

RECEIVED

MAR 28 2012

PUBLIC SERVICE
COMMISSION

421 West Main Street
Post Office Box 634
Frankfort, KY 40602-0634
[502] 223-3477
[502] 223-4124 Fax
www.stites.com

March 28, 2012

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: Case No. 2011-00401

Dear Mr. Derouen:

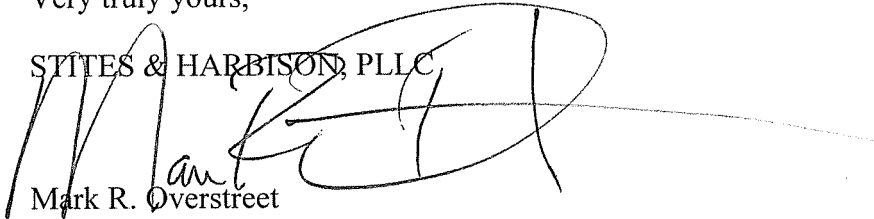
Enclosed please find the original and twelve copies of Kentucky Power Company's Responses to Commission Staff's Third Set of Data Requests. Copies are being served on counsel of record and the consultants for the parties and Staff.

Also being filed and served is the Company's petition for confidential treatment with respect to certain of the information being provided in connection with the Company's response to KPSC 3-1.

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

Very truly yours,

STITES & HARBISON, PLLC


Mark R. Overstreet

MRO

cc: Michael L. Kurtz
Kristen Henry
Shannon Fisk
Larry W. Cook
Joe F. Childers

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In The Matter Of:

APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF ITS 2011 ENVIRONMENTAL COMPLIANCE PLAN, FOR APPROVAL OF ITS AMENDED ENVIRONMENTAL COST RECOVERY SURCHARGE TARIFF, AND FOR THE GRANTING OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND ACQUISITION OF RELATED FACILITIES

MAR 28 2012

PUBLIC SERVICE
COMMISSION
CASE NO. 2011-00401

PETITION FOR CONFIDENTIAL TREATMENT

Kentucky Power Company (“Kentucky Power”) moves the Commission pursuant to 807 KAR 5:001, Section 7 and KRS 61.878(1)(c)(1) for an Order granting confidential treatment for the identified portions of Kentucky Power’s response to the identified portions of its Response to KSPC 3-1.

A. The Requests And The Statutory Standard.

Kentucky Power does not object to filing the identified information for which it is seeking confidential treatment, but requests that the identified portions of the responses be excluded from the public record and public disclosure. The Company likewise does not object to providing the identified information to those parties to this proceeding who execute an appropriate confidentiality agreement.

KRS 61.878(1)(c)(1) excludes from the Open Records Act:

Upon and after July 15, 1992, records confidentially disclosed to an agency or required to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

This exception applies to the information for which Kentucky Power is seeking confidential treatment.

The Subject Data Request Response.

KPSC 3-1 seeks

[A]ny and all studies and/or analyses which were the result of the different transitional approaches that were investigated subsequent to the December 17, 2010 AEP Interconnection Agreement Operating Committee meeting.

The Company seeks confidential treatment for the following portions of its Response to the data request:

- (a) Attachment 2 – Tabs labeled
 - (i) “Pool VOM calc tab”;
 - (ii) “Pool NEC Total 501 Calc”;
 - (iii) “BO Pool VOM Case 923”;
 - (iv) “Base Pool NEC Case 1098”; and
 - (v) “Rockport Data.”
- (b) Attachment 3 – Tabs labeled:
 - (i) “Pool NEC Total 501 Calc”;
 - (ii) “Pool VOM etc Calc tab;”
 - (iii) “BO Pool NEC Case 1098”;
 - (iv) “BO Pool VOM Case 1098”; and
 - (v) “Rockport Data.”
- (c) Attachment 4 – Portions of all tabs.

- (d) Attachment 5 – Tabs labeled:
 - (i) “Pool NEC Total 501 Calc;”
 - (ii) “Pool VOM etc Calc tab;”
 - (iii) “BO Pool NEC Case 1096”;
 - (iv) “BO Pool VOM Case 1096”; and
 - (v) “Rockport Data.”

- (e) Attachment 6 – Tabs labeled:
 - (i) “Pool NEC Total 501 Calc”;
 - (ii) “Pool VOM etc Calc tab;”
 - (iii) “BO Pool NEC Case 913”;
 - (iv) “BO Pool VOM Case 913”; and
 - (v) “Rockport Data.”

- (f) Attachment 7 – Portions of all tabs.

The information to be protected includes cost and operating data regarding the AEP East system, including energy costs, and capacity factors. The information for which confidential treatment is sought is competitively sensitive because competitors may use such data to determine KPCo’s and AEP’s energy and capacity positions. The disclosure of such positions would adversely affect KPCo because it would provide competitors with an advantage with regard to the pricing of the competitors energy and capacity in the energy and capacity marketplace. Disclosing this commercially sensitive information to competitors will allow the competitors also to determine KPCo’s market strategies. Armed with the market strategies and costs, competitors can set artificial thresholds for market prices by adjusting the way they bid their generating units into the market. *If allowed to happen, these artificial thresholds will set*

market prices and all customers being served by the market will endure harm through higher electric rates. These higher electric rates would also be suffered by customers of KPCo.

- B. The Identified Information is Generally Recognized As Confidential And Proprietary and Public Disclosure Of It Will Result In An Unfair Commercial Advantage for Kentucky Power's Competitors.

The identified information is confidential. Dissemination of the information is restricted by Kentucky Power, AEP, and AEPSC. The Company, AEP and AEPSC take all reasonable measures to prevent its disclosure to the public as well as persons within the Company who do not have a need for the information. The information is not disclosed to persons outside Kentucky Power, AEP or AEPSC. Within those organizations, the information is available only upon a confidential need-to-know basis that does not extend beyond those employees with a legitimate business need to know and act upon the identified information.

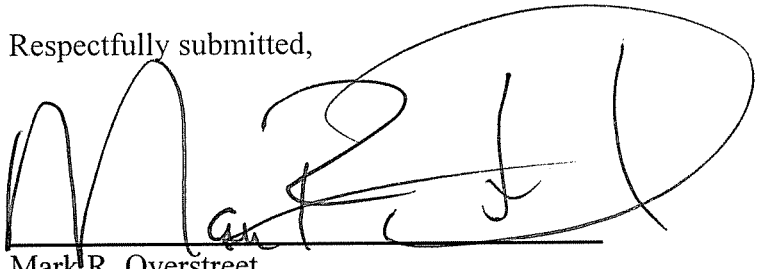
- C. The Identified Information Is Required To Be Disclosed To An Agency.

The identified information is by the terms of the Data Requests and Commission practice required to be disclosed to the Commission. The Commission is a "public agency" as that term is defined at KRS 61.870(1). Any filing should be subject to a confidentiality order and any party requesting such information should be required to enter into an appropriate confidentiality agreement.

Wherefore, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. According confidential status to and withholding from public inspection the identified information provided by Kentucky Power in its Response to KPSC 3-1; and
2. Granting Kentucky Power all further relief to which it may be entitled.

Respectfully submitted,



Mark R. Overstreet
R. Benjamin Crittenden
STITES & HARBISON PLLC
421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477

COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by hand delivery or overnight delivery, upon the following parties of record, this 28th day of March, 2012.

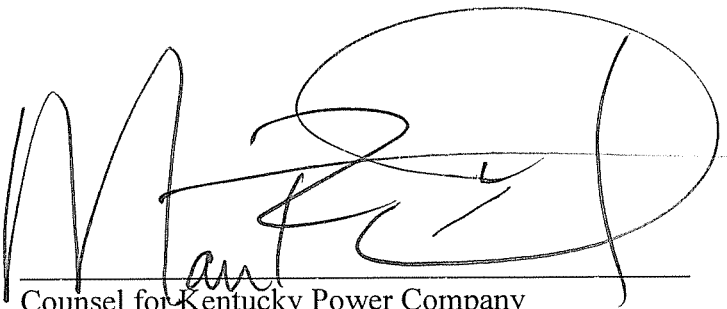
Michael L. Kurtz
Boehm, Kurtz & Lowry
Suite 1510
36 East Seventh Street
Cincinnati, Ohio 45202

Joe F. Childers
Joe F. Childers & Associates
300 The Lexington Building
201 West Short Street
Lexington, Kentucky 40507

Dennis G. Howard II
Lawrence W. Cook
Assistant Attorney General
Office for Rate Intervention
P.O. Box 2000
Frankfort, Kentucky 40602-2000

Kristin Henry
Sierra Club
85 Second Street
San Francisco, California 94105

Shannon Fisk
235 Rector St.
Philadelphia, PA 19128



Counsel for Kentucky Power Company

COMMONWEALTH OF KENTUCKY

RECEIVED

MAR 28 2012

BEFORE THE

**PUBLIC SERVICE
COMMISSION**

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

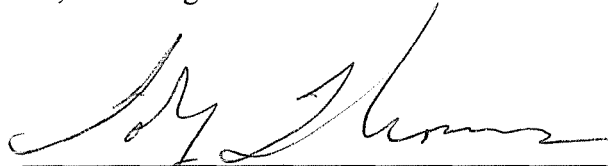
**APPLICATION OF KENTUCKY POWER COMPANY)
FOR APPROVAL OF ITS ENVIRONMENTAL)
SURCHARGE PLAN, APPROVAL OF ITS AMENDED)
ENVIRONMENTAL COST RECOVERY) CASE NO. 2011-00401
SURCHARGE TARIFFS, AND FOR THE GRANT OF)
CERTIFICATES OF PUBLIC CONVENIENCE AND)
NECESSITY FOR THE CONSTRUCTION AND)
ACQUISITION OF RELATED FACILITIES)**

**RESPONSES OF KENTUCKY POWER COMPANY TO
COMMISSION STAFF'S THIRD SET OF DATA REQUESTS**

March 28, 2012

VERIFICATION

The undersigned, TOBY THOMAS, being duly sworn, deposes and says he is Managing Director, Kentucky Power Generation, Gas, Renewals and Planning for American Electric 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 information, knowledge and belief.



TOBY THOMAS

STATE OF OHIO


)

) CASE NO. 2011-00401

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Toby Thomas, this the 15th day of March 2012.



Notary Public

My Commission Expires: 10-23-2013

E. MARIE BROWN
NOTARY PUBLIC, STATE OF OHIO
My Commission Expires 10-23-13

VERIFICATION

The undersigned, SCOTT C. WEAVER, being duly sworn, deposes and says he is Managing Director Resource Planning and Operation Analysis for American Electric 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 information, knowledge and belief



SCOTT C. WEAVER

STATE OF OHIO

)

) CASE NO. 2011-00401

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Scott C. Weaver, this the 26th day of March 2012.



Cheryl L. Strawser
Notary Public, State of Ohio
My Commission Expires 10-01-2016



Notary Public

My Commission Expires: October 1, 2016

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 1.b., which requested all studies and/or analyses relied upon and used to support Kentucky Power's decision to terminate the East Pool Agreement effective January 1, 2014. Kentucky Power provided a 42-page analysis pertaining to the pool termination which was completed prior to December 17, 2010. In reviewing the December 17, 2010 Minutes to the Meeting of the AEP Interconnection Agreement Operating Committee, it appears all Member Representatives then committed to investigating such transitional approaches as needed. Provide any and all studies and/or analyses which were the result of the different transitional approaches that were investigated subsequent to the December 17, 2010 AEP Interconnection Agreement Operating Committee meeting.

RESPONSE

The following options were considered for replacing the current AEP East Interconnection Agreement upon its termination:

- 1) The three Company (APCo, KPCo, and I&M) Power Cost Sharing Agreement (PCSA) that was filed at FERC on 2/10/12 and later withdrawn on 02/28/2012. See the Company's response to KIUC 2-6 part b for this analysis.
- 2) APCo, KPCo, and I&M each operating independently (stand-alone) in PJM;
- 3) An alternative three-company energy pool (different from that described in 1) above; and
- 4) A "backstop" market price call option.

For option 2 above, see KPSC 3-1 Attachment 1 on the enclosed CD for a stand-alone in PJM analysis for the 12-month period ending October 31, 2011.

KPSC Case No. 2011-00401
Commission Staff's Third Set of Data Requests
Order Dated March 14, 2012
Item No. 1
Page 2 of 2

In December of 2011 through January 2012, a proforma analysis was carried out comparing costs for APCo, I&M and KPCo as members in the three-company Power Cost Sharing Agreement (PCSA), which is option 1 (that was filed at FERC on 2/10/12 and later withdrawn), versus costs with each company stand-alone in PJM, which is option 2 above. Attachments 2 through 4 on the enclosed CD contain certain financial and operational data for that three-company PCSA versus Stand-alone analysis. Attachment 2 contains a summary comparison of the Net Energy Cost (NEC) and Off-system sales (OSS) margin for the PCSA versus a Stand-alone in PJM analysis, as well as the derivation of the NEC and OSS margin for the PCSA. Attachment 3 contains the derivation of the NEC and OSS margin for the Stand-alone in PJM analysis. Attachment 4 contains generating unit operational data for both the PCSA and Stand-alone analyses.

Preceding that analysis, in late-September through November of 2011, a proforma analysis was carried out comparing costs for APCo, I&M and KPCo as members in an alternative three-company energy pool, which is option 3 above, versus costs with each company stand-alone in PJM, which is option 2 above. Attachments 5 through 7 on the enclosed CD contain certain financial and operational data for a Stand-alone versus an alternative three-company energy pool as described above. Attachment 5 contains a summary comparison of the Net Energy Cost (NEC) and Off-system sales (OSS) margin for the alternative three-company energy pool versus a stand-alone in PJM analysis, as well as the derivation of the NEC and OSS margin for the stand-alone in PJM analysis. Attachment 6 contains the derivation of the NEC and OSS margin for the alternative three-company energy pool analysis. Attachment 7 contains generating unit operational data for both the alternative three-company energy pool and stand-alone analyses.

Also, see KPSC 3-1 Attachment 8 on the enclosed CD for the market price call option analysis for the actual period 2006 through 2011, which is option 4 as described above.

Confidential treatment is being sought for Attachments 2 through 7 on CD.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 6.a., the \$5,966,590 which was originally classified as "materials purchased" but which Kentucky Power indicates should have been classified as "outside services" because those costs were for engineering work pertaining to vendors from whom Kentucky Power would have purchased materials for the wet Flue Gas Desulfurization ("FGD") if and when actual construction would have begun.

- a. In the event that construction commences, explain whether the \$5,966,590 for engineering work which was performed for a wet FGD is still relevant or useful to the vendors from whom Kentucky Power could purchase materials for the dry FGD.
- b. In the event that construction commences for the remaining "outside services" in the amount of \$5,279,574, explain whether all of the work performed for the wet FGD will still be relevant or useful for the construction of the dry FGD.

RESPONSE

a-b. No. Had the most recent technical and commercial evaluation of the FGD technologies indicated that a wet FGD was the most economical alternative for scrubbing Big Sandy Unit 2, then the work performed by Black & Veatch would have been applicable to the project. Because the most recent evaluations have determined that Kentucky Power's customers will receive the greatest benefit from the application of a dry scrubber technology, than work associated with the wet technology, although prudent at the time, is not directly applicable.

WITNESS: Robert L Walton and Ranie K Wohnha

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 10.d. The item requested Kentucky Power to provide the amount and type of expenditures on the Big Sandy dry FGD project prior to the AEP Subcompany Board approval on January 26, 2012. Kentucky Power provided yearly amounts by cost category for the years 2004 through 2011. Provide the following:

- a. A confirmation that Kentucky Power was incurring costs associated with both a wet and a dry FGD for Big Sandy Unit No. 2 in calendar years 2004 through 2006.
- b. If the answer to part a. is no, provide a reconciliation of the information provided in Staff's Initial Request for Information, Item 18.b., with the information provided in Staff's Second Request, Item 10.d.
- c. An explanation of whether the \$5,977,554 incurred at the end of calendar year 2006 for vendor materials and supplies would be applicable or useful to the Alstom NID scrubber system.
- d. An explanation of whether the \$6,010,889 incurred at the end of calendar year 2006 for outside services would be applicable or useful to the Alstom NID scrubber system.

RESPONSE

- a. KPCo was not incurring costs for a dry FGD for Big Sandy Unit 2 during calendar years 2004 through 2006.
- b. In 2004, the Company set up two Capital Improvement (CI) requisitions to use during our internal capital dollar approval process. One was for the FGD Landfill and the other was the FGD itself. The FGD CI was specific to installing a FGD irrespective of the type of technology to be used.

Kentucky Power Company

The information provided in Staff's Initial Request for Information, Item 18.b. was incurred cost associated with the wet FGD, Associated Work, and Landfill for the period from 2004 through 2006.

The information provided in Staff's Second Request for Information, Item 10.d was incurred cost associated with the FGD and Associated Work only (excluding FGD Landfill costs). For the FGD CI shown on 10.d, the costs shown for 2004-2006 are for the WFGD. The costs shown for 2010-2011 are for the DFGD. The 2008-2009 costs were for the settlement of a dispute with an AEP outside contractor in which the settlement dollars were allocated across all CI's within AEP in which this contractor had performed work.

c-d. Had the most recent technical and commercial evaluation of the FGD technologies indicated that a wet FGD was the most economical alternative for scrubbing Big Sandy Unit 2, then the work performed by Black & Veatch would have been applicable to the project. Because the most recent evaluations have determined that Kentucky Power's customers will receive the greatest benefit from the application of a dry scrubber technology, then work associated with the wet technology, although prudent at the time, is not directly applicable.

WITNESS: Robert L Walton and Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 13.b. Provide the following:

- a. Whether the Big Sandy Unit No. 2 Electro-Static Precipitator ("ESP") is reflected in any Commission-approved Kentucky Power compliance plan.
- b. Whether the investment associated with the Big Sandy ESP is reflected on ES Form 3.10, Line 1.
- c. Whether the accumulated depreciation associated with the Big Sandy ESP is reflected on ES Form 3.10, Line 2.
- d. Whether the depreciation expense associated with the Big Sandy ESP is reflected on ES Form 3.10, Line 12.
- e. Using the Environmental Surcharge Report for the expense month of September 30, 2009, provide the amounts used in the monthly filing for parts b., c., and d. of this information request.

RESPONSE

- a. Yes, the Big Sandy Unit No. 2 Electro-Static Precipitator ("ESP") was approved in a final order dated March 31, 2003, by the KPSC in Kentucky Power Case No. 2002-00169. Please see page 2 of this response for the approved ES Tariff for Case No. 2002-00169.
- b. Yes
- c. Yes
- d. Yes
- e. Big Sandy Unit 2 ESP as reported on ES FORM 3.10 for the expense month September 30, 2009.

Investment	\$13,295,647
Accumulated Depreciation	\$ 3,339,169
Depreciation Expense	\$ 41,880

WITNESS: Lila P Munsey

American Electric Power

ORIGINAL SHEET NO. 23-3
CANCELING SHEET NO. _____

PSC Electric No. 7

ENVIRONMENTAL SURCHARGE (E.S.)

RATE (Cont'd)

The Rate of Return for Rockport should reflect the requirements of the Rockport Unit Power Agreement.

Net Proceeds from the sale of emission allowances and ERCs that reflect net gains will be a reduction to the Current Period Revenue Requirement, while net losses will be an increase.

The Current Period Revenue Requirement will reflect the balances and expenses as of the Expense Month of the filing.

5. Environmental costs "E" shall be the Company's costs of compliance with the Clean Air Act and these environmental requirements shall apply to coal combustion wastes and by-products, as follows:

- (a) cost associated with Continuous Emission Monitors (CEMS)
- (b) costs associated with the terms of the Rockport Unit Power Agreement
- (c) the Company's share of the pool capacity costs associated with Gavin scrubber(s)
- (d) return on SO₂ allowance inventory
- (e) costs associated with air emission fees
- (f) over/under recovery balances between the actual costs incurred less the amount collected through the environmental surcharge
- (g) costs associated with any Commission's consultant approved by the Commission
- (h) costs associated with Low Nitrogen Oxide (NO_x) burners at the Big Sandy Generating Plant
- (i) costs associated with the consumption of SO₂ allowances
- (j) costs associated with the Selective Catalytic Reduction at the Big Sandy Generating Plant
- (k) costs associated with the upgrade of the precipitator at the Big Sandy Generating Plant
- (l) costs associated with the over-fire air with water injection at the Big Sandy Generating Plant
- (m) costs associated with the consumption of NO_x allowances
- (n) return on NO_x allowance inventory
- (o) 25% of the costs associated with the Reverse Osmosis Water System (the amount is subject to adjustment at subsequent 6 month surcharge reviews based on the documented utilization of the RO Water System by the SCR)

6. The monthly environmental surcharge shall be filed with the Commission ten (10) days before it is to go into effect, along with all necessary supporting data to justify the amount of the adjustments which shall include data and information as may be required by the Commission.

PUBLIC SERVICE COMMISSION
OF KENTUCKY

MAR 31 2003

PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

DATE OF ISSUE April 10, 2003 SERVICE RENDERED ON OR AFTER APRIL 10, 2003
ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an order of the Public Service Commission in Case No. 2002-000169 dated March 31, 2003

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 13.b., filed on February 24, 2012. Provide the following:

- a. The work order numbers, their estimated cost, their actual installed costs and their associated in-service date for the Big Sandy Unit No. 2 ESP.
- b. A reconciliation between Kentucky Power's responses to Staff's Second Request, Item 13.b., filed on February 24, 2012 and Kentucky Power's response to Commission Staff's Third Request for Information, Item 4.

RESPONSE

- a. Please see Staff 3-5, Attachment 1 for the requested information.

Please note the original cost of \$15.8 million as referenced in Staff's Second Request, Item 13b, was an estimate incorrectly used as an actual. Attachment 1 shows the work order summary of the cost of the ESP totaling \$15.0 million, which also includes \$2.5 million in costs to retire property that was not, included in the ESP capital costs as part of the ECR calculations.

- b. Please see Staff 3-5, Attachment 2 for the actual costs of the ESP upgrade including the original installed cost of \$12.6 million plus additional equipment upgrades pertaining to the ESP for a total of \$13.3 million as noted in Staff's Third Request for Information, Item 4.

WITNESS: Robert L Walton

Kentucky Power - Gen
 Work Order Summary Overview Report

Work Order : 03500714 Description : RSD PRECIP INSTALL-BIG SANDY U Status : posted to CPR
 Work Order Type : KEP Co. Gen - Steam Production In Service Date : 12/24/2002
 Funding Project : WSK116587 Close Date : 11/24/2003
 Major Location : Big Sandy Generating Plant Asset Location : Big Sandy Generating Plant Unit Nos. 1&2 : KEP : 7300

Department	Labor	Materials	Outside Services	All Other	Overheads	AFUDC	Credits/Salvage	Total
Additions								
11710033	\$0.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000.00
11710107	\$2,050.07	\$900,326.04	\$0.00	\$62,189.87	\$0.00	\$0.00	\$0.00	\$954,575.98
11710218	\$15,895.39	\$1,272,763.27	\$7,135,682.54	\$574,573.43	\$128.70	\$213.82	\$0.00	\$9,099,357.16
11710219	\$0.00	\$1,140,148.43	\$165,323.77	\$16,028.69	\$0.00	\$0.00	\$0.00	\$1,324,500.89
11711902	\$0.00	\$0.00	\$487.53	\$0.00	\$0.00	\$0.00	\$0.00	\$487.53
11799900	\$0.00	\$0.00	\$0.00	\$982,666.51	\$0.00	\$0.00	\$0.00	\$982,666.51
11799920	\$1,386.80	\$0.00	\$0.00	\$57.10	\$0.00	\$0.00	\$0.00	\$1,443.90
11799990	\$0.00	\$0.00	\$0.00	\$0.00	\$137,179.13	\$66,332.79	\$0.00	\$203,511.92
Exp Type Total :	\$19,432.26	\$3,318,237.74	\$7,304,493.84	\$1,725,515.60	\$137,307.93	\$66,646.61	\$0.00	\$12,571,533.88
Retirements								
11710107	\$231.15	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$231.15
11710218	\$26,101.38	\$2,792.43	\$2,414,282.53	\$950.10	\$0.00	\$0.00	\$2,255.58	\$2,446,382.32
11799900	\$0.00	\$0.00	\$0.00	\$4,089.17	\$0.00	\$0.00	\$0.00	\$4,089.17
11799990	\$0.00	\$0.00	\$0.00	\$0.00	\$670.43	\$0.00	\$0.00	\$670.43
Exp Type Total :	\$26,332.53	\$2,792.43	\$2,414,282.53	\$5,019.27	\$670.43	\$0.00	\$2,255.58	\$2,451,355.02
WO Total :	\$45,764.79	\$3,321,030.17	\$9,718,776.87	\$1,730,534.87	\$137,978.26	\$66,546.61	\$2,255.58	\$15,022,886.95
Report Total :	\$45,764.79	\$3,321,030.17	\$9,718,776.87	\$1,730,534.87	\$137,978.26	\$66,646.61	\$2,255.58	\$15,022,886.95

Run : 1/6/04

Project - 2215

**Kentucky Power Company
 Big Sandy Unit 2 - ESP**

Work Order - WSX115587

Original Cost	Dec-02	12,571,949
Additions	2003	501,154
	2004	27,012
	Subtotal	13,100,115

Work Order - 40695261

Original Cost	Dec-06	6,947
Additions	2011	434
	Subtotal	7,381

Work Order - 40758256

Original Cost	Dec-08	8,902
Additions		-
	Subtotal	8,902

Work Order - 40852537

Original Cost	Dec-07	222,446
Retirements	2008	(42,338)
Additions	2008	(859)
	Subtotal	179,249

Total 13,295,647

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 26. Provide an update to this response once the decision has been made.

RESPONSE

As of March 28, 2012, a decision has not yet been made. The Company will provide an update once the decision has been made.

WITNESS: Robert L. Walton and Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 27.b.(1). Provide the following:

- a. A reconciliation between the statement "[t]he depreciation study completed was based on a June 2005 demolition study prepared by Brandenburg Industry Service Company," and the statement in Kentucky Power's response to Staff's Second Request, Item 27, Attachment 2, page 2 of 350, which states, "[t]he demolition cost is estimated to be \$32,000,000 in current (2008) dollars."
- b. An explanation of whether the 2005 Brandenburg Industry Service Company demolition study was updated for the depreciation study filed in Case No. 2009-00459.¹

¹Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates (Ky. PSC Jun. 28, 2010).

RESPONSE

- a. The statement in response to Staff's Second Request, Item 27.b.(1) should have read "The depreciation study completed was based on a June 2005 demolition study **and updated in October 2009** prepared by Brandenburg Industry Service Company." The statement in response to Staff's Second Request, Item 27, Attachment 2, page 2 of 350 should have read "The demolition cost is estimated to be **\$43,000,000** in current (2008) dollars." The \$32 million was the cost of demolition from the original 2005 study. The \$43 million is the cost of demolition from the update provided in 2009 and is also shown on Staff's Second Request, Item 27, Attachment 2, page 3 of 350.
- b. The demolition study prepared by Brandenburg Industry Service Company in 2005 was updated in October 2009 and is provided as Attachment 1 to this response.

WITNESS: Ranie K. Wohnhas

American Electric Power Company
Big Sandy Power
LOUISA, KY

Dismantling Information

October 13, 2009

**BIG SANDY AEP POWER PLANT
CONCEPTUAL DEMOLITION PLAN**

DEFINITIONS:

ACM

Asbestos Containing Material

CFC's

Chlorofluorocarbons.

Construction / Demolition Debris

Any solid waste resulting from the construction, remodeling, repair, or demolition of structures. Such wastes may include, but not limited to, brick, stone, and concrete.

Contractor

The individual, partnership or corporation with which AEP Company enters into a contract to perform all of the work described in the Specification.

Contract

A purchase order placed by Purchaser and accepted by Contractor, together with this Specification and all other documents referred to in such purchase order, or a formal contract executed by Purchaser and Contractor, together with this Specification and all other documents referred to in such formal contract.

Engineer

The Engineer or his authorized representative designated by AEP Company to be assigned to this contract.

Fill Material

Material to be used to bring area to grade. Material shall meet the requirements of all applicable Federal and/or State rules and/or regulations. Material shall also meet the requirements of the Engineer.

Greases

Any used or unused greases or waste containing grease.

Hazardous Substance

This definition shall be the same definition as found in CERCLA Section 101(14), and shall include but limited to any substance or pollutant defined under Sections 311(b)(2)(A) and 307(a) of the Federal Water Pollution Control Act, Section 102 of CERCLA, Section 3001 of the Solid Waste Disposal Act and Section 112 of the Clean Air Act.

Hazardous Waste

Hazardous waste as defined in 40 CFR 261.3 or as defined in any applicable state regulation.

HAZMATs

Any hazardous, toxic or regulated substance controlled under RCRA, CERCLA or any other Federal, State, or Local law, statute, regulation or ordinance pertaining to the handling, transportation, or disposal of any controlled substance.

Industrial Process Waste

Any solid waste generated by manufacturing or industrial process waste that is not a hazardous waste. Such waste may include, but not limited to, refractory brick, fire clay refractory earth brick, and ceramic block.

Landfill

River City Disposal
1837 River Cities Drive
Ashland, KY 41102

MSDS

Material Safety Data Sheet.

ODCS

Ozone Depleting Chemicals as defined under Title VI of the CAA Amendments of 1990

Oils

Any used or unused hydraulic, lubrication, rolling, waste or other such oil or oily waste.

OSHA

Occupational Safety and Health Act and amendments thereto.

PCBs

Polychlorinated By-phenols.

Process Materials

Any raw materials, blended raw materials, recyclable process generated dusts (such as flue dust), fly ash, ash slurry and etc.

RACM

Regulated Asbestos Containing Material as defined in 40 CFR 61, Subpart M and any other applicable Federal, State, and/or Local rules, regulations and/or ordinances.

Scrap

All ferrous scrap designated by the Engineer to be suitable for melting at a steel processing plant.

Structural Removal

As in the Specification, shall mean all work of every nature described herein, implied herein, or necessary to complete the work described or implied herein, with the exception of Asbestos Abatement.

AEP Company

American Electric Power Company

**American Electric Power Company
Big Sandy Power
LOUISA, KY**

Information Sheets

Dismantling Information

October 13, 2009

BIG SANDY POWER

1. GENERAL SCOPE OF WORK
 - 1.1. The work to be performed under the terms of this specification shall consist of the dismantling and removal of all facilities, machinery, equipment, all associated structures, foundations, debris, asbestos containing materials, hazardous substances and hazardous waste as directed by the Engineer. Upon completion each dismantling site shall be left in a neat, clean, safe condition.
 - 1.2. Work under this specification shall be performed in accordance with the terms and conditions of the Contract, entered into between AEP Company and the Contractor, and in accordance with all EPA, OSHA, Federal, State, County, and Local laws, statutes, ordinances, and regulations.
 - 1.3. The Contractor shall perform all utility disconnection and/or relocation work which is necessary to complete the proposed dismantling and removal work, without disrupting active utilities.
 - 1.4. The Contractor shall perform all excavation, back-filling, construction and closure work which is necessary to complete the proposed dismantling work.
 - 1.5. The Contractor shall provide all labor, materials, equipment, services and pay all necessary taxes, in addition to securing all required permits, to perform the dismantling.
 - 1.6. The Contractor is responsible to clean up and dispose of any and all materials which are generated as a result of a spill caused by the Contractor, or which are generated as a result of the improper handling of any materials by the Contractor. This includes all RACM, Hazardous Substances, Hazardous Waste, Special wastes, Non-process Debris, Demolition Debris, and combustible materials.
2. FACILITY DISMANTLEMENT AND RELATED WORK
 - 2.1. Perform the environment abatement of the following:
 - 2.1.1. Vacuum the inside area of Unit 1 Boiler
 - 2.1.2. Chemical sweep of structures, tanks and pipe in Unit 1 Boiler area
 - 2.1.3. Abate tank insulation in Unit 1 Boiler along with all connected pipes
 - 2.1.4. Abate Unit 1 Boiler, boiler breeching and piping
 - 2.1.5. Abate Unit 1 Boiler building siding, office and turbine building siding, Unit 1 coil conveyor, Unit 1 coil conveyor transfer building, Unit 1 train coal unload station house and miscellaneous outside structures.
 - 2.1.6. Remove Units 1 fluorescent light bulbs, PCB ballast, mercury vapor light, HID vapor lights and mercury containing instruments.
 - 2.1.7. Vacuum the inside area of Unit 2 Boiler

- 2.1.8. Chemical sweep of structures, tanks and pipe in Unit 2 Boiler area
- 2.1.9. Abate tank insulation in Unit 2 Boiler along with all connected pipes
- 2.1.10. Abate Unit 2 Boiler, boiler breeching and piping
- 2.1.11. Abate Unit 2 miscellaneous outside structures.
- 2.1.12. Remove Unit 2 fluorescent light bulbs, PCB ballast, mercury vapor light, HID vapor lights and mercury containing instruments.
- 2.1.13. Remove storage building fluorescent light bulbs, PCB ballast, mercury vapor light, HID vapor lights and mercury containing instruments.
- 2.1.14. Remove the secondary and primary river water pump house building fluorescent light bulbs, PCB ballast, mercury vapor light, HID vapor lights and mercury containing instruments.
- 2.2. Perform the building dismantling, equipment removal, concrete removal to surrounding grade elevation of the following.
 - 2.2.1. Unit 1 boiler building, turbine generator building, precipitators, office and maintenance building, coal conveyor.
 - 2.2.2. Unit 2 boiler building, turbine generator building, precipitators, office and maintenance building the chemical lab building, coal conveyor to Unit 2 coal pile the SCR building and the Unit 1 & 2 concrete smoke stack.
- 2.3. Perform the removal of the following to grade elevation.
 - 2.3.1. Unit 1 water cooling tower structure, adjacent pump structures, adjacent condensate water tank to surround grade elevation. Fill the pits and trenches to surround grade elevation.
 - 2.3.2. The pump house and metal cleaning waste treatment tank located west of Unit 1 boiler building
 - 2.3.3. The coal train car unload building, adjacent control building, the coal conveyor and coal transfer and sampling building.
 - 2.3.4. The tractor shed and locomotive house building.
 - 2.3.5. The remains of the standby river water make-up equipment, railroad ties and pipes to the Big Sandy River.
 - 2.3.6. The in-service sanitary treatment equipment, trenches and tanks located adjacent to the Big Sandy River.
 - 2.3.7. The secondary and primary river water pump building structures, the two electrical control buildings. Remove building and water intakes to surrounding grade elevation. Install a barricade in the water inlet from the Big Sandy River. Remove the water inlet screens from the river.
 - 2.3.8. The ammonia storage building and chemical manufacturing building structure and ammonia storage tank structures.
 - 2.3.9. The 500,000 gallon fuel oil tank and oil pump station. Remove the oil tank dyke down to surround grade elevation.
 - 2.3.10. The six single story maintenance, storage and office buildings located south of the Unit 2 boiler building
 - 2.3.11. The Unit 2 water cooling tower structure, adjacent pump structures, adjacent clean condensate water tank, dirty condensate water tank, the fire water control building, the sulfuric acid storage and control building, the chlorine tank and control building to surround grade elevation. Fill the pits and trenches to surround grade elevation.
 - 2.3.12. The Unit 2 coal conveyor from the coil pile to the Unit 2 boiler.
 - 2.3.13. The coal train unload building, coal conveyor from the unload building to the coal transfer building to the coal storage area. Remove all bents and transfer building to surround grade elevation. Remove the coal

truck unload equipment from grade elevation to the bottom of the pit. Fill the truck unload pit and the coal train unload pit to surrounding grade elevation. Fill the pit from the coal train station to the coal conveyor exit with fill material to surround grade elevation.

- 2.3.14. The coal system sample building, trailer and sample equipment to surrounding grade elevation.
- 2.3.15. The coal system transportation office and maintenance building located east of the coal storage area.
- 2.3.16. The two truck scales, control building, and coal train car warming structure and equipment down to surrounding grade elevation.
- 2.3.17. The abandoned 3,400,000 gallon fuel storage tank. Remove the dyke wall surrounding the fuel tank to surrounding grade elevation. Remove all pumps, pipe, wires, and controls from the tank area to the Unit 2 boiler structure.
- 2.3.18. Remove the maintenance parts storage building located north of the Unit 2 turbine building.
- 2.3.19. Remove the electrical wire, and electric towers from the transformers located adjacent to Unit 2 boiler building to the 345,000 volt electrical station located north of highway 23.

3. WORK BY CONTRACTOR

The Contractor Shall:

- 3.1. Furnish all supervision, labor, materials, tools, supplies and equipment necessary to perform the work, including dismantling and removal of all the facilities, equipment, structures, etc. noted herein with the exception of specific structures which are designated in this Specification to remain.
- 3.2. Furnish on the site, during the performance of the work, an experienced supervisor who shall be duly authorized to represent and act for the Contractor in all matters pertaining to the work covered by this Specification.
- 3.3. Provide all written instructions, orders, and other communications delivered to the Contractor's construction office shall be considered as having been delivered to the Contractor himself.
- 3.4. Develop detailed written demolition plans for each area to be dismantled, and submit them to the Engineer for his review prior to the start of work in an area. Such plans shall include, but limited to:
 - 3.4.1. A detailed and complete schedule for the performance of the work.
 - 3.4.2. A survey of each area, identifying all materials to be disposed of other than scrap and equipment.
 - 3.4.3. Identification and protection of demolition areas.
 - 3.4.4. Termination and/or relocation of utilities.
 - 3.4.5. Asbestos abatement and disposal.
 - 3.4.6. Handling and disposal of hazardous wastes and materials.
 - 3.4.7. Handling and disposal of oils and greases.
 - 3.4.8. Handling and disposal of non-hazardous debris and materials.
 - 3.4.9. Handling and disposal of ODC's.
 - 3.4.10. Fire prevention and protection.
 - 3.4.11. Handling and storage locations for ferrous and non-ferrous scrap.
 - 3.4.12. Method of demolition and/or equipment removal.
 - 3.4.13. Clean-out, breaking open, and filling of basements, pits, and tunnels.
 - 3.4.14. Final grading and restoration of demolition site.
- 3.5. Clear each site of existing equipment, structures, and material designated to be removed. Each site will be left in a neat, clean, safe condition in conformity with all applicable Federal, State, or Local laws, statutes and/or regulations, including

but not limited to CAA, OSHA, RCRA, SARA, TSCA, and/or CERCLA. The finished condition of each site will be approved by the Engineer.

- 3.6. Remove all structures down to final grade except where otherwise noted. Final grade will generally be the adjacent grade surrounding the facility to be removed. The removal of concrete & debris and grading will be done concurrent with the demolition work. As one area is cleared of structures, the required concrete removal work in that area will be done simultaneously with the demolition of structures in the next area of work. If the Contractor breaches the provisions of this section AEP Company reserves the right, in AEP Company's sole opinion, to stop the Contractor from doing further demolition until the concrete and debris removal is current.
- 3.7. Perform all material removal and asbestos abatement work in accordance with all applicable Federal, State, and/or Local rules, regulations and/or ordinances, which is necessary to complete the proposed removal work.
- 3.8. Perform all utility, telecommunications and telemetering disconnection and/or relocation work which is necessary to complete the proposed removal work.
- 3.9. Prior to beginning demolition of any facility, Contractor shall ascertain that no live utilities remain in the facility and identify and locate all underground utilities. It shall be the Contractor's exclusive responsibility to determine that all utility systems in each area remain isolated from active utility systems.
- 3.10. Perform all excavation, back-filling, construction and closure work which is necessary to complete the proposed dismantling and removal work.
- 3.11. Remove all debris generated as a result of the proposed removal work.
- 3.12. Break the floors of all pits, trenches and depressions sufficiently to provide drainage and to prevent the accumulation of water within the underground structure.
- 3.13. Tunnel and basement roof structures which do not support structures designated to remain and which are located less than 3 feet below finish grade elevation will be broken in. Said tunnel excavations will be filled with fill materials approved by the Site Engineer up to finish grade elevation.
- 3.14. Properly drain and capture all contents of pipelines prior to dismantling any pipelines.
- 3.15. Empty and shovel clean all pits, sumps, basements, and depressions to the satisfaction of the Engineer. Areas will be inspected by the Site Engineer prior to filling. Any pits, sumps, basements or depressions in contact with a hazardous waste or PCB shall be decontaminated in accordance with any applicable Federal and/or State rules and/or regulations.
- 3.16. Back-fill all pits, sumps, and depressions up to existing grade. Each site shall be rough graded and left in a neat, clean, safe condition. Contractor will use fill material approved by the Engineer. The final six inches of fill shall be other select fill material approved by the Engineer.
- 3.17. Furnish all fill material in accordance with the Specification. If the work activity generates more fill material than needed, the Contractor shall pay for the transportation and disposal off site. If the work activity is fill negative, the Contractor shall pay for the purchase and transportation of required fill to the site. Such purchased material shall be approved by the Site Engineer.
- 3.18. Furnish portable sanitary facilities and drinking water for Contractor's personnel in areas of removal.
- 3.19. Furnish electric power and temporary lighting in those areas of removal where active utilities are not available.
- 3.20. Provide adequate protective barriers for open pits, holes and depressions, as a result of the equipment removal work, until they are properly backfilled. Temporary barricades shall conform to all applicable Federal, State and Local, rules and regulations or standards including, but not limited to OSHA.
- 3.21. Remove above ground utility support systems such as poles, structural steel towers or guy wires which have been designated to be removed by the Engineer.
- 3.22. Remove and scrap all tanks, including supporting steel and concrete structures. Prior to removal work Contractor shall remove the contents of each tank, drain each tank and otherwise purge each tank in accordance with all applicable rules or regulations to render them safe for removal. Notify Engineer of any potentially contaminated soils. Remove of these

tanks shall conform to all applicable Federal, State, and Local laws, statutes, regulations or ordinances.

- 3.23. Secure the approval of local Fire Department for the Fire Prevention Plan. Contractor shall meet with representatives of the Fire Department prior to commencement of work on each facility. Prior to the commencement of removal work, Contractor shall inspect all fire hydrants in the work area and shall notify the Engineer of those that are not in good operating condition.
- 3.24. Provide fire extinguishers and fire hoses as required to immediately control any fires resulting from the work. Implement all fire prevention measures as directed by the Fire Department. Measures required by Fire Department may include, but will not be limited to, the maintenance of pressurized fire hoses at each removal site.
- 3.25. Attend a safety meeting with AEP Company's representatives prior to starting work in each facility or designed area.
- 3.26. Furnish all temporary or permanent supports or protective devices which are necessary to preserve active pipes, electrical lines or other structures which AEP Company designates to remain in place.
- 3.27. Abide by AEP Company Contractor Safety Responsibilities, AEP Company Energy Control-Lockout and Tryout Rules, as well as all Federal, State, and Local regulations.
- 3.28. Secure the Engineer's approval prior to using any railroad track or mobile crane movements to or from the dismantling site.
- 3.29. Schedule rail movements, order all railroad cars and be solely responsible for demurrage charges resulting from the Contractor's operations.
- 3.30. Where Contractor removes railroad track, the Contractor shall remove all wooden and concrete ties, and load and transport them to an approved disposal site approved by the Engineer. Contractor shall be responsible for the cost of all removal, loading, transportation, and disposal of such material.
- 3.31. ACM ABATEMENT
 - 3.31.1. Contractor shall provide all supervision, labor, consumable materials, tools, equipment, documentation, services and permits required to identify, remove, and dispose of all ACM located on, in, adjacent to or forming a part of each structure designated for removal. RACM removal work shall include but is not necessarily limited to the work described herein.
 - 3.31.2. Prepare a complete, written ACM removal plan for each dismantling site. Contractor shall obtain and analyze all bulk sample analyses of any suspect RACM. Prior to the commencement of work, Contractor shall provide the Engineer with the results of the analyses and Contractor's removal plan.
 - 3.31.3. Provide all respirators, protective clothing and equipment required to protect all personnel associated with the RACM removal work. All respirators, protective clothing and equipment shall conform to all applicable rules, regulations, and standards, including but not limited to OSHA..
 - 3.31.4. Employ only competent persons, trained, knowledgeable and qualified in the techniques of abatement, handling and disposal of RACM and subsequent cleaning of contaminated areas. Employees who perform RACM removal work shall possess current, valid asbestos abatement licenses as required by any governmental agency having jurisdiction over the work.
 - 3.31.5. Perform all RACM removal in strict accordance with all applicable Federal, State, and Local laws, statutes, ordinances and regulations. Contractor shall provide timely and accurate notification in accordance with all Federal, State, and Local laws, statutes, and regulations and ordinances.
 - 3.31.6. Adequately wet all friable RACM prior to removal. Adequately wet RACM debris shall be packaged in bags provided by Contractor. Bags of ACM debris shall promptly be placed in dumpster boxes provided by Contractor.
 - 3.31.7. Haul all RACM debris from each RACM removal site to the disposal site approved by AEP Company. Contractor shall unload RACM at the disposal site. All transportation of RACM shall be performed in enclosed dumpster boxes.
 - 3.31.8. Be responsible for any spilling, escape or release of RACM which occurs during the transportation of RACM to

the disposal site. AEP Company shall be responsible for any spilling, escape or release of RACM which occurs after the RACM has been unloaded by Contractor at the disposal site approved by AEP Company. Contractor shall immediately report to AEP Company any spilling, escape or release of RACM which occurs during the transportation of RACM. Contractor shall submit copies of reports of spilling, escape or release of RACM to all authorities as required by Federal, State or Local laws, statutes, regulations and ordinances.

- 3.31.9. Maintain complete and accurate records of all removal, transportation and disposal activities in accordance with all Federal, State and Local laws, statutes, regulations and ordinances. Contractor shall submit copies of all such records to AEP Company on a daily basis.
- 3.31.10. Perform personal and area air monitoring as necessary to assure the safety of all persons associated with the removal of ACM and as required by Federal, State and Local laws, statutes, regulations and ordinances. Contractor shall perform environmental air monitoring in the area at each location where RACM removal work is performed. Environmental air monitoring shall conform to all applicable Federal, State, and Local laws, statutes, regulations and ordinances.

3.32. HAZARDOUS WASTE HANDLING AND DISPOSAL

- 3.32.1. Contractor shall provide all supervision, labor, consumable materials, tools, equipment, documentation, services and permits required to identify, remove and load any hazardous waste located in, adjacent to or forming a part of the equipment designated for removal. Contractor shall be responsible to perform all in-plant handling of such materials, including, but not limited to removal, loading, and in-plant transportation. Hazardous waste removal work shall include, but is not necessarily limited to, the work described herein.
- 3.32.2. Contractor is required to secure samples of all materials, which are suspected of being a hazardous waste, located in the areas defined in this Specification. Samples shall be collected in accordance with all applicable regulations. Contractor shall deliver all samples of suspected hazardous waste to the Engineer. AEP Company shall secure required analyses of all such samples.
- 3.32.3. Prepare a complete written hazardous waste removal plan for each work site that will be submitted to the Engineer for his review prior to the start of work in an area.
- 3.32.4. Contractor shall provide all respirators, protective clothing and equipment required to protect all personnel associated with the handling or removal of any Hazardous Wastes. All said respirators, protective clothing and equipment shall conform to all applicable rules, regulations and standards, including but not limited to OSHA.
- 3.32.5. Employ only competent persons, trained, knowledgeable and qualified in the techniques of handling and disposal of hazardous wastes and subsequent cleaning of contaminated areas. Employees who perform hazardous waste removal work shall possess current, valid licenses as required by any government agency having jurisdiction over the work. Perform all hazardous waste removal in strict accordance with all applicable Federal, State and Local laws, statutes, ordinances and regulations. Contractor shall provide timely and accurate notification in accordance with all Federal, State and Local laws, statutes, regulations and ordinances.
- 3.32.6. Contractor shall post all appropriate warning signs at each work area, as is required by applicable regulations.
- 3.32.7. Contractor shall be solely responsible for any spills, releases, escapes or improper handling of hazardous wastes caused by the Contractor (or by their approved subcontractor). Contractor shall pay all penalties, clean up, and disposal costs incurred as a result of improper handling by Contractor. Contractor shall immediately report any spilling, escape or release of any hazardous waste to the Engineer in accordance with Section 6.48 of the Specification.
- 3.32.8. Maintain complete and accurate records of all removal activities in accordance with all Federal, State, and Local laws, statutes, regulations and ordinances. Contractor shall submit copies of all such records to AEP Company on a weekly basis.
- 3.32.9. Perform personal monitoring as necessary to assure the safety of all persons associated with the removal of hazardous wastes and as required by Federal, State, and Local laws, statutes, regulations and ordinances. If so required, Contractor shall perform environmental air monitoring in the area of each location where hazardous

waste removal work is performed. Environmental air monitoring shall comply with applicable Federal, State, and Local laws, statutes, regulations and ordinances.

- 3.32.10. AEP Company shall be responsible for disposal, the method of disposal and the disposal site for all identified hazardous waste except asbestos waste. Contractor shall load all such wastes into trucks or containers provided by AEP Company.

3.33. COMBUSTIBLE DEBRIS

- 3.33.1. Contractor is responsible for identification, (including sampling and testing if required), removal, transportation, and disposal of all combustible debris located in the areas defined in this Specification, or which are generated by the Contractor in the performance of the work defined herein.
- 3.33.2. Contractor shall dispose of all combustible debris to a licensed off-plant disposal site. Such disposal site shall be approved by the Engineer.

3.34. CONSTRUCTION / DEMOLITION WASTE

- 3.34.1. Contractor is required to perform the work described herein in a manner that will separate construction / demolition waste from ferrous scrap, combustible waste, non-ferrous scrap, ferrous scrap, process demolition waste, oils and greases, hazardous wastes, and all other materials.
- 3.34.2. Contractor shall identify all quantities of construction / demolition waste to the Engineer. The Engineer shall positively identify all such materials as being construction / demolition waste.
- 3.34.3. For all materials which have been positively identified by the Engineer as construction / demolition waste, Contractor shall use such materials as clean fill in locations approved for filling by the Engineer.
- 3.34.4. Contractor shall be responsible to perform all in-plant handling of such materials, including, but not limited to, screening, separation, from other materials, loading, crushing and transportation.
- 3.34.5. Contractor shall be responsible for any costs that are incurred as a result of his handling construction / demolition waste, including, but not limited to, sampling, analysis, permit applications, loading, on and off-site transportation, and disposal at an approved disposal site.

3.35. OILS

- 3.35.1. Contractor is required to secure samples of all oils and oily wastes located in the areas defined in this Specification. Samples shall be collected in accordance with all applicable regulations.
- 3.35.2. AEP Company shall secure analyses required by the applicable regulations, or by the disposal facility, of all such samples, including, but not limited to, analysis for PCB contamination.
- 3.35.3. For all oils which have been positively identified as being free of PCB contamination (i.e. less than 50 ppm), Contractor shall be responsible to perform all handling of such materials, including, but not limited to, removal, clean up, loading and transportation.
- 3.35.4. Contractor shall be responsible to pay for fees to dispose of all oils and oily waste in accordance with all applicable regulations. The Engineer shall approve all methods of disposal and disposal sites for all oils and oily waste.

3.36. GREASES

- 3.36.1. Contractor is required to secure samples of all greases and wastes containing grease located in the areas defined in this Specification. Samples shall be collected in accordance with all applicable regulations.
- 3.36.2. AEP Company shall secure analyses required by the applicable regulations, or by the disposal facility, of all such samples.
- 3.36.3. Contractor shall be responsible to perform all handling of such materials, including, but not limited to, removal, clean up, loading, and transportation.
- 3.36.4. AEP Company shall be responsible for the disposal of all special and hazardous greases and waste containing

greases in accordance with all applicable regulations.

3.37. PROCESS MATERIALS

- 3.37.1. Contractor is required to perform the work described herein in a manner that will separate process demolition debris from ferrous scrap, combustible debris, non-ferrous scrap, construction / demolition waste, oils and greases, hazardous wastes, and all other materials.
- 3.37.2. Prior to the start of demolition in an area, Contractor shall identify all quantities of process materials to the Engineer. The Engineer shall positively identify all such materials as being process materials.
- 3.37.3. Contractor is required to secure samples of all process materials located in the areas defined in this Specification. Contractor must provide samples to the Engineer with sufficient lead time so as not to interfere with the dismantling work.

3.38. PCBs AND EQUIPMENT CONTAINING PCBs

- 3.38.1. Prior to dismantling, Contractor shall conduct a survey of each dismantling area to locate and identify any electrical or hydraulic equipment which has not been clearly identified as being free of PCB contamination and, therefore, may contain PCBs. Contractor shall provide the Engineer with the location and description of any surveyed equipment which may contain PCBs. Where so directed by AEP Company, Contractor shall provide AEP Company with a sample of the oil contained in the piece of equipment. AEP Company will secure analysis and provide Contractor with the written results.
- 3.38.2. Prior to dismantling the facility, the Contractor shall remove, intact each piece of PCB contaminated equipment. Contractor shall transport said PCB equipment to AEP Company's designated PCB storage facility. Contractor shall schedule and coordinate said deliveries with the Engineer. Alternatively, at the direction of the Engineer, Contractor shall load PCB equipment onto vehicles provided by AEP Company. Contractor shall schedule and coordinate said loading with the Engineer. Contractor shall schedule and coordinate the pumping and removal of PCB dielectric fluid from transformers prior to loading when so directed by the Engineer.
- 3.38.3. AEP Company shall be responsible for the disposal of all PCB equipment and fluids.
- 3.38.4. Contractor shall be solely responsible for any spills, releases, escapes, or improper handling of the hazardous substance caused by the Contractor. Contractor shall pay all penalties, clean up, and disposal costs incurred as a result of improper handling by Contractor. Contractor shall immediately report any spilling, escape, or release of any hazardous substance to the Engineer in accordance with Section 6.48 of the Specification.

3.39. ODC's:

- 3.39.1. Prior to dismantling, Contractor shall conduct a survey to locate and identify any equipment which may contain ODCs, including, but not limited to CFCs. Contractor shall provide the engineer with the location and description of any surveyed equipment which may contain ODCs.
- 3.39.2. Prior to dismantling the facility, the Contractor shall remove, intact, any piece of equipment which contains ODCs. Contractor shall transport said ODC containing equipment to a designated location.
- 3.39.3. Contractor shall be responsible for the removal and disposal of ODCs from equipment in accordance with all applicable regulations. Contractor shall provide the Engineer with documentation showing proper removal and disposal.
- 3.39.4. Contractor shall be responsible for the disposal of all equipment after all ODCs have been properly removed.
- 3.39.5. Contractor shall be solely responsible for any spills, releases, escapes, or improper handling of ODCs caused by the Contractor (or by their approved subcontractor). Contractor shall pay all penalties, clean up, and disposal costs incurred as a result of improper handling by Contractor. Contractor shall immediately report any spilling, escape, or release of any ODCs to the Engineer in accordance with Section 6.48 of this Specification.

3.40. PIPING SYSTEMS

- 3.40.1. Prior to the commencement of dismantling work, Contractor shall identify, plan and perform all piping shut

offs, disconnections, and relocation work necessary to complete the work specified in a safe, orderly manner.

- 3.40.2. Piping shall be purged (where necessary) and shall be removed to a point of origin as designated by the Engineer.
- 3.40.3. Contractor shall submit plans, procedures and working drawings showing design details for all piping work to the Engineer for review. Contractor shall secure the Engineer's review of all designs, plans and procedures prior to the commencement of work. The correctness of the design shall remain the Contractors responsibility.
- 3.40.4. Contractor shall provide all supervision, labor, materials, tools and equipment necessary to complete all piping work required for the work as specified herein. Contractor shall be responsible for the identification of all piping construction, disconnection and relocation work which will be required to complete all work specified herein.
- 3.40.5. Contractor shall perform all piping construction, disconnection and relocation work using methods which will not interrupt AEP Company's ongoing operations.
- 3.40.6. Secure the Engineer's permission prior to any utility outage. In the absence of the Engineer's approval of Contractor's proposed outage, Contractor shall perform the proposed work on live pressurized lines.

3.41. ELECTRICAL SYSTEMS

- 3.41.1. Prior to the commencement of dismantling work, Contractor shall identify, plan and perform all electrical shut offs, disconnections, and relocation work necessary to complete the work specified in a safe and orderly manner.
- 3.41.2. Conduit, cable, wireways, and buss shall be removed to a point of origin as designated by the Engineer.
- 3.41.3. Contractor shall submit plans, procedures and working drawings showing design details for all electrical and related work to the Engineer for review. Contractor shall secure the Engineer's review of all designs prior to the commencement of work. The correctness of design shall remain the Contractor's responsibility.
- 3.41.4. Contractor shall provide all supervision, labor, materials, tools and equipment necessary to complete all electrical, telecommunication and telemetering work required for the dismantling work specified herein. Contractor shall be responsible for the identification of all electrical, telecommunication and telemetering construction, disconnection and relocation work which will be required to complete all work specified herein.
- 3.41.5. Contractor shall perform all electrical construction, disconnection and relocation work using methods which will not interrupt AEP Company's ongoing operations.
- 3.41.6. Contractor shall secure the Engineer's permission prior to any utility outage. In the absence of the Engineer's approval of Contractor's proposed outage, Contractor shall perform the proposed work on live energized lines.

4. WORK BY PURCHASER:

AEP Company Shall:

- 4.1. Provide Material Safety Data Sheets (MSDS) in accordance with OSHA "Right to Know" regulations for each substance listed under said regulations.
- 4.2. Provide, where available, utility services such as 460 Volt, 3 phase, 60 Hz power, 250 Volt DC current, potable water, oxygen, compressed air, or natural gas, which are deemed available by AEP Company. Contractor may, at his own expense and approval of the Engineer, make necessary connections provided there is no interruption to normal production operations. AEP Company assumes no responsibility or liability for loss of, or damage to, the equipment or materials of the Contractor or his subcontractors. Contractor will pay charges that may be assessed. The assessment of charges and/or the availability of utilities may change through the course of the contract as determined.
- 4.3. Provide existing railroad tracks, railroad tracks sidings, and roadways on plant site, if available, for Contractor's use when and where the Engineer may designate. Contractor shall keep traffic lanes free of congestion so as to avoid interference with normal plant operations.

- 4.4. Provide one copy of all available drawings necessary for the completion of the work specified. These drawings are to be used by the Contractor for reference only in the performance of the work. Said drawings are not to be construed as a complete description of the Scope of Work, nor as fully depicting existing conditions. Additional copies may be purchased by Contractor through the Purchaser.
 - 4.5. Approve the selection of all subcontractors before they will be allowed to enter the job site and perform work. Subcontractors are subject to all applicable terms and conditions contained herein.
 - 4.6. Provide written releases for the demolition of each specific area or facility as identified in the Schedule of Values. Demolition shall not commence without the receipt of said release.
 - 4.7. Assign to Contractor ownership of each facility to be dismantled. The assignment shall include:
 - 4.7.1. All ferrous and non-ferrous scrap resulting from the dismantling work
 - 4.7.2. All ferrous and non-ferrous scrap located within each dismantling area as identified by Engineer during the site visitation.
 - 4.7.3. Spare parts and/or spare equipment.
 - 4.7.4. All railroad track designated for removal.
 - 4.7.5. All vehicles and mobile equipment located within each dismantling area as identified in the Specification.
 - 4.8. AEP Company will maintain ownership of all real estate
5. Pricing
- 5.1. Environmental Abatement
\$4,000,000
 - 5.2. Demolition of Unit 1, 2, cooling towers, stacks, buildings, railroad tracks and tanks
\$9,000,000
 - 5.3. Capping of bottom and slurry ash ponds
\$30,000,000

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's Second Request, Item 29. Provide all analyses, explanations, and/or calculations that were used by Kentucky Power and/or American Electric Power ("AEP") to reach the decision to not purchase the Riverside Generating ("RG") natural gas plant in Zelda, Kentucky.

RESPONSE

The analyses, explanations, and/or calculations used by American Electric Power Service Corporation ("AEPSC") are summarized in the Company's responses and accompanying attachments to KPSC Staff 2-17, KPSC 2-29, AG 1-22 and AG 1-23. The analysis of whether to purchase the Riverside Generation ("RG") natural gas plant in Zelda, Kentucky in 2010 only reached review of the acquisition for the AEP-East system, and did not reach consideration of which particular operating company would own the RG unit.

At the time the RG unit was being reviewed, AEPSC also prepared the 2010 AEP East Integrated Resource Plan ("2010 IRP"), which was previously filed in response to Sierra Club 1-3. As set out at pages i-ii of the 2010 IRP plan, at the time AEP East system was not projected to require capacity additions until 2018-2019. Additionally, as set out in pages vi and 23 of the 2010 IRP, at the time AEP anticipated that implementation of any increased federal regulation of hazardous air pollutants would be "staggered" over the course of the decade, further making the acquisition of the RG unit at the beginning of the decade unnecessary.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

In Kentucky Power's filing in Case No. 2002-00169,² Kentucky Power retained Stone & Webster Consultants ("Stone & Webster") to prepare an independent technical review of the planned projects and to determine if the projects were a reasonable and cost-effective method of complying with the requirements of the Clean Air Act. Provide the following:

- a. Has an independent technical review of the planned projects been performed in this proceeding such as that performed by Stone and Webster in Case No. 2002-00169?
- b. If not, why did Kentucky Power change in the method of supporting its position in this filing?
- c. Who at Kentucky Power and/or AEP made the decision not to present an independent technical review of the projects and the associated determination that these proposed projects were a reasonable and cost-effective method of complying with the requirements of the Clean Air Act in the proceeding?

²Case No. 2002-00169, The Application of Kentucky Power Company d/b/a American Electric Power for Approval of an Amended Compliance Plan for Purposes of Recovering the Costs of New and Additional Pollution Control Facilities and to Amend Its Environmental Cost Recovery Surcharge Tariff (Ky. PSC Mar. 31, 2003)

RESPONSE

- a. No, an independent technical review of the planned projects was not conducted by an external consultant in this proceeding. The most recent Big Sandy Unit 2 FGD technology evaluation and selection was performed internally by AEPSC, and cost estimates were supported by Architecture-Engineering (A/E) firm Sargent and Lundy (S&L). Refer to Attachment 179 of the response to Sierra Club 1-5, for which confidential treatment was granted, and Sierra Club 1-28 in this proceeding for the FGD technology evaluation and selection study and cost estimates.
- b. Stone & Webster Consultants were originally retained for the study due to limited experienced internal Company resources capable of conducting the study and meeting the established timelines. This time period marked the beginning of AEP's environmental control technology installations and external consultants served as a complement to existing Company knowledge and experience. Since that time, the Company has obtained sufficient experience and technology cost data, and conducted enough evaluations and installations of environmental control technologies, to understand the equipment capabilities and general estimated costs. External expertise such as original equipment manufacturers (OEMs) and A/Es for new technology is still obtained in support of decisions as shown in the documents provided in part a.
- c. Based on existing resource expertise and experience, KPCCo and AEPSC management determined that an independent technical review of the proposed projects and the associated determination of whether the projects are reasonable and cost-effective methods of complying with the requirements of the Clean Air Act in this proceeding represented additional costs to KPCCo customers which are not necessary. However, internal technical reviews and cost estimates are still corroborated with external resources such as OEMs and A/E's.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Provide the following information:

- a. The cost Kentucky Power incurred making this filing, broken down by American Electric Power Service Corporation costs, Kentucky Power costs of labor (base labor and over-time), outside services, and materials and supplies as of February 29, 2012.
- b. An update of these costs for each month two weeks after the close of the prior month's financial records.

RESPONSE

a/b. The Company did not establish a specific work order to track the cost to make this filing because the Company is not seeking to recover those costs in this filing. The non-labor costs listed below are actual costs. The labor costs are estimated amounts. Subsequent to this data request the Company established a specific work order to track the continued cost for this filing and will file monthly updates as requested.

Labor (estimated):

Kentucky Power ST Labor	\$ 54,422
Kentucky Power OT Labor	\$ 3,732
Service Corp. ST Labor	\$ 110,100
Service Corp. OT Labor	<u>\$ 0</u>
Subtotal Labor	\$ 168,254

Non-Labor (actual):

Outside Services - Legal	\$ 112,860
- KPSC Consultant	\$ 10,880
Materials and Supplies	\$ 28,150
Advertising	<u>\$ 11,339</u>
Subtotal Non-Labor	\$ 163,229

Total \$ 331,483

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Erica Martinson, an Energy Reporter for the *POLITICO Pro*, in her February 24, 2012 article, reported AEP spokeswoman Melissa McHenry as stating, “[b]ut the company will not shutter its 1,078-megawatt Big Sandy Plant in Louisa, KY., as previously announced, because of in-state pressure to support the coal industry.” The article is attached hereto as Appendix A (attached below under Advanced tab).

- a. Explain this statement by Ms. McHenry.
- b. Explain whether this Commission has given any indication, either express or implied, that Kentucky Power should not comply with any and all statutory and regulatory requirements in the most cost-effective manner.

RESPONSE

- a. The reporter and Ms. McHenry were discussing any changes in Kentucky Power's compliance plan. Ms. McHenry explained that instead of going forward with retiring the coal units at Big Sandy Plant in Kentucky and replacing them with a natural gas plant, as was originally considered and part of a plan to comply, KPCo had instead evaluated the options and had applied to the Kentucky Public Service Commission to retrofit Big Sandy Unit 2 with a scrubber. The reporter asked why that change was made, and Ms. McHenry explained that one of the reasons was the significant in-state support for continuing to use coal to generate electricity due to the jobs and economic benefits that the industry provides. She also explained that the scrubber installation at Big Sandy would be dependent on the approval from the Kentucky Public Service Commission which would base its decision on the most cost effective manner of compliance.
- b. The Commission has not given any indication; either expressed or implied, that Kentucky Power should not comply with any and all statutory and regulatory requirements in the most cost-effective manner.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

In light of the recent ruling by the Public Utilities Commission of Ohio to revoke the September 7, 2011 Settlement Agreement ("Settlement Agreement") between AEP and 19 other parties concerning Ohio's electric security plan, provide the following:

- a. Explain whether AEP's position is still to do away with the AEP East Pool Agreement.
- b. Explain whether Kentucky Power still intends to purchase a 20 percent stake in Ohio Power Company's Mitchell Plant.

RESPONSE

- a. Yes. The decision by the Members to terminate the current AEP East Pool was made independent of and prior to the PUCO's actions referenced in the above question.
- b. The Company continues to study the issue.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

In the *Electric Utility Week*, February 6, 2012 issue, page 13, there was a paragraph regarding two AEP affiliates' plan to seek Federal Energy Regulatory Commission ("FERC") approval concerning the acquisition of the Mitchell Generating Station ("Mitchell Plant"). The paragraph stated, "[t]wo AEP affiliates plan to seek FERC approval later this month to buy the 1,560-MW Mitchell coal plant in West Virginia from another AEP affiliate as part of a proposed new power pool arrangement. Under the plan, Kentucky Power would own a 20% stake in the two-unit Mitchell base-load plant on the Ohio River south of Moundsville while Appalachian Power would own 80%. Mitchell, which went into commercial operation about 40 years ago, currently is owned and operated by Ohio Power."

- a. Provide a list of the current dispatch order of the AEP East Pool by generating unit.
- b. Explain why the purchase of 20 percent of Ohio Power's Mitchell Plant is in the best financial interest of the Kentucky Power ratepayers. Did Kentucky Power consider other levels of ownership in the Mitchell Plant?
- c. Provide the annual amount of operation and maintenance expense for a 20 percent ownership of the Mitchell Plant.

RESPONSE

- a. As of the most recent actual accounting cycle (January 2012), the dispatch order for the AEP East Pool units is as follows (lowest \$/MWh variable cost to highest \$/MWh variable cost):

Cook units 1&2
Dresden
Rockport 1
Rockport 2
Lawrenceburg
Waterford
Tanners Creek 4
Gavin 2
Mitchell 2
Muskingum River 2
Muskingum River 4
Gavin 1
Mitchell 1
Muskingum River 1
Amos 1
Muskingum River 3
Mountaineer
Amos 2
Big Sandy 2
Kanawha River 2
Big Sandy 1
Beckjord 6
Stuart 1
Tanners Creek 3
Stuart 4
Stuart 2
Stuart 3
Zimmer 1
Tanners Creek 2
Conesville 5
Amos 3
Sporn 4
Sporn 2
Conesville 6
Sporn 1
Muskingum River 5

Kammer 1
Clinch River 1
Kammer 3
Kammer 2
Clinch River 3
Clinch River 2
Conesville 3

This list excludes any generating units that did not run in January business.

- b. Please see the Company's response to KIUC 2-6. Please also note that the factual premise on which the February 6, 2012 Electric Utility Week article is based predates AEP's withdrawal of its FERC filings regarding this subject matter on February 28, 2012. The analysis included in the attachments to that answer indicates that under the scenario of Kentucky Power (KPCo) purchasing a 20% share of the Mitchell units, pool replacement with the proposed Power Cost Sharing Agreement (PCSA) and the elimination of the Interim Allowance Agreement (IAA), KPCo's total revenue requirement was reduced during the study period.

20% of the Mitchell units would initially provide KPCo with more than sufficient capacity to meet the required reserve margin under PJM's fixed resource requirement. A slightly smaller percentage was initially considered to meet only the minimum reserve margin required. However, this value was increased to 20% to transfer the entire assets from OPCo to KPCo and APCo and approximately balance the reserve margin between APCo and KPCo in future years.

- c. Please see the Company's response to KIUC 2-6. Refer to the "Gen Transfer Detail.xlsx" excel workbook which indicates that a 20% share of Mitchell 1&2's Non-Fuel O&M was \$14,430,642 over the one year study period (12 months ending September 2011).

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Sierra Club Second Supplemental Set of Data Requests, Item 10. Kentucky Power responded to part a. with the following response: "Big Sandy Unit 2 was considered for retirement in mid-2011." Also refer to Kentucky Power's response to Staff's Second Request to Item 29. It states, "[t]he Company estimates that it will take eight to ten weeks to complete the analysis after the receipt of the requested information. The estimate (sic) cost of the engineering study is approximately \$250,000." This is in response to preparing an analysis for the purchase of the RG natural gas plant. Provide a time-line and discussion of both Kentucky Power and AEP managerial considerations, public statements, and decisions that have been made beginning with the 2004-2006 Scrubber analysis, the 2007 Consent Decree, the consideration to retire Big Sandy Unit 2, the consideration to convert Big Sandy Unit 1 to a 600-MW gas-fired unit, and the current decision to install a wet FGD on Big Sandy Unit 2 as part of this Application.

RESPONSE

2004-2006 Scrubber Analysis

The Company explored in late 2004 the installation of a FGD on Big Sandy Unit 2 as part its the Clean Air Interstate Rule (CAIR) compliance strategy. During the period 2004-2006, the Company incurred preliminary engineering costs in connection with its evaluation of FGD technologies. During this period, the Company determined to install a wet FGD (WFGD). The Company ceased activities to install a WFGD in the second quarter of 2006 because a refined assessment indicated that the costs to retrofit the unit had increased substantially. There was also a decrease in the projected price spread between low and high sulfur coals that effectively eliminated any fuel savings associated with using a higher sulfur coal, further making the retrofit less attractive.

Kentucky Power Company

2007 Consent Decree

In October 2007, AEP entered into a New Source Review (NSR) consent decree with the Department of Justice to settle all complaints filed against AEP and its affiliates of which Kentucky Power Company is included. The Company is bound by this decree to retrofit a FGD on Big Sandy Unit 2 by December 31, 2015 or cease to operate the unit until it is in compliance.

First Quarter 2010

Because it takes 54 to 60 months to place a FGD retrofit in service, in the first quarter of 2010, AEPSC restarted the conceptual and analytical work to support a CPCN filing to retrofit Big Sandy Unit 2. The Company felt it was prudent to reexamine its previous efforts which focused on a WFGD technology as the most cost-effective option for Kentucky Power and its customers.

October 2010

For the purpose of comparing compliance alternatives, a decision was made to change from the previous WFGD technology to a dry FGD (DFGD) technology. Please refer to the testimony of Company Witness Walton, pages 14 through 18 for further explanation of the technology selection.

November 2010 - May 2011

The Company continued its analysis of compliance options and engaged in a preliminary "table top" level study on repowering Big Sandy Unit 1 as an alternative to installing a FGD on Big Sandy Unit 2. The study indicated that it would be less costly as compared to installing a FGD on Big Sandy Unit 2. This study was the basis for the announcement made in June 2011 to repower Big Sandy Unit 1 and retire Big Sandy Unit 2.

Kentucky Power Company

May 2011 - September 2011

As part of its continuing analysis of compliance options, the Company determined that a more developed and detailed cost estimate needed to be completed (to be on the same cost estimate detail level as the FGD option) on the repowering option at Big Sandy Unit 1. The Company also examined the alternative of building a green or brown field CC gas plant on the Big Sandy site.

June 2011

AEP announced a plan to meet current and proposed EPA regulations. In that announcement it stated that Big Sandy Unit 2 would be retired and Big Sandy Unit 1 would be repowered as a gas unit. The announcement was premised upon preliminary "table top" cost estimates that indicated repowering Big Sandy Unit 1 as a gas unit was the most cost-effective option.

September 2011

The Company determined that installation of a DFGD on Big Sandy Unit 2 was the most cost-effective option. The decision was premised upon review of more developed and detailed cost estimates for repowering Big Sandy Unit 1 and building a new gas combined cycle plant on the Big Sandy premises that were developed at the same detail level as the estimates to install a FGD on Big Sandy Unit 2.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

In Kentucky Power's last base rate case, Case No. 2009-00459,³ in Kentucky Power's Application, Volume 2, Section V, Workpaper S-4, page 9, \$66,065,353 was listed for AEP Pool Capacity Payments. In light of the recent ruling by the Public Utilities Commission of Ohio to revoke the Settlement Agreement, and given that the existing AEP East Pool Agreement will remain in effect at the time the Scrubber is placed on Big Sandy Unit 2, using the most current actual AEP Interconnection Agreement East Interchange Power Statement and Related Data, and the assumptions in subparagraphs a., b., and c. below, provide the annual amount of AEP Pool Capacity Payments for which Kentucky Power will be responsible once Big Sandy Unit 1 is retired.

- a. Kentucky Power's generating capacity includes Big Sandy Unit 2 and Kentucky Power's portion of the Rockport Plant.
- b. Kentucky Power's generating capacity includes Big Sandy Unit 2, Kentucky Power's portion of the Rockport Plant, and a 20 percent stake in the Mitchell Plant.
- c. Kentucky Power retires both units of Big Sandy Plant; and the generating capacity includes the purchase of a 1,400 MW natural gas combined cycle plant, in addition to Kentucky Power's portion of the Rockport Plant.

³Id.

RESPONSE

The current AEP Interconnection Agreement is currently anticipated to terminate no later than January 1, 2014, along with capacity equalization payments under that agreement. Because Big Sandy Unit 1 (BS1) is not currently expected to retire until December 31, 2014, the pool capacity payments will not exist in their current form as of the date of the BS1 retirement. In addition, no other potential going forward adjustments are made to these results. As such, the scenarios listed cannot be utilized for determining future pool capacity equalization payments.

Notwithstanding the issues identified above, as requested using the most recent 12 months of historical data, the following information represents what the pool capacity equalization payments would have been using the historical period of twelve months ended January 31, 2012, under the requested scenarios.

- a. With BS1 retired, KPCO's pool capacity equalization payments would have been approximately \$97.6 million.
- b. With BS1 retired and receipt of 20% of the Mitchell Plant capacity, KPCO's pool capacity equalization payments would have been approximately \$43.0 million.
- c. With BS1&2 retired and a 1,400 MW natural gas combined cycle plant as part of KPCO's generation, KPCO's pool capacity equalization payments would have been approximately \$0.5 million.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

A February 12, 2012 article in *Business Week* entitled "AEP Reduces Coal-Fired Plants It Will Shut Because of EPA Rules," states that "American Electric Power Co., the largest U.S. coal consumer, reduced by 12 percent the amount of coal-fired generation it will shut because of new environmental regulations, saying it may get state support to spend \$940 million to keep a Kentucky unit operating." The article further stated that "[t]he difference stems from the company's decision in December to seek a 31 percent rate increase to fund environmental equipment needed to keep its Big Sandy Unit 2 in Kentucky operating, [Chief Executive Officer Nick] Akins said later in an interview. State regulators have indicated American Electric may be able to recover from customers the almost \$1 billion needed to keep the unit operating, he said." The article is attached as Appendix B.(see attached below under Advanced tab)

- a. Explain in detail the basis for the statement that AEP may obtain state support to spend \$940 million to keep a Kentucky generating unit operating. Include in this statement the source of the referenced state support, the type of the referenced state support, and the manner in which the referenced state support was communicated to AEP and/or Kentucky Power.
- b. Provide a detailed explanation for the statement that state regulators have indicated that AEP or Kentucky Power may be able to recover from customers almost \$1 billion for the proposed environmental compliance plan. Include in the explanation the identity of the state regulatory agency that made such indications to AEP or Kentucky Power, the substance of any such communication from the state regulatory agency, and date and manner any such communication was conveyed to AEP and/or Kentucky Power.

RESPONSE

a-b. Mr. Akins was referring to the fact that under KRS 278.183 Kentucky Power and other electric utilities are allowed current recovery of certain costs, including a return on equity, of complying with environmental requirements that apply to coal combustion wastes and by-products from facilities used for production of energy from coal. This current recovery of compliance costs stands in contra with the regulatory lag inherent in base rate cases pursuant to KRS 278.190. Nothing in Mr. Akins' statement was intended to suggest that the application in this proceeding would be handled other than through the normal regulatory process. There have been no *ex parte* discussions or communications between Kentucky Power Company, American Electric Power Company, Inc., or American Electric Power Service Corporation, or their agents and attorneys, and the staff or Commissioners of the Public Service commission of Kentucky regarding the merits of the Company's application or any possible decision by the Commission regarding the application. Neither the commissioners nor the staff has ever indicated that "American Electric [more accurately Kentucky Power] may be able to recover from customers..." the costs sought herein, or that there is any "state support to spend \$940 million to keep a Kentucky unit operating."

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Identify and provide copies of any and all letters, comments, agreements, or other communications that have indicated financial or other support for Kentucky Power's application.

RESPONSE

Please see attachment 1 for all correspondence received by Kentucky Power in support of its application.

WITNESS: Ranie K. Wohnhas



Chris Moravec
<CMoravec@rhinolp.com>
09/28/2011 08:17 AM

To "Greg Pauley (ggpauley@aep.com)" <ggpauley@aep.com>
cc
bcc
Subject Big Sandy Power Plant

Mr. Pauley,

Please find the attached letter regarding CAM Mining's support in maintaining coal as the primary fuel source for the Big Sandy power plant.

Over the coming days we plan to contact the various state and local public officials and express our position to them as well.

Please feel free to contact me if I can provide any additional information or assistance.

Chris



RHINO

RHINOLOGICAL PARTNERS

Chris Moravec

Executive Vice President

President - Kentucky Operations

424 Lewis Hargett Circle, Ste 250

Lexington, KY 40503

Lexington (859)519-3605

Pikeville (606)432-3900



PauleyLtr092911.pdf



Mr. Greg Pauley
President
Kentucky Power Company
101A Enterprise Drive
P.O. Box 5190
Frankfort, KY 40602-5190
ggpauley@aep.com

Dear Mr. Pauley,

Although you and I have never met, our respective companies have maintained a substantial relationship for many years.

CAM Mining LLC produces approximately 2.1 million tons per year of coal from surface and underground mines in eastern Kentucky. We employ just under 500 people at our operations with an annual payroll in excess of \$42 million per year. We are a wholly-owned subsidiary of Rhino Energy LLC, a Lexington, KY – based coal producer with operations in three separate coal basins across the U.S. and annual production in excess of five million tons per year.

One of our mines, Bevin's Branch, located in northern Pike County, consists of a double loader spread operation producing approximately 480,000 tons per year. Virtually 100% of this production is dedicated under a long term contract with Kentucky Power's Big Sandy power plant.

In addition, due to our location and business, we are a substantial user of electricity. You may know that we actually account as one of Kentucky Power's top ten industrial customers.

I know that Kentucky Power is faced with new regulations from the federal EPA which will require a large investment to meet new environmental limits for the Big Sandy power plant. I have read that Kentucky Power is considering closing Big Sandy or replacing the fuel source with natural gas.

424 Lewis Hargett Circle ◦ Suite 250 ◦ Lexington, KY 40503
Phone (859) 389-6500 ◦ Fax (859) 389-6588

Continued use of coal at Big Sandy is vitally important to CAM Mining, our employees, as well as the overall coal industry. We will support a rate increase to pay for emission controls at Big Sandy, but we strongly object to a rate increase to pay for replacing coal with natural gas.

Respectively,



Christopher N. Moravec
President
CAM Mining LLC



coadavidg@setel.com

09/16/2011 04:32 PM

Please respond to
coadavidg@setel.com

To ggpauley@aep.com

cc

bcc

Subject Big Sandy

History: This message has been forwarded.

Greg,

We are organized and committed entirely to keeping EKY coal burning. COA, with our contacts, back that effort. We understand there are political and public relations ramifications regardless of your choice. BUT, you have and will continue to have, the support you need to keep Big Sandy a coal-fired plant fueled with EKY coal. It is a matter of jobs for our members, the economy of our communities, and revenue for KY.

I am out of pocket for a few days but will be in contact mid-week.

Gooch

Sent via BlackBerry by AT&T



"Hall, David A"
<David_A_Hall@CSX.com>
09/30/2011 09:28 AM

To "ggpauley@aep.com" <ggpauley@aep.com>
cc
bcc
Subject CSX Support for Big Sandy Plant

Good morning, Greg.

I hope you're doing well.

I wanted to touch base with you about Kentucky Power's Big Sandy plant. It's my understanding that Kentucky Power has communicated to key lawmakers its present commitment to install a scrubber system at the plant. But I also understand that things can change between now and early November.

CSX strongly supports the continued use of coal at the Big Sandy plant and will publicly support Kentucky Power in any way that's helpful to you. As information, CSX soon will begin communicating our position to state and local elected officials. CSX also has agreed to join Seth Schwartz in his public outreach efforts.

Please call me if you have any questions or want to discuss our position.

All the best,

David

David A. Hall, Resident Vice President - State Relations, CSX Transportation, Inc.
11492 Bluegrass Parkway, Louisville, KY 40299 | Office: 502.815.1865 | Fax: 502.815.1853
Email: David_A_Hall@csx.com

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"Janet Gellici"
<jgellici@americancoalcouncil.org>

10/05/2011 01:44 PM

To <ggpauley@aep.com>

cc

bcc

Subject RE: Can I help with Big Sandy Power Plant

Thanks, Greg. Would welcome a conversation about how ACC and its members can provide some support.

FYI ~ Jim Henry, AEP, is on our Board of Directors.

Enjoy your vacation ~ I look forward to hearing from you upon your return.

Cheers ~

Janet Gellici, CAE
American Coal Council
www.americancoalcouncil.org

1101 Pennsylvania Ave., NW, #600
Washington, DC 20004
202-756-4540 ~ 602-717-5112 (mobile)

2011 ACC Events ~ accevents.org for information
~ Coal Industry Briefing/Legal Issues - October 20 - Washington, DC
~ Coal Trading Conference - December 5-6 - New York

From: ggpauley@aep.com [mailto:ggpauley@aep.com]
Sent: Wednesday, October 05, 2011 1:33 PM
To: Janet Gellici
Subject: Re: Can I help with Big Sandy Power Plant

Thank you for the contact and appreciate your interest. Headed for a vacation, returning the week of Oct. 17. Will consider conversion when I return.

Greg

Gregory G. Pauley
President & COO
AEP - Kentucky Power Co.
101A Enterprise Drive
Frankfort, Kentucky 40601

Office 502-696-7007
Audinet (AEP) 605-7007
Cell 502-545-7007

Fax 502-696-7006

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"Janet Gellici" <jgellici@americancoalcouncil.org>

09/30/2011 03:51 PM

To <ggpauley@aep.com>
cc
Subject Can I help with Big Sandy Power Plant

Greg ~

I met with Seth Schwartz at EVA last week and he updated me on efforts to save the Big Sandy Power Plant from a premature retirement. I'm wondering what we, at the American Coal Council, might do to help. Would welcome an opportunity to chat with you on this topic at your convenience. Please let me know when you might be available.

Cheers ~

Janet Gellici, CAE
Chief Executive Officer
American Coal Council
www.americancoalcouncil.org

1101 Pennsylvania Ave., NW, #600
Washington, DC 20004
202-756-4540 ~ 602-717-5112 (mobile)

2011 ACC Events ~ accevents.org for information
~ Coal Industry Briefing/Legal Issues - October 20 - Washington, DC
~ Coal Trading Conference - December 5-6 - New York

No virus found in this message.
Checked by AVG - www.avg.com



"MARC MERRITT"
<mrm1953@windstream.net>

09/19/2011 04:02 PM

To <ggpauley@aep.com>

cc

bcc

Subject Letter to Mr. Pauley

Dear Greg

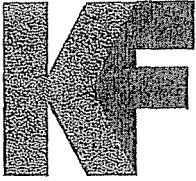
Please read and seriously consider the impact, to not only coal miners but other people impacted by the contemplated fuel switching at your Big Sandy Plant.

Natural Gas is too valuable a feedstock commodity to use to generate electricity and the installation of scrubbers is far more beneficial both for Kentucky Power and the citizens of Kentucky.

Sincerely



Marc Merritt Letter to Mr. Pauley.docx



KENTUCKY FUEL
CORPORATION

PO Box 130 Highway 550 Mousie, KY 41839

September 19, 2011

Mr. Greg Pauley
President
Kentucky Power Company
101A Enterprise Drive
P.O. Box 5190
Frankfort, KY 40602-5190
ggpauley@aep.com
502-696-7007

Dear Mr. Pauley:

My company produces coal in Knott, Floyd and Pike Counties, Kentucky. Our mines buy power from Kentucky Power and most of our employees are ratepayers of Kentucky Power. Coal mining is critical to the economy of East Kentucky. Coal provides good jobs and supports the tax base.

I understand that Kentucky Power is faced with new regulations from the federal EPA which will require a large investment to meet new environmental limits for the coal-fired Big Sandy power plant. It has come to my attention that Kentucky Power is considering closing the Big Sandy power plant and replacing it with natural gas.

Continued use of coal at Big Sandy is important to support the coal industry and communities of East Kentucky. My company will support a rate increase to pay for emissions controls at Big Sandy, but we object to a rate increase to pay for replacing coal with natural gas.

We support burning coal at the Big Sandy power plant.

Sincerely,

Marc Merritt

Vice President Operations
Kentucky Fuel Corporation

Marwood Land Company, Inc.
P. O. Box 2725
Pikeville, KY 41502
(606) 437-1447

October 14, 2011

Mr. Greg Pauley, President
Kentucky Power Company
101A Enterprise Drive
P. O. Box 5190
Frankfort, KY 40602-5190
ggauley@aep.com
502-696-7007

Dear Mr. Pauley:

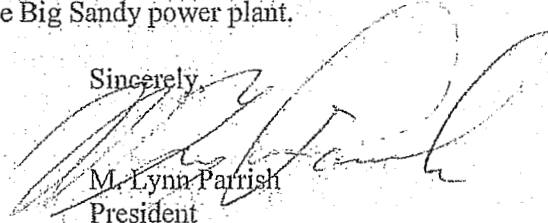
Pike County mines buy power from Kentucky Power and most of their employees are ratepayers of Kentucky Power. Coal mining is critical to the economy of East Kentucky. Coal provides good jobs and supports the tax base.

I understand that Kentucky Power is faced with new regulations from the federal EPA which will require a large investment to meet new environmental limits for the coal-fired Big Sandy power plant. It has come to my attention that Kentucky Power is considering closing the Big Sandy power plant and replacing it with natural gas.

Continued use of coal at Big Sandy is important to support the coal industry and communities of East Kentucky. My company will support a rate increase to pay for emissions controls at Big Sandy, but we object to a rate increase to pay for replacing coal with natural gas.

We support burning coal at the Big Sandy power plant.

Sincerely,



M. Lynn Parrish
President



Nick Carter
<ncarter@wpplp.com>
09/25/2011 08:45 PM

To "ggpauley@aep.com" <ggpauley@aep.com>
cc
bcc

Subject Big Sandy Power Plant

Greg, I am Nick Carter and I serve as President of Natural Resource Partners a publicly traded coal land company headquartered in Huntington WV. I live in Ashland KY and as such I am a customer of KY Power. I have been working with Seth Schwartz on our efforts to save the coal burning units of the Big Sandy power plant. I think it is in the best interest of the entire area served by KY Power that these plants continue to burn local coal and support the economy of the service area. It is inconceivable to me that the area is better served, either economically or socially, by importing natural gas from the Gulf coast area to provide electricity. I know that there exists within your own service area sufficient coal which can be mined, delivered and burned in a scrubbed plant for many decades into the future.

I have been for many years actively involved in politics in KY and want to assure you that the politicians I have talked to are unanimously in favor of continuing this plant as a cold burning facility. I know of the protests that you had related to your last rate increase and want to assure you that several of those elected officials who were so vocal will be equally vocal in support of the necessary funding decisions to modernize this plant to allow it to continue as a coal facility serving a coal mining area.


Nick Carter
304 522 5757
304 633 3819 Cell
606 324 5662 Home



"Seth Schwartz"
<schwartz@evainc.com>
09/16/2011 03:31 PM

To <ggpauley@aep.com>
cc
bcc

Subject Committee to Save Big Sandy

History:  This message has been forwarded.

Greg: I met with a number of people from the coal industry yesterday, most of whom run companies which are large ratepayers of Kentucky Power and employ many more ratepayers at their operations. I have written or verbal commitments from the attached list of members to support the Committee to Save Big Sandy. This group includes most of the coal mines in your service territory. The group is unanimous in its support for Kentucky Power to invest in emission control equipment on the Big Sandy plant. We want you to know that Kentucky Power will have broad support among the East Kentucky community for your upcoming filing at the PSC.

Our next step will be to contact the politicians in East Kentucky (county judge/executives, state representatives and state senators) to get them to support the investment to keep Big Sandy plant burning coal. You should begin hearing from them soon. Please let me know when you have been contacted so I know that they have followed through. I spoke with Rocky Adkins yesterday who told me that he has already spoken to you about keeping Big Sandy plant burning coal (the plant is in his district) and was quite emphatic about that.

Further, you should hear from Steve Miller of the national group, American Coalition for Clean Coal Electricity (Mike Morris is the chairman) to let you know that, if AEP files a plan to invest in burning coal at Big Sandy, ACCCE is prepared to file testimony in support of this plan.

Please keep me posted on the timing and status of your decision and we will keep you informed as to our efforts. Seth

Seth Schwartz
President
Energy Ventures Analysis, Inc.
1901 North Moore Street
Suite 1200
Arlington, VA 22209-1706
Phone: 703-276-4004 (direct)
Fax: 703-276-9541



Committee to Save Big Sandy member list 2011_09_16.docx

Committee to Save Big Sandy

Membership list 9/16/2011

Business	Company	Contact		
		Last	First	Title
Coal	Alden Resources	Smith	Keith	President
Coal	Alpha Coal	Crutchfield	Kevin	President
Coal	Alpha Coal	Jones	Monty	Senior VP
Coal	Apex Energy	Campbell	Mark	VP
Coal	Arch Coal	Eaves	John	President
Coal	Arch Coal	Slone	Deck	VP, Public Affairs
Coal	Beech Fork	Booth	Jim	CEO
Coal	Blackhawk Mining	Glancy	Nick	President
Coal	Blue Energy Services	Helms	Ted	President
Coal	Helping Hands	Smith	John	President
Coal	Nally & Hamilton	Hamilton	Steve	Sec.-Treasurer
Coal	Old Virginia	Kiscaden	Scott	President
Coal	Revelation Energy	Hoops	Jeff	President
Coal	Rhino Energy	Moravec	Chris	VP
Coal	Southern Coal Corp	Merritt	Marc	
Coal	Xinergy	Castle	Mike	CFO
Coal	Xinergy	Nix	Jon	President
Consulting	Energy Ventures Analysis	Schwartz	Seth	President
Group	Coal Operators & Associates	Gooch	David	President
Group	Kentucky Coal Association	Bissett	Bill	President
Land	Marwood Land	Parrish	Lynn	
Land	Natural Resource Partners	Carter	Nick	President
Law	Jackson & Kelly	Nicholson	Roger	Partner
Law	Wyatt, Tarrant & Combs	Woods	Jeff	Partner
Rail	CSX	Jenkins	Chris	VP, Coal

COMMITTEE TO SAVE THE BIG SANDY POWER PLANT

1. AEP Kentucky Power serves the East Kentucky coal fields. Most of the economic activity and jobs in AEP's service territory are related to coal mining and support services. Over one-third of the entire industrial load of Kentucky Power is coal mines.
2. Kentucky Power owns only one power plant, the 1,060 MW Big Sandy plant, located in Louisa, Kentucky, which provides most of the power to this service territory. The Big Sandy plant burns about 2.5 million tons per year of coal, almost all mined in East Kentucky (a little comes from West Virginia). In 2010, this plant spent \$175 million on coal purchases.
3. New EPA regulations proposed in 2011 (Utility MACT and Cross-State Air Pollution Rule) will require AEP to invest in new emission controls (scrubbers) in order to keep burning coal at Big Sandy, or close the plant.
4. AEP has not yet decided whether to invest in keeping the Big Sandy plant open. Originally, AEP planned to build scrubbers at Big Sandy, but recently AEP has announced that the plant may be closed and replaced with a new natural gas plant, because of EPA's new regulations.
5. Whether AEP invests in Big Sandy or closes it and replaces it with gas, the ratepayers of Kentucky Power will be faced with a large rate increase to pay for compliance with the new EPA regulations. The coal mining community of East Kentucky believes that Kentucky Power should invest in the Big Sandy plant because the jobs and tax revenues from this plant support the entire area.
6. The coal produced to supply Big Sandy provides the local area over 500 direct mining jobs, severance taxes over \$8 million per year, and wages over \$25 million per year. In addition, the coal burned by Big Sandy supports jobs for suppliers and truckers, as well as taxes for the local schools and governments.
7. National environmental groups are intervening in Kentucky's rate cases to try to force utilities to close power plants burning Kentucky coal. The local community, who are Kentucky Power's largest ratepayers, support investing in Big Sandy and burning Kentucky coal. We need the support of the elected representatives of East Kentucky to save the Big Sandy power plant.

COMMITTEE TO SAVE THE BIG SANDY POWER PLANT

c/o Energy Ventures Analysis, Inc.
1901 North Moore Street
Suite 1200
Arlington, VA 22209
703-276-8900

Background

Kentucky Power Company ("KPCo", a subsidiary of AEP) has announced that it may close the Big Sandy coal-fired power plant in response to the environmental requirements proposed by EPA (including the Utility MACT to take effect in 2015 and CSAPR in 2012 and 2014). KPCo has stated that it has not made a final decision, but it plans to make a decision this month (September) and file with the Kentucky Public Service Commission ("KPSC") in October for approval of its plan and recovery of the cost in its rates. The current plan is to retire Big Sandy unit #2 (800 MW) in 2014 and convert Big Sandy unit #1 (260 MW) to natural gas.

The Big Sandy plant is one of the largest single markets for East Kentucky coal. It consumes 2.5 mm tpy of coal in an average year, which is close to 5% of the entire current demand for East Kentucky coal. Given the outlook for declining domestic steam coal demand due to the new EPA regulations, the importance of this plant to East Kentucky will grow in the future. At market prices of about \$75 per ton, the coal sales to Big Sandy inject \$187.5 mm per year into the local economy, including over 500 direct coal mining jobs, wages over \$25 mm per year and severance taxes of \$8.4 mm per year.

Further, the vast majority of KPCo's power sales are to ratepayers in the coal fields of East Kentucky. Over one-third of KPCo's entire industrial power sales are to coal mines. It is in the interest of the ratepayers of KPCo to pay for the costs of the scrubber investment in their power prices rather than bear the economic calamity to the region which would come from closing this plant and paying higher rates for gas-fired power.

Purpose of the Committee to Save Big Sandy

KPCo is open to spending the capital to invest in emission controls at Big Sandy (mainly scrubbers), but has been discouraged by political opposition to the rate increases needed to pay for it by state legislators and local county executives. The purpose of the Committee is to gather the political support in the East Kentucky community to influence the politicians to support the investment its inclusion in the rate base. We believe that KPCo will propose the scrubber investment to the KPSC if the politicians express their support.

The Committee is a special-purpose public interest organization formed to intervene in KPCo's rate case to support KPCo's plan to invest in the plant. We plan to retain counsel and file testimony. However, if KPCo files a plan to close the Big Sandy plant, the Committee would plan to intervene in the rate case to oppose KPCo's plan and contest its recovery of its existing investment in Big Sandy after it is closed. Hopefully, it will not come to that step, but the credible threat to oppose KPCo is almost as important as the commitment to support KPCo in a plan to invest in Big Sandy plant.

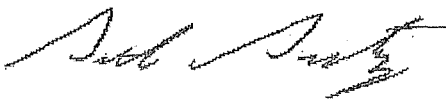
Immediate Action Plan

In order to have credibility, the Committee needs a broad membership among the coal producers, shippers, miners, landowners and stakeholders of East Kentucky. We will provide a membership list with prominent names and companies to KPCo to show the degree of support and influence which we have among the industry. I have talked with the President of Kentucky Power, Greg Pauley, and he has asked for a proposal as to what we can do to support KPCo with the politicians.

Accordingly, the first thing that we need is for you to fill out and return the attached membership form immediately, so we can represent a large group of stakeholders to KPCo.

We do not have an immediate need to raise money but will ask for contributions in the future.

Please act now to save Big Sandy plant, our jobs and the local community. There are too many well-funded organizations working to close existing coal-fired plants. Let's fight back to save them when we can. I welcome your feedback and support.



Seth Schwartz
Director, Committee to Save Big Sandy
703-276-9541
schwartz@evainc.com


COMMITTEE TO SAVE THE BIG SANDY POWER PLANT
Membership Form

Contact _____
Company _____
Address _____
City/ST/Zip _____
Phone _____
Email _____

Are you or your company a ratepayer of Kentucky Power at any location?
Yes _____ No _____



Gregory G
Pauley/OR3/AEPIN
01/18/2012 12:58 PM

To Thomas P Householder/OR4/AEPIN@AEPIN
cc
bcc
Subject Re: Union Assistance 

Thanks Tom Appreciated Let me share some thoughts on this and if you'd like to talk give me a call.

For a Kentucky issue it might be better to use AEP - Kentucky Power. Legislators outside our territory might not identify with American Electric Power but would recognize the Kentucky Power brand. Also, if they decide to send a letter it would be just as effective, if not more so, to include the County Judge Executives in our service territory who have as much, if not more, influence than the Rep/Senator.

There will also be 4 public hearings in the territory between now and when the decision is made. Such support, in person, would be beneficial to the cause. I'm sure the meetings will be inundated with those in the community opposing the decision based on the proposed rate increase. These will be people who support coal and all it does for them - they just don't want anymore increases to their electric bill.

Lastly, the decision to scrub Big Sandy II was based on the existing regulatory compact (process and proceedings) which allows for the recovery of such expenses through an environmental cost recovery statute. Should the legislators enact legislation during the 2012 session that modifies the existing regulatory compact it will make it necessary to revisit our decision. I have made it very clear in presentations throughout the service territory that negative changes would result in a review and reconsideration of the submission before the commission. We want to do all we can to let the process work and get a decision that is good for the company, customers and shareholders.

Question for you - Are they doing this on their part or per our request? There is a fine line there and an important point.

Thanks Tom

Gregory G. Pauley
President & COO
AEP - Kentucky Power Co.
101A Enterprise Drive
Frankfort, Kentucky 40601

Office 502-696-7007
Audinet (AEP) 605-7007
Cell 502-545-7007
Fax 502-696-7006

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Thomas P Householder/OR4/AEPIN

Thomas P
Householder/OR4/AEPIN
01/17/2012 04:19 PM

To Gregory G Pauley/OR3/AEPIN@AEPIN

cc

Subject Union Assistance

Greg, any comments would be appreciated . I will channel your comments to and through the unions. If you do not want any letters let me know and I will back them off. In Ohio and West Virginia, I have sought the unions' support in the past. Thanks

Thomas P. Householder
American Electric Power
Managing Director - Labor Services
1 Riverside Plaza - 17th Floor
Columbus, OH 43215
614 / 716-1713 or Audinet 200-1713
Cell: 614-562-1425

----- Forwarded by Thomas P Householder/OR4/AEPIN on 01/17/2012 04:12 PM -----



"Michael Autry"
<mautry@boilermakerslocal40.com>

To "Thomas P. Householder" <tphouseholder@aep.com>

cc

01/17/2012 03:55 PM

Subject

Tom,

Just wanted to let you know, we are doing a letter writing campaign to all of our Representatives and Senators asking them to support AEP'S request for Big Sandy Power Plants rate increase to be approved by the Kentucky Public Service Commission. I have attached a copy of the letter I am preparing to send to my Senator and Representative. Please look it over and if you see anything I need to add or remove, please let me know.

I am in the process of making this a form letter for all of our members to use state wide. Also, we will be creating another letter similar to this one to send to the Kentucky Public Service Commission representatives.

Thanks and best wishes,
Michael W. Autry

Autry, Michael W.
Boilermakers Local 40:
Business Manager
(270) 769-3024 Work
(270) 256-2525 Mobile
(270) 274-0011 Home
mautry@boilermakerslocal40.com
l40@boilermakerslocal40.com
429 Commerce Drive
Elizabethtown, KY 42701



Autry Michael W .vcf Tommy Thompson Letter asking to support AEP.pdf

International Brotherhood of
BOILERMAKERS • IRON SHIP BUILDERS



BLACKSMITHS • FORGERS & HELPERS

MICHAEL W. AUTRY
Business Manager / Financial Secretary

LOCAL LODGE 40
P.O. Box 887
Elizabethtown, KY 42702-0887
Phone (270) 769-3022
Fax (270) 737-0992
l40@boilermakerslocal40.com

January 17, 2012

Honorable Tommy Thompson
Kentucky House of Representatives
702 Capitol Ave.
Annex Room 315
Frankfort, KY 40601

Dear Sir,

I am writing you today concerning an issue that is of the utmost importance to working families in the Commonwealth of Kentucky. The Kentucky Public Service Commission is in the process of reviewing a proposed rate increase for American Electric Power at their Big Sandy Power Plant located in Louisa, KY, case number 2011-00401.

The purpose of the rate increase is to help pay for environmental controls to be installed that will allow this power plant to continue utilizing coal as its primary source of energy. If the request is denied, the plant will be forced to convert to gas as their primary source of energy or shutdown the facility completely. This change will have a devastating effect on the job market in this region of the Commonwealth.

Coal, our Commonwealth's most abundant natural resource and leading job producer is under attack by the EPA. Our State, County, City and Township Governments all depend upon the revenues created by the Coal Industry. The jobs it produces provide income to the people of this Commonwealth and afford them the opportunity to raise their families and to better educate their children. The taxes received from these coal producing jobs allow our governments to operate efficiently. The use of coal as a source of energy creates jobs in the utility industry at power plants and steel mills. The automotive industry depends upon the use of coal to refine steel to build the frame work for all automobiles. Coal is today and has been for decades, the foundation for the lives of the people of our Commonwealth.

The installation of these environmental controls at the Big Sandy Power Plant will inject one billion dollars (\$1,000,000,000) into the economy. It will create an estimated one thousand (1,000) construction jobs during the construction phase alone. The maintenance of this newly installed equipment will create work opportunities for plant employees and construction workers for years to come. These jobs alone should be enough to allow for the rate increase. Then, look at all the jobs that will be created in the Manufacturing and Petro Chemical Industries to supply all of the equipment and materials needed for these environmental control systems, such as electric motors and pumps, air and chemical filtration

systems, conveyers, mixers, agitators, electronic and pneumatic instruments, just to name a few. All of this, while paving the way for coal to remain the primary source of energy at this plant, protecting the jobs in the Coal Industry for years and years.

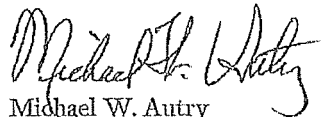
If the Kentucky Public Service Commission decides against this proposed rate increase, the outcome will be devastating. American Electric Power will be forced to convert the plant to gas as its primary energy source or shut it down completely to remain in compliance with the EPA. Converting this plant to gas will create a few jobs during the construction conversion phase, but in the long run will reduce job opportunities for all Kentuckians. American Electric Power will be forced to reduce maintenance and operations employees, due to shutting down all of the current environmental equipment and material handling facilities no longer needed for burning coal. Electrostatic Precipitators, Selective Catalytic Reduction Units, Coal conveyers and unloading facilities employees will be the first to go. Construction workers that normally work at this plant to maintain and repair these facilities and equipment during maintenance shutdowns will have to seek employment opportunities elsewhere. The Manufacturing and Petro Chemical Industries will no longer need to provide parts, materials and equipment for these facilities. And last but not least, the Coal Industry will see a dramatic loss in employment opportunities. Of course, shutting down this generating facility permanently will be even more devastating.

If you look at studies comparing the cost of using coal vs. gas as an energy source for power generation, you will see there is really no advantage to utilizing gas. The cost of gas as an energy source is very unstable, as I am sure you are aware. The market can be controlled by foreign countries and organizations without any regard to the hardship it places on the American ratepayers and/or consumers. Who knows, in the long run converting to gas may increase the ratepayers cost substantially more than the proposed rate increase to remain a coal burning facility. The one thing I can guarantee for sure is this, converting any coal burning facility in the Commonwealth of Kentucky to gas will result in significant job losses in Kentucky.

Therefore, I would respectfully request that you support American Electric Powers request for a rate increase at the Big Sandy Power Plant by exerting all of your legislative powers and political influence to the fullest extent of your ability. Furthermore, I would like to request that you support all of the future coal gasification projects across the Commonwealth that are currently seeking to receive construction permits or have construction permits and need financial funding. The preservation of the Coal Industry is the same as the preservation of Kentucky jobs and should be of the utmost importance to everyone in the Commonwealth.

With kindest regards, I am

Sincerely yours,



Michael W. Autry
Business Manager / Secretary Treasurer
Boilermaker Local 40

KENTUCKY POWER COMPANY

REQUEST

Refer to page 17, line 21, of the Direct Testimony of Ranie K. Wohnhas, which states, “[t]he Company proposes to use a 10.5% return on equity.”

- a. Explain why Kentucky Power did not provide a cost-of-money analysis considering the proposed cost to construct a Scrubber on Big Sandy Unit 2 and considering the changes in the market conditions (U.S. Department of the Treasury - Daily Treasury Yield Curve Rates) of financing since the Commission’s Order dated June 28, 2010 in Case No. 2009-00459.
- b. Explain why Kentucky Power chose not to provide testimony of a cost-of-money witness in this proceeding considering the incremental cost of the proposed environmental facilities is an estimated \$940 million, while in Case No. 2002-00169 when the incremental cost of proposed environmental facilities was approximately \$200 million, testimony of a cost-of-money witness was provided.

RESPONSE

- a-b. In Case No. 2002-00169, the Company was requesting an increase in the return on equity from 11.50% to 12.75% and thus the need for a cost of money witness. The Commission ultimately ordered a return on equity of 11.00% that would be reviewed at each subsequent two-year review. In each six-month review since that time, the Commission has indicated in its final order the return on equity to be used for the subsequent six-month period. This filing is asking for approval of certain projects to flow through the environmental surcharge. The 10.5% return on equity proposed was the most recently approved to be used for the environmental surcharge tariff. This value was used to develop an estimated customer cost impact to help the Commission make a decision. The return on equity that will be in effect in 2016 when the scrubber would go into service could be above or below the current approved 10.5% level. Based upon testimony filed by the AG and KIUC, the Company is planning to provide rebuttal testimony.

Based upon the process mentioned above, the Commission would continue to decide a return on equity at each six-month review period and at the time of a general rate case filing (such as Case No. 2009-00459 mentioned above).

WITNESS: Ranie K. Wohnhas