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**MAR 12 2010**

**PUBLIC SERVICE  
COMMISSION**

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March 12, 2010

**HAND DELIVERED**

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

RE: *P.S.C. Case No. 2009-00545*

Dear Mr. Derouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Power Company's Responses to the Data Requests propounded by the Commission, Kentucky Industrial Utility Customers, Inc. and the Attorney General.

Copies of the documents being filed are being served on the persons below. Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Mark R. Overstreet

cc: Michael L. Kurtz  
Dennis G. Howard II  
Lane Kollen

COMMONWEALTH OF KENTUCKY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY

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MAR 12 2010

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION FOR APPROVAL OF )  
RENEWABLE ENERGY PURCHASE )  
AGREEMENT FOR WIND ENERGY ) Case No. 2009-00545  
RESOURCES BETWEEN KENTUCKY )  
POWER COMPANY AND FPL ILLINOIS )  
WIND, LLC. )

KENTUCKY POWER RESPONSES TO ATTORNEY GENERAL'S  
SECOND SET OF DATA REQUEST

March 12, 2010



Kentucky Power Company

**REQUEST**

With regard to the company's response to AG 1-2, is it conceivable that the company could incur incremental generation-related maintenance costs or reliability-related costs associated with this contract? If so, identify the types of costs.

- a. If the company has prepared any estimates, predictions or model runs of any type or sort related to this subject, please provide copies of any and all relevant data.

**RESPONSE**

Based on the Company's experience with wind PPA's to-date, no incremental generation related maintenance costs associated with this contract are expected. No estimates, predictions or model runs related to this subject have been prepared. Any anticipated reliability-related costs that could impact LMP are addressed in response to KIUC Question No. 1.

**WITNESS:** Scott C Weaver



## Kentucky Power Company

### REQUEST

Regarding the company's response to AG 1-4, has AEP ever incurred any such costs for any of its prior wind-generated power projects? Explain in detail.

- a. Will the company agree to supplement its response and provide to the parties herein copies of any and all projections regarding any potential costs for congestion and / or line loss that may result from entering the contemplated contracts?

### RESPONSE

Yes, the company incurs the PJM congestion and line loss components associated with Locational Marginal Price (LMP) for generation power projects, regardless of resource-type.

The PJM website (<http://www.pjm.com/markets-and-operations/energy.aspx>) provides the Locational Marginal Price (LMP), with each component (energy, congestion and line losses) broken out. This information is available for any PJM pricing point regardless of the generation type. AEPSC has collected the LMP data associated with both its Camp Grove (IL) and Fowler Ridge (IN) Wind Farms for the 2008-2010 (YTD) time-period. Fowler II, Grand Ridge II and Grand Ridge III began generating late 2009 and LMP information related to AEP's contract capacity share of these facilities has not been included. In addition to the average congestion and line loss components for both locations, the data includes the average energy component included in LMP. Since these facilities participate in both the PJM Day-ahead and Real-time energy markets, pricing components are included for both markets. The average congestion and line loss components are also represented as a percentage of the total energy component.

2008 Average LMP Components (\$/MWh)						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	66.83	66.65	-11.16	-13.63	-7.44	-6.32
Fowler Ridge	N/A	N/A	N/A	N/A	N/A	N/A

2008 Average % of Energy Component						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	-	-	-17%	-20%	-11%	-9%
Fowler Ridge	-	-	N/A	N/A	N/A	N/A

2009 Average LMP Components (\$/MWh)						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	37.16	37.03	-4.77	-4.97	-4.54	-4.06
Fowler Ridge	33.74	33.66	-1.61	-1.96	-2.84	-2.37

2009 Average % of Energy Component						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	-	-	-13%	-13%	-12%	-11%
Fowler Ridge	-	-	-5%	-6%	-8%	-7%

2010 (YTD) Average LMP Components (\$/MWh)						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	51.24	48.20	-7.68	-7.24	-6.41	-5.62
Fowler Ridge	51.24	48.32	-6.16	-5.24	-4.99	-4.12

2010 (YTD) Average % of Energy Component						
	Energy		Congestion		Line Losses	
	Day-ahead	Real-time	Day-ahead	Real-time	Day-ahead	Real-time
Camp Grove	-	-	-15%	-15%	-13%	-12%
Fowler Ridge	-	-	-12%	-11%	-10%	-9%

Source: <http://www.pjm.com/markets-and-operations/energy.aspx>

- a. Kentucky Power does not have, and because of the dynamic nature of PJM's regional dispatch solution the Company does not anticipate having, any projections of potential line loss and congestion costs. Please see the Company's response to KIUC 2nd Set, No. 1.

WITNESS: Jay F Godfrey





## Kentucky Power Company

### REQUEST

Is the company aware that ecoPower Generation, LLC ["ecoPower"] has filed an application with the Kentucky State Board on Electric Generation and Transmission Siting seeking approval for construction of a 50 MW merchant generation plant that would utilize low grade wood and wood waste for fuel? In your response, please consider the company's response to KIUC 1-9.

- a. Is the company aware that ecoPower proposes to sell its generation to AEP?
- b. If AEP agrees to purchase such generation, will the need for the wind-generated power which is the subject of the instant case decrease or be eliminated?
- c. Does the company have any cost projections for the power that would be generated from ecoPower's plant contrasted with the cost for the wind-generated power? If not, will the company agree to supplement its response to this request in the event any such cost projections are made? Please include in your calculations the difference in transmission costs in the ecoPower option as contrasted with transmission costs for the wind-generated power.
- d. In the event the cost for power from ecoPower's facility is less expensive than the wind-generated power the company proposes to purchase under the subject contracts, does the company foresee any possibility of cancelling the wind contracts and replacing it with the power from ecoPower? Why or why not? Explain in detail.
- e. Can the company negotiate any provisions with the owners of the wind generation farm allowing the company to terminate the wind contracts in the event the price for ecoPower's generation is less expensive than the wind-generated power? Why or Why not? Explain in detail.
- f. Would it be more feasible for the PSC to wait for additional information regarding ecoPower's proposals before approving the contracts which are the subject of the instant case?
- g. Do AEP, Kentucky Power, or any of its officers, employees or other principals have any affiliation or financial interest of any type or sort with ecoPower?

- h. In the event Kentucky Power does not utilize ecoPower's generation output, is it conceivable that other AEP subsidiaries will use it? If so, do Kentucky Power and/or any other AEP subsidiary stand to receive any financial gain of any type or sort, including but not limited to transmission costs and off-system sales, from ecoPower's sale of power to AEP?

RESPONSE

Yes. The Company is aware of ecoPower's application with the Kentucky State Board.

- a. No. AEP has not received any bids or proposals from ecoPower.
- b. N/A. Refer to the response to Item (a) above.
- c. N/A. Refer to the response to Item (a) above. The Company does not have cost projections for power generated from the ecoPower project.
- d. N/A. Refer to the Company's response to Items (a), (c), and (e).
- e. No. As is typical of contracts, there are no provisions in the wind power purchase agreement allowing for renegotiations between the Company and the owners of the wind facility.
- f. No. Based upon the information provided in its public press release, ecoPower appears to be in the preliminary stages of its project development for the referenced biomass project. Given the project parameters, including, but not limited to, permitting approval, financing and transmission interconnection, the Company does not believe it would be more feasible to wait upon PSC approval of the ecoPower project before approving the wind contract, which is the subject of the given case.
- g. No. The Company is not aware of any AEP, Kentucky Power, or any officers or principals who have an affiliation or interest of any type with ecoPower.
- h. Given the Company's limited related knowledge and the preliminary nature of the ecoPower project, it would be inappropriate for the Company to speculate on any market participant's utilization of the generation output. Furthermore, the Company is not familiar with ecoPower's specific intentions for the sale of any potential power to AEP. Therefore, the Company is not in a position to comment on any associated financial impacts related to the proposed facility or related transactions.

WITNESS: Jay F Godfrey