COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY POWER COMPANY FOR:)
(1) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING THE TRANSFER TO THE COMPANY OF AN)
UNDIVIDED FIFTY PERCENT INTEREST IN THE MITCHELL)
GENERATING STATION AND ASSOCIATED ASSETS; (2) APPROVAL)
OF THE ASSUMPTION BY KENTUCKY POWER COMPANY OF)
CERTAIN LIABILITIES IN CONNECTION WITH THE TRANSFER OF)
THE MITCHELL GENERATING STATION; (3) DECLARATORY) CASE NO. 2012-00578
RULINGS; (4) DEFERRAL OF COSTS INCURRED IN CONNECTION)
WITH THE COMPANY'S EFFORTS TO MEET FEDERAL CLEAN AIR)
ACT AND RELATED REQUIREMENTS; 5) FOR ALL OTHER)
REQUIRED APPROVALS AND RELIEF)

KENTUCKY POWER COMPANY RESPONSES TO

ATTORNEY GENERAL'S SUPPLEMENTAL SET OF DATA REQUESTS

March 21, 2013

VERIFICATION

The undersigned, Karl R. Bletzacker, being duly sworn, deposes and says he is Director, Fundamental 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.

Karl R Bletzacker
Karl R. Bletzacker

STATE OF OHIO)
) CASE NO. 2012-00578
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Karl R. Bletzacker, this the 14 day of March 2013.

Holly M. Charles
Notary Public

NOTARY PUBLIC STATE OF OHIO

Holly M. Charles
Notary Public-State of Ohio
My Commission Expires
March 7, 2016

My Commission Expires: March 7, 2016

VERIFICATION

The undersigned, Karl A. McDermott, being duly sworn, deposes and says he is the Special Consultant with NERA 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

Karl A McDermott

Karl A. McDermott

STATE OF ILLINOIS)
) CASE NO. 2012-00578
COUNTY OF CHAMPAIGN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Karl A. McDermott, this the 19 day of March 2013.

"OFFICIAL SEAL"
JEANNE G. METZGER
Notary Public, State of Illinois
My commission expires 04/30/16

Notary Public

My Commission Expires: 4-30-2016

VERIFICATION

The undersigned, John M. McManus, being duly sworn, deposes and says he is Vice President Environmental Services 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

John M McManus

John M. McManus

STATE OF OHIO)

) CASE NO. 2012-00578

COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John M. McManus, this the 11 day of March 2013.

Janet White

Notary Public

Notary Public, State of Ohio

My Commission Expires: My Commission Expires 09-09-2013

VERIFICATION

The undersigned, Gregory G. Pauley, being duly sworn, deposes and says he is the President and Chief Operating Officer for Kentucky Power Company, 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

Gregory G. Pauley

Gregory G. Pauley

COMMONWEALTH OF KENTUCKY	)
	) CASE NO. 2012-00578
COUNTY OF FRANKLIN	)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Gregory G. Pauley, this the 13th day of March 2013.

Judy K Rosquist 481353

Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

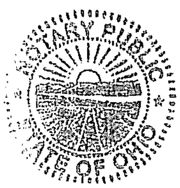
The undersigned, Scott C. Weaver, being duly sworn, deposes and says he is Managing Director Resource Planning and Operation Analysis for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

Scott C. Weaver

STATE OF OHIO)
) CASE NO. 2012-00578
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 14th day of March 2013.

Ann Dawn Clark
Notary Public



Ann Dawn Clark
Notary Public-State of Ohio
My Commission Expires
November 16, 2015

My Commission Expires: November 16, 2015

VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky 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

Ranie K. Wohnhas

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY	)	
	)	CASE NO. 2012-00578
COUNTY OF FRANKLIN	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 13th day of March 2013.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

Reference the applicants' response to AG 1-4. Why will the applicant not agree to have shareholders absorb any transaction costs since it is a transfer case, as noted in the company's response to AG 1-5?

RESPONSE

The Company has worked to minimize costs, including any tax consequences associated with the Transfer and Assumption Transaction. However, as with any type of business transaction entered into to provide service to the Company's customers, whether an asset purchase, transfer, or power purchase agreement, the expenses associated with the proposed Mitchell transfer are a legitimate cost of service, just like operation and maintenance expenditures, and are appropriately recovered in rates from our customers.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-6 and 1-7. Please explain in detail the applicant's statement that existing "environmental permits and licenses for the Mitchell Plant…would need to be updated to indicate a transfer in ownership from Ohio Power."

a. See also the statement that "this process involves submitting a request for an administrative updated or a notification of a change of ownership to the applicable regulatory agency." Please explain this statement in detail.

RESPONSE

The process of transferring ownership of environmental permits is specific to the individual permit. Typically, the transfer can be accomplished by written notification by the current owner to the applicable environmental regulatory agency identifying the new owner. Depending on the specific permit, this notification can be required before or after the date that the asset is transferred. For example, the NPDES water permit and Title V air permit require written notification to the West Virginia Department of Environmental Protection (WV DEP) prior to the asset transfer, while the USEPA Facility Response Plan must be updated within 6 months of the ownership transfer.

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-8. Please explain what actions Kentucky Power will undertake if the transfer is not approved.

RESPONSE

The Company will need to ensure that it has sufficient capacity and energy to meet the needs of its customers and its PJM obligations. Beyond the analyses undertaken by the Company and presented in the testimony of Company witness Weaver, the Company has not further analyzed any actions that might be taken if the transfer is not approved.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-14. Will the "reasonable amount of capacity" mean excess capacity? If so, will the excess capacity translate to additional revenue?

RESPONSE

The "reasonable amount of capacity" is currently forecasted to include approximately 50 MW of capacity above the minimum required by PJM for the 2015/16 planning year. In general, this or any surplus capacity is utilized to provide operational flexibility (for example, to aid with outage scheduling and to provide surplus contingency to help mitigate any unit performance issues during the delivery year). The energy is also available to support internal load requirements and can be used to create additional off-system sales.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-17 with regard to the applicant's confirmation that it included labor related costs, etc. related to the use of Strategist. The response refers to the company's response to PSC 1-66 for the identification of costs. The reference does not appear to list the details for the amount. Please provide it.

RESPONSE

Please see the Company's response to KPSC 2-26 for costs detailed by major categories. Labor-related costs in connection with the use of Strategist are not available. Employees do not separate their time between using Strategist and performing other activities (e.g., answering data requests) related to this application.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

If the ratepayers are paying for the costs associated with the use of the Strategist model, why can the Attorney General, who represents the ratepayers, not have the model at no cost since the ratepayers will be requested to pay for it in a future proceeding?

RESPONSE

The Strategist model is not the property of Kentucky Power or any of its affiliates. Kentucky Power's right to use the model is strictly limited by the Company's license agreement with Ventyx, Inc. Under that agreement, Kentucky Power has no right to provide the model to any non-licensed user, including the Attorney General. The Company also understands that providing a copy of the Strategist model to the Attorney General might subject the Company to civil or criminal liability. The determination of the price, terms, and conditions under which Ventyx, Inc. might license its software to the Attorney General lies with Ventyx, Inc. and not Kentucky Power.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-21. Please explain the results of the "North American load forecast" and how it affects load forecast and modeling.

RESPONSE

The North American load forecast is a component of the North American Long-Term Energy Forecast and is a specific input to the AuroraXMP Electric Market Model. The results of the North American load forecast are yearly growth (loss) percentages for all areas of the US with granularity to the NERC Regional Entity. Some further load granularity (i.e. ERCOT) is also projected. The primary effect of the North American load forecast inputs to the Aurora XMP model is found in the generation resources new build/retirement profile.

WITNESS: Karl R Bletzacker

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-28. Is the witness certain that the MATS compliance will be met?

RESPONSE

The Company continues to perform ongoing testing. After evaluating the requirements of the MATS rule, no additional emission controls are anticipated to be needed to meet the MATS requirements at Mitchell. Please see the direct testimony of Company witness McManus, page 5 and the Company's response to KPSC 2-15(b).

WITNESS: John M McManus

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-33 with regard to the applicant's confirmation that it included labor related costs, etc. related to the use of Aurora®. The response refers to the applicant's response to PSC 1-66 for the identification of costs. The reference does not appear to list the details for the amount. Please provide it.

RESPONSE

Please see the Company's response to KPSC 2-26 for costs detailed by major categories. Labor-related costs in connection with the use of Aurora are not available. Employees do not separate their time between using Aurora and performing other activities (e.g., answering data requests) related to this application.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

If the ratepayers are paying for the costs associated with the use of the Aurora model, why can the Attorney General, who represents the ratepayers, not have the model at no cost since the ratepayers will be requested to pay for it in a future proceeding?

RESPONSE

The Aurora model is not the property of Kentucky Power or any of its affiliates. Kentucky Power's right to use the model is strictly limited by the Company's license agreement with EPIS, Inc. Under that agreement, Kentucky Power has no right to provide the model to any non-licensed user, including the Attorney General. The Company also understands that providing a copy of the Aurora model to the Attorney General might subject the Company to civil or criminal liability. The determination of the price, terms, and conditions under which EPIS, Inc. might license its software to the Attorney General lies with EPIS, Inc. and not Kentucky Power.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-36. Does the company not agree that direct or indirect impact, such as loss of jobs, etc. have an impact on ratepayers? If not, why not?

RESPONSE

The direct or indirect impact of the loss of jobs related to the Company's decision could affect some ratepayers. However, Mr. Weaver's response to AG 1-36 states that "the other direct or indirect impacts would not have a **significant** impact on the relative economics of the resource alternatives evaluated." In addition, the higher costs associated with retrofitting Big Sandy Unit 2 with a DFGD unit would affect all customers.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to AG 1-37. Please update the information.

RESPONSE

As requested in AG 1-37, the Company used 2012 data to update its 2011 analysis. Because 2012 market conditions and operations were not representative, the results of the update were historically normalized. Employing normalized 2012 data, and all else being equal, the asset transfer and termination of the pool would have produced a 9.9% increase in the Company's cost of service when compared to the costs included in the Company's rates. Further, had the Company's 2011 revenues remained constant for 2012, this would have yielded an 8.8% increase in cost of service which is even more consistent with Mr. Wohnhas' testimony using 2011 data.

There are three subparts to the analysis: change in base rates, change in fuel costs, and change in System Sales Clause revenues. Because the Company's existing base rates are the result of a "black box" settlement, the base rate subpart is premised upon the Company's cost of service as presented in Case No. 2009-00459, which the Company adjusted using best efforts to accurately reflect the settlement. The fuel and System Sales Clause values are 2012 actual cost and credit values.

Without historical normalization, and using 2012 data, costs included in base rates would have increased by $90.2 million and fuel costs would have increased $21.2 million. Increased off-system sales revenues would have reduced the cost of service by $15.5 million for a total increased cost of service of $95.9 million.

Two principal factors rendered 2012 not representative of the prior four years. First, the 2012 capacity factor for Big Sandy was significantly depressed when compared to its average capacity factor in the prior four years. Mitchell's capacity factor was depressed to a much lesser degree. This reduction in turn was driven by lower demand and significantly higher rates of scheduled outages at both stations. Second, the AEP PJM market prices for electricity were also materially lower.

The Company performed two adjustments to reflect the average historic performance of Big Sandy and Mitchell in the stand alone comparison cases.

First, the output of Big Sandy and Mitchell were modified to reflect the average hourly output of the four-year period 2008 through 2011. 2012 was excluded because the availability of both stations (Big Sandy in particular) was reduced during 2012. This adjustment to a historic average resulted in Big Sandy's capacity factor increasing from its 2012 value of 28% to the four year average of 67%. By comparison, Big Sandy's 2011 capacity factor was 68%. Mitchell's capacity factor was also increased from 55% in 2012 to its four year average of 72%. The 2011 value was 67%. In connection with the normalization, it was assumed that the incremental generation was sold in the PJM market as additional OSS. This adjustment resulted in a cost of service reduction of approximately 2% or $10 Million.

Second, the Company adjusted the hourly prices to the 2008 through 2011 four-year average AEP PJM prices. This period was used to be consistent with the period selected for the capacity factor impact. It should be noted that all but the first 8 to 9 months or so of this 48 month period followed the economic recession and the lower prices resulted from lower region wide demand. This change, based on prices prevailing in the period following the economic boom years, would have reduced the cost of service, post-OSS sharing, by another 7% or $36 million.

With this normalization of 2012 data, the Company's cost of service would have increased $49.5 million, or 9.9%, assuming the Mitchell asset transfer and the elimination of the pool.

The requested analysis and supporting documents are in AG 2-12 Attachments 1 and 2 presented in electronic format with all formulas preserved on the enclosed CD.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-14a. State whether the $65 million WVEDA bond is included in the anticipated debt $275 million associated with the Transfer.

RESPONSE

If the assumption of indebtedness is approved, the bonds would be included in the $275 million debt associated with the Transfer.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-15 in general. Please provide the estimated revenue from the surplus energy sales.

RESPONSE

See AG 2-14 Attachment 1 for the January 2014 - May 2015 energy sales revenue projected by Strategist for Option #6 under FT-CSAPR (Base) pricing.

WITNESS: Scott C Weaver

Option #6
FT-CSAPR (Base) Commodity Pricing
KPCO Market Energy Sales Revenue ($000)

	2014
JANUARY	17,126
FEBRUARY	7,534
MARCH	3,678
APRIL	4,215
MAY	2,065
JUNE	18,053
JULY	26,959
AUGUST	25,764
SEPTEMBR	13,721
OCTOBER	85
NOVEMBER	1,834
DECEMBER	12,719

	2015
JANUARY	23,767
FEBRUARY	12,222
MARCH	3
APRIL	0
MAY	0

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-18 in general. When Mr. Pauley states that he works "collaboratively with AEP executive management," what assurances does the PSC have that Kentucky Power is completely and unequivocally operating independently with regard to its operations insofar as generation planning?

RESPONSE

Kentucky Power is a wholly-owned subsidiary of American Electric Power Company, Inc. The Company is unaware of any obligation under Kentucky law that it "completely and unequivocally operate independently with regard to its operations insofar as generation planning". With the termination of the AEP Interconnection Agreement effective 12/31/13, Kentucky Power is responsible for securing its own generation resources to cover its obligations in PJM and to meet the needs of its customers. As stated by Mr. Pauley, he currently works collaboratively with AEP executive management and will continue to work collaboratively to address business decisions, including generation planning.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-21. If AEP Generation Resources, Inc. has no obligation to transfer the Mitchell units under the terms, conditions and time frame proposed and could later enter an agreement with another entity or even Kentucky Power under different terms and conditions, is this in effect telling the PSC and the parties that the offered transfer is a take it or leave scenario?

RESPONSE

If the Commission were to disallow the transfer of the 50% interest in the Mitchell units, the interest would remain with AEP Generation Resources Inc. instead of being transferred effective 1/1/14. AEP Generation Resources Inc. as a competitive business, would then need to commit the units' output in the most economically attractive manner as quickly as possible. AEP Generation Resources Inc. has no obligation to Kentucky Power Company, so the current transfer option is not guaranteed to be available at a future time. Please see the Company's response to KPSC 1-21.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-28. Provide Kentucky Power's weighted cost of capital as of December 31, 2012.

RESPONSE

Please see AG 2-17, Attachment 1, of this response for Kentucky Power's weighted cost of capital as of December 31, 2012.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company
Cost of Capital
As of December 31, 2012

Ln No (1)	Description (2)	Capital (3)		Percent of Total (4)	Cost Percentage Rate (5)		Weighted Average Cost Percent (6)=(4)x(5)
1	Long Term Debt	$550,000,000	a	50.516%	6.48%		3.28%
2	Short Term Debt	$13,358,856	a	1.227%	0.42%	b	0.01%
3	Accts Receivable Financing	$45,787,357		4.205%	1.13%		0.05%
4	Common Equity	$479,610,035	a	44.051%	10.50%		4.63%
5	Total	$1,088,756,248		100.000%			7.97%

a Book balance as of 12/31/2012
b Average borrowing costs for the 12 Months Ended December 31, 2012

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-28. Please explain in detail the change in the cost percent rate for Accounts Receivable from 2011 and 2010.

a. What is the cost percent rate for Accounts Receivable for 2012?

RESPONSE

The rates have remained basically flat, declining only slightly from 1.21% in 2010 to 1.14% in 2011 and then to 1.13% in 2012. This is due to a decline in the Asset Backed Commercial Paper rate over the same period of time as the Federal Reserve has continued to maintain a low Fed Fund Rate.

a. The cost percent rate for Accounts Receivable for 2012 was 1.13%.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-32. Please answer the question as it relates to how the domestic natural gas infrastructure is sufficiently robust to overcome any potential constraints due to increased demand.

RESPONSE

The extensive domestic natural gas transportation infrastructure is sufficiently robust to overcome constraints through existing capacity expansions, flow reversals, and new construction. There are currently over 250,000 miles of pipeline in North America with pipeline construction activity at its greatest level since 2008. These pipeline projects are largely driven by the push for access to new unconventional supply sources in the Rockies, Mid-continent and Appalachia. Because of the lengthy regulatory approval process and substantial capital investment, pipeline construction activity tends to occur over the long-term rather than short-term reactive bursts of activity.

WITNESS: Karl R Bletzacker

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-39. In its generation planning, has the company ever considered purchase power agreements outside of PJM?

RESPONSE

No. The Company, as part of its generation planning, has never considered purchase power agreements outside PJM to meet its native load requirements.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-39b. How can the company definitively state that the results of an RFP solicitation would not have been less costly than that which the company proposes?

RESPONSE

The data request is premised upon a misunderstanding of the Company's response to KPSC Staff 1-39(b). The Company stated that Mr. Weaver's analysis, as corroborated by Dr. McDermott's testimony "indicated" that an offer to an RFP "would approach a projected PJM market price," and that such a price was determined by Mr. Weaver's analysis to be more costly than the transfer of a 50% interest in the Mitchell generating station. See, Testimony of Scott C. Weaver at 3. Dr. McDermott, in turn testified that "Mr. Weaver's analysis employs benchmarks that would be used by potential bidders into a large base RFP," that "an existing plant would not be willing to bid less than the value of its output into the PJM market," and that these and other options examined by Mr. Weaver provided reasonable proxies for RFP bids. See, Testimony of Karl A. McDermott at 11. Dr. McDermott's opinion is premised upon his education, research and professional work.

WITNESS: Karl McDermott/Scott Weaver

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-43. Are the costs for Mitchell's compliance with the pending EPA Clean Water Act 316b included in the transfer costs?

RESPONSE

Because the costs associated with complying with the anticipated final 316 (b) rule are expected not to be incurred until after the transfer, they are not expected to be part of the transfer cost. These costs, however, have been included in the economic modeling performed to support this application. Please see Company witness Weaver's Exhibit SCW-4. See also the Company's response to KPSC 1-43 parts a., b. and c. which indicates that the costs are expected to occur subsequent to the EPA promulgating the final 316 (b) rule in 2013.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-49. Did the company consider in its modeling an FGD technology that would have meant the applicable EPA rules rather than the "optimum FGD technology?"

RESPONSE

No. The Company neither considered any other FGD technology in its Big Sandy unit disposition economic evaluation, nor can it determine whether any such (alternative) technologies would have satisfied the applicable EPA rulemaking standards.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Reference the applicant's response to PSC 1-59. Provide in dollars what the applicant generates from an ROE of 1) 10.50% and 2) and ROE of 10.85%.

RESPONSE

(1) $49.351 million
(2) $50.978 million

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-2(c). Please explain why Kentucky Power and the applicants elected to conduct no analysis of other options for delaying capacity until it is anticipated to be needed to replace the BS2?

RESPONSE

Kentucky Power is the sole applicant. As stated in response to KPSC 1-21 and KIUC 1-2, the Mitchell units may not be available after December 31, 2013. Thus, there was no need to model an option that may not be available to meet the Company's needs following the retirement of Big Sandy Unit 2. Further, the Company's analysis indicates that the transfer of a 50% interest in the Mitchell units is the least cost alternative for meeting the Company's long term generation resource requirements.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-18 where the following language is found: "Currently and through PY 14/15 the East operating companies provide capacity as a collective group to satisfy their aggregate capacity and reserve requirements to PJM under the FRR alternative." Does the applicant have the independent decision as to whether it will proceed as described (as in a collective group) or is the decision made by another company, agent, etc.? Explain the answer in detail.

RESPONSE

Beginning January 1, 2014, for all elections for future planning years, Kentucky Power can make an independent decision regarding whether it will participate in PJM either through the Reliability Pricing Model auctions or individually through the Fixed Resource Requirement (FRR) alternative. Alternatively, any decision to collectively participate with other operating companies in the FRR alternative would by definition be made after discussion and a joint decision by the participating operating companies.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-22. Were the cost and performance values used in the modeling by independent sources? If so, by whom? If not, why not?

RESPONSE

Examples of sources utilized to develop cost and performance values are the Electric Power Research Institute's Technical Assessment Guide, Manufacturers' information, Industry Press Releases, Gas Turbine World Handbook, IHS CERA Capital Cost for New Units. Each of these sources is unaffiliated with AEP or the Company.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-34. How frequently does the company review, analyze and forecast the price for its fuel for procurement purchases?

RESPONSE

For the procurement of physical supply, the Company's Fuel, Emissions and Logistics Group fuel buyers are soliciting the market on a daily basis. It also has forecasts provided by Trade Press, outside consultancies, the Fundamental Analysis Group, and the results of ongoing fuel procurement RFP's.

WITNESS: Karl R Bletzacker

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-69. Please provide a copy of the engagement letter noted in response to a. if it has been obtained. If a letter has yet to be signed, please explain why not. Moreover, if a letter has not been signed, please explain the terms of the agreement as understood between counsel and the witness.

RESPONSE

The Company is in the process of finalizing a professional services agreement with NERA for Dr. McDermott's services. While agreement has been reached on the hourly rates for Dr. McDermott's services, and two other NERA consultants, discussions are continuing on certain terms and conditions of the agreement. The engagement letter will be made available once it is executed.

WITNESS: Karl A. McDermott

Kentucky Power Company

REQUEST

Reference the applicant's response to KIUC 1-98. Please explain why the ultimate transferor, whatever the company's name might be, is not indemnifying Kentucky Power.

a. If any liabilities are ultimately incurred, will AEP Generation Resources agree to accept financial responsibility for those costs?

RESPONSE

The only transferor other than AEP Generation Resource Inc. in the process of transferring 50% of the Mitchell Plant into NEWCO Kentucky, and ultimately into Kentucky Power through merger, is Ohio Power Company. Ohio Power Company has a contractual relationship with AEP Generation Resources Inc. with respect to the Mitchell Plant but it does not have contractual relationship with NEWCO Kentucky and, therefore, there is no legal or contractual basis for an indemnity from Ohio Power Company to NEWCO Kentucky.

a. Kentucky Power is answering this question on the premise that the liabilities being referred to in question are the pre-transfer liabilities associated with the Mitchell Plant. It would be unreasonable for AEP Generation Resources Inc. to accept financial responsibility for such liabilities. The Mitchell Plant will be transferred to Kentucky Power at net book value which reflects the liabilities on the books of Ohio Power Company with respect to the Mitchell Plant. As stated in our answer to KIUC 1-98, AEP Generation Resources Inc. is simply an intermediary in the process of transferring the Mitchell Plant to NEWCO Kentucky in series of transaction that will occur on the same day and it will derive no financial benefit from the transactions.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Please advise if Kentucky Power has updated responses to requests for information or other amendments to testimony or information contained it the application in light of commitments made by AEP Service Corp. in United States v. AEP, Civil Action No. 2:99-CV-01182 et seq., Third Joint Motion to Consent Decree with Order Modifying Consent Decree, which was filed on February 22, 2013, and is pending before the U.S. District Court for the S.D. of Ohio, Eastern Division.

a. Please describe in detail what impacts the commitments made by AEP Service Corp. in the above referenced matter have on Kentucky ratepayers, if any.

RESPONSE

The Company has not updated any responses to requests for information or other amendments to testimony in light of the above mentioned motion.

a. The option to use Dry Sorbent Injection (DSI) versus installing a FGD on the Rockport unit(s)(Kentucky Power receives 15% of costs associated with the Rockport units) should ultimately reduce the costs borne by Kentucky ratepayers as the cost for DSI is estimated to be less expensive than a FGD.

WITNESS: John M McManus