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APR 19 2005

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

April 18, 2005

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2005-00068

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. to Kentucky Power Company filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY


MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail and first-class postage prepaid mail, unless otherwise noted, to all parties on the 18th day of April, 2005.

Honorable Kevin F. Duffy
American Electric Power
Service Corporation
1 Riverside Plaza, 29th Floor
Post Office Box 16631
Columbus, OH 43216
kfduffy@aep.com

Honorable Judith A. Villines
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Michael L. Kurtz, Esq.

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APR 19 2005

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of: An Application Of Kentucky Power Company :
For Approval Of An Amended Compliance Plan For Purposes Of Recovering :
Additional Cost Of Pollution Control Facilities And To Amend Its Environmental :
Cost Recovery Surcharge Tariff :

Case No. 2005-00068

**FIRST SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

Dated: April 18, 2005

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "AEP" means Kentucky Power Co. d/b/a American Electric Power and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "KP" means Kentucky Power Co. d/b/a American Electric Power, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

KIUC FIRST SET OF DATA REQUESTS
PSC CASE NO. 2005-00068

- Q1 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 filings, including electronic spreadsheets with formulas intact.
- Q2 Please provide a copy of the AEP East Interconnection Agreement presently in effect and the FERC order(s) approving the Interconnection Agreement.
- Q3 Please provide a copy of the AEP Interim Allowance Agreement presently in effect and the FERC order(s) approving the Interim Allowance Agreement.
- Q4 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.
- Q5 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.
- Q6 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.
- Q7 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.
- Q8 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.
- Q9 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.

- Q10 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.
- Q11 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.
- Q12 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.
- Q13 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.
- Q14 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.
- Q15 Refer to Section 6.211 of the AEP Interconnection Agreement. Please indicate whether the Member Weighted Investment Cost is reduced for accumulated depreciation.
- Q16 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.
- Q17 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.
- Q18 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.

- Q19 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).
- Q20 Please provide a copy of the Rockport Unit 2 Sale Leaseback Agreement and all FERC orders and orders on rehearing addressing the Sale Leaseback.
- Q21 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.
- Q22 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.
- Q23 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.
- Q24 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.
- Q25 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.
- Q26 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?
- Q27 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?
- Q28 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?

- Q29 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?
- Q30 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.
- Q31 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.
- Q32 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.
- Q33 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.
- Q34 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.
- Q35 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.
- Q36 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.
- Q37 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.

- Q38 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?
- Q39 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.
- Q40 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.
- Q41 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.
- Q42 Please provide the financial statements, including Notes, for AEGCO for the two most recent calendar years.
- Q43 Please provide copies of Kentucky Power's monthly financial reports submitted to the KPSC beginning January, 2004.

Respectfully submitted,



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