

September 26, 2016

ELECTRONICALLY FILED

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Dr. Talina R. Mathews
Executive Director
Public Service Commission
211 Sower Boulevard
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RE: **Case No. 2014-00396** (Post-Case Referenced Correspondence File)

Dear Dr. Mathews:

This letter is in response to your letter of September 22, 2016 (received September 26, 2016) requesting further information concerning Kentucky Power's September 14, 2016 responses to questions posed by Staff at the September 1, 2016 tracking meeting relating to the Company's 2016 updated Tariff B.S.R.R. rates.

Big Sandy Fly Ash Pond and Big Sandy Bottom Ash Pond.

You indicate "[i]t is unclear to Commission Staff whether there are two ponds being closed or just one pond that includes both fly ash and bottom ash." There are two ash ponds at Big Sandy. The Big Sandy fly ash pond was the subject of the Company's application and the Commission's Order in Case No. 2015-00152.

There also is a bottom ash pond at Big Sandy. Kentucky Power is in the project initiation stage of examining the closing and/or repurposing the bottom ash pond at Big Sandy. Repurposing would involve using all or some portion of the bottom ash pond to hold miscellaneous waste streams from Big Sandy Unit No. 1 operations, including a modified Outfall to the Big Sandy River.

Preliminary cost estimates for the bottom ash pond work are approximately \$3 million. Kentucky Power currently estimates project work may begin during the last quarter of 2017. Because engineering studies have not begun, these cost estimates and anticipated timeline are subject to change depending on actual project requirements.

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Cell Phone and Pager Expense

Thank you for alerting me to the error contained in the file denominated KPCO_R_PSCIC_1_Attachment1.xls and filed September 14, 2016. The actual cell phone expense associated with removal of asbestos from that portion of Big Sandy Unit 2 in the flood plain was \$125.86. The error arose because an Excel formula error in the original response led to an improper matching of cost component number and corresponding description of ARO cost activity. The error did not affect the ARO totals or the Grand Total. Filed with this letter is a corrected version of the file. It is labeled: KPCO_R_PSCIC_1_Attachment1_Revised.xls. The Company apologizes for the error.

Finally, Kentucky Power notifies the Commission and the parties to this proceeding that, in accordance with numbered paragraph 5 of Kentucky Power Company's Tariff B.S.R.R. (Tariff Sheet 38-2), paragraph 6(c) of the April 30, 2015 Settlement Agreement among Kentucky Power Company, Kentucky Industrial Customers, Inc., and the Kentucky School Boards Association in Case No. 2014-00396¹ ("Settlement Agreement"), and the Commission's June 22, 2015 Order in Case No. 2014-00396 approving the Settlement Agreement, the Company will implement the 2016 updated B.S.R.R. rates effective for service rendered beginning Cycle 1 of the October billing cycle (September 28, 2016).

The applicable updated rates are those filed with the Commission in the file "BSRR_2016_Annual_Update_Revised." The file originally was filed with the Commission on August 15, 2016 and revised on August 25, 2016.

Please do not hesitate to contact me if you have any questions.

¹ *In the Matter of: The Application of Kentucky Power Company for: (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief.*

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Very truly yours,



Mark R. Overstreet

MRO