# COMMONWEALTH OF KENTUCKY BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application Of Kentucky Power Company For	)
A General Adjustment Of Its Rates For Electric	)
Service; (2) An Order Approving Its 2014	)
Environmental Compliance Plan; (3) An Order	) Case No. 2014-00396
Approving Its Tariffs And Riders; And (4) An	)
Order Granting All Other Required Approvals	)
And Relief	)

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Kentucky Power Company Files Responses to Commission Staff's

May 5, 2015 Post Hearing Data Requests

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May 22, 2015

The undersigned, Gregory G. Pauley, being duly sworn, deposes and says he is the President and Chief Operating Officer for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

Pauley Gregory

COMMONWEALTH OF KENTUCKY

COUNTY OF FRANKLIN

) Case No. 2014-00396

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Gregory G. Pauley, this the  $\frac{21^{57}}{2100}$  day of May, 2015.

Kasquist 293 Auchy Notary Public

My Commission Expires: llar

The undersigned, Andrew R. Carlin, being duly sworn, deposes and says he is the Director, Compensation and Executive Benefits for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.

Andrew R. Carlin

STATE OF OHIO

COUNTY OF FRANKLIN

Case No. 2014-00396

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Andrew R. Carlin, this the  $\underline{\mathcal{C}}^{h}$  day of May, 2015



Terry Jo Smith Notary Public-State of Ohio My Commission Expires February 27, 2017

Notary Public

My Commission Expires:

12/27

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant Sr. in Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Amy Lelliott

COMMONWEALTH OF KENTUCKY

COUNTY OF FRANKLIN

) Case No. 2014-00396

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this  $21^{87}$  day of May, 2015.

Judy Klosquist 481393 Notary Public

My Commission Expires: Juneary 23, 30 17

4 322

The undersigned, Jeffery D. LaFleur, being duly sworn, deposes and says he is Vice President Generating Assets APCO/KY, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

JEFFERY D. LAFLEUR

STATE OF WEST VIRGINIA

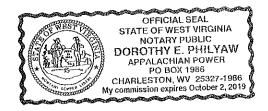
COUNTY OF KANAWHA

) Case No. 2014-00396

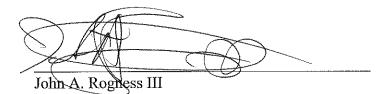
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jeffery D. LaFleur, this the  $15^{th}$  day of May, 2015.

orothys. Phil Notary Public

My Commission Expires: October 2, 2019



The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his/her information, knowledge and belief.



COMMONWEALTH OF KENTUCKY	)
	) Case No. 2014-00396
COUNTY OF FRANKLIN	)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the  $22^{nd}$  day of May, 2015.

Juldy Kosquit 481393 Notary Public

My Commission Expires: Aducary 23, 2017

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Manager, Regulatory Pricing and Analysis that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Alex E. Vaughan Case No. 2014-00396 ) )

STATE OF OHIO

COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Alex E. Vaughan, this the  $22^{2}$  day of May, 2015



Princese M. Brown Notery Public, state of Ohio My Commission Explice 04-19-2020

Notary Public

My Commission Expires: 4/19/2020

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

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Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY COUNTY OF FRANKLIN

) Case No. 2014-00396

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the <u>JJ</u> day of May, 2015.

Rosquit 481393 Notary Public

My Commission Expires: Hule are 23

jî,

The undersigned, Jason M. Yoder, being duly sworn, deposes and says he is Staff Accountant Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.

Jason M. Yoder

STATE OF OHIÓ

COUNTY OF FRANKLIN

) Case No. 2014-00396

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jason M. Yoder, this the  $11^{+1}$  day of May, 2015.

Notary Public SHERYL J. CLEAVER **NOTARY PUBLIC, STATE OF OHIO** 

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## REQUEST

Please identify the entities that applied in 2014 for grant funding under the Kentucky Power Economic Advancement Program that were not awarded funding. Include in the response the projects for which funding was sought and the amount of funding sought.

### RESPONSE

Please see attachment KPSC\_PHDR\_1\_Attachment1.xls for a list of grant applicants, a description of the proposed projects, the grant request amount and the grant award amount for the years 2014 and 2015.

WITNESS: Gregory G Pauley

## REQUEST

Please identify the counties in Kentucky Power's service territory that are included in the footprint of the Shaping Our Appalachian Region ("SOAR") initiative.

### RESPONSE

The counties that make up Kentucky Power's service territory are completely within the SOAR footprint. The official SOAR area is the ARC (Appalachian Regional Commission) counties that are designated as ARC counties in Kentucky. The fifty four counties in the SOAR territory include Adair, Bath, Bell, Boyd, Breathitt, Casey, Carter, Clark, Clay, Clinton, Cumberland, Edmonson, Elliott, Estill, Fleming, Floyd, Garrard, Green, Greenup, Harlan, Hart, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Metcalfe, McCreary, Madison, Magoffin, Martin, Menifee, Monroe, Montgomery, Morgan, Nicholas, Owsley, Perry, Pike, Powell, Pulaski, Robertson, Rockcastle, Rowan, Russell, Wayne, Whitley, Wolfe.

**WITNESS:** Gregory G Pauley

## REQUEST

Please provide the change in the average residential customer's monthly bill (using 1,362 kWh per month) that would result if the Commission approves without modification the Settlement Agreement filed in this case on April 30, 2015.

### RESPONSE

The average residential customer uses 1,362 kWh per month and will see a \$13.72 monthly bill increase. That will raise the average bill from \$138.67 to \$152.39. These amounts exclude the Capacity Charge and Demand-Side Management Adjustment Clause.

WITNESS: Alex E Vaughan and Ranie K Wohnhas

# REQUEST

Please provide the average monthly amount paid by a residential customer using 1,362 kWh per month pursuant to Tariff A.T.R.

### RESPONSE

The average residential customer uses 1,362 kWh per month and pays \$10.81 per month under Tariff A.T.R.

WITNESS: Alex E Vaughan and Ranie K Wohnhas

# REQUEST

Please provide the average monthly amount a residential customer using 1,362 kWh monthly will pay through the environmental surcharge for costs associated with the Mitchell flue gas desulfurization system.

### RESPONSE

If the Settlement Agreement is approved, a residential customer using 1,362 kWh per month will pay, on average, \$8.33 per month for the Mitchell plant FGD under tariff ES.

WITNESS: Amy J Elliott/Alex E Vaughan/ Ranie Wohnhas

# REQUEST

Please confirm the formula provided in Settlement Testimony Exhibit RKW-2 at line 17 is accurate and produces the value for C&I biomass energy charge identified in the same exhibit.

## RESPONSE

Confirmed. \$2,435,741 \* 45/100/350,000,000 = \$0.003132 Please note that there are two variables "OS" on Exhibit RKW-2, an annual figure used in revenue allocation (line 9) and a monthly figure (line 14) used in computing the C&I biomass energy charge. Please see KPSC\_PHDR\_6\_Attachment1 for the supplemental Exhibit RKW-2 clarifying the terms.

WITNESS: Alex E Vaughan and Ranie K Wohnhas

# REQUEST

Please provide an updated version of proposed Tariff K-12 identifying that the proposed tariff is a pilot program and removing extraneous language from the Terms and Conditions section.

### RESPONSE

Please see KPSC\_PHDR\_7\_Attachment1.pdf for the updated Pilot Tariff K-12. In addition, Tariff S.S.C., Tariff B.E.R., Tariff C.C., Tariff E.S., Tariff G.P.O., Tariff P.P.A., Tariff A.T.R., Tariff B.S.R.R., and Tariff B.S.1.O.R. have also been updated to include the "Pilot Tariff K-12" reference.

WITNESS: John A Rogness and Ranie K Wohnhas

## REQUEST

Please provide a supporting schedule, in electronic format with all formulas active, demonstrating for each month of test year the calculation of the values in column seven of Exhibit 4 to the Settlement Agreement.

### RESPONSE

Please see KPSC\_PHDR\_8\_Attachment1.xls.

WITNESS: Amy J Elliott

### REQUEST

Please describe how the Company will identify which Big Sandy Unit 1 costs are demand-related costs (BS1D on Tariff BS1OR) and which costs are energy-related costs (BS1E on Tariff BS1OR).

### RESPONSE

In general, the Company will classify the costs as either demand- or energy-related consistent with the classification of such costs in the cost-of-service study. The Company has provided this detail in response to data request KIUC 1-17. Please see KIUC 1-17 Attachments 46 and 47.

Total	\$18,245,413	
Energy Total	\$9,049,796	i=(b+d)*f
Demand Total	\$9,195,617	h=a*f
	¥10,243,413	8-61
KY Retail Total	\$18,245,413	g=e*f
Gross Factor	1.004977	f
Total BS1 Operational Expenses	\$18,155,055	e=a+b+d
Annualize PJM Charges and Credits	\$5,653,211	d= c/9*12
Jan - Sept 14 PJM Changes and Credits	\$4,239,908	C
Non Fuel Clause Plant O&M - Energy	\$3,351,767	b
Non Fuel Clause Plant O&M - Demand	\$9,150,077	a
	KY Retail	
Revenue Requirement		
Big Sandy 1 Coal Operations		
Big Sandy 1 Operation Rider (BS1OR)		
AEV WP 4		

(From KIUC 1-17 Attachment 46)

The FERC account detail behind the demand and energy O&M split in items a and b can be found in KIUC 1-17 Attachment 47. The Big Sandy Unit 1 PJM charges are considered energy related since they are directly related to the MWh of generation from the unit.

WITNESS: Alex E Vaughan

## REQUEST

Using the methodology employed to calculate the \$16.75 million value shown on the Company's response to KPSC 5-10 in Case No. 2012-00578, please perform the same calculation for the period beginning January 1,2014 through the most recent period for which data is available.

## RESPONSE

The \$16.75 million annual value used in the Company's response to KPSC 5-10 in Case No. 2012-00578 was computed by first calculating the difference between the 2012 cost of the coal blend burned at the Mitchell generating station (\$27.13 MWh) and the 2102 cost of coal burned at the Big Sandy generating station (\$31.59 MWh) to produce approximate savings per MWh of Mitchell output of \$4.5/MWh. This estimated \$4.50/MWh difference was then multiplied by Kentucky Power's proposed 50% share of Mitchell's 2012 output (using 2012 FERC Form 1) to calculate total savings of \$16,823,874. These total savings were than allocated across Kentucky Power's 2012 retail sales (from FERC Form 1) to calculate the rate impact to Kentucky Power's customers of approximately \$2.50 per MWh referred to in paragraph 2 of the July 2, 2013 Stipulation and Settlement Agreement. This \$2.50/MWh rate was then multiplied by the Company 2012 jurisdictional sales of approximately 6.7 GWh to calculate the \$16.75 million estimated annual savings.

Using the same methodology for calendar year 2014, the Kentucky Power customer savings resulting from the difference between the cost of the Mitchell coal blend and Big Sandy coal is \$2.29/MWh, or approximately 92% of the \$2.50/MWh savings used to compute the \$16.75 million annual savings shown in the Company's response to KPSC 5-10. Multiplying the \$2.29/MWh savings by Kentucky Power's 2014 jurisdictional sales of 6,455,230 MWh yields a total 2014 Kentucky Power customer benefit of \$14.7 million as a result of the difference in the coal prices. Please note that although a portion of the small difference between the 2014 total results and the estimate shown in the Company's response to KPSC 5-10 using 2012 data (\$14.7 million vs. \$16.75 million), stems from the fact that the 2014 difference in the prices of coal for the two generating stations was slightly less than the 2012 difference, another part of the difference results from the lower 2014 jurisdictional sales.

## KPSC Case No. 2014-00396 General Rate Adjustment May 5, 2015 Post Hearing Data Requests Item No. 10 Page 2 of 2

For the first three months of 2015, Big Sandy coal costs have been slightly lower (-0.49/MWh) than the cost of the Mitchell coal blend. Unlike Mitchell, where a substantial portion of the fuel blend is supplied pursuant to long-term contracts, thereby protecting the customers from swings in the spot market, Big Sandy is relying upon increasing amounts of spot market coal as the station prepares to stop burning coal in 2015. This level of spot market purchases is not typical of utility practices for units that are expected to continue to operate.

Using the same methodology used to compute the \$16.75 million in estimated annual savings shown in the Company's response to KPSC 5-10, the difference in the price of the coal blend burned at Mitchell and the coal burned at Big Sandy yielded a "negative benefit" of \$445,586 for the first three months of 2015.

Please see KPSC\_PHDR\_10\_Attachment1.xls for the supporting calculations used to compute this response.

WITNESS: Ranie K Wohnhas

# REQUEST

For the period beginning January 1, 2014 please identify on a monthly basis the difference between the system sales margins received by the Company and the base monthly revenues shown in Tariff S.S.C.

### RESPONSE

Please see KPSC\_PHDR\_11\_Attachment1.xls for this response.

WITNESS: Ranie K Wohnhas

# REQUEST

Please identify the amount of environmental costs incurred above the current environmental base amount during the sixteen month period beginning January 1, 2014.

### RESPONSE

For this response, the Company included only those Big Sandy and Rockport environmental projects costs that had been approved as part of the Company's current environmental compliance plan ("2007 Plan"). The Company also included its share of the environmental costs for all in-service environmental projects at the Mitchell generating station. Under the 2007 Plan, the Company recovered its member load ratio share of the Mitchell environmental projects costs under the now-terminated AEP East Pool Agreement. Had the Company's environmental surcharge factor not been set to zero as a result of the Stipulation and Settlement Agreement in Case No. 2012-00578, the Company would have sought to update its environmental compliance plan prior to the current case to reflect the termination of the AEP-East Pool and its acquisition of an undivided 50% interest in the Mitchell generation station.

Please see KPSC\_PHDR\_12\_Attachment1.xls for the data available as of the date of this response.

WITNESS: Amy J Elliott

# REQUEST

Please update the Company's March 2015 and April 2015 DSM filings (February 2015 and March 2015 expense months) to include the level of detail in the Company's February 27, 2015 filing (January 2015 expense month). Please indicate with specificity in the update whether the Company will be meet its 2015 budgeted DSM expenditures, the reason for any variance between actual expenditures and the budgeted amounts, and in the event of any negative variance from budget, please identify the specific steps the Company intends to take to remedy any negative variance.

# RESPONSE

Please see KPSC\_PHDR\_13\_Attachment1.xls for the requested program detail. The attached spreadsheet provides on a monthly and year-to-date basis the Company's actual expenditures, budgeted expenditures, and the variance, if any, between actual and budgeted expenditures. The information is provided on a program basis and in the aggregate. Kentucky Power will file a monthly updated version of this spreadsheet.

Through the April 2015 filing (March 2015 expense month), Kentucky Power is \$22,828 ahead of budget and anticipates meeting its 2015 targeted expenditure level.

By way of further explanation, Kentucky Power Company's 2015 DSM/EE expenditure target is \$5,279,642. This amount represents the \$5,016,191 approved by the Commission in Case No. 2014-00271 plus the \$263,451 shortfall between the Company's 2014 expenditure target of \$4,000,000 and actual 2014 DSM/EE expenditures of \$3,736,549.

Please note the Company's budgeted expenditure levels are not allocated evenly across each of the 12 months of 2015. As a result, an annualization of year-to-date expenditures is not indicative of whether Kentucky Power is on schedule to meet its 2015 expenditure target of \$5,279,642. A better indicator of whether the Company is on target to meet its 2015 target is the variance, if any, between year-to-date actual expenditures and budgeted amounts.

Further details of the Company's 2015 DSM/EE expenditures and their relation to the 2015 budget are provided below.

## January 2015 Expenditures (February 27, 2015 Filing)

January total expenditures of negative \$6,071 were \$222,064 below the budgeted amount of \$215,993. Commercial program expenditures were \$81,022 below budget and residential program expenditures were \$141,042 below budget.

The negative total expenditures, and corresponding budget shortfall, in large part reflect timing differences in accounting entries. In December 2014, Kentucky Power in accordance with its regular accounting procedures, processed \$536,819 in unvouchered liability entries for services rendered that month. This accounting entry was reversed in its entirety in January 2015 but the Company had not received and recorded by month's end all of the corresponding invoices. As a result, the reversal, coupled with the failure to receive all of the corresponding invoices, produced much of the negative expenditure amount. The effect of the January reversal, and consequent negative expenditure amount, is expected to be eliminated in February 2015 and thereafter as the invoices are received and recorded. With the elimination of the effect of the timing difference between the reversal and the receipt and recording of the corresponding invoices, Kentucky Power anticipates being on schedule to meet its 2015 expenditure target.

# February 2015 Expenditures (March 23, 2015 Filing)

February expenditures of \$305,780 exceeded the budgeted amount of \$212,386 by \$93,394. This reduced the year-to-date variance from the budget to -\$128,670.

Commercial program expenditures for February 2015 were \$43,861 above the monthly budget, while February 2015 residential program expenditures were \$49,533 above the monthly budget. On a year-to-date basis, residential program expenditures were \$91,509 below budget (compared to -\$141,042 at the end of January) and commercial program expenditures were \$37,161 below budget (compared to a January 2015 shortfall of \$81,022).

The anticipated reduction of the effect of the January 2015 accounting reversal as invoices were received and recorded was in large part realized and contributed to the reduction in the year-to-date shortfall. Notwithstanding the 42% reduction in the year to date shortfall between January 2015 and February 2015, adverse winter weather affected the Company's ability to eliminate the shortfall in its entirety. The Company expects to be on target by the end of the first quarter of 2015.

March 2015 Expenditures (April 20, 2015 Filing).

March expenditures of \$635,720 favorably compared to the budgeted amount of \$484,223 and provided a positive variance of \$151,498. Year-to-date, 2015 DSM/EE expenditures were \$22,828 above (or at 103%) of the budgeted amount.

Total commercial program expenditures for the month were \$101,173 above the budgeted amount. March residential expenditures were \$50,325 above budget. As a result, at the end of the first quarter, year-to-date commercial program expenditures were \$64,012 above (or 128% of) the budgeted amount, while the residential year-to-date expenditures were at 95% (-\$41,184) of budget.

Participation in the residential HVAC and weatherization programs was reduced below anticipated levels as a result of adverse weather conditions in February and March. To ensure the budgets for these programs could be met on the annual basis, Kentucky Power addressed the shortfall and the contractors' plans to eliminate it with the affected program contractors during the first quarter of 2015. Each indicated that it expected to meet its year-to-date target by mid-year.

Kentucky Power launched the Residential Home Performance program in March, and expects to initiate the Appliance Recycling program in April 2015. Both should contribute to Kentucky Power's ability to meet its 2015 DSM/EE budget.

WITNESS: John A Rogness

## REQUEST

Please refer to Exhibit AJE-1. Please provide by project (except for projects 6, 7, and 8) for both the Mitchell Plant and the Rockport Plant the investment cost of the projects listed in the proposed environmental surcharge tariff, along with the associated accumulated depreciation of those projects as of the most recent date available. Please segregate these costs by unit, if available.

### RESPONSE

Please refer to KPSC\_PHDR\_14\_Attachment1.xls.

WITNESS: Amy J Elliott

# REQUEST

Please provide an updated copy of Exhibit AJE-4 incorporating the changes to the weighted average cost of capital, gross revenue conversion factor, and depreciation rates proposed in Settlement Agreement.

### RESPONSE

Please see KPSC\_PHDR\_15\_Attachment1.xls for the updated copy of Exhibit AJE-4.

WITNESS: Amy J Elliott

## REQUEST

Please provide the revised portions of the testimony of Mr. Carlin identified by Mr. Carlin at the May 5, 2015 hearing.

### RESPONSE

Please see KPSC\_PHDR\_16\_Attachment1 for a clean version of the updated testimony (Company Witness Carlin, pages 26 & 28) and KPSC\_PHDR\_16\_Attachment2 for the red-lined version.

WITNESS: Andrew R Carlin

# REQUEST

Please identify the amount of costs associated with the Engage to Gain program included during the test year

## RESPONSE

\$145,421 was included by the Company in the test year for the Engage to Gain program.

WITNESS: Jason M Yoder

# REQUEST

Please identify the phases planned for the Mitchell Dry Fly Ash Landfill. Please provide the estimated in-service dates and estimated costs for each phase. To the extent not identified in PHDR 14, provide separately identify the costs for phase 1 and phase 2.

## RESPONSE

Please see the attached file KPSC\_PHDR\_18\_Attachment1.xlsx for the costs associated with the Mitchell Landfill.

WITNESS: Jeffery D LaFleur

## REQUEST

Please identify the net book value of the Mitchell Generation Station at the time of the transfer of an undivided fifty percent interest in the station from AEP Generation Resources, Inc. to Wheeling Power Company.

### RESPONSE

The Mitchell Generation Station transferred to both Kentucky Power (1/1/2014) and Wheeling Power (1/31/2015) at the transfer date Net Book Value.

The NBV of the Mitchell Generation Station transfer to WPCo on January 31, 2015 (Electric Plant in Service - Account 101 and 106 plus CWIP Account 107 less Accumulated Depreciation - Account 108) was \$675,628,586. This excludes the \$20,000,000 regulatory asset, related to the Conner Run impoundment that did not transfer to WPCo, recorded on WPCo's books. The total transfer price to WPCo, which is comprised of the NBV plus the regulatory asset, was \$695,628,586.

WITNESS: Ranie K Wohnhas

## REQUEST

Please identify the status of the potential third-party lawsuit referenced on pages 2 and 3 of Attachment 1 to the Company's response to Data Request AG 2-3.

### RESPONSE

The lawsuit was filed in August 2014 in the U.S. District Court for the Northern District of West Virginia, *West Virginia Rivers Coalition v. Ohio Power Company*, 14-CV-00103-FPS (N.D. W.Va. File August 1, 2014). A proposed consent decree was filed simultaneously with the complaint, and ultimately was issued as a final order of the Court in November of 2014. A modest civil penalty was paid (Total Penalty = \$4,250; Kentucky Power Company's Share of Penalty = \$2,125) by Kentucky Power Company ("the Company"), and the Company contributed money (Total Contribution = \$38,250; Kentucky Power Company's Share of Contribution = \$19,125) to a local environmental organization as a supplemental mitigation project. In addition to these actions, the Company and AEP Generation Resources were required to perform a study of the abundance and diversity of aquatic life in Conner Run, which was completed during July-September of 2014, and the results reported to the plaintiffs as required by the consent decree.

WITNESS: Jeffery D LaFleur

# REQUEST

Please identify whether Kentucky Power or AEP or any other affiliates own policies of liability insurance that might provide coverage for any environmental liability that arises in connection with Conner Run.

### RESPONSE

AEP and its affiliates, including Kentucky Power, have liability insurance for third party bodily injury or property damage claims arising from all owned property, including claims resulting from a structural failure of the Conner Run ash impoundment. However, pollution liability claims, including the clean-up of pollutants, or an alleged illness arising from the existence or release of ash or other alleged pollutants within the impoundment, are excluded.

WITNESS: Jeffery D LaFleur