

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
POWER COMPANY FOR THE SIX-MONTH	)	2014-00322
BILLING PERIOD ENDING JUNE 30, 2014	)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission an original paper copy and an electronic copy of its responses to the following information, with a copy to all parties of record. The information requested herein is due no later than November 25, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Item No. 6, Attachment 1.

a. Refer to footnote (\*). Explain why the allowance expenses as allocated for Big Sandy and Rockport do not tie to the general ledger.

b. Refer to footnote (\*\*). Provide the correct number of allowances that should have been reported on Form 3.11.

2. Refer to Kentucky Power's response to Staff's First Request, Item No. 7, Attachment 1.

a. For January 2014, explain the note on row number 467 regarding the addition of the 2014 vintage allowances to current inventory.

b. Provide the number of allowances and total cost of the 2014 vintage allowances added to current inventory.

c. Refer to January 2014 on Attachment 1, which shows consumption of 8,856 allowances at a total cost of \$836,550. Form 3.11 and Kentucky Power's

response to Staff's First Request, Item 6 for January 2014 show a consumption of 8,558 allowances at a total cost of \$811,206. Explain this discrepancy.

d. Refer to January 2014 on Attachment 1, which shows a prior-year consumption adjustment of 52 allowances at a cost of \$7,818. Explain why this adjustment is not reflected on Form 3.11 for January 2014.

e. Refer to January 2014 on Attachment 1, which shows the addition of Mitchell allowances to Kentucky Power's inventory of 68,113 allowances at a total cost of \$2,938,027. Explain why this adjustment is not reflected on Form 3.11 for January 2014.

f. Refer to February 2014 on Attachment 1, which shows a prior-year consumption adjustment of 6 allowances at a cost of \$902. Explain why this adjustment is not reflected on Form 3.11 for February 2014.

g. Refer to February 2014 on Attachment 1, which shows consumption of 9,194 allowances at a total cost of \$868,463. Form 3.11 and Kentucky Power's response to Staff's First Request, Item 6 for February 2014 show a consumption of 8,945 allowances at a total cost of \$811,206. Explain this discrepancy.

h. Refer to March 2014 on Attachment 1, which shows consumption of 7,244 allowances at a total cost of \$684,266. Form 3.11 and Kentucky Power's response to Staff's First Request, Item 6, for March 2014 show a consumption of 6,829 allowances at a total cost of \$645,103. Explain this discrepancy.

i. Refer to April 2014 on Attachment 1, which shows consumption of 9,950 allowances at a total cost of \$939,874. Kentucky Power's response to Staff's

First Request, Item 6, for April 2014 shows a consumption of 9,421 allowances at a total cost of \$889,949. Explain this discrepancy.

3. Refer to the response to Staff's First Request, Item 6 and Item 7, Attachment 1. Explain why the average unit cost of allowances consumed in January and February 2014 do not agree.

4. Refer to the response to Staff's First Request, Item 7, Attachment 1. Explain why the ending monthly inventory balances for allowances and cost do not agree with the ending monthly inventory balances for allowances and cost as shown on Form 3.11 of the monthly environmental surcharge report.

5. Refer to the response to Staff's First Request, Item 9.

a. The schedule titled Accumulated Environmental Cost, Accumulated Depreciation and Net Book Value At December 31, 2013 ("Total Mitchell Environmental") shows total environmental investment original cost of \$1,092,238,299. Form 3.14, page 7 of 11 of Kentucky Power's monthly environmental report for December 2013 shows utility plant at original cost of \$1,154,516,680. Explain this discrepancy.

b. The Total Mitchell Environmental schedule shows investment in equipment for water pollution of \$13,902,674. Is it Kentucky Power's intent to recover costs associated with Mitchell's water-pollution-control equipment through the environmental surcharge?

c. Explain how including costs related to water-pollution equipment for the Mitchell plant in the environmental surcharge is in accordance with the provisions of KRS 278.183.

6. Refer to the response to Staff's First Request, Item 9, Attachment 1. Refer to the FGD cash working capital calculation. Confirm that incorrect formulas were used to calculate the cash working capital amount for the last three months and the annualized total. If confirmed, provide a corrected schedule.

7. Refer to Form 3.11 for the months of December 2013 through April 2014, which shows Intercompany Sales of 930 allowances for \$139,825.

a. Confirm the amounts shown are correct for each month.

b. If the amounts as reported are correct, explain why the cumulative balance columns were not updated each month.

8. Refer to Form 3.11 for the months of December 2013 and January 2014, which shows Intercompany Purchases of 29,126 allowances for \$9,047,277.

a. Confirm the amounts shown are correct for each month.

b. If the amounts as reported are correct, explain why the cumulative balance columns were not updated each month.



---

Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED **NOV 14 2014** \_\_\_\_\_

cc: Parties of Record

Amy J Elliott  
Kentucky Power Company  
101 A Enterprise Drive  
P. O. Box 5190  
Frankfort, KY 40602

Honorable Mark R Overstreet  
Attorney at Law  
Stites & Harbison  
421 West Main Street  
P. O. Box 634  
Frankfort, KENTUCKY 40602-0634

Judy K Rosquist  
Kentucky Power Company  
101 A Enterprise Drive  
P. O. Box 5190  
Frankfort, KY 40602