

**BOEHM, KURTZ & LOWRY**

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**Via Overnight Mail**

May 13, 2005

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

**Re: Case No. 2005-00068**

RECEIVED

MAY 16 2005

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Second 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 13<sup>th</sup> day of May, 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](mailto:kfduffy@aep.com)

Honorable Judith A. Villines  
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Honorable Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
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Frankfort, KY 40601-8204  
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Michael L. Kurtz, Esq.



## 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 SECOND SET OF DATA REQUESTS**  
**PSC CASE NO. 2005-00068**

- Q1. Please provide copies of all bond rating agency reports (Moody's, Standard and Poor's, Fitch, etc.) for Kentucky Power Company for 2002-2005.
- Q2. Refer to the Company's response to KIUC 1-4, which requested a copy of the Rockport Unit Power Agreements. KIUC has been unable to locate or obtain a copy of these agreements in its files. Please provide a copy of the Agreements.
- Q3. Refer to the Company's response to KIUC 1-37. Please explain why the information is not available from I&M, AEGCO and/or AEP Service Corporation, or wherever the records containing the requested information are maintained.
- Q4. Refer to the Rockport Unit Power Agreement billings for January 2005 through March 2005 provided in response to KIUC 1-7. Please explain why these bills do not reflect the new I.R.C. §199 deduction given that these billings are pursuant to a cost-based tariff.
- Q5. Refer to the Rockport Unit Power Agreement billings for January 2005 through March 2005 provided in response to KIUC 1-7. Does the Company agree that Kentucky Power Company should be provided the benefit of the new §199 deduction effective January 1, 2005? If not, then please provide the Company's rationale and cite all authoritative sources relied on for its position.
- Q6. Refer to the Company's ECR filings for the expense months of January 2005 through March 2005. Please confirm that the Rockport environmental costs included in those filings did not reflect the benefit of the new §199 deduction.
- Q7. Refer to the Company's ECR filings for the expense months of January 2005 through March 2005. Does the Company agree that the ECR should reflect the benefit of the new §199 deduction effective with the January 2005 expense month for the Rockport environmental costs? If not, then please provide the Company's rationale and cite all authoritative sources relied on for its position.
- Q8. Refer to the Company's ECR filings for the expense months of January 2005 through March 2005. Please provide a quantification of the ECR revenue requirement effect of the new §199 deduction on the Rockport environmental costs for each of these months.
- Q9. Refer to the Company's ECR filings for the expense months of January 2005 through March 2005. Does the Company agree that the ECR should reflect the benefit of the new §199 deduction effective with the January 2005 expense month for the Kentucky Power Company environmental costs other than the Rockport and AEP System Pool costs? If not, then please provide the Company's rationale and cite all authoritative sources relied on for its position.
- Q10. Refer to the Company's ECR filings for the expense months of January 2005 through March 2005. Please provide a quantification of the ECR revenue requirement effect of the new §199

deduction on the Kentucky Power Company environmental costs other than the Rockport and AEP System Pool costs for each of these months.

- Q11. a. Refer to ES Form 3.11 for the expense months of January through March 2005. Please explain why there is no allowance activity during each of these months (column 1) except for 1,508 in “other additions” in January and the “consumed by Kentucky Power” in each of the three months. In your response, address the fact that page 10-1 of the AEP System Pool invoices for the same months indicate that allowances were utilized by Kentucky Power for sales to non-affiliated systems.
- b. Please provide a workpaper which reconciles the Kentucky Power allowances expended for sales to non-affiliated systems shown on page 10-1 of the AEP System Pool invoices to the withdrawals shown for off-system sales on ES Form 3.11 for each month December 2004 through March 2005.
- Q12. Refer to paragraph 4.3 of the AEP Interim Allowance Agreement entitled “Allowances Consumed for Power Sales to Foreign Companies.” Is the net result of this paragraph that Kentucky Power is allocated the margin, defined as the market value less the cost of the allowances consumed, on allowances consumed for off-system sales? If not, then please explain your response.
- Q13. Refer to page 11 of the AEP System Pool invoice for the expense month of March 2005 entitled “Adjustment to Account for Market Price (1) vs. Inventory cost (2) Differential of Emission Allowances.” Is this the page that makes the computations necessary to implement paragraph 4.3 of the AEP Interim Allowance Agreement by computing the margins for each operating Company on allowances consumed for off-system sales? If not, then please explain the purpose of this page and how the results are used.
- Q14. Refer to page 11 of the AEP System Pool invoice for the expense month of March 2005.
- a. Is it correct that the market value of allowances consumed for off-system sales is reflected in column (1) and noted in footnote (1) as \$657.04? If not, then please explain the amounts reflected in column (1), how they are computed, and the relationship of footnote (1) to the amounts in column (1).
- b. Is it correct that the SO<sub>2</sub> cost of the allowances consumed for off-system sales is reflected in column (2) and noted in footnote (2) as \$50.76 for Kentucky Power Company? If not, then please explain the amounts reflected in column (2), how they are computed, and the relationship of footnote (2) to the amounts in column (2).
- c. Is it correct that the “SO<sub>2</sub> Adjustment” reflected in column (3) in the amount of \$698,302 reflects the margin on the allowances consumed for off-system sales allocated to Kentucky Power Company?
- d. Please explain how the Company reflects the margins, defined as the market value less the cost, of the allowances consumed for off-system sales allocated to Kentucky Power Company in accordance with the provisions of paragraph 4.3 of the Interim Allowance Agreement are reflected in the Company’s monthly ECR filings.

- e. If the Company has not reflected the margins on allowances consumed for off-system sales allocated to Kentucky Power Company in accordance with the provisions of paragraph 4.3 of the Interim Allowance Agreement in the Company's monthly ECR filings, then please explain why it has not. Cite all authorities relied on for the Company's position.
- f. Please provide a quantification by month for the period January 2004 through the most recent month available of the margins on allowances consumed for off-system sales allocated to Kentucky Power Company in accordance with the provisions of paragraph 4.3 of the Interim Allowance Agreement.
- g. Please provide a quantification by month for the period January 2004 through the most recent month available of the margins on allowances consumed for off-system sales allocated to Kentucky Power Company in accordance with the provisions of paragraph 4.3 of the Interim Allowance Agreement that were included as a reduction to the ECR revenue requirement in the Company's ECR filings during those months (total Company and Kentucky retail), if any.

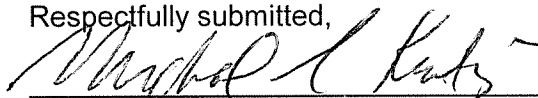
Q15. Refer to the Company's response to KIUC 1-39, which is repeated below:

**Please provide the revenues, costs, and margins on all sales of emission 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. Provide this information by source (Company, Interconnection Agreement, UPA), type of allowance for each of the most recent 18 expense months, and type of purchaser (other member companies, other affiliates, and unaffiliated third parties).**

The Company's response was that "the ECR filings clearly show how the sale of emission allowances are handled." The ECR filings do not include the level of detail requested. Please provide the information requested.

- Q16. Please provide the workpaper and source document support for ES Form 3.11 and ES Form 3.12 for the months January 2004 through the most recent month available.
- Q17. Please provide a copy of all appendices to the most recent version of the Interim Allowance Agreement, including, but not limited to, Appendix E.

Respectfully submitted,



David F. Boehm, Esq.

Michael L. Kurtz, Esq.

**BOEHM, KURTZ & LOWRY**

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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.**