

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 04 2012

PUBLIC SERVICE  
COMMISSION

In The Matter Of:

APPLICATION OF KENTUCKY POWER  
COMPANY FOR APPROVAL OF ITS  
2011 ENVIRONMENTAL COMPLIANCE  
PLAN, FOR APPROVAL OF ITS  
AMENDED ENVIRONMENTAL COST  
RECOVERY SURCHARGE TARIFF, AND  
FOR THE GRANTING OF A  
CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY FOR  
THE CONSTRUCTION AND  
ACQUISITION OF RELATED  
FACILITIES

CASE NO. 2011-00401

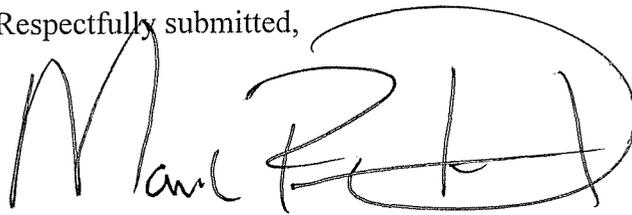
**Notice of Filing of Certain Data Request Responses**

Kentucky Power Company files herewith its Responses to the following Hearing Data

Requests:

- (a) AG H-1
- (b) KPSC H-3, H-4, H-6, H-7, H-9.

Respectfully submitted,



Mark R. Overstreet  
R. Benjamin Crittenden  
STITES & HARBISON PLLC  
421 West Main Street  
P. O. Box 634  
Frankfort, Kentucky 40602-0634  
Telephone: (502) 223-3477

COUNSEL FOR KENTUCKY POWER  
COMPANY

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by e-mail transmission and first class mail upon the following parties of record on this 4<sup>th</sup> day of May, 2012.

Michael L. Kurtz  
Boehm, Kurtz & Lowry  
Suite 1510  
36 East Seventh Street  
Cincinnati, Ohio 45202

Joe F. Childers  
Joe F. Childers & Associates  
300 The Lexington Building  
201 West Short Street  
Lexington, Kentucky 40507

Dennis G. Howard II  
Lawrence W. Cook  
Assistant Attorney General  
Office for Rate Intervention  
P.O. Box 2000  
Frankfort, Kentucky 40602-2000

Kristin Henry  
Sierra Club  
85 Second Street  
San Francisco, California 94105

Shannon Fisk  
745 N. 24<sup>th</sup> St.  
Philadelphia, PA 19130



Michael L. Kurtz  
Counsel for Kentucky Power Company

**Kentucky Power Company**

**REQUEST**

Please provide the following revenue items for schools by tariff for the twelve months ended August 31, 2011.

- a. revenues subject to ECR,
- b. fuel revenue in base rates,
- c. fuel adjustment revenues,
- d. system sales revenues,
- e. DSM revenues and
- f. capacity charge revenues.

**RESPONSE**

Page 2 of this response provides the requested information for Revenue Account 213 "Public Authorities-Schools." There may be a limited number of post-secondary institutions not included. Also, private educational institutions are not included.

**WITNESS:** Lila P Munsey

Kentucky Power Company  
 Revenue Class 213 - Public Authorities - Schools  
 By Tariff for the Period September 2010 through August 2011

Tariff	Tariff Description	Revenue Subject to ECR (a)	kWh Sales (b)	Base Fuel Rate (c)	Fuel Revenue in Base (d) = (b) x (c)	Fuel Adj Revenue (e)	System Sales Revenue (f)	DSM Revenue (g)	Capacity Charge Revenue (h)
093	175 MERCURY VAPOR	\$889	6,574	0.0284	\$187	(\$5)	(\$3)	\$0	\$6
094	100 HIGH PRESSURE SODIUM	\$4,853	21,116	0.0284	\$600	(\$16)	(\$12)	\$0	\$20
095	400 MERCURY VAPOR	\$1,616	15,168	0.0284	\$431	(\$10)	(\$7)	\$0	\$15
097	200 HIGH PRESSURE SODIUM	\$6,947	45,857	0.0284	\$1,302	(\$29)	(\$22)	\$0	\$44
098	400 HIGH PRESSURE SODIUM	\$3,452	27,590	0.0284	\$784	(\$17)	(\$12)	\$0	\$27
107	200 HIGH PRESSURE SODIUM - FLOOD	\$17,892	108,158	0.0284	\$3,072	(\$81)	(\$48)	\$0	\$105
109	400 HIGH PRESSURE SODIUM - FLOOD	\$123,458	1,041,187	0.0284	\$29,570	(\$683)	(\$516)	\$0	\$1,010
110	250 METAL HALIDE - FLOOD	\$1,006	5,345	0.0284	\$152	(\$4)	(\$2)	\$0	\$5
111	100 HIGH PRESSURE SODIUM - POST TOP	\$4,081	12,566	0.0284	\$357	(\$8)	(\$6)	\$0	\$12
113	150 HIGH PRESSURE SODIUM	\$7,632	39,255	0.0284	\$1,115	(\$26)	(\$19)	\$0	\$38
116	400 METAL HALIDE - FLOOD	\$20,518	130,334	0.0284	\$3,701	(\$87)	(\$63)	\$0	\$126
131	1000 METAL HALIDE - FLOOD	\$1,296	8,992	0.0284	\$255	(\$6)	(\$5)	\$0	\$9
211	SMALL GENERAL SERVICE	\$186,529	1,589,850	0.0284	\$45,152	(\$803)	(\$700)	\$212	\$1,539
214	MEDIUM GENERAL SERVICE-ATHLETIC FLI	\$103,987	1,077,774	0.0284	\$30,609	(\$686)	(\$557)	\$145	\$1,045
215	MEDIUM GENERAL SERVICE - SECONDAR\	\$2,455,234	23,821,871	0.0284	\$676,541	(\$13,922)	(\$11,463)	\$3,335	\$23,098
217	MEDIUM GENERAL SERVICE - PRIMARY	\$420	0	0.0284	\$0	\$0	\$0	\$0	\$0
223	MEDIUM GENERAL SERVICE - LM - ON PK	\$2,709	29,760	0.0284	\$845	(\$11)	(\$2)	\$3	\$29
240	LARGE GENERAL SERVICE - SECONDARY	\$14,730,308	157,755,602	0.0284	\$4,480,259	(\$96,251)	(\$84,625)	\$23,106	\$152,980
244	LARGE GENERAL SERVICE - PRIMARY	\$182,670	2,324,200	0.0284	\$66,007	(\$1,763)	(\$1,122)	\$272	\$2,254
248	LARGE GENERAL SERVICE - SUBTRAN	\$162,790	2,677,500	0.0284	\$76,041	(\$1,753)	(\$1,642)	\$445	\$2,597
358	QUANTITY POWER - PRIMARY	\$321,844	4,585,800	0.0284	\$130,237	(\$2,633)	(\$2,535)	\$744	\$4,448
	Totals	\$18,340,141	195,324,499		\$5,547,216	(\$118,794)	(\$103,361)	\$28,262	\$189,409

## Kentucky Power Company

### REQUEST

Please verify that the credit side of the monthly AFUDC amounts will be reflected as a revenue item in the Company's monthly income statement. Please verify that the monthly credit AFUDC amount increases the Company's monthly net income and the Company's earned return during the construction period.

### RESPONSE

The credit side of the monthly AFUDC amount **is not** a revenue account but rather a interest expense account. Further, when considering **only** the effect of AFUDC entries, the credit side of the monthly AFUDC entry as an interest expense account results in an increase to a utility company's net income. **However**, a complete analysis would show that the debt-related AFUDC simply offsets a portion of the interest expense already recorded by the utility company. Commonly, the interest expense being offset by AFUDC-Debt is recorded in Account 427 – Interest on Long-Term Debt, 430 – Interest to Associated Companies, and/or 431 – Other Interest Expense. Thus, the monthly net effect of increased interest expense offset by AFUDC typically provides a **decrease** to net income.

**WITNESS:** Ranie K Wohnhas

**Kentucky Power Company**

**REQUEST**

The Big Sandy SCR went into service in May 2003. Please state whether the Big Sandy SCR costs were included in the Company's monthly environmental report for the May 2003 expense month.

**RESPONSE**

Yes, the costs associated with the Big Sandy SCR were included in the Company's monthly environmental report for the May 2003 expense month.

**WITNESS:** Lila P Munsey

**Kentucky Power Company**

**REQUEST**

Please provide the date, amount and reason for the last capital infusion by American Electric Power Company, Inc. into Kentucky Power Company.

**RESPONSE**

The last capital (equity) infusion from AEP to Kentucky Power was in the first quarter of 2009 of \$30 million. The infusion was made to strengthen Kentucky Power's capital structure and help maintain its financial ratios.

**WITNESS:** Ranie K Wohnhas

**Kentucky Power Company**

**REQUEST**

What other options were considered prior to the February 10, 2012 filing seeking approval to transfer 20% of Ohio Power Company's Mitchell Units 1 & 2 to Kentucky Power?

**RESPONSE**

The other options considered prior to the FERC filing on February 10, 2012 are detailed in the Company's response to KPSC 3-1.

**WITNESS:** Ranie K Wohnhas

**Kentucky Power Company**

**REQUEST**

Please amend and provide revised exhibits LPM-13 and LPM-14 (KPSC 2-23, Attachment 1, pages 13-14) to remove line 16 & 17 from LPM-13.

**RESPONSE**

Revised exhibits LPM-13 and LPM-14 (KPSC 2-23, Attachment 1, pages 13-14) removing lines 16 & 17 from LPM-13, are attached.

**WITNESS:** Lila P Munsey

**Kentucky Power Company**  
**Pollution Control Environmental Facilities**  
**New Environmental Costs Associated with**  
**Allowance Inventory**

<u>Line No.</u>	<u>Description</u>	<u>Formula</u>	<u>KY Retail Rev Requirement</u>
(1)	(2)	(3)	(4)
1	Estimated Monthly CSAPR SO2 Allowance Inventory	KIUC 1-20	\$ 425,976
2	Estimated Monthly CSAPR NOx Allowance Inventory	KIUC 1-20	\$ 2,053
3	Estimated Monthly CSAPR SO2 Consumption Expense	L11 / 12	\$ 517,667
4	Estimated Monthly CSAPR NOx Consumption Expense	L12 / 12	\$ (54,167)
5	Net Monthly Expenses (Consumption less Gains)	L3 + L4	\$ 463,500
6	Cash Working Capital Allowance (in accordance with ES FORM 3.13)	L5 / 8	\$ 57,938
7	Total Rate Base	L1 + L2 + L6	\$ 485,967
8	Annual Weighted Average Cost of Capital	Exhibit LPM-3, L5, C8	<u>10.69%</u>
9	Return of Rate Base	L7 X L8	\$ 51,950
10	Estimated Monthly CSAPR SO2 Consumption Expense	Wohnhas testimony	\$ 6,212,000
11	Estimated Monthly CSAPR NOx Consumption Expense	Wohnhas testimony	\$ (650,000)
12	Total Operating Expenses	L10 + L11	\$ 5,562,000
13	Total Revenue Requirement	L9 + L12	\$ 5,613,950
14	Annual Revenue Allocation Factor	Exhibit LPM-5, L15, C3	<u>78.91%</u>
15	Total KY Retail Revenue Requirement	L13 X L14	<u>\$ 4,429,968</u>
16	KY Jurisdiction 12-month Revenue	Exhibit LPM-5, L13, C3	\$ 569,593,245
17	Percent Change	L17 / L18	<u>0.78%</u>

**Kentucky Power Company  
 Pollution Control Environmental Facilities  
 New Environmental Costs  
 Effect on Residential Customers**

<u>Line No.</u>	<u>Description</u>	<u>Formula</u>	<u>Annual Amount</u>	<u>Percent Increase</u>
(1)	(2)	(3)	(5)	(6)
1	Annual Effect of New Environmental Pool Capacity Charges	Exhibit LPM-9, L14	\$306,612	
2	KPCo's Share of Rockport	Exhibit LPM-12, L14	<u>\$480,780</u>	
3	Total Environmental Cost	L1 + L2	<u>\$787,392</u>	
4	KPCo's Average Retail Allocation for 12 months ended August 2011	Exhibit LPM-5, L.15, C3	<u>78.91%</u>	
5	Net Annual Impact on the Kentucky Retail Customers	L3 X L4	\$621,331	0.10%
6	KY Retail Allowances	Exhibit LPM-13, L17, C4	<u>\$4,429,968</u>	<u>0.78%</u>
7	KY Retail Revenue Requirement for Big Sandy Environmental Additions	Exhibit LPM-2, L15, C3	<u>\$162,993,233</u>	<u>28.62%</u>
8	Total Environmental Projects in this Filing	L5 + L6 + L7	<u>\$168,044,532</u>	<u>29.50%</u>
9	Billed Revenues for 12 months ended August 2011	Exhibit LPM-5, L13, C3	<u>\$569,593,245</u>	
10	Percent Increase	L8 / L9	<u>29.50%</u>	
		<b>Usage in kWh:</b>	<u>1,000</u>	
11	Monthly Effect on a Residential Customers		\$ 28.89	
12	Annualize		<u>12</u>	
13	<b>Annual Effect on a Residential Customers</b>	L11 X L12	<u>\$ 346.68</u>	