

**VERIFICATION**

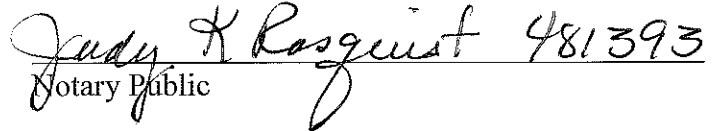
The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true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



John A. Rogness III

COMMONWEALTH OF KENTUCKY     )  
  ) Case No. 2015-00152  
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 31<sup>st</sup> day of October 2016.

 481393  
Notary Public

My Commission Expires: January 23, 2017

## **Kentucky Power Company**

### **REQUEST**

Commission Staff has the following clarifying question:

Kentucky Power states in its response to Item 2 that the projected cost estimate for Overheads related to the Big Sandy ash pond closure project is \$1,195,000. In Case 2015-00152, Exhibit JGD-3 to the Direct Testimony of Joseph G. Deruntz listed the components and associated revised cost estimates for the project, but did not include a line item for "Overheads." However, the quarterly reports include a line item for Overheads but show a zero cost estimate. Exhibit JGD-3 shows a total projected cost estimate of the project of \$62,326,753. State whether that amount has now increased to \$63,521,753 with the addition of Overheads of \$1,195,000. If not, explain why it does not impact the estimated total cost of the project.

### **RESPONSE**

The Company continues to support the \$62.3 million Revised Estimate as a reasonable estimate to complete pond closure activities at the Big Sandy Plant, including Overhead costs incurred as part of the project.

The Revised Estimate of \$62,326,753 did not include \$1,195,000 of Overheads. The Revised Estimate is the estimate received from the independent engineering firm with adjustments to account for specific conditions at the Big Sandy site, permitting requirements and adjustments based on information made available to the Company by an affiliate performing similar fly ash pond closure work. *See* Kentucky Power's Responses to Staff's September 19, 2016 Request for Clarification No. 1. As described in the Direct testimony of Company witness DeRuntz (pages 14 at 3-7), the Revised Estimate was to be reconciled during the Request for Proposal process during Phase II of the project. The Company received bids from vendors in April 2016 and reconciled the estimate in July 2016. At this time there is no reason for the Company to change the Revised Estimate; however, numerous factors (construction methods, site subsurface conditions, surface water drainage, etc.) have the potential to affect the total project cost as construction proceeds. The company plans on re-evaluating the Revised Estimate when construction is approximately 25% complete (~4Q 2017) and the uncertainties identified above are better understood.

**WITNESS: John A Rogness**

## **Kentucky Power Company**

### **REQUEST**

Commission Staff has the following clarifying question:

Kentucky Power states in its response to Item 2 that the projected cost estimate for Overheads related to the Big Sandy ash pond closure project is \$1,195,000. In Case 2015-00152, Exhibit JGD-3 to the Direct Testimony of Joseph G. Deruntz listed the components and associated revised cost estimates for the project, but did not include a line item for "Overheads." However, the quarterly reports include a line item for Overheads but show a zero cost estimate. Exhibit JGD-3 shows a total projected cost estimate of the project of \$62,326,753. State whether that amount has now increased to \$63,521,753 with the addition of Overheads of \$1,195,000. If not, explain why it does not impact the estimated total cost of the project.

### **RESPONSE**

The Company continues to support the \$62.3 million Revised Estimate as a reasonable estimate to complete pond closure activities at the Big Sandy Plant, including Overhead costs incurred as part of the project.

The Revised Estimate of \$62,326,753 did not include \$1,195,000 of Overheads. The Revised Estimate is the estimate received from the independent engineering firm with adjustments to account for specific conditions at the Big Sandy site, permitting requirements and adjustments based on information made available to the Company by an affiliate performing similar fly ash pond closure work. *See* Kentucky Power's Responses to Staff's September 19, 2016 Request for Clarification No. 1. As described in the Direct testimony of Company witness DeRuntz (pages 14 at 3-7), the Revised Estimate was to be reconciled during the Request for Proposal process during Phase II of the project. The Company received bids from vendors in April 2016 and reconciled the estimate in July 2016. At this time there is no reason for the Company to change the Revised Estimate; however, numerous factors (construction methods, site subsurface conditions, surface water drainage, etc.) have the potential to affect the total project cost as construction proceeds. The company plans on re-evaluating the Revised Estimate when construction is approximately 25% complete (~4Q 2017) and the uncertainties identified above are better understood.

**WITNESS: John A Rogness**