

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

Via Overnight Mail

February 8, 2012

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

FEB 09 2012

PUBLIC SERVICE
COMMISSION

Re: Case No. 2011-00401

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'S SECOND SET OF DATA REQUESTS TO KENTUCKY POWER COMPANY for filing in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



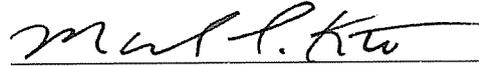
Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) and by first-class postage prepaid mail, to all parties on the 8th day of February, 2012.



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

Jennifer B Hans, Esq.
Assistant Attorney General's Office
1024 Capital Center Drive, Ste 200
Frankfort, KY 40601-8204

Mark R Overstreet, Esq.
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KY 40602-0634

John N. Hughes, Esq.
Counsel for Riverside Generating Company
124 W. Todd Street
Frankfort, KY 40601

Joe Childers, Esq.
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KY 40507

Kristin Henry, Staff Attorney
Sierra Club
85 Second Street
San Francisco, CA 94105

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF: THE APPLICATION OF KENTUCKY :
POWER COMPANY FOR APPROVAL OF ITS 2011 :
ENVIRONMENTAL COMPLIANCE PLAN, FOR APPROVAL : Case No. 2011-00401
OF ITS AMENDED ENVIRONMENTAL COST RECOVERY :
SURCHARGE TARIFF, AND FOR THE GRANT OF A :
CERTIFICATE OF PUBLIC CONVENIENCE AND :
NECESSITY FOR THE CONSTRUCTION AND :
ACQUISITION OF RELATED FACILITIES :
:**

**SECOND SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO KENTUCKY POWER COMPANY**

Dated: February 8, 2012

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "AEP" means American Electric Power and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "Company" means Kentucky Power Co. d/b/a American Electric Power, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

**KIUC's SECOND SET OF DATA REQUESTS
TO KENTUCKY POWER COMPANY
PSC CASE NO. 2011-00401**

Q2.1 Refer to the Company's response to Sierra 1-28 and the SL cost estimates.

- a. Please provide the base year for the dollar estimates.
- b. Refer to SL estimate number 30711D for the dry scrubber of \$571 million excluding AFUDC. Please reconcile the Company's cost estimate in this proceeding with the referenced SL estimate. Provide the major cost differences and a detailed explanation/description of each such cost difference.

Q2.2 Refer to the Company's response to Staff 1-48.

- a. Please provide a copy of all assumptions used in each of the scenarios summarized in this response.
- b. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled "Contract Revenue" represent and provide a description of how the amounts in this column were derived. Provide a copy of all assumptions and source documents relied on.
- c. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled "Market Revenue (Cost)" represent and provide a description of how the amounts in this column were derived. Provide a copy of all assumptions and computations, including, but not limited to, the mW and mWh purchased and sold and the pricing for the capacity and energy. In addition, provide a copy of all source documents relied on for pricing the purchases and sales.
- d. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled "Carrying Charges" represent and provide a description of how the amounts in this column were derived, including any levelization methodology that was used to derive the same amounts for multiple years. Provide a copy of all assumptions, computations, and source documents relied on, including the cash flows by project, the rate of return or "carrying charge" rate applied and the derivation of those rates, depreciation rates, tax rates, and all other assumptions incorporated in the amounts in this column whether by direct input or computation.
- e. Refer to the column entitled "Carrying Charges" on Attachment 1 page 3 of 12. Please explain why the amounts went up from 155,093 in the years 2020-2024 to 257,945 in the years 2025-2030, and then down to 146,766 in the years 2031-2040. Provide the computations of each of these amounts, including all assumptions and electronic workpapers with formulas intact.
- f. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled "Incremental O&M" represent and provide a description of how the amounts in this column were derived, including any specific increases included in 2040. Provide a copy of all assumptions and source documents relied on.
- g. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled "Market Value of Allowances Consumed" represent and provide a description of how the amounts in this column were derived. Provide a copy of all assumptions and source documents relied on.

- h. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled “Value of ICAP” represent and provide a description of how the amounts in this column were derived. Provide a copy of all assumptions and source documents relied on.
 - i. Refer to Attachment 1 page 3 of 12. Please provide the derivation of the discount rate used to compute the CPW of the revenue requirements. Provide a copy of all assumptions, computations, and source documents relied on.
 - j. Refer to Attachment 1 page 3 of 12. Please explain what the amounts in the column entitled “Capital Expenditures” represent and provide a description of how the amounts in this column were derived. In addition, please explain why the amounts in this column are the same as the amounts in the column entitled “Carrying Charges.” Provide a copy of all assumptions and source documents relied on.
 - k. Refer to Attachment 1 page 11 of 12. Please explain what the amounts in the column entitled “Market Revenue (Cost)” represent and provide a description of how the amounts in this column were derived. Provide a copy of all assumptions and computations, including, but not limited to, the mW and mWh purchased and sold and the pricing for the capacity and energy. In addition, provide a copy of all source documents relied on for pricing the purchases and sales.
- Q2.3 Refer to Exhibit SCW-2 page 2 of 2. The pricing scenarios are based on assumptions that natural gas prices and coal prices move in the same direction even if not in direct proportion. Please provide a copy of all analyses that address a sustained lower price band (compared to the CSAPR) for natural gas prices combined with a sustained higher price band for coal prices such as the CSAPR or higher band shown on this exhibit. If the Company has not performed such an analyses or quantitative sensitivities, then please explain why it has not done so.
- Q2.4 Refer to the Company’s response to Staff 1-12. Please provide a copy of all analyses that address the ability of the Big Sandy 2 plant to continue to operate as long as 70 years from commercial operation to retirement. Please provide a copy of all assumptions, computations, and source documents, including, but not limited to, internal correspondence. For all such analyses, provide a description of the reason the analyses was undertaken, by whom (names, positions, departments), and how the analyses was used or if it was not used.
- Q2.5 Please provide a copy of all analyses regarding the Company’s generation resource needs that addresses the acquisition of coal-fired capacity from other AEP utilities, e.g. some or all of the capacity of one or more of the Mitchell coal-fired units.
- Q2.6 Refer to the Company’s response to Staff 1-2 (a) and (b).
- a. Please provide a copy of the most recent “replacement agreement.”
 - b. Please provide a copy of all analyses and/or the “estimated impacts” related to the “replacement agreement.” Provide all assumptions, computations, studies, reports, handouts, and internal correspondence.
 - c. Please provide the net book value of each of the Mitchell units, including common facilities, at December 31, 2011.
 - d. If the Company were to acquire some or all of one more of the Mitchell units, would the tax basis and the related ADIT also transfer to the Company or would the Company’s tax basis be stepped up to the acquisition price?

- Q2.7 Refer to Staff 1-4 and the reference to the Company's Application, which notes that the Company anticipates retiring Big Sandy 1 by January 1, 2015.
- a. Under what circumstances could the Company continue to operate Big Sandy 1? For example, could it continue operating the unit if Big Sandy 2 were shut down by January 1, 2015 or by December 31, 2015? Please provide a copy of all analyses.
 - b. How long could the Company continue to operate Big Sandy 1 if Big Sandy 2 were shut down by January 1, 2014 or by December 31, 2014? Please provide a copy of all analyses.
 - c. How long could the Company continue to operate Big Sandy 1 if Big Sandy 2 were shut down by January 1, 2015 or by December 31, 2015? Please provide a copy of all analyses.
- Q2.8 Refer to the Company's response to Staff 1-5 (c).
- a. Please provide the same information for 2011.
 - b. Please indicate if the actual emissions and emission limits are applied to Big Sandy 1 and 2 individually or in the aggregate.
 - c. Please provide the same information for 2010 and 2011 under the assumption that Big Sandy 1 continues to operate through 2014, but Big Sandy 2 is retired.
- Q2.9 Refer to the Company's response to Staff 1-6 (c).
- a. Please provide the same information for 2011.
 - b. Please indicate if the actual emissions and emission limits are applied to Big Sandy 1 and 2 individually or in the aggregate.
 - c. Please provide the same information for 2010 and 2011 under the assumption that Big Sandy 1 continues to operate through 2014, but Big Sandy 2 is retired.
- Q2.10 Are the various emission allowances allocated by the U.S. EPA tied to the individual units or to the Company in the aggregate?
- Q2.11 If Big Sandy 2 is retired, what happens to the various emission allowances allocated by the U.S. EPA that no longer will be consumed at that unit? Are they available for use by the Company or for sale to other parties?
- Q2.12 If Big Sandy 2 is retired, provide an estimate of the number of allowances allocated by the U.S. EPA that will be available to the Company for use and/or sale by year, the market value of these allowances, and all supporting documentation for the number of allowances and the market value of these allowances.
- Q2.13 Refer to the Company's response to Staff 1-20 and revised Exhibit LPM-2.
- a. Please provide the Company estimate of the amount of environmental costs associated with the projects in this filing that will be recovered through the Company's retail base rates.
 - b. Please provide the estimated filing date for the Company's next base rate increase.
- Q2.14 Refer to the Company's response to Staff 1-45 and the Base Fleet Transition CSAPR Commodity Pricing scenario results shown on Attachment 1 page 3 of 12 to the Company's response to Staff 1-48. Is the

additional station load for the DFGD reflected in the amounts in the “Fuel Cost” and/or any other columns shown on Attachment 1 page 3 of 12 to the Company’s response to Staff 1-48? Please describe.

- Q2.15 Refer to the Company’s response to Staff 1-45, which addresses the discontinued use of the ESPs.
- a. Please provide the gross plant, accumulated depreciation, and related ADIT of the ESPs at December 31, 2011.
 - b. Please provide the annual depreciation rate and annualized depreciation expense on the ESPs using gross plant at December 31, 2011.
 - c. Please provide the actual O&M expense for the ESPs by FERC O&M expense account for 2011. Further separate these amounts into fixed, variable, and consumables expense.
 - d. Please provide the decommissioning and demolition cost of the ESPs and indicate if these costs are included in the Company’s cost estimate for the DFGD projects.
- Q2.16 Refer to the Company’s response to Staff 1-46. For each modification listed provide the following information:
- a. Indicate if the modification is included in the Company’s Big Sandy 2 DFGD cost estimate in this filing.
 - b. Provide the amount for the modification included in the Company’s Big Sandy 2 DFGD cost estimate in this filing.
- Q2.17 Refer to the Company’s response to Staff 1-92. Please confirm that the Company will “recover” the costs of CSAPR allowances through the System Sales Clause only to the extent of its sharing and that any additional costs of CSAPR allowances will be recovered through base rates due to lower net OSS margins reflected in the base revenue requirement. Please explain your response.
- Q2.18 Please provide an estimate of the Big Sandy 2 retrofit project costs that will be allocated to OSS and not recovered through the System Sales Clause. Provide all assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact.
- Q2.19 Refer to the Company’s response to KIUC 1-10(c). The spreadsheet referenced simply uses a rate to compute the ADIT. There is no underlying support for that rate.
- a. Please respond to the question as originally posed and provide all components of the ADIT calculation.
 - b. If, after review of the calculation in the Company’s spreadsheet, the Company believes that its calculation was in error, then please provide a corrected calculation and cite to all provisions of the present tax law that were relied on to determine the amount of accelerated tax depreciation, if any.
- Q2.20 Refer to the Company’s response to KIUC 1-10(e). Provide the estimate requested based on the present tax law. There is no need to speculate. If the Company did not consider existing tax law and any special deductions or accelerated deductions such as 5 year depreciation in its calculation of ADIT (requested in KIUC 1-10(c), then please explain why it failed to do so and provide a corrected quantification.
- Q2.21 Refer to the Company’s response to KIUC 1-11(b).
- a. Please explain why the Company cannot provide the information requested.

- b. If the Company cannot provide the information that was requested, then does the Company agree that the referenced projects should not be allowed recovery through the ECR. Please explain your response.
- Q2.22 Refer to the Company's response to KIUC 1-21. The Company's response refers to its response to KPSC 1-18; however, that response does not provide the information requested by KIUC. Please provide the information originally requested in KIUC 1-21 by FERC account and month.
- Q2.23 Refer to the Company's response to KIUC 1-24. Please provide a three year history of the Company's monthly average daily investment in the AEP utility Money Pool.
- Q2.24 Refer to the Company's response to KIUC 1-9(b).
- a. Please provide the Company's buildup of the estimated plant in service for the Big Sandy 2 retrofit projects totaling \$940.3 million. If the Company cannot provide the estimate by month, then provide it at the most detailed level at which it was developed.
- b. Please provide the Company's computation of the AFUDC included in the cost estimate of \$940.3 million, including, but not limited to, the AFUDC base, the weighted average cost of capital applied to the AFUDC base and the total accrued over the construction period.
- c. Please provide the computation of the AFUDC rate used to compute the AFUDC component of the cost estimate.
- Q2.25 Refer to the Company's response to KIUC 1-29. Please confirm that the Company has performed a diligent search for responsive documents and that there are no such documents.
- Q2.26 Refer to the Company's response to KIUC 1-30. Please confirm that the Company has performed a diligent search for responsive documents and that there are no such documents other than those provided in the referenced responses to KIUC 1-28 and KPSC 1-48.
- Q2.27 Refer to the Company's response to KIUC 1-35. Please confirm that the Company has performed a diligent search for responsive documents and that there are no such documents.
- Q2.28 Refer to page 9 line 14 through page 11 line 7 of Mr. Wohnhas' Direct Testimony.
- a. Please provide an estimate of the gross plant, accumulated depreciation and related ADIT that will be retired in conjunction with the boiler modifications. Provide all supporting assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact.
- b. Please provide the actual amounts of gross plant, accumulated depreciation, and related ADIT of the boiler and related plant at December 31, 2011 that will be retired and replaced in conjunction with the boiler modifications.
- c. Please provide the average annual depreciation rate and annualized depreciation expense based on the plant in service amounts at December 31, 2011 of the boiler and related plant that will be retired and replaced in conjunction with the boiler modifications.
- d. Please provide an estimate of the property tax expense based on the plant in service amounts at December 31, 2011 of the boiler and related plant that will be retired and replaced in conjunction with the boiler modifications. Provide all supporting assumptions, computations, and workpapers, including electronic spreadsheets with formulas intact.

- e. Please provide the decommissioning and demolition cost of the boiler and related plant that will be retired and replaced in conjunction with the boiler modifications. In addition, please indicate if these costs are included in the Company's cost estimate for the DFGD projects.
- f. If the Company asserts that it has not or cannot provide the information requested in response to parts (a) through (e) of this question, then provide this information for the "essentially identical work performed on four other 800 mW units on the AEP fleet, namely Amos Units 1&2 and Mitchell Units 1&2," cited as the basis for the Company's cost estimates on the boiler "upgrades" at Big Sandy 2 in response to Sierra Club 1-28(a) through (d).

Q2.29 If different than those forecasts already in the record, please provide the most recent and up to date forecasts prepared by or for the Company and/or AEP with respect to: coal costs, natural gas costs, wholesale energy prices, and wholesale generation capacity prices. This is a continuing request that should be updated while the record in this case is still open.

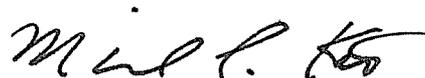
Q2.30 Assume the Commission approves an environmental surcharge rate increase of approximately 30% as is being requested here.

- a. Provide all studies or analysis prepared by or for the Company regarding the effect on electricity usage by customer class.
- b. Provide all studies or analyses prepared by or for the Company regarding the effect on the local economy.

Q2.31 With regard to the response to KIUC 1-40, please provide a complete description of all of the categories of revenues (e.g., base rate revenues, fuel adjustment revenues, System sales revenues, DSM revenues) included in column (g) each month ("Revenues Subject to ECR Factor"). Also provide a reconciliation of the amount of "ECR Revenues" shown for each rate class for each month, with the product of the "ECR Factor" and the "Revenues Subject to ECR Factor." [For example, the ECR Revenues shown for the Residential class for Jul10 is \$1,395,442. The product of the ECR factor (0.078611) and the Revenues Subject to ECR Factor (\$19,518,732) is \$1,534,387.

Q2.32 Please reconcile the KY Retail Jurisdiction revenues shown in column (3) of Exhibit LPM-5, page 1 of 1, with the revenues provided in response to KIUC 1-40 (the revenues subject to ECR factor for the 12 months ending August 2011 from KIUC 1-40 do not appear to match the revenues shown in Exhibit LPM-5).

Respectfully submitted,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: 513.421.2255 Fax: 513.421.2764

mkurtz@BKLLawfirm.com

kboehm@BKLLawfirm.com

**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**

February 8, 2012