COMMONWEALTH OF KENTUCKY
BEFORE THE PUBL!C. SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY FOR A GENERAL ADJUSTMENT) Case No. 2009-00459
OF ELECTRIC RATES)

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Kentucky Power Company [hereinafter referred to as "KP"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for KP with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional

information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to

whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(12) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

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this 12th day of February, 2010

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Assistant Attorney General

APPLICATION OF KENTUCKY POWER COMPANY
FOR AN INCREASE IN RATES
Case No. 2009-00459
ATTORNEY GENERAL'S INITIAL DATA REQUESTS

1. Please provide a summary of the efforts KP has undertaken to secure additional energy resources for its Kentucky-based generation, including renewable sources.

   a. Has the company ever conducted or considered conducting a study or studies to determine whether costs would be reduced if it had more in-state generation capacity? If it has not conducted any study, would it consider one?
   b. If the company is able to secure enough alternative energy resources (whether renewable or not) in a cost-effective manner, would it consider increasing its Kentucky-based generation capacities?
   c. If so, would the company consider amending its operating agreement with the other AEP (East) member companies [hereinafter: "Operating Agreement"] to insure that as much of the Kentucky-based generation remains in the Commonwealth as possible?
   d. Is the company willing to consider any and all other cost-effective measures with the goal of changing the company's status as a deficit company among the other members, and instead allowing the company to export more energy than its customers consume? If not, explain in detail why not.
   e. Would it ever be conceivable that the construction of more Kentucky-based generation could in the long run lead to lower rates for the company's Kentucky-based customers? In your response, please consider projected increases in transmission costs and right of way maintenance, and the difficulties in obtaining new transmission resources, including right of way.
   f. Would it ever be conceivable that remaining a deficit company among the AEP (East) member companies could result in lower rates for KP's Kentucky-based customers? If so, does the same hold true when costs borne by Kentucky ratepayers for environmental compliance at out-of-state plants are taken into consideration?
   g. Could the situation arise in which it might be more cost effective to retire older generating units among the other member companies and build new, more energy efficient generation plant that is also more compliant with existing and proposed environmental regulations? If so, could the new generation facilities be constructed in Kentucky? Include in your response costs to address and mitigate risks posed by ash ponds, carbon emissions and any other environmental hazards.

2. To what extent, if any, does the Operating Agreement serve as a hindrance to procuring renewable energy generation located within Kentucky's borders?

3. If the company is able to secure additional renewable cost-effective energy resources located within Kentucky, and if use of those resources proved more cost-effective than obtaining power from other AEP member companies located out-of-state, state what, if anything, would prevent KP from utilizing those renewable resources in lieu of power from other AEP members.

4. Please state, in detail, to what extent the proposed rate increase in the instant matter is driven by increased costs which other AEP member companies are facing in other states. Are they related to environmental requirement costs, renewable portfolio standards, etc.?

5. Please state, in detail, to what extent the proposed rate increase in the instant matter is driven by increased costs from PJM.

6. Please break-down the need for the proposed revenue increase as follows: (a) the percentage needed to meet costs KP incurs solely for its Kentucky-based generation, transmission, distribution and other plant necessary to provide service to customers residing within Kentucky; and (b) the percentage needed to meet costs of other AEP member companies dedicated to providing service to non-Kentucky residents. With regard your answer to (b), provide the name of the member company to which the revenue collected from Kentucky customers will be devoted.

7. Please explain why KP has only been able to earn a 2.9% return on equity during the test year.

8. Please explain fully why the company is seeking no additional income from cable TV rates. Provide a table showing KP's competitive cable rates in comparison to the cable providers in KP's service territory.

9. Provide the dollar-amounts the company has earned in off-system sales for each of the past five (5) years.

    a. Provide any and all analyses the company has conducted regarding forecasts for off-system sales in dollar amounts for the next five (5) years.

10. Please explain the cost justification for increasing the reconnection fee from $12.94 to $40.00.

    a. How much additional revenue will the company raise from this increase?
    b. What percentage of total revenue will the increase comprise?
    c. Please state whether KP believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

11. Please explain the cost justification for increasing the reconnect for non-payment fee when work continues into overtime from the existing $17.26 to the proposed $47.00? How was this number determined? Was rounding used?

    a. How much additional revenue will the company raise from this increase?
    b. What percentage of total revenue will the increase comprise?

c. Please state whether KP believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

12. Please explain the cost justification for increasing the reconnect when call-out is required from the existing $35.95 to the proposed $83. Was rounding used?

    a. How much additional revenue will the company raise from this increase?
    b. What percentage of total revenue will the increase comprise?
    c. Please state whether KPC believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

13. Please explain how the company can justify not increasing the returned check fee, which is currently only $7. Provide the costs the company incurs for returned checks.

    a. How much would the company have to charge to recoup its actual costs incurred for returned checks?

14. Please state whether KP maintains any ash ponds located in whole or in part within Kentucky's borders. If so, identify the location, and whether the pond facilities are in compliance with all existing and proposed environmental regulations.

    a. If KP does maintain ash ponds within the state, please describe the measures including insurance policies KP and / or AEP has in place to insulate ratepayers from environmental costs associated with any potential leakage. Also provide the extent and limits of any self-insurance and / or self-retention of risk.

15. Does KP recognize the legal duty to act in the best interests of its ratepayers?

    a. Does the Operating Agreement ever act so as to place the best interests of AEP above those of KP's ratepayers?
    b. Has KP ever sought any modifications to the Operating Agreement? If so, state when, identify the type of modification, the persons responsible for proposing the modification(s) and their position(s) within KP or AEP.

16. Reference Exhibit A, p. 349 of 367, Schedule 10 (6)(t)1, p. 2 of 2. Identify fully the reason for Appalachian Power's increased charge to KP from the average of $550,374 during the two-year period 2006-2007, to the average of $1,666,926 during the period from 2008 to the end of the test year, an increase of 203%.

a. Do any of these costs include storm-related costs? If so, were they already included in the regulatory asset that recorded storm-related costs?

17. Is KP required to sell all of the energy generated in-state to PJM? If so, why? Is KP required to purchase from PJM the energy needed to serve its Kentucky-based load?

    a. If so, has the company ever conducted any studies to determine whether it would be more cost effective to use power generated in Kentucky to serve its Kentucky-based load, and then purchase the remaining power it needs to accomplish that task from PJM?

18. Please explain why the net merger savings credit is being discontinued.

19. Regarding the proposed reliability enhancement program, to what extent, if at all, would it go to alleviating or mitigating outages such as those encountered during the December 2009 snow storm that caused wide-spread outages of long duration?

20. Reference the Bethel testimony. Of the seven (7) transmission-related cost components identified, state whether any component is new since the company's last rate case.

    a. Explain fully why a tracker is required.
    b. Explain fully the legal justification for the establishment of a tracker.
    c. Explain how the company has handled and addressed these costs up to this time without a tracker.
    d. State whether the company would face bankruptcy or material impairment to its credit or operations if it did not have a tracker for these cost items.
    e. State whether the company would no longer be able to provide service if it does not have a tracker for these cost items.
    f. Please identify what percentage of the transmission-related costs the company proposes to be tracked were incurred during the test year.
    g. Please identify the percentage of the test year's total Kentucky-jurisdictional revenue the proposed costs to be tracked would represent.

21. State what percentage of the proposed rate increment would go toward the purchase of wind power.

22. State what percentage of the proposed rate increment would go toward increased PJM costs.

23. Reference the Gregory testimony, pp. 9-10. Does the expense for the regulatory asset / liability referenced therein, which the company apparently will seek, fall within any of the following categories:

a. An extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning;
b. An expense resulting from a statutory or administrative directive;
c. An expense in relation to an industry sponsored initiative; or
d. An extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.

24. Is KP aware that in Case No. 2005-00096, the Kentucky PSC disallowed Duke Energy's (f/k/a The Union Light, Heat And Power Company) application to approve a regulatory asset and / or liability for certain MISO-related costs? Is the company aware of any cases in which the Kentucky PSC has approved any trackers or regulatory assets / liabilities for transmission-related costs?

25. Reference the Myers testimony. Provide the total dollar amounts credited to customers during the test year under the existing system sales clause. Using the same test year data, provide the amounts that would have been credited to customers if the changes had been in effect during that period.

a. Provide the same figures based on operating results for the two years preceding the test year.
b. Given that one of the reasons for the proposed change is the economic downturn, in the event the PSC approves the proposed change, and in the event the economy improves, would the company be willing to restore the OSS sharing mechanism to its current status in its next rate case?

26. Reference the Phillips testimony. Explain the measures the company already undertakes, and is prepared to undertake, to address issues posed by Kudzu and other non-indigenous invasive vegetation.

27. Regarding the quarterly customer satisfaction survey conducted by Market Strategies, Inc., is KP satisfied that it is obtaining a representative sample of its customer base?

a. How are the surveys conducted? Were any conducted by telephone? If so, what percentage of the total surveys?
b. What percentage of the customers contacted actually responded?
c. How many of KP's customers do not have telephones?
d. If surveys were conducted telephonically, were they limited to land lines?
e. What margin of error do the surveys have?
f. When will the first survey following the December winter storm be conducted?
g. Provide a copy of the most recent Market Strategies, Inc. customer satisfaction survey.

h. State whether the data collected in these surveys includes questions regarding satisfaction with cost of service. If not, why not?
i. State whether the data collected from these surveys includes questions regarding reliability and outages. If not, why not?

28. In KP's last rate case, it proposed the implementation of a vegetation management program having the capability of identifying every tree in the company's right of way. It is the Attorney General's understanding that this program was not implemented due to cost concerns. Is the program the company proposes to implement in the instant rate case the same as the one it attempted to implement in the last case?

a. Will the cost be comparable to the cost for that prior contemplated program?
b. If the cost is the same or comparable, explain the necessity of identifying and inventorying all vegetation?
c. What alternatives exist? For example, would it be possible to grade the vegetation in a given area on a numeric scale based upon growth rate?
d. How large of an area would be involved in the collection, inventory, storage, prediction, and analysis of specific vegetation data? Would it be by circuit? Would it require every tree to be inventoried? How much time would be required to conduct all the measures outlined above with regard to each singe tree?
e. What requirement does the company have to put into place such a comprehensive system?
f. Is KP looking for a perfect system, or one that is reasonable? Does KP think its customers want a perfect system or one that is reasonable based on current industry standards?

29. Mr. Phillips at p. 24 states that long term costs will decrease once a four-year cycle is achieved. If costs do so decrease, and assuming the PSC approves the program, would the company agree to re-assess the program in its next rate case?

30. Mr. Phillips at p. 30 states with regard to the Enhanced Inspection and Mitigation program that the AEPSC recommends an approximate 10-year inspection cycle. Explain fully why the company has failed to adhere to the recommended inspection cycle.

a. Based upon the levels of O & M and capital built into the company's base rates since the last rate case, what kind of inspection cycle would be supported?
b. Provide the amount of the additional revenue increment KP obtained in

its last rate case. State whether any amounts of that revenue increment were utilized in any manner to enhance the degree and / or frequency of right-of-way maintenance.

31. As a result of the merger of AEP with Central & South Western Corp. (PSC Case No. 1999-0149), KP agreed to file a variety of reliability information with the PSC. Identify what, if any such reliability information provided to the PSC revealed the trend of deteriorating reliability stated in the company's testimony filed in the instant case, and provide copies of any documents revealing that deterioration.

32. Provide a copy of all studies, analyses, and correspondence that address the economics and/or cost-effectiveness of the performance-based versus cyclic vegetation management approach relied on by the Company in its assertions that a cyclic approach is superior and should be adopted. Please make certain that the produced materials reference the cost-effectiveness of the company's proposals in this regard.

33. State whether the proposed enhancements to the company's vegetation management program will: (a) reduce O&M expense, and if so, by what amount; (b) reduce both recurring annual transmission and distribution plant investment and removal costs due to longer line and equipment life; and (c) increase revenues due to increased usage which otherwise would have been foregone during outages.

34. Will the proposed "Gridsmart" initiative allow the company to complete disconnections remotely without any human involvement at the point of utility connection? If so, explain whether the company will be reducing or eliminating charges for disconnects, and if reduced, the amount thereof.

35. In PSC Case No. 2006-00494, the company's response to PSC 1-12 indicated that it utilizes audits, the results of which are entered into the RWM Program (which is owned by AEP). Would it be more cost-effective to modify this existing program rather than adopting the apparent new software and attendant human input necessary to comprehensively inventory all vegetation and every tree in the company's right of way?

36. In PSC Case Nos. 2005-00090 and 2006-00494 (in particular, PSC 2-2 in that latter case), the company stated its acceptable SAIDI level was 7.87. Does the company intend to remain at this level or to improve it?

    a. If the company does not intend to improve its SAIDI level, explain fully why it is necessary to spend more funds for improved programs when the level of funds previously budgeted to achieve that level of SAIDI was already achieving that level.

b. For each $1 million spent in the proposed enhancement program, state the percentage improvement the company expects to receive in the CAIDI, SAIFI, SAIDI indices.
c. Will the company's proposed enhancements give any priority to its 10 worst-performing circuits, or would all circuits receive the same priority?

37. Excluding major events, are KP's SAIFI, CAIDI, and SAIDI indices within or outside of industry norms? Provide complete details.

38. Provide the company's line loss figures for each of the past ten (10) years.

39. State whether the company maintains any insurance policies to cover lost revenues due to outages. If so, provide a copy of any and all applicable declarations pages. Provide a summary of all claims and any insurance proceeds to cover such losses for the last five (5) years.

40. State whether the company engages in any type or sort of hedging operations to mitigate any lost revenues due to outages. If so, provide copies of any and all relevant documents. Provide a summary of all proceeds received or earned to mitigate any such losses for the last five (5) years.

41. State whether the company maintains any insurance policies to cover any type or sort of expenses incurred due to outages, including additional contract labor and materials necessary to complete restoration. If so, provide a copy of any and all applicable declarations pages. Provide a summary of all claims and any insurance proceeds to cover such losses for the last five (5) years.

42. As a result of the Operating Agreement KP maintains with other AEP affiliates, state whether KP receives any remuneration or reimbursement of any type or sort for outages or line loss. If so, provide complete details.

43. Identify what portions of the proposed enhancement program have been incurred during the test year. If none, state in detail why the company did not implement any sort or type of enhanced program during the test year, especially in light of the trend of deteriorating reliability of which the company, and its customers have all taken note.

a. Is the company aware that its customers are outraged at the company for not performing adequate right-of-way maintenance, which has led to increased frequency of outages and duration of outages?

44. Please state the levels of accumulated depreciation and accumulated deferred income taxes that would be created associated with the additional plant investment created during the time frame of the proposed enhancement program.

45. With regard to KP's proposed 11.75% return on equity, please identify any comparable utilities actually earning such a rate.

46. Confirm that pursuant to AEP's latest quarterly SEC filing, corporate net income rose 57% based on higher utility rates.

    a. Confirm the statement of AEP Chief Executive Michael Morris that, "Residential and Commercial sales – an area of significant year-to-year growth before the recession – have stalled but haven't declined as much as expected . . . .[t]hese factors have us cautiously optimistic for improvement in the months ahead."

47. Please provide copies of all presentations made to rating agencies and/or investment firms by KP between January 1, 2008 and the present.

48. Please provide copies of all prospectuses for any security issuances by KP since January 1, 2008.

49. Please provide copies of all studies performed by KP and/or by consultants or investment firms hired by KP to assess (1) KP's financial performance, (2) the performance of KP relative to other utilities, or (3) the adequacy of KP's return on equity or overall rate of return.

50. Please provide copies of credit reports for KP from the major credit rating agencies published since January 1, 2007.

51. Please provide copies of all correspondence between KP and any of the three major bond rating agencies (S&P, Moody's, and Fitch) from January 1, 2007 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.

52. Please provide the corporate credit and bond ratings assigned to KP since the year 2000 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.

53. Please provide KP's authorized and earned return on common equity over the past five (5) years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

54. Provide the names of the top five (5) highest paid executives of KP, their salaries for the last five (5) years, any applicable bonuses, the reasons for any such bonuses, and any applicable incentives.

    a. Of those five people so identified, have any ever toured KP's service territory?

55. State the amount by which the average residential bill increased as a result of the approval of the settlement in KP's last rate case.