



**Kentucky Power Company**

**REQUEST**

Please provide, by cost component and description of the nature of the work performed or the expenditure, a description of the \$7,484,138 in asset retirement obligation cash flow shown on the "Components" tab of the BSRR\_2016\_Support\_1\_Components" spreadsheet filed with the Commission on August 15, 2016 for the twelve month period ending June 30, 2016.

**RESPONSE**

Please refer to KPCO\_R\_PSCIC\_1\_Attachment1.xls, tab "ARO Summary" for a description of the work performed or nature of the expenditure by ARO project, and tab "ARO by CC" for spending by cost component and ARO project. Both tabs report spending for the twelve months ending June 30, 2016

**WITNESS:** Tyler H Ross

**Kentucky Power Company**

**REQUEST**

Please provide, by cost component, a description of the \$836,661 in Big Sandy Unit 2 operation and maintenance costs shown on the "Components" tab of the BSRR\_2016\_Support\_1\_Components" spreadsheet filed with the Commission on August 15, 2016 for the twelve month period ending June 30, 2016.

**RESPONSE**

Please refer to KPCO\_R\_PSCIC\_2\_Attachment 1.xlsx, tab "O&M Summary" for total spending by O&M project, and tab "O&M by CC" for total spending by cost component. Both tabs report spending for the twelve months ending June 30, 2016.

**WITNESS:** Tyler H Ross

**Kentucky Power Company**

**REQUEST**

Please provide, by cost component, a description of the \$14,879,352.40 in “Cost of Removal” shown on the “Additions” tab of the BSRR\_2016\_Support\_1\_Components” spreadsheet filed with the Commission on August 15, 2016 for the twelve month period ending June 30, 2016.

**RESPONSE**

Please refer to KPCO\_R\_PSCIC\_3\_Attachment1.xls, tab "COR Summary" for a description of the work performed in connection with the \$14,879,352.40 cost of removal expense, and tab “COR by Cost Component” for the associated expenditures by cost component. Both tabs provide information for the twelve months ended June 30, 2016.

**WITNESS:** Tyler H Ross

## **Kentucky Power Company**

### **REQUEST**

Please provide an explanation for the difference in (1) the net book values of the coal-related Big Sandy Unit 1 assets as shown in Cells C-12 and H-12 and (2) the materials and supplies values shown in Cells E-12 and I-12 of the "Additions" Tab to the Excel Workbook titled "BSRR Support 1 Components" filed on August 15, 2016 with the Commission.

### **RESPONSE**

#### **Original Spreadsheet**

Cells E-12 and H-12 of the "Additions" tab of the "BSRR Support 1 Components" spreadsheet as filed on August 15, 2016 included both current month activity and amounts transferred to the BSRR in November 2015 upon the coal-related retirement of Big Sandy Unit 1. As a result, the values in cells C-12 and H-12 and the values in the cells E-12 and I-12 are not equivalents.

#### **Revised Spreadsheet**

KPCO\_R\_PSCIC\_4\_Attachment1 provides a revised "Additions" tab to the Excel Workbook titled "BSRR Support 1 Components" filed on August 15, 2016 to separate current month's activity from the amounts transferred to the BSRR. The information that was previously contained in the row labeled 11/1/2015 has been separated into two rows, one row labeled "November 2015" and one row labeled "Unit 1 Coal Retirement".

The values in the row labeled "November 2015" include the current month's activity prior to the transfer. The values in cells C-13 and H-13 of the "Unit 1 Coal Retirement" row, which are equal, reflect only the net book value of the coal-related assets of Big Sandy Unit 1 transferred into the BSRR upon the retirement of Big Sandy Unit 1 as a coal unit. Similarly, the values in Cells E-13 and I-13 of the "Unit 1 Coal Retirement," row, which are equal, reflect only the value of the coal-related Materials and Supplies Inventory transferred into the BSRR upon the retirement of Big Sandy Unit 1 as a coal unit.

**WITNESS:** Tyler H Ross

## **Kentucky Power Company**

### **REQUEST**

Provide an estimate of costs for the period running from July 2016 through June 2017 for the following categories: Cost of Removal, Asset Retirement Obligation (“ARO”), and the Unit 2 Operation & Maintenance (“O&M”) Expense.

For the above-proposed expenditures, by category, include a description of the types of projects that are planned and state the objective for each project (what is to be accomplished with respect to the expenditures).

### **RESPONSE**

Kentucky Power currently estimates that it will incur the following costs during the period July 2016 through June 2017:

Cost of Removal Activity:

Plant Demolition/Removal of Equipment for Safety - \$9.6 million.

Anticipated removal activities include:

- Continued demolition of coal yard
- Remove black dirt from coal yard and fill with top soil
- Demolition of the cooling tower
- Continued removal of coal conveyor structures
- Removing all fly ash from ducts running from boiler to the stack
- Demolition of Selective Catalytic Reduction equipment, the precipitator and associated duct work

ARO Activity:

Big Sandy Fly Ash Reservoir Closure - \$14.8 million. Anticipated work includes:

- Complete, necessary water discharge, fill, and residual water permitting processes
- Remove surface water in accordance with applicable permits
- Excavate, haul, place and countour ash subgrade for eastern portion of the fly ash pond (approximately 50 acres)
- Establish drainage and prepare for the cap system installation

Big Sandy Bottom Ash Pond Closure - \$0.6 million. Anticipated work includes initiating the engineering, design, permitting and procurement activities.

The Company also anticipates incurring ARO costs during the period for continued asbestos removal at Big Sandy Unit 2. Kentucky Power is in the process of accepting bids for this work, so no estimate is currently available. However, the Company expects that the asbestos removal costs in the July 2016 - June 2017 period may equal or exceed those costs incurred during the prior twelve-month period (\$3,294,190.38).

Big Sandy Unit 2 O&M Expense:

Maintain Safe Plant Environment - \$0.9 million. Anticipated work includes sump pump repairs expense, electrical breaker expense, plant alarm maintenance and plant elevator maintenance.

The anticipated costs discussed above are based on current budget forecasts and are subject to change based on changes in project schedules and scope.

**WITNESS:** Tyler H Ross