

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENTUCKY POWER )	
COMPANY D/B/A AMERICAN ELECTRIC )	
POWER, AMERICAN ELECTRIC POWER )	
COMPANY, INC. AND CENTRAL AND SOUTH )	
WEST CORPORATION FOR (1) APPROVAL OF THE )	
CHANGES TO THE SYSTEM SALES )	CASE NO.
CLAUSE TARIFF; (2) ENTRY OF CERTAIN )	2002-00039
FINDINGS PURSUANT TO 15 U.S.C. 97Z; )	
(3) ENTRY OF CERTAIN FINDINGS PURSUANT )	
TO 17 C.F.R. 200.53 )	
(4) THE ENTRY OF AN ORDER )	
DECLARING THAT THE TRANSFER OF THE )	
STOCK OF KENTUCKY POWER COMPANY )	
FROM AMERICAN ELECTRIC POWER COMPANY, )	
INC. TO ITS WHOLLY OWNED SUBSIDIARY, )	
CENTRAL AND SOUTH WEST CORPORATION )	
MAY BE CONSUMMATED WITHOUT APPROVAL )	
BY THE COMMISSION; OR, ALTERNATIVELY, )	
APPROVING THE TRANSFER PURSUANT TO )	
KRS 278.020(4) AND KRS 278.020(5); AND (5) )	
FOR RELATED RELIEF )	

COMMISSION STAFF'S SECOND DATA REQUEST  
TO KENTUCKY POWER COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky Power Company ( Kentucky Power ) file the original and 5 copies of the following information with the Commission no later than March 27, 2002, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should 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 its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Provide a schedule showing the SO<sub>2</sub> emission allowances ( SO<sub>2</sub> allowances ) allocated by the Environmental Protection Agency ( EPA ) for vintage years 2000 through and including 2027 for each unit listed below. The allocations should be net of the allowances withheld by the EPA for auction. For purposes of this analysis, assume that the Interim Allowance Agreement ( IAA ) is eliminated as proposed in the AEP reorganization agreements.

- a. Big Sandy Unit 1.
- b. Big Sandy Unit 2.
- c. Rockport Unit 1 (total unit).
- d. Rockport Unit 2 (total unit).
- e. Kentucky Power's share of Rockport Unit 1.
- f. Kentucky Power's share of Rockport Unit 2.

2. Provide a schedule showing Kentucky Power's actual annual utilization of SO<sub>2</sub> allowances for calendar years 2000 and 2001 and its projected annual utilization for 2002 through 2010. The schedule should show total utilization as well as the number of allowances used for intercompany sales, off-system sales, and generation for native load requirements.

3. For purposes of this question, assume the IAA is eliminated as described in the application.

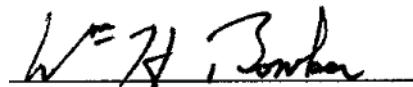
a. Explain how Kentucky Power plans to manage its SO<sub>2</sub> allowance inventory. Include in this discussion how Kentucky Power intends to determine its minimum SO<sub>2</sub> allowance inventory levels.

b. Has Kentucky Power developed a written policy or plan for the management of its SO<sub>2</sub> allowance inventory? If yes, provide a copy of the policy or plan. If no, indicate when Kentucky Power anticipates the development of such a written policy or plan.

4. Refer to the response to the Commission Staff's First Data Request dated March 4, 2002, Item 3. Kentucky Power's monthly environmental surcharge filings show for the expense month of December 2001 it had a SO<sub>2</sub> allowance inventory balance of 1,136,032 allowances. Based on information contained in the monthly environmental surcharge filings, Kentucky Power's current utilization of SO<sub>2</sub> allowances for off-system sales and generation for native load implies this December 2001 inventory would cover Kentucky Power's needs from 6.5 to 9.5 years. In the last sentence of the response to Item 3 is the statement The remainder of the loss of the Gavin SO<sub>2</sub> allowance was replaced by making additional purchases of SO<sub>2</sub> allowances from third parties (the market) at market prices, causing SO<sub>2</sub> allowance consumed expense to increase an average estimated \$1.2 million annually for the period 2002-2006.

a. Given the ending allowance inventory balance at December 2001 and Kentucky Power's historic level of utilization, explain why Kentucky Power assumed it would be buying allowances throughout the entire 2002-2006 period.

b. Does Kentucky Power believe it needs to replace all of the Gavin SO<sub>2</sub> allowances it would no longer be receiving under the IAA? Explain the response.



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DATED: March 20, 2002

cc: Parties of Record