

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
POWER COMPANY FOR THE TWO-YEAR	)	2013-00325
BILLING PERIOD ENDING JUNE 30, 2013	)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic copy, pursuant to 807 KAR 5:001, Section 8, of the following information. The information requested herein is due no later than December 12, 2013. Responses to the requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, 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.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. 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. Refer to Kentucky Power's response to Commission Staff's First Request for Information ("Staff First Request"), Item No. 9, Attachment 1, page 2 of 11. State whether the Company agrees with the following statements: A primary reason for the rebucketing of yearly consumption for final submission is that the Company does not know the tax basis of its 2011 SO<sub>2</sub> emission allowances inventory until after the final step of the AEP System Interim Allowance Agreement ("IAA") settlement, which is the System Allowance Bank Purchase/(Sale) calculation, performed in December of 2011. For that reason, throughout 2011 the Company reflects its best estimate of the monthly cost of SO<sub>2</sub> emission allowances consumed. In January of the following year, when the allowances are submitted to Environmental Protection Agency ("EPA"), an adjusting entry is required to adjust the estimated annual cost of allowances consumed with the actual cost of allowances consumed.

2. Refer to Kentucky Power's response to Commission Staff's First Request for Information, Item No. 11, and the Stipulation and Settlement Agreement

("Stipulation") approved in Case No. 2012-00578.<sup>1</sup> Paragraph 5 of the Stipulation states, "Effective January 1, 2014, the monthly Environmental Surcharge factor (Tariff E.S.) will be fixed and maintained at 0.00% until new base rates are set by the Commission." Provide an explanation describing the Company's interpretation of this provision as it relates to whether the January 1, 2014 Environmental Surcharge factor, which is to be fixed and maintained at 0.00 percent, is the billing-month factor or expense-month factor.

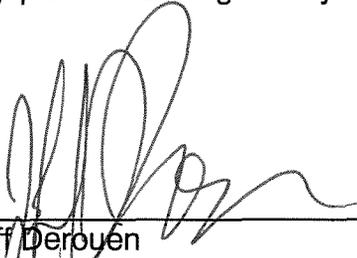
3. Paragraph 5 of the Stipulation states, "Effective January 1, 2014, the monthly Environmental Surcharge factor (Tariff E.S.) will be fixed and maintained at 0.00% until new base rates are set by the Commission." Does the Company agree there may be benefit to both the Company and the Commission for the Company to continue filing the monthly environmental surcharge filings reflecting the actual monthly environmental costs, and that ES Form 1.00, line 10, will reflect a monthly factor of 0.00 percent?

4. Because the AEP-East System maintains its SO<sub>2</sub> emission allowance inventory by operating company, provide an explanation, along with an illustrative example, of how the quantity of SO<sub>2</sub> emission allowances associated with the Mitchell plant transfer will be allocated to Kentucky Power, along with the associated costs of the SO<sub>2</sub> emission allowances.

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<sup>1</sup> Case No. 2012-00578, Application of Kentucky Power Company for (1) a Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power Company of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act and Related Requirements; and (5) all other Required Approvals and Relief (Ky. PSC Filed Dec. 19, 2012).

5. Explain what will happen to the SO2 emission allowances issued annually by the EPA to Kentucky Power for the Big Sandy plant when Big Sandy Unit No. 2 is retired.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED NOV 26 2013

cc: Parties of Record

Amy J Elliot  
Kentucky Power Company  
101 A Enterprise Drive  
P. O. Box 5190  
Frankfort, KY 40602

Honorable Mark R Overstreet  
Attorney at Law  
Stites & Harbison  
421 West Main Street  
P. O. Box 634  
Frankfort, KENTUCKY 40602-0634

Judy K Rosquist  
Kentucky Power Company  
101 A Enterprise Drive  
P. O. Box 5190  
Frankfort, KY 40602