irrelevant, and not calculated to lead to relevant information.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of the most recent order providing for rate recovery for the generation function, whether separately identified as such or not, in each ratemaking jurisdiction for each member Company that is a party to the AEP East Interconnection Agreement.

RESPONSE

Objection. This request calls for a legal conclusion and is burdensome, irrelevant, and not calculated to lead to relevant information. KIUC, as an intervening party in KPCo's last rate case, is in possession of the most recent order governing KPCo's rates.

WITNESS: Errol Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Sections 5.10 and 5.11 of the AEP Interconnection Agreement. Please provide the monthly computation of the Member Primary Capacity Surplus or Deficit for each member Company since December 1985. Specifically, provide the Member Primary Capacity and the Member Primary Capacity Reservation and the Surplus or Deficit amount in MW for each member.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Company will make the responsive documents from January 2002 forward available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to Section 6.211 of the AEP Interconnection Agreement. Please indicate whether the Member Weighted Investment Cost is reduced for accumulated depreciation.

RESPONSE

No.

WITNESS: Errol K. Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to Section 6.211 of the AEP Interconnection Agreement. Please indicate whether the Member Weighted Investment Cost is reduced for accumulated deferred income taxes.

RESPONSE

No.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 6.212 of the AEP Interconnection Agreement and Exhibit EKW-3. Please provide a discussion regarding the derivation of the .0137 Monthly Carrying Charge Factor. In this discussion indicate when the .0137 Factor was developed and how long it has been in effect.

RESPONSE

Objection. This rate was established pursuant to a Federal Energy Regulatory Commission approved order. Accordingly, the derivation of this rate is not at issue in this matter. Furthermore, this request is unduly burdensome

Notwithstanding this objection, and without waiving it, the Company refers KIUC to the Company's response to Commission Staff's 2nd Set, Item No. 7.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 6.212 of the AEP Interconnection Agreement and Exhibit EKW-3. With respect to the derivation of the .0137 Monthly Carrying Charge Factor, please provide the following:

- a. The capital structure of the utilities used to establish the factor;
- b. The cost of each component of the capital structure of the utilities used to establish the factor;
- c. The income tax rates (federal and state) of the utilities used to establish the factor;
- d. If the .0137 Factor is the weighted average of multiple utilities, identify the utilities and describe how the weighting was determined;
- e. Each other component, if any, used to establish the factor;
- f. A copy of the FERC Order(s) that approved the .0137 Monthly Carrying Charge factor.

RESPONSE

Objection.

See the Company's response to Item No. 17 herein.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to the Rockport Unit Power Agreement. Please provide the derivation of any monthly carrying charge factor specified in that Agreement for Units 1 and 2. Provide the capital structure, the costs of each component, the income tax rate(s) (federal and state), and each other component, if any, used to compute this monthly factor. Provide a copy of the FERC Order(s) that authorized this rate and the date of such Order(s).

RESPONSE

The derivation of the monthly carrying charge factor required by the AEP Unit Power Agreement is set forth in the ES Form 3.21. The November, 2004 ES Form 3.21 is provided in response to Commission Staff-2nd Set, Item No. 10b.

Copies of the FERC orders are attached to Item No. 4 herein.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide a copy of the Rockport Unit 2 Sale Leaseback Agreement and all FERC orders and orders on rehearing addressing the Sale Leaseback.

RESPONSE

Kentucky Power objects to this data request as voluminous, burdensome, irrelevant, and not calculated to lead to relevant information. Copies of this information was provided in KPSC Case No. 9061.

Notwithstanding and without waiving it, the Company will provide available documents for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K. Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Was there a profit on the sale/leaseback of Rockport Unit 2? If yes, please indicate how much and how Kentucky Power passed through its share of the profit to ratepayers.

RESPONSE

Yes. Indiana Michigan Power Company and AEP Generating Company sold their respective 50% share in the Rockport Unit No. 2 on December 7, 1989. The Kentucky Power Company started receiving their share of the amortized gain on the sale of Rockport Unit No. 2 in December 1989 by way of a credit on the monthly Unit Power Bill.

The test year of KPCo's most recent rate case (which was a settled case) was the twelve months ending December 31, 1990. AEP Generating Company recorded \$7,540,217 of amortization of gain on the sale of Rockport Unit No. 2. This amount was a credit amount which in effect reduced the lease expense amount recorded in the test year. KPCo's purchased power cost during the testyear reflected 30% of AEP Generating Company's total amortization of the gain on the sale of Rockport Unit No. 2.

In August 1995 the Federal Energy Regulatory Commission completed its audit of the accounting for the Rockport Unit No. 2 sale and as a result reduced the annual amortization of the gain on the sale to \$5,570,952.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Did any wholesale customer of any AEP operating company receive in rates any portion of the profit from the sale/leaseback of Rockport Unit 2? Please explain.

RESPONSE

Kentucky Power Company objects to this data request as outside the scope of this case, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Kentucky Power Company did include its portion of the profit from the sale/leaseback in the calculation of its wholesale rates.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Did any retail customer of any AEP operating company receive in rates any of the profit from the sale/leaseback of Rockport Unit 2? Please explain.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Kentucky Power Company did include its portion of the profit from the sale/leaseback in the calculation of its retail customers' rates.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to Section 6.212 of the AEP Interconnection Agreement. Please provide a computation of a current cost-based monthly carrying charge factor for each member Company, using the most recent capital structure, costs of capital, last authorized return on common equity, and the current combined federal and state income tax rates for each member Company, computed with the methodology originally reflected in this section of the Interconnection Agreement. The current income tax rates should reflect the new I.R.C. §199 deduction that became effective January 1, 2005. Provide all assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, vague, ambiguous, irrelevant, not calculated to lead to relevant information, and beyond the proper scope of a request for information.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to the Rockport Unit Power Agreement. Please provide a computation of a current cost-based monthly carrying charge factor(s) for AEGCO, using the most recent capital structure, costs of capital, last authorized return on common equity, and the current combined federal and state income tax rates for each member Company, computed with the methodology originally reflected in the Unit Power Agreement. The current income tax rates should reflect the new I.R.C. §199 deduction that became effective January 1, 2005. Provide all assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact.

RESPONSE

See the Company's response to KIUC Item No. 19.

A copy of the requested information is on file with the Kentucky Public Service Commission in the Company's environmental filings, Form ES 3.21. The requested information are public documents. The Company will provide available documents for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to KRS 278.183(1) and (2). The statute specifies that the utility is entitled to recovery of a "reasonable return on construction and other capital expenditures." The statute specifies that the Commission shall "[e]stablish a reasonable return on compliance-related capital expenditures." How does the Company propose that the Commission establish a reasonable return on the surplus Companies' compliance-related capital expenditures?

RESPONSE

The Company is not proposing that the Kentucky Commission establish a reasonable return on the surplus Companies' compliance-related capital expenditures. In fact the Company has not requested a reasonable return on any of the environmental facilities installed at any of the AEP Pool surplus companies in this proceeding. The Company is requesting the Kentucky Commission to allow KPCo current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal in accordance with the utility's compliance plan as designated in section (2) of KRS 278.183. In accordance to the statute a reasonable return on construction and other capital expenditures are only one portion of the recoverable costs. The statute goes on to state that the costs shall include reasonable operating expenses for any plant, equipment, property, facility, or other action to be used to comply with applicable environmental requirements set forth in KRS 278.183. In addition the statute states that operating expenses include all costs of operating and maintaining environmental facilities, income taxes, property taxes, other applicable taxes, and depreciation expenses, as these expenses relate to compliance with the environmental requirements set forth in KRS 278.183.

KPCo is requesting current recovery of its operating expenses incurred to comply with the Federal Clean Air Act as amended. Both the AEP Pool capacity costs and the AEGCo's Unit Power costs are recorded in FERC Account 555 Purchased Power. The FERC defines Account 555 as an operating expense.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to KRS 278.183(1) and (2). The statute specifies that the utility is entitled to recovery of a “reasonable return on construction and other capital expenditures.” The statute specifies that the Commission shall “[e]stablish a reasonable return on compliance-related capital expenditures.” How does the Company propose that the Commission establish a reasonable return on the Rockport compliance-related capital expenditures?

RESPONSE

The Company is not proposing that the Kentucky Commission establish a reasonable return on the Rockport compliance-related capital expenditures. The Company is requesting the Kentucky Commission to allow KPCo current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal in accordance with the utility's compliance plan as designated in section (2) of KRS 278.183. In accordance to the statute a reasonable return on construction and other capital expenditures are only one portion of the recoverable costs. The statute goes on to state that the costs shall include a reasonable operating expenses for any plant, equipment, property, facility, or other action to be used to comply with applicable environmental requirements set forth in KRS 278.183. In addition the statute states that operating expenses include all costs of operating and maintaining environmental facilities, income taxes, property taxes, other applicable taxes, and depreciation expenses, as these expenses relate to compliance with the environmental requirements set forth in KRS 278.183.

KPCo is requesting current recovery of its operating expenses incurred to comply with the Federal Clean Air Act as amended. Both the AEP Pool capacity costs and the AEGCo's Unit Power costs are recorded in FERC Account 555 Purchased Power. The FERC defines Account 555 as an operating expense.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to KRS 278.183(1). The statute specifies that the utility is entitled to recovery of “reasonable operating expenses.” Does the Company consider the return on the surplus Companies’ compliance-related capital expenditures embedded in the costs that are incurred by Kentucky Power Company to be “operating expenses” pursuant to the statute? If so, then how does the Company propose that the Commission establish the reasonable operating expenses, which includes the return on the capital expenditures included in the operating expenses?

RESPONSE

Yes. Both the AEP Pool capacity costs and the AEGCo's Unit Power costs are recorded in FERC Account 555 Purchased Power. The FERC defines Account 555 as an operating expense. The Company proposes that the Commission allow current recovery of these FERC-approved operating expenses.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to KRS 278.183(1). The statute specifies that the utility is entitled to recovery of “reasonable operating expenses.” Does the Company consider the return on the Rockport compliance-related capital expenditures embedded in the costs that are incurred by Kentucky Power Company pursuant to the Rockport UPA to be “operating expenses” pursuant to the statute? If so, then how does the Company propose that the Commission establish the reasonable operating expenses, which includes the return on the capital expenditures included in the operating expenses?

RESPONSE

Yes. The Rockport Unit Power Agreement costs are recorded in FERC Account 555 Purchased Power. The FERC defines Account 555 as an operating expense. The Company proposes that the Commission allow current recovery of these FERC-approved operating expenses.

WITNESS: Errol K. Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to KRS 278.183. Is it the Company's position that the statute mandates surcharge recovery of environmental costs incurred through payments to surplus Companies or that the Commission has the discretion to provide recovery of such costs through the ECR surcharge? Please explain your response and cite all relevant authorities relied on for this position.

RESPONSE

Objection. This requests calls for a legal conclusion.

Notwithstanding and without waiving it, the Company believes that it is entitled to current cost recovery of environmental costs as set forth in the statute.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to KRS 278.183(1) and (2). The statute specifies that the Company is to submit a compliance plan and that the Commission must “[c]onsider and approve the plan if the commission finds the plan and rate surcharge reasonable and cost-effective for compliance with the applicable environmental requirements set forth in subsection (1) of this section.” Please provide a copy of the compliance plan submitted to the Kentucky Public Service Commission for each of the projects undertaken by the surplus member Companies prior to its implementation and operation, if any. If none, then state that there were none.

RESPONSE

Objection. This request is based upon legal conclusions and interpretations of the statutes not in accord with the plain language of the statute.

Notwithstanding this objection, and without waiving it, the Company states that it has submitted its compliance plan and amendments with its petition for cost recovery in accordance with the statute and prior to recovery of any environmental costs associated with the new environmental facilities.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 6.211 of the AEP Interconnection Agreement. Please provide the specific formula by FERC account that is utilized to compute the monthly Member Weighted Average Investment Cost.

RESPONSE

FERC Account Nos. 310 to 316, plus 320 to 325, plus 340 to 346, inclusive, divided by the total installed generating capacity.

WITNESS: Errol K. Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 6.22 of the AEP Interconnection Agreement. Please provide the specific formula by FERC account that is utilized to compute the monthly Member Primary Capacity Fixed Operating Rate.

RESPONSE

Paragraph 6.22 of the Interconnection Agreement states the member primary capacity fixed operating rate is calculated by taking the total production expenses minus the fuel and one-half of the maintenance expenses and the result is divided by the member's total kilowatt capability.

For coal-fired, steam generating units, Accounts 500 through 507 and Accounts 510-514 are added up and, from that result, Account 501 and one-half of the sum of Accounts 510-514 are subtracted. Similarly, for nuclear units, Accounts 517 through 525 and Accounts 528-532 are added up and, from that result, Account 518 and one-half of the sum of Accounts 528-532 are subtracted.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 6.4 of the AEP Interconnection Agreement. Please provide the specific formula by FERC account that is utilized to compute the monthly Primary Energy Charge.

RESPONSE

Kentucky Power Company objects to this data request as not within the scope of this proceeding, and as burdensome, irrelevant, and not calculated to lead to relevant information.

The Company is not requesting recovery of the monthly Primary Energy Charge in this proceeding.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Refer to Section 7.33 of the AEP Interconnection Agreement. Please provide the computations of the Company's Member Deficit of System Purchase from Foreign Company for each month since 1985.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding this objection, and without waiving it, the Company states that to its knowledge this provision has not been used.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please describe the Company's position on whether KRS 278.183 authorizes the Company to recover an environmental component of all purchased power costs, regardless of whether such purchased power is from a member Company or foreign Company or an affiliate that is not a member Company. Please explain and cite all authorities relied on for the Company's position. If the Company believes there are differences in recovery pursuant to KRS 278.183 afforded each of these sources of purchased power, then please explain and cite all authorities relied on for this position.

RESPONSE

Objection. This question goes beyond the scope of this proceeding. Kentucky Power Company is only requesting recovery of costs pursuant to a FERC approved agreement that are designed to provide Kentucky Power Company the opportunity to purchase needed generating capacity to meet the needs of its full requirement customers.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Refer to page 9 lines 12-15 of Mr. Wagner's testimony. Please provide the cost of the original burners at Rockport Unit 2. If necessary, please obtain this information from I&M, AEGCO and/or AEP Service Corporation, wherever such records are maintained.

RESPONSE

The requested information is not available.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please describe how the capital costs associated with Rockport Unit 2 are billed to the Company. Does AEGCO pass-through the Company's 30% share of the lease costs or is there some other means of billing to the Company?

RESPONSE

AEGCo bills KPCo, by way of the monthly Unit Power Bill, for 30% of AEGCo's 50% of the lease cost.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please describe how the Company reflects the sale of emission allowances in its ECR filings. Separately address the sale of allowances awarded or purchased by the Company and the sale of those awarded to or purchased by the surplus companies under the Interconnection Agreement and AEGCO under the Rockport UPA. Separately address sales to other member companies, other affiliates, and unaffiliated third parties. In your response, please address which of the specific revenues from the sale of allowances by surplus companies and AEGCO are netted in the charges pursuant to the Interconnection Agreement and UPA, and specifically address how this is done. Reference the sections of the respective agreements and provide an example for an actual month pursuant to each agreement.

RESPONSE

KPCo objects to this request as beyond the scope of this proceeding, irrelevant, and not calculated to lead to relevant information.

Notwithstanding this objection, and without waiving it, the Company states that the ECR filings clearly show how the sale of emission allowances are handled.

Please refer to the Company's monthly environmental filing on file at the Kentucky Public Service Commission.

The recent ECR filings will be made available at the Company's Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

For each month from January 1, 2004 to the present, please provide the revenues, costs, and margins on all sales of emission allowances by or for the benefit of AEGCO. Have any of these margins been flowed through to Kentucky Power? If yes, please describe the method of flow through and the amount.

RESPONSE

KPCo objects to this request as beyond the scope of this proceeding, irrelevant, and not calculated to lead to relevant information.

Notwithstanding this objection, and without waiving it, the Company states that 30% of AEGCo's allowances are on the books and records of KPCo. Therefore, should any of these allowances be sold, the gain realized from these allowances are placed in the monthly ECR filings. This clearly shows how the sale of emission allowances are handled.

Please refer to the Company's monthly environmental filing on file at the Kentucky Public Service Commission.

The recent ECR filings will be made available at the Company's Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please describe the Rockport 2 costs that are included in base rates. In your response, indicate whether the amount included in base rates was based on the AEGCO ownership cost of Rockport 2 or on the annual lease expense, or some combination. Please cite the amounts that were included in base rates and provide the documentation supporting your response.

RESPONSE

The Rockport Unit No. 2 costs that are included in KPCo's base rates are based on 30% of AEGCo's responsible portion of Rockport Unit No. 2. The total amount of the Rockport Unit No. 2 costs included in the Company's most recent rate case was \$32,532,299.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please provide the financial statements, including Notes, for AEGCO for the two most recent calendar years.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Company will make the documents available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Please provide copies of Kentucky Power's monthly financial reports submitted to the KPSC beginning January, 2004.

RESPONSE

Kentucky Power Company objects to this data request as burdensome, irrelevant, and not calculated to lead to relevant information.

Notwithstanding and without waiving it, the Company will make the documents available for inspection at its Frankfort office at a mutually agreed to time.

WITNESS: Errol K Wagner