COPY

Office of Pike County Judge/Executive

WAYNE T. RUTHERFORD

Pike County Courthouse
146 Main Street
Pikeville, Kentucky 41501
Office: (606) 432-6247
Fax: (606) 432-6242

August 26, 2013

Mr. Gregory G. Pauley
President and Chief Operating Officer
Kentucky Power Company
101A Enterprise Drive
P.O. Box 5190
Frankfort, KY 40602-5190

RECEIVED
AUG 30 2013
PUBLIC SERVICE COMMISSION

RE: KENTUCKY POWER LETTER DATED AUGUST 16, 2013

Dear Mr. Pauley:

Thank you very much for sharing with me the reasoning of Kentucky Power management regarding the future of the Big Sandy generating plant near Louisa, Kentucky. I too am concerned about the future of this plant which represents the largest private investment in any development project in history in all of Eastern Kentucky. As you are aware, this capital investment of over one billion dollars in replacement cost has been paid for by the rate payers of Kentucky Power and in large part will be lost if unit 2 of this plant is closed.

When Kentucky Power Company withdrew their application for installation of scrubbers at this plant, this placed both units at Louisa on the way toward potential closure. Later Kentucky Power suggested that the 281 MW unit 1 could be converted to burn natural gas. Unfortunately these same plans do not appear at present to present the possibility of this unit being supplied with natural gas from eastern Kentucky but rather gas from interstate pipelines passing near the plant will be utilized thus depriving Kentucky counties of natural gas related jobs as well as mineral severance tax revenue.

American Electric Power Company, the parent of Kentucky Power, proposes to sell to Kentucky Power Company a 50% interest in their Mitchell plant in northern West Virginia. Dominion Power Company of Virginia was to be the purchaser of the other 50% interest in the Mitchell plant. This purchase by Dominion was rejected by the Virginia Corporation Commission in part because of "both known and unknown pre-purchase liabilities of the transferred units". In short Virginia regulators did not approve purchasing a pig in a poke. It seems prudent to me for Kentucky Power not to purchase an interest in a used scrubber plant, if on the other hand, it is possible in a cost effective way to meet the same goal by the installation of a new scrubber at the Big Sandy plant.

Mr. Gregory G. Pauley
President and Chief Operating Officer
Kentucky Power Company
Page 2, Letter
August 25, 2013

Kentucky Power proposes to spend $536 million to acquire a 50% interest in the Mitchell plant near Moundville, WV which seemingly is a lower cost option than spending $980 million dollars for a new scrubber for the 816 MW unit 2 at the Big Sandy plant. What is not detailed in the proposal to buy a 50% interest in the Mitchell plant in West Virginia is: (a) the loss of 150 jobs at the Louisa plant, (b) the loss of $900,000 per year in local tax revenues, (c) the loss of coal mining jobs at mines supplying the Big Sandy plant, (d) the loss of severance tax on coal mined, (f) the cost of repairs on a used scrubber plant in another state and (g) the cost of transmission losses in transmitting power from Moundsville, West Virginia to consumers in Eastern Kentucky over the next 40 years .

Kentucky Power is quoted as saying that to purchase a 50% interest in the Mitchell plant for $536 million will cost Kentucky consumers just an 8% rate increase whereas to install scrubbers at a cost of $980 million at the Big Sandy plant will cost consumers a 31% rate increase. If the two proposals were evaluated using the same yardstick, then the equivalent rate increase would be 15 % but consumers would have a new scrubber system, would not have to pay for power to be wheeled from Moundville, West Virginia with attendant power losses and would have a new emission system that is "carbon capture ready" thus meeting the emission standards that will be imposed in coming years without future additional rate increases and without future rate increases to retro fit a plant in Moundsville, West Virginia.

As you note in your letter the Moundsville, West Virginia plant is supplied in part by Kentucky coal. True, but misleading, in that the coal comes from western Kentucky and in general not from eastern Kentucky. If the Louisa plant remains in operation, in the vicinity of 2 million tons of local coal production will be saved in eastern Kentucky along with the associated jobs for plant workers, coal truckers and coal miners.

Kentucky Power proposes to spend $100,000 per year for economic development efforts in eastern Kentucky for five years. It is my opinion that it would be a far better expenditure to use these funds to do the necessary work to maintain in operation the Big Sandy power plant thus saving eastern Kentucky consumers' future rate increases that may well be mandated by regulations of the West Virginia Public Service Commission, a forum where Kentucky consumers have no voice.

Very truly yours,

Wayne T. Rutherford

HON. WAYNE T. RUTHERFORD
PIKE COUNTY JUDGE/EXECUTIVE