

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

Application of Kentucky Power Company for Approval of )  
its Environmental Compliance Plan, Approval of its Amended ) CASE NO. 2011-00401  
Environmental Cost Recovery Surcharge Tariffs, and for the )  
Grant of Certificates of Public Convenience and Necessity )  
for the Construction and Acquisition of Related Facilities )

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**NOTICE OF ERRATA TO POST HEARING BRIEF (PUBLIC AND CONFIDENTIAL)**

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Please take notice that Intervenor Tom Vierheller, Beverly May, and Sierra Club (collectively “Environmental Intervenor”) are filing errata to the Post Hearing Brief (Public and Confidential Versions). On page 35 of the brief, there was a typo in that the term “non-robust” was used instead of the term “robust.” Attached to this Notice of Errata is the revised pages 35 to Tom Vierheller, Beverly May, and Sierra Club’s Post Hearing Brief (both public and confidential version). The corrected sentence now reads: “If fundamental conclusions do not change with reasonable variations in assumptions (i.e. are insensitive to those assumptions), the outcome of a model is robust. Thus, a useful sensitivity stress-tests conclusions with reasonable forecasts or assumptions.”

Respectfully submitted,



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Dated: May 16, 2012

**V. KPCO'S STRATEGIST MODELING UNDERESTIMATED THE COST OF OPTION 1, OVERESTIMATED THE COST OF OTHER OPTIONS, AND FAILED TO ENGAGE IN A MEANINGFUL SENSITIVITY ANALYSIS.**

**A. The Company's Strategist Sensitivity Runs Were Meaningless Because They Were Based on Price Correlations That Essentially Ensured That the Sensitivities Would Not Differentiate Between Various Options.**

Good modeling practice requires that the modeler evaluate the confidence of the model, possibly assessing the uncertainties associated with the modeling process and with the outcome of the model itself. A sensitivity analysis determines if modeling results still hold true under a range of reasonable future scenarios and either give credence or cause to reject conclusions from a modeling exercise. If conclusions drawn from a modeling analysis depend on assumptions made about an uncertain future, a reasonably executed sensitivity analysis will show those conclusions to be weak, or non-robust. If fundamental conclusions do not change with reasonable variations in assumptions (i.e. are insensitive to those assumptions), the outcome of a model is robust. Thus, a useful sensitivity stress-tests conclusions with reasonable forecasts or assumptions.

There are three requirements for a reasonable sensitivity analysis: (a) stress-testing important or key variables, (b) a reasonable range of forecast assumptions for those key variables, and (c) using a reasonable combination of those key variables. By failing to test the correct variables or use a reasonable range for those variables, sensitivities may not capture likely stresses and thereby create undue risk. By failing to use a reasonable combination of those key variables, a sensitivity can either artificially mask or artificially inflate uncertainty. If key variables in a sensitivity analysis are perfectly correlated – i.e., when the system is stressed, all of the variables shift in the same direction – then the sensitivity analysis may mask certain important outcomes.

I certify that I mailed a copy of Intervenor Tom Vierheller, Beverly May, and Sierra Club Notice of Errata to Post Hearing Brief by first class mail on May 16, 2012 to the following:

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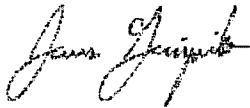
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