COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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**	CASE NO. 2011-00401 RECEIVED APR 05 2012 PUBLIC SERVICE COMMISSION

<u>Notice of Filing Of Supplemental Response</u>
<u>To Identified Data Requests</u>

Kentucky Power Company files its April 5, 2012 Supplemental Response to Sierra Club 1-1.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by first class mail upon the following parties of record, this the 5th day of April, 2012.

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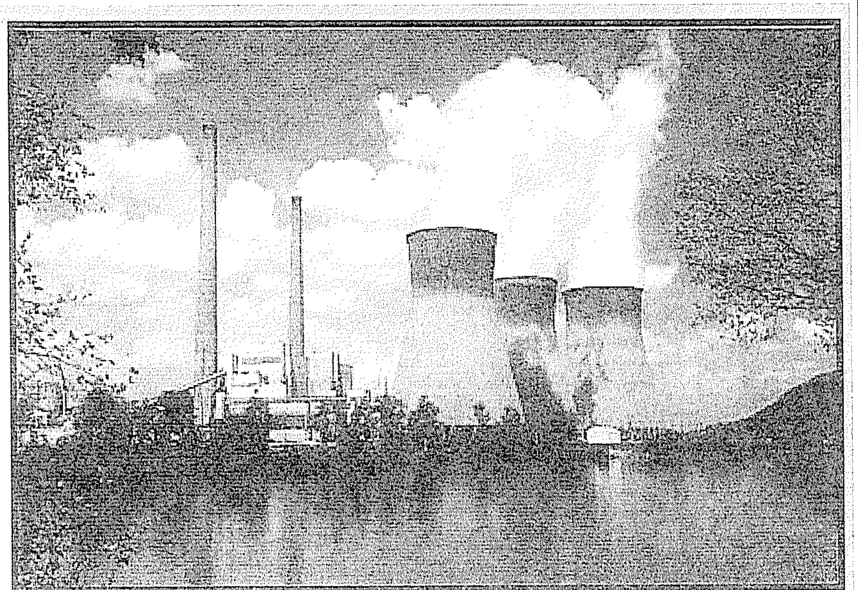
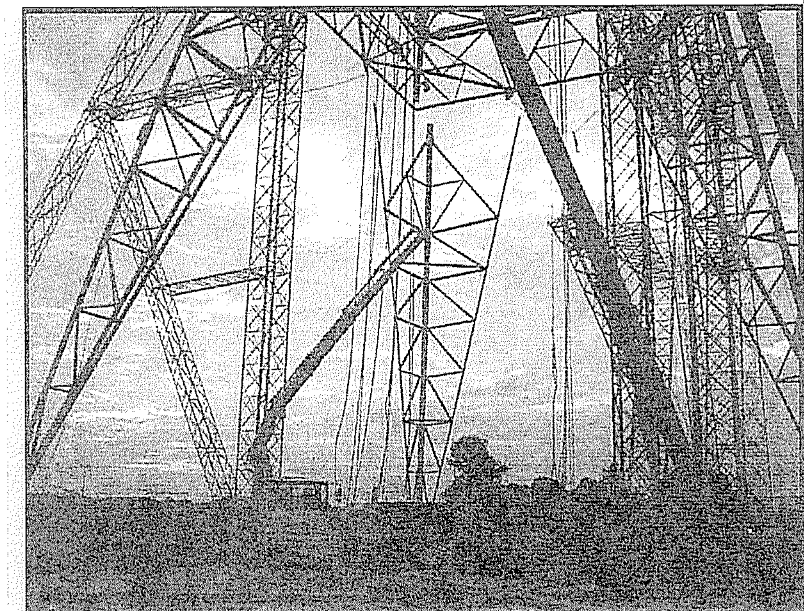
AEP AMERICAN® ELECTRIC POWER





AEP Ohio
Electric Security Plan
Filing Summary

March 30, 2012

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: the economic climate and growth in, or contraction within, our service territory and changes in market demand and demographic patterns, inflationary or deflationary interest rate trends, volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing our ability to finance new capital projects and refinance existing debt at attractive rates, the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material, electric load, customer growth and the impact of retail competition, particularly in Ohio due to the February 2012 PUCO rehearing order, weather conditions, including storms, and our ability to recover significant storm restoration costs through applicable rate mechanisms, available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters, availability of necessary generating capacity and the performance of our generating plants, our ability to resolve I&M's Donald C. Cook Nuclear Plant Unit 1 restoration and outage-related issues through warranty, insurance and the regulatory process, our ability to recover regulatory assets and stranded costs in connection with deregulation, our ability to recover increases in fuel and other energy costs through regulated or competitive electric rates, our ability to build or acquire generating capacity, and transmission line facilities (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates, new legislation, litigation and government regulation including oversight of nuclear generation, energy commodity trading and new or heightened requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of fly ash and similar combustion products that could impact the continued operation and cost recovery of our plants, a reduction in the federal statutory tax rate, timing and resolution of pending and future rate cases, negotiations and other regulatory decisions including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance, resolution of litigation, our ability to constrain operation and maintenance costs, our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities, changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market, actions of rating agencies, including changes in the ratings of debt, volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities, changes in utility regulation, including the implementation of ESPs and the expected legal separation and transition to market for generation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP, accounting pronouncements periodically issued by accounting standard-setting bodies, the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans, captive insurance entity and nuclear decommissioning trust and the impact on future funding requirements, prices and demand for power that we generate and sell at wholesale, changes in technology, particularly with respect to new, developing or alternative sources of generation, our ability to recover through rates or prices any remaining unrecovered investment in generating units that may be retired before the end of their previously projected useful lives, our ability to successfully manage negotiations with stakeholders and obtain regulatory approval to terminate or amend the Interconnection Agreement and break up or modify the AEP Power Pool, evolving public perception of the risks associated with fuels used before, during and after the generation of electricity, including nuclear fuel and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes, cyber security threats and other catastrophic events.

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Broad Range of Issues

- ESP for competitive retail electric services and non-shopping customers
- Distribution service
- Provisions that promote retail electric competition, including highly discounted capacity charges
- Economic development and job retention
- Alternative energy resource requirements
- Energy efficiency requirements
- Preserving and expanding the development of competition for retail electric services

The modified ESP stabilizes and provides certainty regarding retail electric service to AEP Ohio customers and to CRES providers

SSO and Rider Provisions

- Frozen Base Generation Rates
- Fuel Adjustment Clause
- Alternative Energy Rider
  - Staff-requested renewable energy credit tracking mechanism
- Generation Resource Rider
  - Placeholder mechanism for Turning Point alternative energy project
- Distribution Investment Rider
  - Capped at $86M in year-one
  - Allows for continuation of distribution investment to support reliability improvements
- Retail Stability Rider
  - Mitigates financial harm to the Company
  - $284M over the term of the ESP

Term of ESP is June 1, 2012 – May 31, 2015

Pro-Competitive Proposals

AEP®

- Energy-only, slice-of-system auction for 5% of SSO load starting six months after final orders in ESP and corporate separation cases
- Energy-only, slice-of-system auction for 100% of SSO load beginning January 1, 2015
- 100% energy and capacity auction beginning June 1, 2015
- Discounted capacity prices for CRES providers over the ESP term, in light of other benefits AEP receives in the ESP
  - Tier 1 - $145.79/MW-day for set-aside load (21% in 2012, 31% in 2013, 41% in 2014)
  - Tier 2 - $255.00/MW-day for other switching customers
  - In 2012, non-mercantile aggregation customers receive Tier 1 priced capacity even if set-aside has been exceeded
- Elimination of Interconnection Pool Agreement
- Corporate separation of AEP Ohio's generation and marketing assets from distribution and transmission assets

Expeditious transition to market based generation rates in Ohio