

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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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 )  
GRANT OF A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY FOR THE )  
CONSTRUCTION AND ACQUISITION OF )  
RELATED FACILITIES )

CASE NO. 2011-00401

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Kentucky Power Company ["KPCo"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness(es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for KPCo with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms include all information regardless of the medium or media in which they are recorded (including electronic media and e-mail), in any written, graphic or other tangible form including, but not necessarily limited to: all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche;

videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards / records, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company:

(a) please identify: (i) the person by whom it was destroyed and/or transferred; (ii) the transferee; and (iii) the person authorizing the destruction or transfer; and

(b) state: (i) the time, place, and method of destruction or transfer; and, (ii) the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

Respectfully submitted,  
JACK CONWAY  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 13<sup>th</sup> day of January, 2012

  
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Assistant Attorney General

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Surcharge Tariff, and Certificate Of Public Convenience and Necessity for the  
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I. GENERAL REQUESTS

1. Please reference the McManus testimony at page 7, lines 13 through 15, wherein the following statement appears regarding the final CSPAR rule. "The assurance provisions go into effect in 2012 based on the final rule, but EPA has proposed delaying the effective year to 2014." Please update the McManus testimony if necessary as well as the application in general and any other testimonies to reflect changes, if any, the company will experience or anticipates it will experience.
2. Please reference the McManus testimony at page 9, footnote 2. Please provide the EPA state emission budget allowance for the state of Indiana.
3. Please update the application and all testimonies to reflect the effect, impact and ramifications which the 2011 promulgation of the final version of EPA's MACT rule will have upon the company.
4. Please reference the McManus testimony at page 14, line 17. What are the other "sources" referenced in the statement. Please describe them in detail.
5. Please reference the McManus testimony at page 17. In the event the air permits as filed are not approved, what effect, if any, will any disapproval have on the current application pending before the PSC?
6. Please reference the Munsey testimony at pages 22 and 23 where the company bases the monthly and yearly financial impact on a residential customer's bill using an average 1,000 kWh per month.
  - a. What is the actual, average residential monthly use for KPCo's customers for the past five years?
  - b. If it is different than 1,000 kWh per month, please provide the increase on the average residential customer's bill.
7. What is the actual, average commercial monthly use for KPCo's customers for the past five years?

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- a. How much will the average commercial customer's bill increase?
8. What is the actual, average industrial monthly use for KPCo's customers for the past five years?
    - a. How much will the average industrial customer's bill increase?
  9. Please reference the Walton testimony at page 20 at lines 7 through 12.
    - a. Provide the numerical or percentage increase for the "escalation of labor and materials in the cost estimate."
    - b. Does KPCo inflate construction costs to address administrative company oversight of the contract(s)? If so, by how much and does it vary by the degree of administrative work performed by KPCo?
  10. Does the company believe that its cost estimates of complying with the EPA regulations / laws cited in the application are excessive, when compared with the cost estimates of other utilities which generate their electricity by coal to likewise comply with the same EPA mandates? Describe the answer in detail.
  11. Please reference the Weaver testimony at pages 12 through 13 as well as the testimony in general. Please provide a chart or graphical depiction of the following, broken down by Phase 1 and Phase 2 of the CSAPR Rule:
    - a. the estimated curtailment date(s), if any, of the Big Sandy units, with each unit listed separately, and amount of generated electricity expected to be curtailed;
    - b. the amounts and expected costs of any additional power that may have to be purchased as a result of any such curtailments;
    - c. the estimated impact on the bills of average residential, commercial and industrial customers, with each listed separately, including also the costs of any purchased power reflected in subpart (b), above.
  12. Please reference the application in general as it relates to using natural gas as the feedstock to power KPCo's generators. Is the company familiar with the impact



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on natural gas prices that occurred when electric generating utilities began using natural gas as the feedstock for peaking units in the late 1980's/early 90's? If so, what happened to that price?

13. Please reference the application in general. Did KPCo consider the availability and cost of purchased power (whether from the AEP Power Pool, or the open market) given the necessary upgrades that other electric generating utilities must initiate in order to reach compliance with the EPA regulations discussed in the company's application? If not, why not? If so, please explain in detail including any cost studies, analyses, etc.
  - a. If the answer to the above question is no, please explain in detail why not.
14. Does KPCo believe that the actions which electric generating utilities will need to initiate in order to achieve compliance with the new or revised EPA regulations will or may threaten the reliability of the U.S. electric grid? Explain your answer in detail and provide any studies, analyses, etc.
15. Is the company familiar with Kentucky PSC precedent wherein the Commission has refused to allow regulated utilities to include within their rate base the estimated rate impact(s) of draft legislation and other potential legal requirements which the utility anticipates or believes will become likely at some future time ?
  - a. If so, please explain why the company included pricing forecasts for CO2 in its modeling for its decision(s) in the application.
16. In the informal conference held in this matter on January 5, 2012, KPCo officials provided a discussion regarding the dry flue gas desulfurization technology known as the Alstom NID.
  - a. Please provide the names of the U.S. utilities which either have or currently are using the Alstom NID technology.
  - b. Please discuss in detail how the technology has been used by any utility, by name, in the U.S.
  - c. Provide a comprehensive discussion regarding the due diligence, including but not limited to reliability, lifespan of the equipment deployed

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and O&M expenses, the company conducted regarding this technology. Include in your discussion the extent to which KPCo and AEP investigated FGD technology made by other manufacturers.

- d. In the informal conference discussed above, KPCo stated that the Alstom NID technology is used by some European utilities. Please indicate for how long this technology has been used by any such utility. Provide a comparison of expected O & M costs for the Alstom NID technology, compared with expected O & M costs incurred for other dry FGD technology which the company investigated in its due diligence. Such other technology may include dry FGD technology installed on generating units owned in whole or in part or controlled by AEP and / or its affiliates or subsidiaries, or by other utilities.
- e. Company officials stated that the Alstom NID technology would have lower installed capital costs. Provide the installed capital costs for other dry FGD technologies for which KPCO / AEP conducted its due diligence.
  - (i) What other capital costs would be associated with both the Alstom NID technology, and other dry FGD technology? Discuss in complete detail, including any studies, analyses, etc..
- f. Company officials stated that using the Alstom NID technology would lead to greater fuel savings. Provide a discussion in this regard, and provide a model of the amount of fuel savings anticipated, together with all assumptions upon which the model is based. Please provide the model on an Excel spreadsheet with all formulae intact.
- g. In the event the Commission should approve KPCo's request for a CPCN for the Alstom NID technology, please state whether KPCo would continue to use the same or rough equivalent amounts of Kentucky coal that it currently uses for its Big Sandy-2 plant.
- h. If similar amounts of Kentucky coal are not used, please reconcile this to the goal of KRS 278.183 for Kentucky utilities to use Kentucky coal.
- i. Company officials stated that the Alstom NID technology would have a parasitic load of between 2% - 3%. Please state whether this would cause the company to purchase additional power, and if so, how much, in terms of both amounts and expected costs. Additionally, please provide a comparison of the parasitic load that could be expected if dry FGD technology from other manufacturers is used in lieu of the Alstom NID.

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17. Please confirm that the expected remaining plant life of Big Sandy unit-2 is approximately 20 years.
18. Please confirm that the expected life of the Alstom NID technology is approximately 30 years.
  - a. If the Commission should approve KPCo's petition as filed, please state how KPCo would treat the Alstom NID's remaining years of expected life, from an accounting and depreciation perspective. Include in your discussion whether KPCo's ratepayers would or could face stranded costs for the abandonment of the Alstom NID technology. Please discuss in complete detail.
19. The Company's petition states that residential ratepayers can expect a 31% increase in their ECR costs per month. Of this cost, please state whether the projected costs of decommissioning and retiring the existing precipitators is included. If not, please provide a cost estimate and a revised estimate of the impact on the monthly bills of the average residential, commercial and industrial customers over the life span of the project.
20. Please state whether other dry FGD technology is capable of securing the SO<sub>2</sub> reductions mandated in KPCo's EPA consent decree.
21. Please reference the McManus testimony, p. 12, lines 14-16, wherein he states ". . . the extraordinarily brief compliance window will require KPCo to operate Big Sandy Unit 2 in an uncontrolled fashion, but under a potentially constrained dispatch." Please discuss in complete detail what this statement means, especially regarding the terms "uncontrolled" and "constrained dispatch."
  - a. Please state whether this will raise any safety issues regarding the operation of Big Sandy Unit 2.
22. Please provide a comprehensive discussion regarding the due diligence and any and all other reviews that KPCo may have conducted regarding the options of either: (a) obtaining a long-term purchased power arrangement with Riverside

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Generating Co., LLC, ("Riverside"), the owner of a gas-fired 836 MW electric generating facility in Zelda, KY; or (b) purchasing Riverside's facilities.

23. Regarding the generating facilities owned by Riverside discussed in the preceding question, please provide a discussion of whether Riverside's facilities would be capable of meeting KPCo's base-load needs. If not, please discuss whether said facilities would require any retrofitting, and the nature and cost thereof.

II. RATE OF RETURN

24. Please provide copies of all presentations made to rating agencies and/or investment firms by American Electric Power ("AEP") and/or KPCo between January 1, 2010 and the present.
25. Please provide copies of all prospectuses for any security issuances by AEP and/or KPCo between January 1, 2009 and the present.
26. Please provide copies of credit reports for AEP and/or KPCo between January 1, 2010 and the present from the major credit rating agencies published since January 1, 2010.
27. Please provide the corporate credit and bond ratings assigned to AEP and/or KPCo since the year 2005 by S&P, Moody's, and Fitch. For any change in the credit and/or bond rating, please provide a copy of the associated report.
28. Please provide a copy of: (1) the documents detailing the revenue requirement associated with KPCo's Environmental Compliance Plan ("ECP"). The summary should include the annual amounts of eligible plant, depreciation, ECP rate base, rate of return, operating expenses, the composite tax rate and adjustment factor, and overall revenue requirements; (2) the summary components of the annual rate of return, including the capital structure, debt cost rates, and equity cost rate; (3) the summary components of the annual composite tax rate; and (4) the data and work papers in (1), (2), and (3) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

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29. Please provide the breakdown in the expected return on pension plan assets for AEP and/or KPCo. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.
30. Please provide the KPCo's authorized and earned return on common equity over the past five years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
31. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for AEP and/or KPCo for the past two years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
32. Please provide: (1) all data, work papers, and source documents, and calculations used in developing KPCo's capital structure used in determination of an overall rate of return in the ECP; (2) all details, including calculations, related to all adjustments made to the December 31, 2010 capital structure; and (3) the data and work papers in (1) and (2) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.
33. Please provide (1) all data, work papers, and source documents, and calculations used in developing KPCo's short-term cost rate in the ECP; (2) indicate the cost of short-term debt on a monthly basis; (3) show all calculations involved in the calculation of the short-term debt cost rate; (4) provide copies of all loan documents and lending agreements associated with either inter-company and/or financial institution short-term debt; and (5) provide the data and work papers in (1) – (4), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

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34. Please provide (1) all data, work papers, and source documents, and calculations used in developing KPCo's long-term cost rate in the ECP; (2) all details, including calculations, amortization tables, and work sheets, related to the amounts for unamortized debt issuance balance and unamortized premium/discount and issuance expenses; and (3) details of the term loan and senior notes, including (a) issuance date, (b) debt amounts, (c) copies of lending agreements and provisions, (d) copies of all documentation that indicate the pricing and interest rate on the term loan and senior notes, and (e) all information available on underwriter, underwriting spread, SEC filings, loan placement documents, and/or other information and source documents; and (4) provide the data and work papers in (1) – (3), in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.