

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF AEP KENTUCKY)
TRANSMISSION COMPANY, INC. FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY PURSUANT TO KRS 278.020 TO) CASE NO. 2011-00042
PROVIDE WHOLESALE TRANSMISSION)
SERVICE IN THE COMMONWEALTH)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on October 19, 2011 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on October 19, 2011 in this proceeding;
- The written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on October 19, 2011.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2011-00042/2011-00042_19Oct11_Inter.asx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2011%20cases/2011-00042/>.

Done at Frankfort, Kentucky, this 25th day of October 2011.



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Public Service Commission of Kentucky

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BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

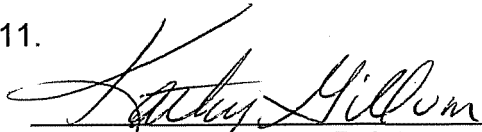
APPLICATION OF AEP KENTUCKY)
TRANSMISSION COMPANY, INC. FOR A)
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NECESSITY PURSUANT TO KRS 278.020 TO) CASE NO. 2011-00042
PROVIDE WHOLESALE TRANSMISSION)
SERVICE IN THE COMMONWEALTH)

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on October 19, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. The "Exhibit List" attached to this Certificate correctly lists all Exhibits introduced at the hearing of October 19, 2011.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of October 19, 2011 and the time at which each occurred.

Given this 25th day of October, 2011.


Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2011-00042_19Oct11

Case Title: AEP Kentucky Transmission Co., Inc.

Case Type: Other

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 10/19/2011

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:04:56 AM	Case Started	
10:05:04 AM	Preliminary Remarks	
10:05:16 AM	Introductions Note: Kathy Gillum	Mark Overstreet, counsel for Ky Power, David Boehm, counsel for KIUC, Lawrence Cook, OAG, Richard Raff, PSC
10:06:12 AM	Housekeeping Issues Note: Kathy Gillum	Notice has been given. No public comments. No outstanding Motions.
10:06:24 AM	Witness, Greg Pauley (Ky Power) Note: Kathy Gillum	Witness called to testify by Mark Overstreet.
10:07:14 AM	Examination by Mark Overstreet (Ky Power) Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Witness adopts pre-filed testimony and responses to data requests.
10:07:43 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding purpose of the filing. Questions regarding Ky Power's ability to construct the facilities. Questions regarding a published article pertaining to the sale of assets. Questions regarding Ky Transco pertaining to transmission service.
10:15:45 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding page 9 of pre-filed testimony pertaining to advantages of being a utility. Questions regarding being a certified territory. Questions regarding limits of a certified territory. Questions regarding reasons for wanting to be a Kentucky utility, other than eminent domain.
10:21:43 AM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding the other states that transco operates in.
10:24:08 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding page 9 of pre-filed testimony. Questions regarding financing, whether the parent company would be responsible for the debt.
10:32:55 AM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding MISO.

10:33:52 AM	Re-Direct by Mark Overstreet (Ky Power) Note: Kathy Gillum	Questions regarding debt being issued in KY Power's own name, not parent company. Questions regarding certified territory. Questions regarding financial planning of Ky Power.
10:37:11 AM	Question by Chairman Armstrong Note: Kathy Gillum	Question as to location of Hanging Rock.
10:37:42 AM	Larry Cook, (OAG) Note: Kathy Gillum	No questions.
10:37:52 AM	David Boehm (KIUC) Note: Kathy Gillum	No questions.
10:37:58 AM	Mark Overstreet (Ky Power) Note: Kathy Gillum	Mr. Overstreet asked if witness could be excused from hearing due to an out of town committment.
10:38:17 AM	Witness Excused (Pauley) Note: Kathy Gillum	Witness excused from hearing by Chairman Armstrong
10:38:24 AM	Witness, Jerald Boteler (AEP) Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Witness changes name of his title in his pre-filed testimony and responses to data requests, and adopts pre-filed testimony and data request responses with the change.
10:40:04 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding risks that a utility faces. Questions regarding lower price v. lower risk. Questions regarding investing in transmission. Witness reads an excerpt from his pre-filed testimony. Questions regarding page 5 of pre-filed testimony, lines 16 thru 19, pertaining to how funding level of KY Power is limited. Questions regarding environmental surcharge in Kentucky. Questions regarding under earning on Ky Power's return. Questions regarding history of filing rate applications. Questions regarding funding of building by AEP if PSC denied permission.
11:07:35 AM	Objection by Mark Overstreet	
11:08:06 AM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Mr. Raff rephrased the question after Mr. Overstreet's objection.
11:12:37 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding equity securities. Questions regarding debt v. equity. Questions regarding the different transcos and their locations. Questions regarding what AEP would do in the event that the PSC denies case. (i.e., merchant transmission, etc).
11:21:51 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding application filed with the PSC. Questions regarding burden on the Kentucky consumer. Questions regarding what harm could come to Ky Power if transaction is allowed. Questions regarding "cherry picking".
11:35:19 AM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding organizational flow of the company.
11:37:28 AM	Re-Direct by Mark Overstreet (Ky Power) Note: Kathy Gillum	Questions regarding financial advantages that transco would have. Questions regarding pulling transmission assets out of Ky Power ("cherry picking").
11:40:02 AM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding business model and who decides where the lines will go.

11:40:59 AM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding why transco could not be a subsidiary of Ky Power instead of AEP. Questions regarding debt issuance. Questions regarding advantages of regulated v. non regulated entities.
11:47:58 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding FERC incentive rate.
11:49:52 AM	Re-Direct by Mark Overstreet (Ky Power) Note: Kathy Gillum	Questions regarding the purpose of transco.
11:51:11 AM	Witness Excused (Boteler)	
11:51:54 AM	Lunch Break Note: Kathy Gillum	Hearing recessed for lunch break. Reconvene at 1:00 p.m.
11:52:09 AM	Case Recessed	
12:59:47 PM	Case Started	
1:00:07 PM	Witness, Lisa Barton (AEP) Note: Kathy Gillum	Witness called to testify by Mark Overstreet.
1:00:29 PM	Examination by Mark Overstreet (Ky Power) Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Correction to pre-filed testimony: title, roles and responsibilities have now changed.
1:01:58 PM	Larry Cook (OAG) Note: Kathy Gillum	No questions.
1:02:03 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Mr. Raff passes out a document that contains some Kentucky Statutes.
1:03:44 PM	Exhibit PSC 1 Note: Kathy Gillum	Richard Raff introduced several pages of Kentucky Revised Statutes as PSC Exhibit 1.
1:03:51 PM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding how the FERC transmission rate is passed at the retail level. Questions regarding bundled transmission service to its customers. Questions regarding KRS 278.160. Questions regarding tariff filings at FERC rate. Questions regarding KRS 278.260.
1:23:18 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding where a complaint would be filed (FERC or PSC).
1:24:41 PM	Examination by Richard Raff (PSC) continues Note: Kathy Gillum	Questions regarding page 4 of PSC Exhibit 1. Questions regarding page 5 of PSC Exhibit 1. Questions regarding page 6 of PSC Exhibit 1. Questions regarding whether transco will have intrastate business in Kentucky. Questions regarding whether or not there would be payment of assessments to PSC by transco. Questions regarding transmission facilities by other companies. Witness explains FERC Order 1000. Questions regarding Responses to Data Request to Item 2 page 1. Questions regarding the filing of tariffs by Kentucky Transco.
1:52:39 PM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding generation.
1:53:26 PM	Mark Overstreet (Ky Power) Note: Kathy Gillum	Mr. Overstreet states that they can provide the answer to the question in a post hearing data request.
1:53:34 PM	Data Request by Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong asked the question "Does Kentucky Power sell all of its generation to PJM"?

1:53:44 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding what constitutes transmission in FERC's jurisdiction.
1:59:47 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding costs v. benefits methodology.
2:02:21 PM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding the location of a transco that could be looked at for comparison.
2:03:54 PM	Mark Overstreet (Ky Power) Note: Kathy Gillum	No Re-Direct.
2:04:00 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding FERC rate of return.
2:04:18 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding rate of return.
2:07:47 PM	David Boehm (KIUC) Note: Kathy Gillum	No Questions.
2:08:06 PM	Witness, Ranie Wohnhas (Ky Power) Note: Kathy Gillum	Witness called to testify by Mark Overstreet.
2:08:43 PM	Examination by Mark Overstreet (Ky Power) Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Witness adopts pre-filed testimony
2:09:15 PM	Larry Cook (OAG) Note: Kathy Gillum	No questions.
2:09:21 PM	David Boehm (KIUC) Note: Kathy Gillum	No questions.
2:09:26 PM	Examination by Richard Raff (PSC) Note: Kathy Gillum	Questions regarding page 5, line 13 of pre-filed testimony. Questions regarding retail services to its retail customers. Questions regarding Responses to DR from IC 9-13-11, Item 3, page 2. Questions regarding PSC Exhibit 1. Witness states that PSC will have jurisdiction over the services, and FERC would have jurisdiction for rates. Questions regarding merchant plants. Questions regarding, to what extent would the PSC have jurisdiction over the transcos.
2:31:12 PM	Data Request by Richard Raff (PSC) Note: Kathy Gillum	Intrastate and interstate involvement of transco.
2:31:27 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding Table 1, 2, and 3. Questions regarding DR 6, page 1 (DR from IC).
2:38:41 PM	Mark Overstreet (Ky Power) Note: Kathy Gillum	No Re-direct.
2:38:49 PM	Witness Excused (Wohnhas)	
2:39:05 PM	Mark Overstreet (Ky Power) Note: Kathy Gillum	Mr. Overstreet stated that concludes his witnesses. He also stated that there were 2 outstanding data requests and he requested 10 business days to provide. Mr. Overstreet offered to file a brief. OAG will not be filing a brief. KIUC will not be filing a brief. Mr. Overstreet's Brief due in 30 days.
2:40:13 PM	Chairman Armstrong - Hearing Adjourned	
2:40:22 PM	Case Recessed	
2:59:58 PM	Case Stopped	



Exhibit List Report
Case Number: 2011-00042_19Oct11

Case Title: AEP Kentucky Transmission Co., Inc.

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
PSC Exhibit 1	Several pages of Kentucky Revised Statutes, Chapter 278

278.040 Public Service Commission; jurisdiction; regulations

(1) The Public Service Commission shall regulate utilities and enforce the provisions of this chapter. The commission shall be a body corporate, with power to sue and be sued in its corporate name. The commission may adopt a seal bearing the name "Public Service Commission of Kentucky," which seal shall be affixed to all writs and official documents, and to such other instruments as the commission directs, and all courts shall take judicial note of the seal.

(2) The jurisdiction of the commission shall extend to all utilities in this state. The commission shall have exclusive jurisdiction over the regulation of rates and service of utilities, but with that exception nothing in this chapter is intended to limit or restrict the police jurisdiction, contract rights or powers of cities or political subdivisions.

278.010 Definitions for KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and 278.990

As used in KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and 278.990, unless the context otherwise requires:

(12) "Rate" means any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof;

(13) "Service" includes any practice or requirement in any way relating to the service of any utility, including the voltage of electricity, the heat units and pressure of gas, the purity, pressure, and quantity of water, and in general the quality, quantity, and pressure of any commodity or product used or to be used for or in connection with the business of any utility, but does not include Voice over Internet Protocol (VoIP) service;

278.160 Utilities to file and display general schedules of rates and conditions for service; adherence to schedules; exclusion from disclosure of confidential or proprietary provisions in special contracts

(1) Under rules prescribed by the commission, each utility shall file with the commission, within such time and in such form as the commission designates, schedules showing all rates and conditions for service established by it and collected or enforced. The utility shall keep copies of its schedules open to public inspection under such rules as the commission prescribes.

(2) No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

278.260 Jurisdiction over complaints as to rates or service; investigations; hearing

(1) The commission shall have original jurisdiction over complaints as to rates or service of any utility, and upon a complaint in writing made against any utility by any person that any rate in which the complainant is directly interested is unreasonable or unjustly discriminatory, or that any regulation, measurement, practice or act affecting or relating to the service of the utility or any service in connection therewith is unreasonable, unsafe, insufficient or unjustly discriminatory, or that any service is inadequate or cannot be obtained, the commission shall proceed, with or without notice, to make such investigation as it deems necessary or convenient. The commission may also make such an investigation on its own motion. No order affecting the rates or service complained of shall be entered by the commission without a formal public hearing.

278.270 Orders by commission as to rates

Whenever the commission, upon its own motion or upon complaint as provided in KRS 278.260, and after a hearing had upon reasonable notice, finds that any rate is unjust, unreasonable, insufficient, unjustly discriminatory or otherwise in violation of any of the provisions of this chapter, the commission shall by order prescribe a just and reasonable rate to be followed in the future.

278.280 Orders by commission as to service; extension of service

(1) Whenever the commission, upon its own motion or upon complaint as provided in KRS 278.260, and after a hearing had upon reasonable notice, finds that the rules, regulations, practices, equipment, appliances, facilities or service of any utility subject to its jurisdiction, or the method of manufacture, distribution, transmission, storage or supply employed by such utility, are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine the just, reasonable, safe, proper, adequate or sufficient rules, regulations, practices, equipment, appliances, facilities, service or methods to be observed, furnished, constructed, enforced or employed, and shall fix the same by its order, rule or regulation.

(2) The commission shall prescribe rules for the performance of any service or the furnishing of any commodity of the character furnished or supplied by the utility, and, on proper demand and tender of rates, the utility shall furnish the commodity or render the service within the time and upon the conditions provided in the rules.

(3) Any person or group of persons may come before the commission and by petition ask that any utility subject to its jurisdiction be compelled to make any reasonable extension. The commission shall hear and determine the reasonableness of the extension, and sustain or deny the petition in whole or in part.

278.010 Definitions for KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and 278.990

As used in KRS 278.010 to 278.450, 278.541 to 278.544, 278.546 to 278.5462, and 278.990, unless the context otherwise requires:

278.010(23) “Regulated activity” means a service provided by a utility or other person, the rates and charges of which are regulated by the commission;

278.010(22) “Nonregulated” means that which is not subject to regulation by the commission;

278.010(21) “Nonregulated activity” means the provision of competitive retail gas or electric services or other products or services over which the commission exerts no regulatory authority;

278.2201 Prohibition against subsidy of nonregulated activity; separate accounting

A utility shall not subsidize a nonregulated activity provided by an affiliate or by the utility itself. The commission shall require all utilities providing nonregulated activities, either directly or through an affiliate, to keep separate accounts and allocate costs in accordance with procedures established by the commission. The commission may promulgate administrative regulations that will assist the commission in enforcing this section.

278.225 Time limitation on billing; liability for unbilled service

All service supplied by a utility shall be billed within two (2) years of the service. No customer shall be liable for unbilled service after two (2) years from the date of the service, unless the customer obtained the service through fraud, theft, or deception.

278.130 Assessments against utilities; applications for adjustment

(1) For the purpose of maintaining the commission, including the payment of salaries and all other expenses, and the cost of regulation of the utilities subject to its jurisdiction, the Department of Revenue shall each year assess the utilities in proportion to their earnings or receipts derived from intrastate business in Kentucky for the preceding calendar year as modified by KRS 278.150, and shall notify each utility on or before July 1 of the amount assessed against it. The total amount so assessed shall not in any year exceed two (2) mills on intrastate receipts as so modified, which shall be deposited into the State Treasury to the credit of the general fund. The sum by each utility shall not be less than fifty dollars (\$50) in any one (1) year.

(2) The assessments provided for in this section shall be in lieu of all other fees or assessments levied by any city or other political subdivision for the control or regulation of utilities.

278.140 Report of gross earnings from intrastate business

To ascertain the amount of the assessment provided for in KRS 278.130, each utility shall, on or before March 31 of each year, file with the commission a report of its gross earnings or receipts derived from intrastate business for the preceding calendar year.

278.150 Payment of assessments; certification of deduction by commission; administration of funds collected

(1) The commission shall, on or before June 1, certify to the Department of Revenue and the Finance and Administration Cabinet the amount of intrastate business of each utility in the state subject to its jurisdiction during the previous calendar year. The commission shall, when certifying the intrastate sales of retail electric suppliers, deduct from such sales one-half (1/2) of the applicable wholesale power costs, provided the utility from which such wholesale power purchases were made pays assessment on the full wholesale value of its gross intrastate sales in Kentucky. When certifying the intrastate sales of retail electric suppliers not subject to the jurisdiction of the commission for rates, the commission shall deduct one-half (1/2) of their actual intrastate sales. All utilities classified as retail electric suppliers shall pay assessments based on the amount of intrastate sales less deductions as certified by the commission.