

**VERIFICATION**

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 J. Elliott  
Amy J. Elliott

COMMONWEALTH OF KENTUCKY    )  
  ) Case No. 2015-00280  
COUNTY OF FRANKLIN    )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this 6<sup>th</sup> day of January, 2016.

Judy K. Rogquist 481393  
Notary Public

My Commission Expires: January 23, 2017

## **Kentucky Power Company**

### **REQUEST**

Refer to the response to Commission Staff's First Request for Information, Item 8.

- a. Confirm that the increase of 46,563 allowances from the ending balance of December 2013 to the beginning balance of January 2014 reflects only the 2014 vintage allowances issued by the Environmental Protection Agency ("EPA"). If this cannot be confirmed, explain.
- b. Explain why the dollar value of the inventory increased \$2,361,233 from the ending balance of December 2013 to the beginning balance of January 2014 if the EPA issues allowances at zero dollar value.
- c. Explain why the response does not reflect the total allowance inventory as indicated on ES Form 3.11.
- d. Explain why Kentucky Power records monthly allowance transactions using a unit cost that is significantly higher than the unit cost of the total allowance inventory.

### **RESPONSE**

- a. The Company cannot confirm that the increase of 46,563 allowances "reflects only the 2014 vintage allowances issued by the Environmental Protection Agency...". The increase of available allowances was the result of two factors. First, 34,943 EPA-issued 2014 vintage year allowances became available for consumption and were added to current inventory. Additionally, 11,620 2014 vintage year allowances that the Company purchased in 2007 for \$2,361,233 became available for consumption and were also added to current inventory.

- b. The dollar value increased because 2014 vintage allowances that were purchased in 2007 became part of the current inventory.
- c. The total allowance inventory reported on ES Form 3.11 includes future allowances. These future allowances are not in the current inventory reported in KPSC 1-8.
- d. Because only current and prior year vintage allowances can be consumed, Kentucky Power calculates the unit cost per allowance based on the allowances that are in its currently available inventory. The allowances to be issued by the EPA in future years at a zero cost basis are not yet available for consumption and are not included in current inventory. To eliminate the seeming discrepancy, the Company is amenable to reporting only currently available inventory on ES Form 3.11 if so directed by the Commission.

**WITNESS:** Amy J Elliott

**Kentucky Power Company**

**REQUEST**

Refer to the response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 2, Attachment 1. Explain the column titled "Allowances Available in Future Years."

**RESPONSE**

Although Kentucky Power can only use current or prior vintage year allowances, Kentucky Power is allocated allowances for future years for planning purposes. These allowances are not available for consumption until the calendar year that corresponds with their vintage year.

**WITNESS:** Amy J Elliott

**Kentucky Power Company**

**REQUEST**

Refer to the response to Staff's Second Request, Items 3 and 4. Explain why Kentucky Power continues to retain the Clean Air Interstate Rule NOx allowances at zero dollar value if the program was terminated with the implementation of the Cross-State Air Pollution Rule.

**RESPONSE**

Although the Clean Air Interstate Rule allowances have been written off they still exist and currently are reflected at zero value in the Company's accounting records. That is, the records reflect the fact of the allowances existence.

During 2015 but prior to the amendment of the Company's environmental compliance plan, the Company reported the allowances at zero value in its environmental surcharge filings in the interest of complete disclosure. With the Commission's June 22, 2015 Order in Case No. 2014-00396 approving the Company's 2015 Environmental Compliance Plan the CAIR allowances no longer are part of the plan and are no longer being reported. Both before and after the amendment of the Company's plan, the CAIR allowances did not affect the calculation of the Company's environmental surcharge in 2015.

**WITNESS:** Amy J Elliott