COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF KENTUCKY POWER COMPANY, AMERICAN ELECTRIC POWER COMPANY, INC. AND CENTRAL AND SOUTH WEST CORPORATION REGARDING A PROPOSED MERGER	))))	CASE NO. 99-149

O R D E R

IT IS ORDERED that American Electric Power Company, Inc. (AEP) shall file the original and 12 copies of the following information with the Commission no later than May 17, 1999, with a copy to all parties of record. Each copy of the data requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the response to the Commission s April 28, 1999 Order, Item 1. The question was seeking information concerning the potential exposure of Kentucky Power in the event a termination of the merger occurred. It is fully understood that these fees or payments will not be payable unless the merger is terminated pursuant to

Section 9.1 of the Merger Agreement. With this clarification, provide the originally requested information.

2. Refer to the response to the Commission s April 28, 1999 Order, Item 15. The response only answered part of the request. Under the Affiliate Standards contained in the Indiana Settlement, would market information be readily available to an affiliate engaged in activities other than exempt wholesale generation or power marketing, such as telecommunication services or home appliance repair? Explain.

3. Refer to the response to the Commission s April 28, 1999 Order, Item 33. AEP/Kentucky Power have committed to provide the annual performance measures by the end of May of the year following the calendar year in question.

a. Explain why it will take five months to provide this information.

b. In the jurisdictions where this information is already provided routinely, indicate by jurisdiction how promptly AEP must provide this information.

c. Indicate how promptly AEP and CSW have committed to providing this information in other jurisdictions.

4. Refer to the response to the Commission s April 28, 1999 Order, Item 20. The first sentence is not responsive to the original request. The testimony was clear that no revenue enhancement opportunities were identified in this transaction. The request referred to Mr. Flaherty s example of increased off-system sales as a revenue enhancement opportunity. The request asked for an <u>explanation</u> of why the combination of AEP and CSW would <u>not create</u> a greater level of such revenue enhancement opportunities than the two systems could expect operating independently of each other. Please provide the explanation sought by the original request.

5. Refer to the response to the Commission April 28, 1999 Order, Item 22. It is proposed that the estimated Net Production-Related Savings of $98 million arising from the merger be allocated on a 50/50 basis between AEP and CSW (as shown in Mr. Munczinski s Exhibit REM-4, $49 million would be allocated to each company). Mr. Baker s Exhibit JCB-2 shows that the Net Production-Related Savings were calculated by taking the estimated $198 million in Production-Related Savings, less the estimated $39 million in Transmission Costs, less the estimated $61 million in Foregone Net Revenues, to arrive at $98 million in Net Production-Related Savings. As indicated in part (a) of the above-referenced response, the power flows over the 250 MW transmission path are projected to be predominately from the East Zone to the West Zone. Also in part a. of the response Mr. Baker indicates that the $61 million in Foregone Net Revenues is an estimation of the amount that the East Zone (AEP) would not be receiving as a result of sales to the West Zone (CSW). Therefore, the Production-Related Savings occur due to AEP's coal-fired generation displacing CSW s higher priced gas-fired generation. In addition, the Foregone Net Revenues will be AEP s foregone revenues by virtue of its sales to CSW (presumably, the Transmission Costs would be costs borne by CSW as the party on the receiving end of these transactions). Given these circumstances, with the benefits being created by AEP and with AEP experiencing the greater amount of costs, i.e. lost revenues, explain why the 50/50 sharing is reasonable from the perspective of AEP.

6. Refer to the response to the Commission s April 28, 1999 Order, Item 24. Therein, Mr. Bailey delineates several measures already in place or planned for the future to improve system reliability in the Kentucky Power service area. Mr.

Bailey s direct testimony and exhibits identify the three primary measures used by AEP to monitor its service reliability and the three primary measures used to monitor the performance of its call centers. Is AEP willing to file with the Commission quarterly reports of these service reliability and performance measures?

Done at Frankfort, Kentucky, this 11th day of May, 1999.

By the Commission

ATTEST:

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Executive Director