

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY)
FOR: (1) A GENERAL ADJUSTMENT OF ITS RATES)
FOR ELECTRIC SERVICE; (2) AN ORDER APPROVING)
ITS 2014 ENVIRONMENTAL COMPLIANCE PLAN; (3)) CASE NO. 2014-00396
AN ORDER APPROVING ITS TARIFFS AND RIDERS;)
AND (4) AN ORDER GRANTING ALL OTHER)
REQUIRED APPROVALS AND RELIEF)

NOTICE OF FILING


Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on May 5, 2015 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on May 5, 2015 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on May 5, 2015.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: http://psc.ky.gov/av_broadcast/2014-00396/2014-00396_05May15_Inter.asx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 12th day of May 2015.

A handwritten signature in cursive script that reads "Linda Faulkner".

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Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

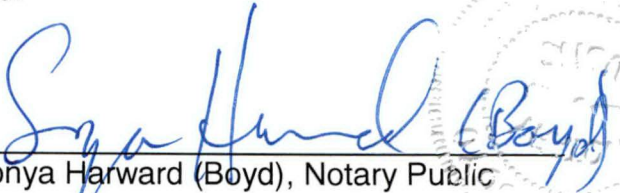
APPLICATION OF KENTUCKY POWER COMPANY)
FOR: (1) A GENERAL ADJUSTMENT OF ITS RATES)
FOR ELECTRIC SERVICE; (2) AN ORDER)
APPROVING ITS 2014 ENVIRONMENTAL) CASE NO. 2014-00396
COMPLIANCE PLAN; (3) AN ORDER APPROVING ITS)
TARIFFS AND RIDERS; AND (4) AN ORDER)
GRANTING ALL OTHER REQUIRED APPROVALS AND)
RELIEF)

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on May 5, 2015. Hearing Log, Exhibit, Exhibit List, and Witness List are included with the recording on May 5, 2015 (excluding confidential segments).
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of May 5, 2015 (excluding confidential segments).
4. The "Exhibit List" attached to this Certificate correctly lists the Exhibits introduced at the Hearing of May 5, 2015.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of May 5, 2015 (excluding confidential segments) and the time at which each occurred.

Given this 11th day of May, 2015.


Sonya Harward (Boyd), Notary Public
State at Large
My commission expires: August 27, 2017



Date:	Type:	Location:	Department:
5/5/2015	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Jim Gardner; Dan Logsdon
 Witness: William Avera - for KY Power; Jeffrey Bartsch - KY Power; Andrew Carlin - for KY Power; Amy Elliott - KY Power; Jeffrey LaFleur - for KY Power; John McManus - for KY Power; Greg Pauley - KY Power; Everett Phillips - KY Power; John Rogness - KY Power; Ralph Smith - for Attorney General; Alex Vaughn - for KY Power; Ranie Wohnhas - KY Power; J. Randall Woolridge - for Attorney General
 Clerk: Sonya Harward

Event Time	Log Event
9:46:04 AM	Session Started
9:46:07 AM	Session Paused
10:04:09 AM	Session Resumed
10:04:10 AM	Case No. 2014-00396 - Kentucky Power Company
10:04:13 AM	Vice Chairman Jim Gardner, Preliminary Remarks and Introductions of Chairman David Armstrong and Commissioner Dan Logsdon
10:04:41 AM	Kentucky Power Company ("KY Power") Introductions: Attys. Mark Overstreet, Ken Gish, Matthew Satterwhite, and Hector Garcia
10:05:13 AM	Attorney General Office Introductions: Attys. Larry Cook, Jennifer Hans, Angela Goad, and Stephanie Kingsley
10:05:29 AM	Wal-Mart Stores Introductions: Attys. Derrick Williamson, Don Parker, and Carrie Harris
10:05:52 AM	KIUC Introductions: Attys. Mike Kurtz, David Boehm, and Jody Cohn Note: Harward, Sonya Here representing companies who are customers of Kentucky Power.
10:06:11 AM	KY School Boards Assoc. Introduction: Atty. Matthew Malone
10:06:21 AM	PSC Staff Introductions: Attys. Quang Nguyen, David Spenard, and Nancy Vinsel
10:06:34 AM	Pro Hac Vice Motions Note: Harward, Sonya All outstanding Orders regarding this will be granted.
10:06:47 AM	Atty. Overstreet - Motions Note: Harward, Sonya There are some outstanding motions regarding confidentiality and deviations.
10:07:26 AM	Public Comment Note: Harward, Sonya No members of the public made comment.
10:08:07 AM	Witness Gregory Pauley, KY Power, takes the stand and is sworn in. Note: Harward, Sonya President and COO of KY Power.
10:08:45 AM	Atty. Overstreet Direct Exam of Witness Pauley Note: Harward, Sonya Witness confirms that previously filed testimony and responses were still accurate.
10:09:15 AM	Atty. Nguyen Cross Exam of Witness Pauley Note: Harward, Sonya Referencing Witness's Testimony, p. 9, and his response to Comm. Staff's Third Request for Information, Item 11, regarding KY Power's advancement program.
10:12:29 AM	Atty. Nguyen to Witness Pauley Note: Harward, Sonya Asking Witness how the three entities were chosen to receive the advancement program funds.
10:14:42 AM	POST HEARING DATA REQUEST per Atty. Nguyen Note: Harward, Sonya Provide the names of the other three companies that sought the economic development funds and did not receive them.
10:15:08 AM	Atty. Nguyen to Witness Pauley Note: Harward, Sonya Asking about disbursement of economic development funds.

10:15:35 AM	Atty. Nguyen to Witness Pauley Note: Harward, Sonya	Referencing Witness's Direct Testimony, regarding captial project and the relationship with local banks.
10:18:56 AM	Chairman Armstrong Cross Exam of Witness Pauley Note: Harward, Sonya	Asking about the status of KY Power's stock.
10:21:01 AM	Commissioner Logsdon Cross Exam of Witnss Pauley Note: Harward, Sonya	Asking about SOAR, and how many counties are part of this program.
10:21:51 AM	POST HEARING DATA REQUEST by Commissioner Logsdon Note: Harward, Sonya	Provide the names of the counties that participate in the SOAR program.
10:23:21 AM	Commissioner Logsdon to Witness Pauley Note: Harward, Sonya	Asking about KY Power's consideration of prepay metering.
10:24:16 AM	Vice Chairman Gardner Cross Exam of Witness Pauley Note: Harward, Sonya	Asking about a a sentence in the Settlement Agreement, p. 25, Item 28.b., regarding this sentence's meaning with regard to the use of this information in future proceedings.
10:25:32 AM	Atty. Overstreet - Response Note: Harward, Sonya	Answered Vice Chairman Gardner's question since he was the author of the sentence in question.
10:27:37 AM	Witness Pauley dismissed from the stand.	
10:27:44 AM	Witness John McManus, for KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Vice President of Environmental Services for American Electric Power
10:28:28 AM	Atty. Gish Direct Exam of Witness McManus Note: Harward, Sonya	Witness provided an update to an EPA regulation noted in his Direct Testimony, pp. 11-12, regarding EPA rule being finalized in December.
10:29:45 AM	Atty. Nguyen Cross Exam of Witness McManus Note: Harward, Sonya	Referencing Witness's Direct Testimony, pp. 11-12, regarding coal combustion residual rule and deadlines.
10:33:00 AM	Atty. Nguyen to Witness McManus Note: Harward, Sonya	Asking what steps would be necessary to close the ash pond.
10:33:53 AM	Atty. Nguyen to Witness McManus Note: Harward, Sonya	Asking what the cost would be to close the Big Sandy ash ponds and the Mitchell Station pond.
10:35:48 AM	Atty. Nguyen to Witness McManus Note: Harward, Sonya	Asking about the transfer of ownership from Connor Run to Murray Energy.
10:36:22 AM	Commissioner Logsdon Cross Exam of Witness McManus Note: Harward, Sonya	Asking about allowances purchased by KY Power.
10:38:45 AM	Commissioner Logsdon to Witness McManus Note: Harward, Sonya	Asking from whom they purchase the allowances.
10:39:29 AM	Vice Chairman Gardner Cross Exam of Witness McManus Note: Harward, Sonya	Asking about the coal combustion rule, and how different it is from what KY Power originally anticipated.
10:41:30 AM	Vice Chairman Gardner to Witness McManus Note: Harward, Sonya	Asking about the Mitchell case, which had a decision issued in July 2013, regarding whether there were additional costs related to the CCR.
10:43:34 AM	Vice Chairman Gardner to Witness McManus Note: Harward, Sonya	Asking about cost of compliance related to the pond at Mitchell.
10:44:47 AM	Vice Chairman Gardner to Witness McManus Note: Harward, Sonya	Asking about compliance with MATS and extensions applied for and recieved for Mitchell.

10:45:37 AM	Vice Chairman Gardner to Witness McManus Note: Harward, Sonya	Asking about the Clean Power Plan, regarding the physical location of the plant in West Virginia, as opposed to Kentucky.
10:47:52 AM	Atty. Cook Cross Exam of Witness McManus Note: Harward, Sonya	Asking which Big Sandy unit will stop operating.
10:48:53 AM	Vice Chairman Gardner to Witness McManus Note: Harward, Sonya	Asking if Big Sandy Unit 2 will stop operations prior to June 1st.
10:49:30 AM	Witness McManus dismissed from the stand.	
10:49:45 AM	Witness Rainey Wohnhas, KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Managing Director of Regulatory and Finance for KY Power.
10:50:34 AM	Atty. Overstreet Direct Exam of Witness Wohnhas Note: Harward, Sonya	Witness has one change to his Testimony in Support of the Settlement Agreement, p. 41, regarding Rate IGS and a clarification to this statement.
10:52:44 AM	Atty. Williamson Cross Exam of Witness Wohnhas Note: Harward, Sonya	Asking about the correction/clarification made to his Testimony in Support of the Settlement Agreement, p. 41, regarding Rate IGS and the increase to Rate QP customers.
10:54:55 AM	Atty. Cook Cross Exam of Witness Wohnhas Note: Harward, Sonya	Asking about the Settlement Agreement regarding the Big Sandy 1 Operating Rider, and asking if there would be any PJM costs in the rider.
10:56:28 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 37, lines 14-19.
10:58:28 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 42, lines 22-27, regarding a limit on purchase power costs based on price of peaking unit equivalent.
11:01:49 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking if Witness has any kind of estimate of the expected additional annual cost impact to ratepayers.
11:03:08 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking if the modification will alter the application to the fuel adjustment clause.
11:03:37 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, p. 21, paragraph f.-Tariff PPA, regarding periodic review and how this review would work.
11:05:20 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking about the base rates for KY Power increasing 73 percent in last 10 years and that there have been 3 rate cases in the last 10 years.
11:06:15 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking about impact of the revenue increase on the average residential customer.
11:07:11 AM	POST HEARING DATA REQUEST by Atty. Cook Note: Harward, Sonya	Provide the dollar amount that the average residential customer's bill will increase.
11:07:30 AM	AG - Exhibit 1 Note: Harward, Sonya	Exhibit JAR-9, Kentucky Power's tariff labeled PSC KY No. 10 Original Sheet No. 2-12, and titled Terms and Conditions of Service (Cont'd).
11:09:00 AM	POST HEARING DATA REQUEST by Atty. Cook Note: Harward, Sonya	Provide how much an average customer is paying under the Asset Transfer Rider.

11:10:16 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking about the Big Sandy Retirement Rider ("BSRR") and the line item charge being higher or lower than the current ATR charge.
11:12:18 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing Exhibit JAR-9, p. 187, Tariff Sheet No. 39-1.
11:15:32 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking about NERC cyber security costs, and if the costs are being deferred and later recovered in a rider.
11:16:48 AM	POST HEARING DATA REQUEST by Atty. Cook Note: Harward, Sonya	Provide the impact on the average residential customer of the Mitchell FGD costs under the environmental charge mechanism.
11:19:30 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking if the Commission authorizes an ROE that is below what was assumed in the Settlement as related to the BSRR, will the BSRR revenue requirement be revised to reflect this change.
11:20:38 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing the response to AG's Second Request, Item 114, regarding the inability of KY Power to provide the PJM costs in response to this request.
11:21:03 AM	AG - Exhibit 2 Note: Harward, Sonya	Kentucky Power Company's Response to Attorney General's Second Set of Data Requests, Item No. 114, dated Feb. 24, 2015.
11:23:04 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Rebuttal Testimony, RKW-R1, regarding the use of an interest calculation for accounts receivable financing.
11:23:43 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Referencing Witnesses Rebuttal Testimony, p. 14, lines 14-19.
11:24:46 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking about deferred costs and the status of these items if the Settlement is approved.
11:26:13 AM	Atty. Cook to Witness Wohnhas Note: Harward, Sonya	Asking Witness about misc. costs, and asking about the company agreeing not to seek recovery for these.
11:27:34 AM	Atty. Kurtz Cross Exam of Witness Wohnhas Note: Harward, Sonya	Asking about the purchase power tracker.
11:28:28 AM	Atty. Kurtz to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 1, regarding what consumers are getting in the rate increase.
11:31:22 AM	Atty. Kurtz to Witness Wohnhas Note: Harward, Sonya	Continues to go over the benefits that KY Power suggests the consumers will receive.
11:31:55 AM	Atty. Nguyen Cross Exam of Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement Agreement, p. 6, lines 17-19, regarding a decrease in base rates and in what situation this would be true.
11:34:01 AM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Asking how KY Power arrived at the settlement rates that were included in the settlement tariff.
11:35:47 AM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 1, and comparing it to the billing analysis originally provided in the Application, regarding the changes between the two documents.
11:38:15 AM	Break	
11:38:20 AM	Session Paused	
11:44:16 AM	Session Resumed	

11:44:21 AM	Camera Lock Deactivated	
11:44:48 AM	Vice Chairman Gardner - Asked About Notice of Hearing	
	Note: Harward, Sonya	Atty. Overstreet confirmed that a copy of the Notice was filed a week ago in the Commission's record of this case.
11:45:22 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Restates question about comparison of Settlement Agreement, Ex. 1, to Notice. (copy of Notice provided for the Witness)
11:47:50 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Asking if the settlement rates filed in the settlement tariff include the reduction in the ROE than what was initially included in the original application.
11:48:43 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 30, lines 8-10, regarding KY Power not including Mitchell no-load costs for recovery in particular months of its FAC filings.
11:50:06 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 31, lines 2-6, regarding the request for the Commission not to wait for a ruling on its 2-year FAC and to instead issue a ruling in this case.
11:50:53 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 34, lines 12-18, and Exhibit RKW-2, regarding calculation of charges and allocations.
11:56:25 AM	POST HEARING DATA REQUEST by Atty. Nguyen	
	Note: Harward, Sonya	Reconcile the calculation in the Settlement Agreement, Exhibit RKW-2, line 17, column F.
11:56:45 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 39, lines 10-11, and Exhibit RKW-3, the revised tariffs.
11:57:51 AM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, Exhibit RKW-3, p. 73, under Special Terms and Conditions, some language needs to be edited/removed.
11:59:05 AM	POST HEARING DATA REQUEST by Atty. Nguyen	
	Note: Harward, Sonya	Provide a revised tariff sheet in Exhibit RKW-3, p. 73, removing language under Special Terms and Conditions.
12:00:15 PM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing the Settlement Agreement, paragraph 1.a., p. 4 under heading General Rate Change, regarding decrease of \$23M in base rate.
12:01:27 PM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing the Settlement Agreement, paragraph 1.b., regarding the annual amounts to be collected through the BSRR and BS1 Operating Rider.
12:03:18 PM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Referencing the Settlement Agreement, paragraph 6.d., regarding what would happen if there were any under recovery of particular costs.
12:05:31 PM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Asking about the BS1 Operating Rider being temporary.
12:06:44 PM	Atty. Nguyen to Witness Wohnhas	
	Note: Harward, Sonya	Asking for the status on the conversion of Big Sandy 1.

12:08:01 PM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, p. 12, paragraph 8.f., regarding excessive vegetation funds and reduction in charges to customers.
12:10:53 PM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, pp.15-16, paragraph 11. b., regarding allocation methodology used.
12:11:34 PM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, p. 21, paragraph 19.f., Tariff PPA.
12:14:33 PM	POST HEARING DATA REQUEST by Atty. Nguyen Note: Harward, Sonya	Refer to the Settlement Agreement, Exhibit 4, and provide a supporting schedule in electronic form of how amounts in column 7 were determined.
12:15:41 PM	POST HEARING DATA REQUEST by Atty. Nguyen Note: Harward, Sonya	Refer to the Settlement Agreement, Exhibit 8, p. 2, provide an explanation of how demand and energy-related costs were determined.
12:17:39 PM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, Exhibit RKW-4, Proof of Revenue spreadsheet.
12:20:57 PM	Atty. Nguyen to Witness Wohnhas Note: Harward, Sonya	Asking Witness about off-system sales level to be included in base rates.
12:22:43 PM	Vice Chairman Gardner Cross Exam of Witness Wohnhas Note: Harward, Sonya	Asking questions about the time period between the Mitchell case and the current case.
12:24:10 PM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide the methodology used to compute the cost of coal that was burned at Big Sandy versus that burned at Mitchell in the 16 months between the cases.
12:26:22 PM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide the amount of off-system sales above the 15M that the company received by month during the 16-month period.
12:27:12 PM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	During the 16-month period, the environmental surcharge mechanism was set at zero. Provide the amount embedded in the base rates at that point? Also, provide what the environmental costs were in the 16-month period that were above and/or below that base line.
12:29:03 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Referencing the Mitchell Settlement Agreement, paragraph 19, and Case No. 2014-00375, Exhibit 4-15, regarding the status of KY Power providing wind power.
12:33:24 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 8, and the Settlement Agreement, paragraphs 1.a. and 1.b., and asking for clarification of what was included in the calculation of the base rates.
12:40:08 PM	Witness Wohnhas Note: Harward, Sonya	Provides an update for Connor Run, still in negotiations,
12:41:10 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Asking if Witness is aware of the Commission having ever tied RTO cost deferral to an ROE, or NERC compliance or cyber security deferral doing anything like that.

12:42:58 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Direct Testimony, regarding the current case having mentioned BSRR being approved with a different name in the Mitchell case...and then when BS1 Operating Rider is described in the current case, there is not reference to the Mitchell Agreement.
12:47:35 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Referencing the Witness's Rebuttal Testimony, p. 11, regarding the need of a base rate.
12:49:11 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Asking Witness for his knowledge about how Mitchell was performing during the interim period, and a discrepancy in a report regarding numbers filed for Mitchell's capital and O&M budgets.
12:53:46 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Asking for the fair market value paid by Wheeling for the 50 percent.
12:55:21 PM	Atty. Kurtz Re-Cross Exam of Witness Wohnhas Note: Harward, Sonya	Asking about this case being filed with and without the PJM tracker.
12:56:50 PM	Vice Chairman Gardner Clarifying Question to Witness Wohnhas Note: Harward, Sonya	Referencing Witness's Testimony in Support of the Settlement, p. 36, lines 9-15, and asking for clarity about the distinction that Atty. Kurtz just asked about.
1:00:49 PM	Atty. Overstreet Re-Direct Exam of Witness Wohnhas Note: Harward, Sonya	Asking about the transmission adjustment and the PJM deferral being two separate items.
1:02:13 PM	Atty. Overstreet to Witness Wohnhas Note: Harward, Sonya	Referencing question from Atty. Cook about the PPA costs, and how they are recovered.
1:05:44 PM	Atty. Overstreet to Witness Wohnhas Note: Harward, Sonya	Referencing question by Vice Chairman Gardner regarding the Big Sandy Operating Rider and the BSRR.
1:06:41 PM	Atty. Overstreet to Witness Wohnhas Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 1, regarding percentages.
1:08:56 PM	Atty. Overstreet to Witness Wohnhas Note: Harward, Sonya	Asking about the possibility of over recovery in the environmental surcharge being returned to the customer.
1:10:02 PM	Vice Chairman Gardner to Witness Wohnhas Note: Harward, Sonya	Asking follow-up question regarding the removal of coal operating expenses related to Big Sandy 1.
1:11:44 PM	Break for Lunch	
1:11:51 PM	Session Paused	
2:30:07 PM	Session Resumed	
2:30:11 PM	Witness William Avera, for KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Consultant for KY Power
2:30:12 PM	Camera Lock Deactivated	
2:30:29 PM	Atty. Garcia Direct Exam of Witness Avera Note: Harward, Sonya	Change to Witness's Direct Testimony, Exhibit WEA/AMM 4, p. 1 of 1, in the left-hand column, after Company, the "(a)" should be removed, and the footnote associated with it should be stricken.
2:33:21 PM	Atty. Cook Cross Exam of Witness Avera Note: Harward, Sonya	Asking Witness questions regarding ROE of 10.65 he recommended in the last case.
2:34:36 PM	AG - Exhibit 3 Note: Harward, Sonya	Case No. 2013-00197, Direct Testimony of William E. Avera on Behalf of Kentucky Power Company, composed of only Exhibit WEA-8, pp. 1-2.

2:35:18 PM	Atty. Cook to Witness Avera Note: Harward, Sonya Note: Harward, Sonya	Also referencing Witness's Testimony, Exhibit 9, in the current case. Asking questions about AG - Exhibit 3 to this Hearing, and what the Treasury Yeild is as of today or yesterday.
2:42:07 PM	Atty. Spenard Cross Exam of Witness Avera Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 4, and Witness's Rebuttal Testimony, p. 2, regarding his response to Wooldridge and Baldino's testimonies.
2:45:12 PM	Atty. Spenard to Witness Avera Note: Harward, Sonya	Referencing Witness's Rebuttal Testimony, p. 11, still discussing the ROE.
2:46:50 PM	Atty. Spenard to Witness Avera Note: Harward, Sonya	Referencing Witness's Rebuttal Testimony, p. 23, regarding a quote he uses from the July 30, 2010 Final Order in CN 2009-00548, pp. 30-31.
2:48:47 PM	Atty. Spenard to Witness Avera Note: Harward, Sonya	Referencing the Woolridge Testimony, p. 55, asking Witness Avera if the statement is correct.
2:49:50 PM	Atty. Garcia Direct Exam of Witness Avera Note: Harward, Sonya	Asking Witness what KY Power's ROE earned during the 12 months ended March 31, 2015.
2:51:09 PM	Objection - Atty. Cook Note: Harward, Sonya	Witness is testifying to information not involved in this case.
2:52:18 PM	Atty. Garcia Direct Exam of Witness Avera Note: Harward, Sonya	Asking about the current ROE for KY Power and it being approved in a previous Order of the Commission
2:52:48 PM	KY Power - Exhibit 1 Note: Harward, Sonya	Regulatory Research Associates, Regulatory Focus, April 13, 2015, Article titled "Major Rate Case Decisions--January-March 2015"
2:54:29 PM	Witness Avera dismissed from the stand.	
2:55:22 PM	Witness J. Randall Woolridge, for Attorney General, takes the stand and is sworn in. Note: Harward, Sonya	Consultant for AG, Professor of Finance at Penn State University
2:55:58 PM	Atty. Cook Direct Exam of Witness Woolridge Note: Harward, Sonya	Change to Witness's Exhibit JRW-10, p. 2, Excel Energy should not be listed in this Exhibit and CMS Energy should have been listed in this Exhibit. (AG - Exhibit 4 handed out with information corrected.)
2:56:35 PM	AG - Exhibit 4 Note: Harward, Sonya	Case No. 2014-00396, Exhibit JRW-10, DCF Study, p. 2 of 6.
2:57:57 PM	Atty. Garcia Cross Exam of Witness Woolridge Note: Harward, Sonya	Asking if a company with higher risks should be allowed a higher ROE than a company with with lower risks.
3:00:26 PM	KY Power - Exhibit 2 Note: Harward, Sonya	Moody's Investors Service Credit Opinion: LG&E and KU Energy LLC, Global Credit Research - 08 Dec 2014
3:01:32 PM	Objection - Atty. Cook Note: Harward, Sonya	KY Power - Exhibit 2 just introduced pertains to LG&E and KU, not KY Power.
3:03:35 PM	Atty. Kurtz Cross Exam of Witness Woolridge Note: Harward, Sonya	Asking Witness about his knowledge of the 10.25 percent ROE agreed to in the Stipulation.
3:05:03 PM	Objection - Atty. Cook Note: Harward, Sonya	Objection to relevance.
3:07:30 PM	Objection - Atty. Cook Note: Harward, Sonya	Asking for Legal opinion.

3:07:54 PM Atty. Kurtz to Witness Woolridge
Note: Harward, Sonya Asking Witness about KY Power being riskier than KU and LGE in that it has a lower equity ratio in its capitalization.

3:09:16 PM Atty. Vinsel Cross Exam of Witness Woolridge
Note: Harward, Sonya Referencing Witness's Direct Testimony, pp. 6-7, the information provided in the last sentence and footnote 4.

3:11:59 PM Atty. Vinsel to Witness Woolridge
Note: Harward, Sonya Referencing Witness's Direct Testimony, p. 7, regarding his statement about state commissions ROE being too high.

3:13:00 PM Atty. Vinsel to Witness Woolridge
Note: Harward, Sonya Asking Witness what states have authorized an ROE lower than 9.

3:15:51 PM Witness Woolridge is dismissed from the stand.

3:16:02 PM Witness John Rogness, KY Power, takes the stand and is sworn in.
Note: Harward, Sonya Director of Regulatory Services for KY Power

3:16:54 PM Atty. Overstreet Direct Exam of Witness Rogness
Note: Harward, Sonya No additional changes to Witness's testimony since previously filed changes.

3:17:43 PM Atty. Nguyen Cross Exam of Witness Rogness
Note: Harward, Sonya Referencing KY Power's response to Comm. Staff's Third Request for Information, Item 23.b., p. 2 of 2, regarding purchase power costs that were not recovered and those costs not being included in the requested revenue requirement in this case.

3:19:25 PM Atty. Nguyen to Witness Rogness
Note: Harward, Sonya Referencing Smith Testimony, pp. 34-36, regarding Witness Rogness's opinion about an adjustment being needed if the Commission does not approve the Settlement.

3:23:41 PM Atty. Nguyen to Witness Rogness
Note: Harward, Sonya Asking about KY Power's proposal to increase some nonrecurring charges being part of the Settlement Agreement.

3:25:12 PM Vice Chairman Gardner Cross Exam of Witness Rogness
Note: Harward, Sonya Asking about 2012-00578, regarding the requirement for KY Power to increase its DSM expenditures from about \$3M to \$6M a year.
Note: Harward, Sonya Also referencing Case No. 2014-00271, regarding Order issued in Feb. 2015.

3:27:31 PM POST HEARING DATA REQUEST by Vice Chairman Gardner
Note: Harward, Sonya Using the level of detail provided in the statistical data filed on Feb. 27, provide the same level of detail to those provided in the filings of March 23 and April 20. Also, if KY Power is behind in DSM spending, provide the plan they have outlined to catch up.

3:29:38 PM Atty. Overstreet Re-Direct Exam of Witness Rogness
Note: Harward, Sonya Referencing Witness's Direct Testimony, p. 24, regarding question asked by Atty. Nguyen about when the company's special charges were established.

3:32:35 PM Witness Rogness dismissed from the stand.

3:32:47 PM Witness Amy Elliott, KY Power, takes the stand and is sworn in.
Note: Harward, Sonya Regulatory Consultant for Kentucky Power

3:33:33 PM Atty. Gish Direct Exam of Witness Elliott
Note: Harward, Sonya Change to Direct Testimony, p. 9, line 3, should be Rockport, not Mitchell.

3:34:23 PM Atty. Nguyen Cross Exam of Witness Elliott
Note: Harward, Sonya Referencing KY Power's response to Comm. Staff's Second Request for Information, Item 37, regarding the status of the monthly environmental surcharge forms.

3:36:01 PM	POST HEARING DATA REQUEST by Atty. Nguyen Note: Harward, Sonya	Refer to Witness's Direct Testimony, Exhibit AJE-1. Provide, by the type of environmental control, at both Mitchell and Rockport, the investment costs of the projects listed and the proposed environmental surcharge tariff, along with the associated accumulated depreciation of those environmental costs. (For all projects except for 6, 7, and 8, and environmental controls by plant should be segregated by specific units or whole plant.)
3:38:08 PM	Vice Chairman Gardner Cross Exam of Witness Elliott Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 8, lines 21-23, regarding clarification of a percent listed here.
3:39:38 PM	Vice Chairman Gardner to Witness Elliott Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 4, and asking for clarity of this Exhibit.
3:42:52 PM	Vice Chairman Gardner to Witness Elliott Note: Harward, Sonya	Asking about the FDG, and the Witness refers to Exhibit AJE-4 that lists the FDG revenue requirement.
3:44:01 PM	Vice Chairman Gardner to Witness Elliott Note: Harward, Sonya	Asking about the numbers in the tariff previously filed on 1/1/2014 being different than those shown in Exhibit AJE-4.
3:44:50 PM	Atty. Gish Re-Direct Exam of Witness Elliott Note: Harward, Sonya	Asking follow-up question regarding Witness's Direct Testimony, Exhibit AJE-4.
3:46:04 PM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide the amendment to the Direct Testimony of Amy Elliott, Exhibit AJE-4.
3:46:32 PM	Witness Everett Phillips, KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Managing Director of Distribution Region Operations for KY Power
3:47:22 PM	Atty. Overstreet Direct Exam of Witness Phillips Note: Harward, Sonya	Witness confirms that previously filed testimony and responses are still accurate.
3:47:53 PM	Atty. Spenard Cross Exam of Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 13, regarding when KY Power knew it would need more time to complete its vegetation management plan.
3:50:20 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 23, line 12, regarding changes to vegetation management plan and what the current cycle base is.
3:53:38 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Asking if KY Power will continue on a 4-year cycle vegetation management plan or change due to the Settlement Agreement.
3:56:22 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Asking about a second pass-through cycle being identified in CN 2009-00459.
4:00:39 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Asking Witness how confident he is in clearing various portions of the vegetation management plan.
4:02:59 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 24, regarding modifications, and Table 7 on p. 26, regarding Tasks 1, 2, and 3.
4:04:42 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 28, beginning at line 2, regarding clearing cost level.

4:05:47 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 29, regarding re-clearing costs including cost of roving crews.
4:08:44 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing KY Power's response to Comm. Staff's Second Request for Information, Item 5.d., regarding outage overtime accrued and if the charges are booked seperately from the vegetation management plan. Asked Witness to explain how they are booked.
4:12:06 PM	Atty. Spenard to Witness Phillips Note: Harward, Sonya	Referencing KY Power's response to Comm. Staff's Second Request for Information, Item 5.d., p. 3 of 4, third paragraph, regarding KY Power paying overtime wages for completion for vegetation management plan.
4:13:26 PM	Commissioner Logsdon Cross Exam of Witness Phillips Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 15, regarding FTE employees being contractors, who employs them, and training required for contracted employees.
4:16:37 PM	Commissioner Logsdon to Witness Phillips Note: Harward, Sonya	Asking about complaints at the public meeting regarding contractors work and disposal of trees.
4:18:18 PM	Commissioner Logsdon to Witness Phillips Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 10, asking clarifying questions.
4:21:14 PM	Vice Chairman Gardner Cross Exam of Witness Phillips Note: Harward, Sonya	Asking Witness who he reports to and how much time he spends on vegetation management.
4:22:38 PM	Vice Chairman Gardner to Witness Phillips Note: Harward, Sonya	Asking about the change in the dollar amount for the vegetation plan when it went from four to five years.
4:24:59 PM	Vice Chairman Gardner to Witness Phillips Note: Harward, Sonya	Asking about Witness's understanding of the value of adding special event days to the metrics.
4:28:03 PM	Vice Chairman Gardner to Witness Phillips Note: Harward, Sonya	Asking Witness if he was in charge of vegetation managment in 2009 when there were complaints.
4:29:36 PM	Atty. Overstreet Re-Direct Exam of Witness Phillips Note: Harward, Sonya	Asking Witness about the scenario KY Power would like to use in order to change from a performance-based plan to a cycle-based plan.
4:30:30 PM	Atty. Overstreet to Witness Phillips Note: Harward, Sonya	Referencing the Settlement Agreement, Exhibit 9, regarding cost for scenario 2.
4:34:36 PM	Atty. Overstreet to Witness Phillips Note: Harward, Sonya	Asking Witness about reasons its taken longer than originally estimated to clear the 8,000 miles in the plan.
4:36:21 PM	Atty. Kurtz Re-Direct Exam of Witness Phillips Note: Harward, Sonya	Asking about the additional \$10.6M added to tree-clearing costs.
4:37:35 PM	Witness Phillips dismissed from the stand.	
4:37:43 PM	Break	
4:37:48 PM	Session Paused	
4:51:28 PM	Session Resumed	
4:51:34 PM	Witness Jeffrey Bartsch, KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Director of Tax Accounting & Regulatory Support for KY Power

4:52:00 PM	Atty. Satterwhite Direct Exam of Witness Bartsch Note: Harward, Sonya	Witness confirms that previously filed testimony and responses are still accurate.
4:52:37 PM	Atty. Cook Cross Exam of Witness Bartsch Note: Harward, Sonya	Asking about a new law regarding bonus depreciation.
4:53:43 PM	AG - Exhibit 5 Note: Harward, Sonya	KY Power's Response to KIUC's First Set of Data Requests, Item 30, dated January 29, 2015.
4:55:05 PM	Atty. Cook to Witness Bartsch Note: Harward, Sonya	Asking about the impact of \$23.6M on Kentucky Power if law was in effect during the test year.
4:55:47 PM	AG - Exhibit 6 Note: Harward, Sonya	KY Power's Response to KIUC's First Set of Data Requests, Item 21, dated January 29, 2015.
4:56:35 PM	Atty. Cook to Witness Bartsch Note: Harward, Sonya	Asking about case in WV that is still pending, regarding tax benefits.
4:57:34 PM	Atty. Satterwhite Re-Direct Exam of Witness Bartsch Note: Harward, Sonya	Addressed question that Witness responded to in his Rebuttal Testimony, pp. 8-10.
4:58:18 PM	Witness Bartsch is dismissed from the stand.	
4:58:22 PM	Witness Andrew Carlin, for KY Power, takes the stand and is sworn in. Note: Harward, Sonya	Director of Compensation & Executive Benefits for American Electric Power
4:58:53 PM	Atty. Garcia Direct Exam of Witness Carlin Note: Harward, Sonya	Witness has corrections to his testimony.
5:01:26 PM	Atty. Garcia Note: Harward, Sonya	The company will file corrected versions of the documents with the changes noted by Witness Carlin.
5:01:42 PM	Atty. Garcia to Witness Carlin Note: Harward, Sonya	Additional changes to Witness's Testimony noted here.
5:03:50 PM	Vice Chairman Gardner - Question to Parties Note: Harward, Sonya	Asked parties about their knowledge of the changes made by Witness Carlin due to Mr. Yoder's absence.
5:04:57 PM	Atty. Cook Cross Exam of Witness Carlin Note: Harward, Sonya	Asking Witness about the purpose of the Gauge to Gain program.
5:06:20 PM	POST HEARING DATA REQUEST by Atty. Cook Note: Harward, Sonya	Confirm or deny that there were \$145,421.00 in costs in the Gauge to Gain program in the historic test year.
5:07:30 PM	Witness Carlin dismissed from the stand.	
5:07:46 PM	Witness Jeffrey LaFleur, for KY Power, takes the stand and is sworn in. Note: Harward, Sonya	AEP Service Corporation, Vice Pres. of Generating Assets for KY Power Company and Appalachian Power
5:08:31 PM	Atty. Gish Direct Exam of Witness LaFleur Note: Harward, Sonya	Updates to Direct Testimony provided.
5:10:40 PM	Atty. Cook Cross Exam of Witness LaFleur Note: Harward, Sonya	Asking about the performance of the Mitchell units.
5:11:11 PM	AG - Exhibit 7 Note: Harward, Sonya	KY Power's Annual Status Report regarding Mitchell generating station, with a cover letter, dated March 2, 2015, to Jeff R. Derouen, Public Service Commission, from Mark R. Overstreet.
5:13:17 PM	Atty. Cook to Witness LaFleur Note: Harward, Sonya	Referencing AG - Exhibit 7 to this Hearing, regarding O&M expenses exceeding the budget.

5:15:03 PM Vice Chairman Gardner - Addresses Parties
Note: Harward, Sonya Asks that other non-confidential cross-exam questions be asked before entering into confidential session.

5:15:18 PM Atty. Kurtz Cross Exam of Witness LaFleur
Note: Harward, Sonya Asking for the expected heat rate on Big Sandy 1 after its converted to natural gas.

5:17:17 PM Atty. Nguyen Cross Exam of Witness LaFleur
Note: Harward, Sonya Referencing Witness's Direct Testimony, p. 14, starting at line 13, regarding construction of the landfill.

5:17:58 PM Camera Lock Deactivated

5:20:44 PM POST HEARING DATA REQUEST by Atty. Nguyen
Note: Harward, Sonya Provide the number of phases for the landfill and the projected cost for each phase.

5:21:14 PM Atty. Nguyen to Witness LaFleur
Note: Harward, Sonya Referencing Witness's Direct Testimony, p. 16, Table, regarding project 13, and the costs for phase 1 and phase 2.

5:22:17 PM POST HEARING DATA REQUEST by Atty. Nguyen
Note: Harward, Sonya Provide the breakdown of costs of phase 1 and phase 2 of project 13.

5:22:41 PM Vice Chairman Gardner Cross Exam of Witness LaFleur
Note: Harward, Sonya Referencing AG - Exhibit 7 to this Hearing, regarding a follow up to AG-Exhibit 7 to this Hearing.

5:25:37 PM Vice Chairman Gardner to Witness LaFleur
Note: Harward, Sonya Asking Witness about Mitchell purchase, regarding the amount paid (the net book value).

5:26:03 PM POST HEARING DATA REQUEST by Vice Chairman Gardner
Note: Harward, Sonya Provide the net book value paid for the Mitchell purchase.

5:27:00 PM Atty. Kurtz Re-Cross Exam of Witness LaFleur
Note: Harward, Sonya Asking about gypsum from the scrubber that is sold to a company and how it's reflected in KY Power's rates.

5:28:41 PM Vice Chairman Gardner - Comments Regarding Confidential Session
Note: Harward, Sonya Asks those who have not signed a confidentiality agreement to leave the hearing room while in confidential session.

5:29:24 PM Going into Confidential Session

5:29:29 PM Private Recording Activated

6:01:55 PM Public Recording Activated

6:01:58 PM Resume Public Session

6:02:30 PM Witness LaFleur dismissed from the stand.

6:02:43 PM Witness Alex Vaughn, for KY Power, takes the stand and is sworn in.
Note: Harward, Sonya AEP Power Service Corporation, Manager of Regulated Pricing and Analysis

6:03:20 PM Atty. Gish Direct Exam of Witness Vaughn
Note: Harward, Sonya Correction to Witness's Rebuttal Testimony, p. 7, line 4, "[x]" should be "20."

6:04:23 PM Atty. Williamson Cross Exam of Witness Vaughn
Note: Harward, Sonya Asking questions regarding Rate IGS.

6:05:19 PM Atty. Williamson to Witness Vaughn
Note: Harward, Sonya Asking Witness to define 'diversity benefit.'

6:06:57 PM Atty. Nguyen Cross Exam of Witness Vaughn
Note: Harward, Sonya Referencing Witness's Rebuttal Testimony, pp. 6-7, regarding BS1 Operating Rider.

6:08:54 PM Atty. Nguyen to Witness Vaughn
Note: Harward, Sonya Asking if KY Power would be willing to create a separate PJM sub account.

6:09:48 PM	Atty. Nguyen to Witness Vaughn Note: Harward, Sonya	Asking about reasonableness of various increases in the settlement agreement.
6:11:01 PM	Atty. Nguyen to Witness Vaughn Note: Harward, Sonya	Asking Witness how long the \$8 residential monthly charge has been in effect.
6:11:24 PM	Commissioner Logsdon Cross Exam of Witness Vaughn Note: Harward, Sonya	Referencing Direct Testimony, p. 15, (and also in Settlement Agreement, p. 17, paragraph 13.b.) regarding PJM LSE charges and credits.
6:13:25 PM	Vice Chairman Gardner Cross Exam of Witness Vaughn Note: Harward, Sonya	Asking if it's possible to compute, from the information provided to the Commission, what the energy charge will be for the different classes.
6:14:10 PM	Atty. Gish Re-Direct Exam of Witness Vaughn Note: Harward, Sonya	Asking a clarifying question about increase in customer charge from \$8 to \$15.
6:14:36 PM	Witness Vaughn dismissed from the stand.	
6:15:01 PM	Witness Ralph Smith, for Attorney General, takes the stand and is sworn in. Note: Harward, Sonya	Consultant, Larkin and Associates PLLC
6:16:06 PM	Atty. Cook Direct Exam of Witness Smith Note: Harward, Sonya	Corrections to Witness's Testimony noted.
6:17:56 PM	Atty. Satterwhite Cross Exam of Witness Smith Note: Harward, Sonya	Asking Witness about his reliance on Dr. Woolridge's work for the ROE.
6:19:26 PM	Atty. Kurtz Cross Exam of Witness Smith Note: Harward, Sonya	Asking Witness for his recommendation on a base rate reduction for KY Power. (Witness references Exhibit RCS-1, Schedule A, p. 1 of 2, line 7.)
6:21:37 PM	Atty. Kurtz to Witness Smith Note: Harward, Sonya	Asking Witness about the 8.65 ROE recommended by Dr. Woolridge.
6:22:59 PM	Atty. Kurtz to Witness Smith Note: Harward, Sonya	Referencing Kollen Testimony, p. 51, regarding 1 percent ROE having a \$10.38M revenue requirement effect.
6:24:39 PM	Atty. Kurtz to Witness Smith Note: Harward, Sonya	Asking Witness about three rate-base adjustments and 13 operating-income adjustments made in his Testimony.
6:26:26 PM	Objection - Atty. Cook Note: Harward, Sonya	Question asked and answered regarding rejecting the Settlement.
6:27:11 PM	Atty. Kurtz to Witness Smith Note: Harward, Sonya	Asking Witness if he can predict how the Commission would rule on the three rate-base adjustments and 13 operating-income adjustments.
6:29:31 PM	Objection - Atty. Cook Note: Harward, Sonya	Witness cannot speak for the Commissioners.
6:30:44 PM	Atty. Kurtz to Witness Smith Note: Harward, Sonya	Asking about the shareholder contribution going away if the Commission opted not to approve the economic development surcharge.
6:32:14 PM	Objection - Atty. Cook Note: Harward, Sonya	Speculation [about whether KY Power would be back in sooner or later for a rate case in regards to the Commission's decision about the Settlement Agreement.]

6:34:06 PM	Atty. Vinsel Cross Exam of Witness Smith Note: Harward, Sonya	Confirms that the Witness has reviewed the Settlement Agreement and the Wohnhas Testimony in Support of the Settlement.
6:35:12 PM	Atty. Vinsel to Witness Smith Note: Harward, Sonya	Refers Witness to the 60/40 split of off-system sales margin sharing requested by KY Power, and asks about his suggestion of a 90/10 split.
6:36:52 PM	Atty. Vinsel to Witness Smith Note: Harward, Sonya	Referencing Witness's Direct Testimony, p. 71.
6:39:08 PM	Atty. Malone (KSBA) Cross Exam of Witness Smith Note: Harward, Sonya	Asking question regarding economic development surcharge and whether he believes that it provides opportunity for jobs, local schools, local revenue for those in the area, etc.
6:42:53 PM	Atty. Malone to Witness Smith Note: Harward, Sonya	Asking Witness if he understands that his suggestion, if accepted by the Commission, would hurt the public schools.
6:43:47 PM	Atty. Cook Re-Direct Exam of Witness Smith Note: Harward, Sonya	Asking if there is anything preventing the Commission from giving the schools what they are asking for if the Commission suggested the Settlement be thrown out.
6:44:33 PM	Witness Smith dismissed from the stand.	
6:45:02 PM	Vice Chairman Gardner - Review of POST HEARING DATA REQUESTS	
6:52:29 PM	POST HEARING DATA REQUESTS DUE MAY 22, 2015	
6:53:20 PM	BRIEFS FILED BY JUNE 5, 2015	
6:53:56 PM	Vice Chairman Gardner - Settlement Agreement Note: Harward, Sonya	All Parties, Counsel, and Witnesses asked to stand and are sworn to the provisions of the Settlement Agreement.
6:55:26 PM	Hearing Adjourned	
6:55:34 PM	Session Paused	



Name:	Description:
AG - Exhibit 1	Exhibit JAR-9, Kentucky Power's tariff labeled PSC KY No. 10 Original Sheet No. 2-12, and titled Terms and Conditions of Service (Cont'd).
AG - Exhibit 2	Kentucky Power Company's Response to Attorney General's Second Set of Data Requests, Item No. 114, dated Feb. 24, 2015.
AG - Exhibit 3	Case No. 2013-00197, Direct Testimony of William E. Avera on Behalf of Kentucky Power Company, composed of only Exhibit WEA-8, pp. 1-2.
AG - Exhibit 4	Case No. 2014-00396, Exhibit JRW-10, DCF Study, p. 2 of 6.
AG - Exhibit 5	KY Power's Response to KIUC's First Set of Data Requests, Item 30, dated January 29, 2015.
AG - Exhibit 6	KY Power's Response to KIUC's First Set of Data Requests, Item 21, dated January 29, 2015.
AG - Exhibit 7	KY Power's Annual Status Report regarding Mitchell generating station, with a cover letter, dated March 2, 2015, to Jeff R. Derouen, Public Service Commission, from Mark R. Overstreet.
KY Power - Exhibit 1	Regulatory Research Associates, Regulatory Focus, April 13, 2015, Article titled "Major Rate Case Decisions--January-March 2015"
KY Power - Exhibit 2	Moody's Investors Service Credit Opinion: LG&E and KU Energy LLC, Global Credit Research - 08 Dec 2014

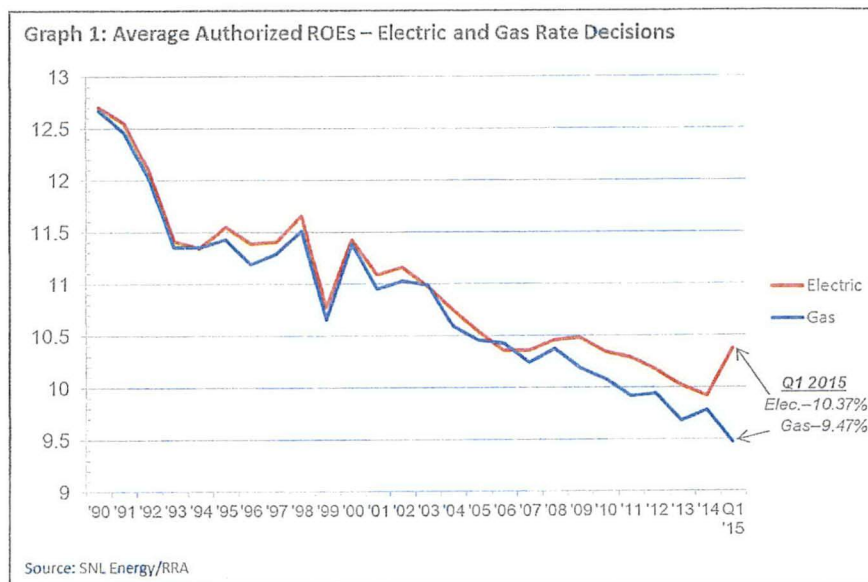


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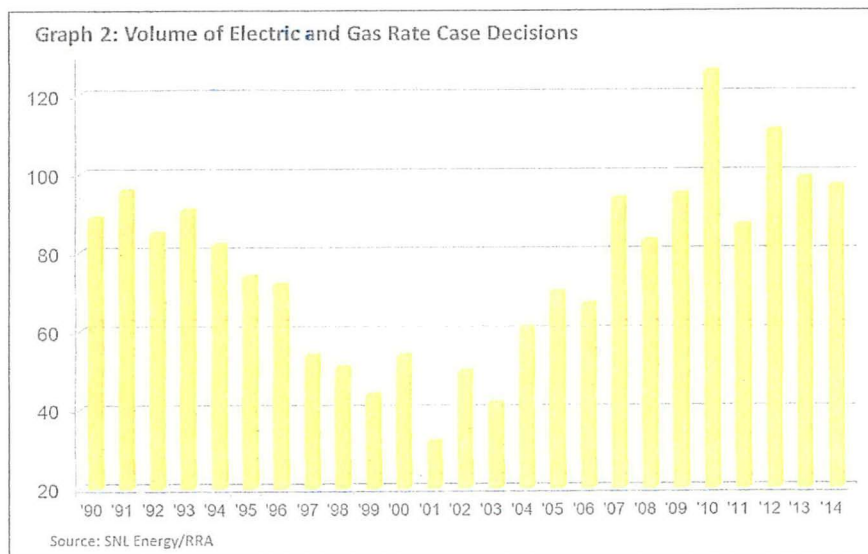
April 13, 2015

MAJOR RATE CASE DECISIONS--January-March 2015

The average return on equity (ROE) authorized electric utilities was 10.37% in the first quarter of 2015, compared to 9.91% in calendar-2014. There were nine electric ROE determinations for the first three months of 2015, versus 38 in all of 2014. We note that the data includes several surcharge/rider generation cases in Virginia that incorporate plant-specific ROE premiums. Virginia statutes authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the [Virginia Commission Profile](#)). Excluding these Virginia surcharge/rider generation cases from the data, the average authorized electric ROE was 9.67% in the first quarter of 2015 versus 9.76% in 2014. The average ROE authorized gas utilities was 9.47% for the first three months in 2015 compared to 9.78% in calendar-2014. There were three gas cases that included an ROE determination in the first quarter of 2015, versus 26 in 2014. The 2014 averages do not include a Feb. 20, 2014 New York Public Service Commission steam rate decision for Consolidated Edison Co. of New York that adopted a 9.3% ROE. (We note that this report utilizes the simple mean for the return averages.)



As shown in Graph 2 below, after reaching a low in the early-2000s, the number of rate case decisions for energy companies generally increased for the next several years, peaking in 2010 at more than 125 cases.



Since 2010, the number of cases has moderated somewhat but has approximated 100 in three of the last four calendar years. There were 98 electric and gas rate cases resolved in 2014 versus 99 in 2013, 111 in 2012, and 87 back in 2011. There are currently about 50 electric and gas rate cases pending nationwide, indicating a somewhat more modest level of activity in 2015, but this level of activity remains robust when compared to the late-1990s/early-2000s. Increased costs for environmental compliance, generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and employee benefits argue for the continuation of an active rate case agenda over the next few years.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction only over the revenue requirement and return parameters for delivery operations (which we footnote in our chronology beginning on page 5), thus complicating historical data comparability. We note that despite the heightened business risk associated with the less-than-robust economy, average authorized ROEs have declined modestly since 2008. We also note the increased utilization of limited issue rider proceedings that allow utilities to recover certain costs outside of a general rate case and that typically incorporate previously-determined return parameters.

The table on page 3 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2010, followed by the number of observations in each period. The tables on page 4 indicate the composite electric and gas industry data for all major cases summarized annually since 2001 and by quarter for the past nine quarters. The individual electric and gas cases decided in the first quarter of 2015 are listed on pages 5-6, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), ROE, and percentage of common equity in the adopted capital structure. Next we indicate the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study.

Please note: Historical data provided in this report may not match data provided on RRA's website due to certain differences in presentation.

Dennis Sperduto

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Average Equity Returns Authorized January 1990 - March 2015

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# Cases)
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
2005	Full Year	10.54	(29)	10.46	(26)
2006	Full Year	10.36	(26)	10.43	(16)
2007	Full Year	10.36	(39)	10.24	(37)
2008	Full Year	10.46	(37)	10.37	(30)
2009	Full Year	10.48	(39)	10.19	(29)
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(12)
2010	Full Year	10.34	(59)	10.08	(37)
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.36	(8)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
2011	Full Year	10.29	(42)	9.92	(16)
	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	3rd Quarter	9.78	(8)	9.75	(1)
	4th Quarter	10.10	(25)	10.07	(21)
2012	Full Year	10.17	(58)	9.94	(35)
	1st Quarter	10.24	(15)	9.57	(3)
	2nd Quarter	9.84	(7)	9.47	(6)
	3rd Quarter	10.06	(7)	9.60	(1)
	4th Quarter	9.90	(21)	9.83	(11)
2013	Full Year	10.02	(50)	9.68	(21)
	1st Quarter	10.23	(8)	9.54	(6)
	2nd Quarter	9.83	(5)	9.84	(8)
	3rd Quarter	9.87	(12)	9.45	(6)
	4th Quarter	9.78	(13)	10.28	(6)
2014	Full Year	9.91	(38)	9.78	(26)
2015	1st Quarter	10.37	(9)	9.47	(3)

Electric Utilities--Summary Table

	<u>Period</u>	<u>ROR % (# Cases)</u>		<u>ROE % (# Cases)</u>		<u>Eq. as %</u>		<u>Amt.</u>	
						<u>Cap. Struc. (# Cases)</u>		<u>\$ Mil. (# Cases)</u>	
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
2011	Full Year	8.00	(43)	10.29	(42)	48.26	(42)	2,853.5	(56)
2012	Full Year	7.95	(51)	10.17	(58)	50.55	(52)	3,131.5	(70)
	1st Quarter	7.81	(13)	10.24	(15)	49.02	(13)	765.8	(16)
	2nd Quarter	7.64	(7)	9.84	(7)	50.56	(6)	653.6	(10)
	3rd Quarter	7.86	(8)	10.06	(7)	50.77	(8)	734.4	(11)
	4th Quarter	7.46	(17)	9.90	(21)	48.20	(16)	1,315.8	(25)
2013	Full Year	7.66	(45)	10.02	(50)	49.25	(43)	3,469.6	(62)
	1st Quarter	7.71	(6)	10.23	(8)	51.08	(8)	251.4	(9)
	2nd Quarter	7.81	(3)	9.83	(5)	49.12	(4)	92.5	(6)
	3rd Quarter	7.55	(11)	9.87	(12)	50.12	(11)	651.5	(16)
	4th Quarter	7.61	(12)	9.78	(13)	50.96	(11)	1,039.1	(19)
2014	Full Year	7.63	(32)	9.91	(38)	50.50	(34)	2,034.5	(50)
2015	1st Quarter	7.79	(9)	10.37	(9)	51.91	(9)	222.5	(11)

Gas Utilities--Summary Table

	<u>Period</u>	<u>ROR % (# Cases)</u>		<u>ROE % (# Cases)</u>		<u>Eq. as %</u>		<u>Amt.</u>	
						<u>Cap. Struc. (# Cases)</u>		<u>\$ Mil. (# Cases)</u>	
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
2011	Full Year	8.09	(18)	9.92	(16)	52.49	(14)	436.3	(31)
2012	Full Year	7.98	(30)	9.94	(35)	51.13	(32)	263.9	(41)
	1st Quarter	7.31	(3)	9.57	(3)	48.80	(3)	39.0	(6)
	2nd Quarter	7.21	(5)	9.47	(6)	51.21	(5)	259.1	(12)
	3rd Quarter	7.53	(1)	9.60	(1)	53.84	(1)	6.1	(3)
	4th Quarter	7.47	(11)	9.83	(11)	50.52	(11)	189.5	(16)
2013	Full Year	7.39	(20)	9.68	(21)	50.60	(20)	493.7	(37)
	1st Quarter	7.67	(6)	9.54	(6)	51.14	(6)	23.5	(9)
	2nd Quarter	7.76	(8)	9.84	(8)	52.12	(8)	62.2	(12)
	3rd Quarter	7.40	(8)	9.45	(6)	49.51	(8)	329.1	(11)
	4th Quarter	7.96	(7)	10.28	(6)	52.35	(7)	115.5	(16)
2014	Full Year	7.69	(29)	9.78	(26)	51.25	(29)	530.3	(48)
2015	1st Quarter	6.41	(2)	9.47	(3)	50.41	(2)	168.7	(9)

ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
2014	FULL-YEAR: AVERAGES/TOTAL	7.63	9.91	50.50		2,034.5
	OBSERVATIONS	32	38	34		50
1/23/15	PacifiCorp (WY)	7.41	9.50	51.43	6/15-A	20.2
2/4/15	Monongahela Power/Potomac Ed. (WV)	--	--	--	12/13	124.3 (B,1)
2/18/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	36.9 (LIR,B,2)
2/24/15	Public Service Co. of Colorado (CO)	7.55	9.83	56.00	12/13-YE	-39.4 (I,B)
3/2/15	Black Hills Power (SD)	7.76	--	--	9/13-A	6.9 (I,B)
3/12/15	Virginia Electric and Power (VA)	8.40	12.00	52.03	3/16-A	-6.4 (LIR,3)
3/12/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	11.4 (LIR,B,4)
3/12/15	Virginia Electric and Power (VA)	7.88	11.00	52.03	3/16-A	5.8 (LIR,5)
3/18/15	Jersey Central Power & Light (NJ)	8.01	9.75	50.00 (Hy)	12/11-YE	-115.0 (D)
3/25/15	PacifiCorp (WA)	7.30	9.50	49.10	12/13-A	9.6
3/26/15	Northern States Power-Minnesota (MN)	--	9.72	52.50	12/14	168.2 (I,Z)
2015	1ST QUARTER: AVERAGES/TOTAL	7.79	10.37	51.91		222.5
	OBSERVATIONS	9	9	9		11

GAS UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
2014	FULL-YEAR: AVERAGES/TOTAL	7.69	9.78	51.25		530.3
	OBSERVATIONS	29	26	29		48
1/13/15	Consumers Energy (MI)	--	10.30	--	12/15	45.0 (I,B)
1/14/15	Indiana Gas (IN)	--	--	--	6/14-YE	5.7 (LIR,6)
1/14/15	Southern Indiana Gas & Electric (IN)	--	--	--	6/14-YE	1.5 (LIR,6)
1/21/15	North Shore Gas (IL)	6.26	9.05	50.48	12/15-A	3.5 (R)
1/21/15	Peoples Gas Light & Coke (IL)	6.56	9.05	50.33	12/15-A	71.1 (R)
1/26/15	Piedmont Natural Gas (NC)	--	--	--	10/14	26.6 (LIR,7)
1/27/15	Atmos Energy (KS)	--	--	--	9/14-YE	0.3 (LIR,8)
1/27/15	Northern States Power-Minnesota (MN)	--	--	--	12/15	14.7 (LIR,9)
1/28/15	Northern Indiana Public Service (IN)	--	--	--	6/14-YE	0.3 (LIR,10)
2015	1ST QUARTER: AVERAGES/TOTAL	6.41	9.47	50.41		168.7
	OBSERVATIONS	2	3	2		9

FOOTNOTES

A- Average

B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

COC- Case involved only the determination of cost-of-capital parameters.

CWIP- Construction work in progress

D- Applies to electric delivery only

DcT Date certain rate base valuation

E- Estimated

F- Return on fair value rate base

Hy- Hypothetical capital structure utilized

I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.

LIR Limited-issue rider proceeding

M- "Make-whole" rate change based on return on equity or overall return authorized in previous case.

R- Revised

Te- Temporary rates implemented prior to the issuance of final order.

U- Double leverage capital structure utilized.

W- Case withdrawn

YE- Year-end

Z- Rate change implemented in multiple steps.

* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

- (1) Consolidated rate proceeding for Monongahela Power and Potomac Edison, whose rate schedules were combined.
- (2) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station and associated transmission facilities. New rates effective 4/1/15. The indicated overall return and capital structure are placeholders pending a 2015 biennial review.
- (3) This proceeding determines the revenue requirement for Rider B, which is the mechanism through which the company recovers costs associated with its plan to convert the Altavista, Hopewell, and Southampton Power Stations to burn biomass fuels. The indicated overall return and capital structure are placeholders pending a 2015 biennial review.
- (4) Represents rate increase associated with the company's Rider R proceeding, which is the mechanism through which the company recovers the investment in the Bear Garden generating facility. The indicated overall return and capital structure are placeholders pending a 2015 biennial review.
- (5) This proceeding determines the revenue requirement for Rider S, which recognizes in rates the company's investment in the Virginia City Hybrid Energy Center. The indicated overall return and capital structure are placeholders pending a 2015 biennial review.
- (6) Initial proceeding to establish the rates to be charged to customers under the company's "compliance and system improvement adjustment" (CSIA) mechanism.
- (7) Case involves the company's Integrity Management Rider (IMR), under which it is authorized to track and recover prudently incurred capital investments and associated costs incurred to comply with federal pipeline safety and integrity requirements outside of a general rate case.
- (8) Case involves an update to the company's gas system reliability surcharge (GSRS) rider.
- (9) Case represents the company's first filing under its Gas Utility Infrastructure Cost (GUIC) Rider.
- (10) This is the initial proceeding to establish the rates to be charged to customers under the company's transmission, distribution, and storage system improvement charge (TDSIC) rate adjustment mechanism.

Dennis Spurduto

MOODY'S

INVESTORS SERVICE

Credit Opinion: LG&E and KU Energy LLC

Global Credit Research - 08 Dec 2014

Louisville, Kentucky, United States

Ratings

Category	Moody's Rating
Outlook	Positive
Issuer Rating	Baa2
Senior Unsecured	Baa2
Parent: PPL Corporation	
Outlook	Positive
Issuer Rating	Baa3
Pref. Shelf	(P)Ba2
Kentucky Utilities Co.	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A1
Sr Unsec Bank Credit Facility	A3
Commercial Paper	P-2
Louisville Gas & Electric Company	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A1
Sr Unsec Bank Credit Facility	A3
Commercial Paper	P-2

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Opinion

Rating Drivers

- Supportive regulatory environment
- Large capital expenditure program
- High coal concentration
- Strong and stable financial metrics

Corporate Profile

LG&E and KU Energy LLC (LKE: Baa2 positive) is an intermediate holding company with two fully regulated operating subsidiaries -- Louisville Gas and Electric Company (LG&E: A3 stable) and Kentucky Utilities (KU: A3 stable). LKE, through these subsidiaries, owns combined generation capacity of 8 GW and provides transmission and distribution services to about 940,000 electricity customers and 321,000 natural gas customers predominantly in Kentucky. LKE is wholly owned by PPL Corporation (PPL: Baa3 positive), a diversified energy holding company

headquartered in Allentown, PA.

SUMMARY RATING RATIONALE

LKE's Baa2 senior unsecured rating reflects the credit supportive regulatory environment in Kentucky and sound financial performance of its subsidiaries. The credit strength is partially offset by large capital expenditure programs at its subsidiaries and to a lesser extent the lack of fuel diversity. The rating considers the degree of structural subordination that exists at LKE relative to substantial amounts of debt at its operating utility subsidiaries, LG&E and KU. LKE's credit quality is also partially limited by the higher consolidated credit risk profile of PPL.

DETAILED RATING CONSIDERATIONS

SUPPORTIVE REGULATION PROVIDES FOR TIMELY COST RECOVERY

We consider the Kentucky Public Service Commission (KPSC) to be supportive of long term credit quality and note that it has approved various tracker mechanisms that provide for timely cost recovery outside of a rate case. LKE utilities' tracker mechanisms include a Fuel Adjustment Clause (FAC), an Environmental Cost Recovery Surcharge (ECR), a Gas Supply Clause (GSC), a Gas Line Tracker (GLT), and a Demand-Side Management Cost Recovery Mechanism (DSM). LKE utilities do not have a decoupling mechanism in place, which subjects their net revenue to weather volatilities. The lack of a decoupling mechanism is less of an issue for non-weather related demand fluctuations because the utilities have the DSM and expect to have modest load growth in 2015.

In December 2012, the KPSC approved LKE utilities' settlement regarding the rate cases filed in June 2012. The request included a base rate increase of \$82 million for electricity (6.5%) at KU and a base rate increase of \$62.1 million for electricity (6.9%) and \$17.2 million (7%) for gas at LG&E. The settlement granted KU an increase in electric base rates of \$51 million and LG&E an increase in electric base rates of \$34 million and an increase in gas base rates of \$15 million. The authorized ROE for the combined rate case was 10.25%. In addition, LG&E was granted a gas line tracker mechanism that allows for recovery of costs associated with gas main replacement and other infrastructure improvements. These rate cases progressed without being unusually controversial or contentious. We consider the regulatory treatment of these last rate cases to be constructive.

Due to the high level of planned capital expenditures, LG&E and KU filed a rate case in November of 2014, requesting increases in annual base electricity rates of approximately \$30 million at LG&E and approximately \$153 million at KU and an increase in annual base gas rates of approximately \$14 million at LG&E. The proposed base rate increases would result in electricity rate increases of 2.7% at LG&E and 9.6% at KU and a gas rate increase of 4.2% at LG&E. All would become effective in July 2015.

LARGE PLANNED CAPITAL EXPENDITURES

Capital expenditures for LKE utilities are expected to remain at elevated levels from 2014-2018. Total capital expenditures are expected to be \$5.6 billion, with \$2.1 billion related to environmental. The total estimated amount represents about 55% of their net book value of property, plant and equipment, which stood at about \$10.2 billion at the end of the third quarter 2014.

While this large capital expenditure amount raises the exposure to possible disallowance, this risk is meaningfully moderated by Kentucky's supportive regulatory environment as detailed above. More specifically, KPSC approved \$2.3 billion of environmental spending in December of 2011 through the ECR surcharge mechanism. The ECR mechanism provides return on construction work during progress, reduces the potential for disallowance, and currently earns an ROE of 10.25%.

HIGH COAL CONCENTRATION

LKE's current fuel mix is heavily biased towards coal. Of its 8 GW of generating capacity, 5.9 GW (73%) is coal-fired and it provides almost all (99%) of generation. The remaining 27% of the generating capacity is comprised mainly of gas- or oil- fired facilities that are utilized as peakers.

The fuel concentration, though a credit negative, is acceptable for its rating levels because Kentucky is very supportive of the coal industry. Kentucky is one of the leading coal producing states and the coal industry is very important to the local economy. The support is evidenced by the passage of the ECR, which provides the company with highly favorable terms for its investments in coal-related environmental expenditures.

LKE's concentrated fuel mix may also improve in the future as KU, along with LG&E, is building a 640-MW gas-

fired combined cycle plant at Cane Run. The Cane Run gas plant is under construction and due to be completed by May 2015. Cane Run will replace some of the less economic coal plants totaling 234 MW at Tyrone and Green River as well as Cane Run's 563 MW coal plant to be retired in 2015. KU and LG&E had also planned to build a 700-MW gas-fired combined-cycle plant at KU's Green River generating site but the companies withdrew that proposal in August 2014 as a result of municipal contract terminations at KU.

HEALTHY FINANCIAL PROFILE

LKE's financial metrics remain well positioned for its rating. As of September 30, 2014, the ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt was 24% for the last twelve months and also averaged 20% for the past three years. Debt to capitalization was 49% for the last twelve months and averaged 50% for the past three years. LKE's financial metrics may decline somewhat over the next few years due to the expiration of bonus depreciation in 2013 and the large capital expenditure program. However, we expect LKE's financial metrics to remain supportive of its rating levels based on the company's targeted capital structure of 52% equity for its utility subsidiaries, which is calculated net of goodwill and fully loaded with rating agency adjustments. LKE's goodwill amounted to \$996 million at the end of September 2014 and in comparison total equity, including the goodwill, was \$4,230 million.

Structural Considerations

As a holding company, the current rating at LKE factors in the degree of structural subordination that exists at the holding company relative to the debt outstanding at the operating companies. Of the approximate \$4.6 billion of consolidated long-term debt, \$1.125 billion or 25% is issued at the LKE level. Moreover, we observe that the Kentucky utility operations are run as a system from a plant ownership and liquidity perspective. As such, we tend to look at the consolidated LKE as a starting point in rating the parent and its subsidiaries, with the unsecured or Issuer Rating of the subsidiaries being notched up since they are closer to the operating assets. The consolidated credit profile of PPL also has had constraining effect on LKE's rating; however, LKE's ratings were placed on positive outlook in June 2014 when PPL announced its plans to spin off its unregulated subsidiary, PPL Supply which resulted in a change in its outlook to positive.

Liquidity Profile

LKE has adequate liquidity. As of September 30, 2014, after accounting for all commercial paper backup and letter of credits issued, LG&E had \$357 million available under its \$500 million revolving facility and KU had \$270 million available under its \$400 million revolving facility. LKE also has a \$75 million syndicated credit facility that expires in October 2018. For the past twelve months ending September 2014, LKE had a negative free cash flow of \$812 million which is likely to be more sizeable in the coming years given its utilities' large capital expenditure programs.

LKE's next long-term debt maturity is a \$400 million unsecured bond issuance due November 2015 and its utility subsidiaries, LG&E and KU, each also have \$250 million first mortgage bonds due November 2015.

Rating Outlook

LKE's positive outlook is primarily driven by PPL's positive outlook since LKE's ratings had been constrained by the consolidated risk profile of PPL. LKE's ratings would rise should PPL's ratings rise.

What Could Change the Rating - Up

If the spinoff of PPL's unregulated operations closes as proposed in first quarter of 2015, PPL and LKE's ratings may be upgraded but by no more than one notch, reflecting the overall reduced business risk that will follow completion of the proposed spinoff.

What Could Change the Rating - Down

LKE's ratings could be downgraded should one or both of the utility subsidiaries experience an unfavorable rate case outcome or if unanticipated changes were made to the regulatory compact that currently provides for timely recovery of costs and this were to lead to the company's ratios of CFO pre-WC to debt and retained cash flow to debt dropping below 15% and 10%, respectively, for an extended period of time.

Rating Factors

LG&E and KU Energy LLC

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current LTM 9/30/2014	
	Measure	Score
Factor 1 : Regulatory Framework (25%)		
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A
b) Consistency and Predictability of Regulation	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)		
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa
b) Sufficiency of Rates and Returns	A	A
Factor 3 : Diversification (10%)		
a) Market Position	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa
Factor 4 : Financial Strength (40%)		
a) CFO pre-WC + Interest / Interest (3 Year Avg)	6.5x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	19.5%	Baa
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	14.0%	Baa
d) Debt / Capitalization (3 Year Avg)	50.1%	Baa
Rating:		
Grid-Indicated Rating Before Notching Adjustment		A3
HoldCo Structural Subordination Notching		
a) Indicated Rating from Grid		A3
b) Actual Rating Assigned		Baa2

[3]Moody's 12-18 Month Forward ViewAs of December 2014	
Measure	Score
A	A
A	A
Baa	Baa
A	A
Baa	Baa
Baa	Baa
5x-7x	Aa
16%-19%	Baa
9%-14%	Baa
45%-52%	Baa
	A3
	A3
	Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of latest 9/30/2014; Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on <http://www.moody's.com> for the most updated credit rating action information and rating history.



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Kentucky Power Company

REQUEST

Big Sandy Unit Operation Rider (BS1OR). Refer to the response to AG 1-338 and Company Exhibit AEV-4. Please reconcile the amounts shown on AG_1_338_Attachment1 to the proposed BS1OR revenue requirement of \$18,245,412. Identify, quantify and explain each reconciling item and show detailed calculations.

RESPONSE

The amounts included in the Company's response to AG 1-338 are calendar year totals of non-fuel clause Big Sandy Unit 1 O&M. These are comparable to items a and b on Company Exhibit AEV-4 page 1 of 3, however items a and b are test year amounts. The historic test year in this case is the 12 months ending September 30, 2014.

Item d from Company Exhibit AEV-4 page 1 of 3 was not included in the Company's response to AG 1-338 because the requested analysis has not been performed for 2009 - 2014, only for the historic test year in this proceeding.

Also, the Company's response to AG 1-338 was not grossed up by item f of Company Exhibit AEV-4 page 1 of 3.

WITNESS: Alex E Vaughan

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION FOR A GENERAL)
ADJUSTMENT OF ELECTRIC RATES) Case No. 2013-00197
OF KENTUCKY POWER COMPANY)

DIRECT TESTIMONY OF
WILLIAM E. AVERA
ON BEHALF OF KENTUCKY POWER COMPANY

VERIFICATION

Dr. William E. Avera being duly sworn deposes and says he is the President of FINCAP, Inc., and that he has personal knowledge of the matters set forth in the forgoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief.

William E. Avera
DR. WILLIAM E. AVERA

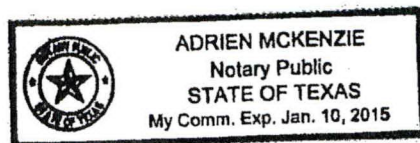
STATE OF TEXAS
COUNTY OF TRAVIS

)
) CASE NO. 2013-00197
)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Dr. William E. Avera this 18th day of June 2013.

[Signature]
Notary Public

My Commission Expires: 1/10/15



CAPM - 2013 BOND YIELD

UTILITY GROUP

Company	(a) (b) (c)			Risk-Free Rate	Risk Premium	(d) Beta	(e) Unadjusted K_e	(f) Market Cap	Size Adjustment	Implied Cost of Equity
	Market Return (R_m)									
	Div Yield	Proj. Growth	Cost of Equity							
1 ALLETE	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 1,967.6	1.70%	11.4%
2 Ameren Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.80	10.7%	\$ 8,714.2	0.76%	11.4%
3 American Elec Pwr	2.4%	10.1%	12.5%	3.3%	9.2%	0.65	9.3%	\$ 23,838.3	-0.37%	8.9%
4 Avista Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 1,730.9	1.72%	11.5%
5 Black Hills Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.80	10.7%	\$ 2,179.8	1.70%	12.4%
6 CMS Energy Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 7,615.0	0.92%	11.1%
7 DTE Energy Co.	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 12,355.7	0.76%	11.0%
8 Duke Energy Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.60	8.8%	\$ 50,096.6	-0.37%	8.5%
9 Edison International	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 15,867.0	0.76%	11.0%
10 Exelon Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.80	10.7%	\$ 29,745.5	-0.37%	10.3%
11 FirstEnergy Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 18,025.1	-0.37%	9.8%
12 Great Plains Energy	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 3,693.9	1.14%	11.3%
13 Hawaiian Elec.	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 2,738.1	1.70%	11.4%
14 IDACORP, Inc.	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 2,474.4	1.70%	11.4%
15 NV Energy, Inc.	2.4%	10.1%	12.5%	3.3%	9.2%	0.85	11.1%	\$ 4,849.5	0.92%	12.0%
16 PG&E Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.50	7.9%	\$ 20,345.9	-0.37%	7.5%
17 Portland General Elec.	2.4%	10.1%	12.5%	3.3%	9.2%	0.75	10.2%	\$ 2,433.8	1.70%	11.9%
18 PPL Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.65	9.3%	\$ 18,627.9	-0.37%	8.9%
19 SCANA Corp.	2.4%	10.1%	12.5%	3.3%	9.2%	0.65	9.3%	\$ 6,985.4	0.92%	10.2%
20 Sempra Energy	2.4%	10.1%	12.5%	3.3%	9.2%	0.80	10.7%	\$ 20,191.0	-0.37%	10.3%
21 TECO Energy	2.4%	10.1%	12.5%	3.3%	9.2%	0.85	11.1%	\$ 4,078.1	1.14%	12.3%
22 UIL Holdings	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 2,096.6	1.70%	11.4%
23 Westar Energy	2.4%	10.1%	12.5%	3.3%	9.2%	0.70	9.7%	\$ 4,241.5	1.14%	10.9%
Average							10.0%			10.7%
Midpoint(g)							9.5%			10.0%

- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (Retrieved Dec. 13, 2012)
- (b) Weighted average based on growth projections from The Value Line Investment Survey (Dec. 13, 2012), www.yahoo.com (retrieved Jan. 6, 2013), and www.zacks.com (retrieved Jan. 6, 2013).
- (c) Average yield on 30-year Treasury bonds for 2013 based on data from the Value Line Investment Survey, Forecast for the U.S. Economy (Feb. 22, 2013); IHS Global Insight, U.S. Economic Outlook at 25 (Oct. 2012); & Energy Information Administration, Annual Energy Outlook 2013 (Apr. 15, 2013).
- (d) The Value Line Investment Survey (Mar. 22, May 3, & May 24, 2013).
- (e) www.valueline.com (retrieved May 23, 2013)
- (f) *Morningstar*, "Ibbotson S&P 2013 Valuation Yearbook," at Appendix C, Table C-1 (2013).
- (g) Average of low and high values

CAPM - PROJECTED BOND YIELD

UTILITY GROUP

	Company	(a) (b) (c) Market Return (R _m)			(d) Risk-Free Rate	(e) Risk Premium	(f) Beta	(g) Unadjusted K _e	(h) Market Cap	(i) Size Adjustment	(j) Implied Cost of Equity
		Div Yield	Proj. Growth	Cost of Equity							
1	ALLETE	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 1,967.6	1.70%	11.8%
2	Ameren Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.80	10.9%	\$ 8,714.2	0.76%	11.6%
3	American Elec Pwr	2.4%	10.1%	12.5%	4.4%	8.1%	0.65	9.7%	\$ 23,838.3	-0.37%	9.3%
4	Avista Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 1,730.9	1.72%	11.8%
5	Black Hills Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.80	10.9%	\$ 2,179.8	1.70%	12.6%
6	CMS Energy Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 7,615.0	0.92%	11.4%
7	DTE Energy Co.	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 12,355.7	0.76%	11.2%
8	Duke Energy Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.60	9.3%	\$ 50,096.6	-0.37%	8.9%
9	Edison International	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 15,867.0	0.76%	11.2%
10	Exelon Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.80	10.9%	\$ 29,745.5	-0.37%	10.5%
11	FirstEnergy Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 18,025.1	-0.37%	10.1%
12	Great Plains Energy	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 3,693.9	1.14%	11.6%
13	Hawaiian Elec.	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 2,738.1	1.70%	11.8%
14	IDACORP, Inc.	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 2,474.4	1.70%	11.8%
15	NV Energy, Inc.	2.4%	10.1%	12.5%	4.4%	8.1%	0.85	11.3%	\$ 4,849.5	0.92%	12.2%
16	PG&E Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.50	8.5%	\$ 20,345.9	-0.37%	8.1%
17	Portland General Elec.	2.4%	10.1%	12.5%	4.4%	8.1%	0.75	10.5%	\$ 2,433.8	1.70%	12.2%
18	PPL Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.65	9.7%	\$ 18,627.9	-0.37%	9.3%
19	SCANA Corp.	2.4%	10.1%	12.5%	4.4%	8.1%	0.65	9.7%	\$ 6,985.4	0.92%	10.6%
20	Sempra Energy	2.4%	10.1%	12.5%	4.4%	8.1%	0.80	10.9%	\$ 20,191.0	-0.37%	10.5%
21	TECO Energy	2.4%	10.1%	12.5%	4.4%	8.1%	0.85	11.3%	\$ 4,078.1	1.14%	12.4%
22	UIL Holdings	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 2,096.6	1.70%	11.8%
23	Westar Energy	2.4%	10.1%	12.5%	4.4%	8.1%	0.70	10.1%	\$ 4,241.5	1.14%	11.2%
	Average							10.3%			11.0%
	Midpoint(g)							9.9%			10.4%

- (a) Weighted average dividend yield for the dividend paying firms in the S&P 500 from www.valueline.com (Retrieved Dec. 13, 2012)
- (b) Weighted average based on growth projections from The Value Line Investment Survey (Dec. 13, 2012), www.yahoo.com (retrieved Jan. 6, 2013), and www.zacks.com (retrieved Jan. 6, 2013).
- (c) Average yield on 30-year Treasury bonds for 2013-2017 based on data from the Value Line Investment Survey, Forecast for the U.S. Economy (Feb. 22, 2013); IHS Global Insight, U.S. Economic Outlook at 25 (Oct. 2012); & Energy Information Administration, Annual Energy Outlook 2013 (Apr. 15, 2013).
- (d) The Value Line Investment Survey (Mar. 22, May 3, & May 24, 2013).
- (e) www.valueline.com (retrieved May 23, 2013)
- (f) Morningstar, "Ibbotson SBBi 2013 Valuation Yearbook," at Appendix C, Table C-1 (2013).
- (g) Average of low and high values

Exhibit JRW-10
Kentucky Power Company
Average Dividend Yields

Panel A
Electric Proxy Group

Company	Annual Dividend	Dividend Yield 30 Day	Dividend Yield 90 Day	Dividend Yield 180 Day
ALLETE, Inc. (NYSE-ALE)	\$ 2.02	3.6%	3.8%	4.0%
Alliant Energy Corporation (NYSE-LNT)	\$ 2.20	3.3%	3.4%	3.6%
Ameren Corporation (NYSE-AEE)	\$ 1.64	3.7%	3.8%	4.0%
American Electric Power Co. (NYSE-AEP)	\$ 2.12	3.5%	3.6%	3.8%
Avista Corporation (NYSE-AVA)	\$ 1.32	3.7%	3.8%	3.9%
Black Hills Corporation (NYSE-BKH)	\$ 1.62	3.2%	3.1%	3.1%
CMS Energy Corporation (NYSE-CMS)	\$ 1.16	3.2%	3.4%	3.6%
Consolidated Edison, Inc. (NYSE-ED)	\$ 2.60	3.9%	4.0%	4.3%
Dominion Resources, Inc. (NYSE-D)	\$ 2.59	3.4%	3.5%	3.6%
Duke Energy Corporation (NYSE-DUK)	\$ 3.18	3.8%	3.8%	4.1%
Edison International (NYSE-EIX)	\$ 1.67	2.5%	2.6%	2.8%
El Paso Electric Company (NYSE-EE)	\$ 1.12	2.9%	2.9%	2.9%
Empire District Electric Co. (NYSE-EDE)	\$ 1.04	3.7%	3.7%	3.9%
Entergy Corporation (NYSE-ETR)	\$ 3.32	3.9%	3.9%	4.1%
Eversource Energy (NYSE-ES)	\$ 1.67	3.4%	3.5%	3.7%
FirstEnergy Corporation (ASE-FE)	\$ 1.44	3.7%	3.8%	4.0%
Great Plains Energy Incorporated (NYSE-GXP)	\$ 0.98	3.5%	3.6%	3.7%
IDACORP, Inc. (NYSE-IDA)	\$ 1.88	2.9%	2.9%	3.2%
MGE Energy, Inc. (NYSE-MGEE)	\$ 1.13	2.5%	2.5%	2.7%
Northwestern Corp. (NYSE-NWE)	\$ 1.92	3.4%	3.5%	3.7%
OGE Energy Corp. (NYSE-OGE)	\$ 1.00	2.9%	2.8%	2.8%
PG&E Corporation (NYSE-PCG)	\$ 1.82	3.2%	3.4%	3.7%
Pinnacle West Capital Corp. (NYSE-PNW)	\$ 2.38	3.5%	3.6%	4.0%
PNM Resources, Inc. (NYSE-PNM)	\$ 0.80	2.7%	2.7%	2.9%
Portland General Electric Company (NYSE-POR)	\$ 1.12	2.9%	3.0%	3.2%
SCANA Corporation (NYSE-SCG)	\$ 2.18	3.6%	3.7%	4.0%
Southern Company (NYSE-SO)	\$ 2.10	4.3%	4.3%	4.6%
Westar Energy, Inc. (NYSE-WR)	\$ 1.44	3.5%	3.6%	3.8%
Xcel Energy Inc. (NYSE-XEL)	\$ 1.28	3.5%	3.7%	3.9%
Mean		3.4%	3.4%	3.6%
Median		3.5%	3.6%	3.7%

Data Sources: <http://quote.yahoo.com>, March 1, 2015.

Panel B
Avera/McKenzie Proxy Group

Company	Annual Dividend	Dividend Yield 30 Day	Dividend Yield 90 Day	Dividend Yield 180 Day
Ameren Corporation (NYSE-AEE)	\$ 1.64	3.7%	3.8%	4.0%
American Electric Power Co. (NYSE-AEP)	\$ 2.12	3.5%	3.6%	3.8%
Black Hills Corporation (NYSE-BKH)	\$ 1.62	3.2%	3.1%	3.1%
CMS Energy Corporation (NYSE-CMS)	\$ 1.16	3.2%	3.4%	3.6%
Entergy Corporation (NYSE-ETR)	\$ 3.32	3.9%	3.9%	4.1%
FirstEnergy Corporation (ASE-FE)	\$ 1.44	3.7%	3.8%	4.0%
Great Plains Energy Incorporated (NYSE-GXP)	\$ 0.98	3.5%	3.6%	3.7%
IDACORP, Inc. (NYSE-IDA)	\$ 1.88	2.9%	2.9%	3.2%
PG&E Corporation (NYSE-PCG)	\$ 1.82	3.2%	3.4%	3.7%
SCANA Corporation (NYSE-SCG)	\$ 2.18	3.6%	3.7%	4.0%
Sempra Energy (NYSE-SRE)	\$ 2.80	2.5%	2.5%	2.6%
Westar Energy, Inc. (NYSE-WR)	\$ 1.44	3.5%	3.6%	3.8%
Mean		3.4%	3.4%	3.6%
Median		3.5%	3.6%	3.7%

Data Sources: <http://quote.yahoo.com>, March 1, 2015.

Kentucky Power Company

REQUEST

Please confirm that the Company agrees that the additional ADIT resulting from the extension should be reflected as an adjustment in its filing. If not, then please provide all reasons why the Company disagrees.

RESPONSE

If the retroactive 50% bonus depreciation extension had been signed into law in time to include it in the rate filing, the Company would have included its impacts on the ADIT balances as of September 30, 2014.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

In a pending rate case before the West Virginia Public Service Commission Case No. 14-1152-E-42T, Appalachian Power Company proposed that income tax expense be reduced by the parent company loss adjustment ("PCLA").

- a. Please describe the PCLA.
- b. Please confirm that the PCLA is a reduction to the Company's income tax expense set forth in the AEP Tax Agreement.
- c. Please confirm that the Company agrees that income tax expense should reflect a reduction for the PCLA. If the Company does not agree, then please provide all reasons why it does not agree and why the Company believes this Commission should treat it differently than Appalachian Power Company's proposal in West Virginia.
- d. Please confirm that Mr. Bartsch is a witness in the Appalachian Power Company proceeding in West Virginia and is familiar with Appalachian Power Company's proposal in West Virginia.
- e. Please provide a quantification of the PCLA for this proceeding, a description of the data and sources of data that were used, and a narrative description of each step in the calculation.

RESPONSE

- a. The PCLA refers to the Parent Company Loss Allocation in which the tax benefit of the tax loss of American Electric Power Company, Inc. (Parent Company) is allocated prorata to those companies that participate in the AEP Consolidated Tax Return that have positive taxable income. Please see [KIUC_1_21_Attachment1.pdf](#) for a copy of the AEP Tax Allocation Agreement which was first approved by the IRS in 1955.
- b. The PCLA results in a reduction to the Company's income tax expense assuming that the Company has positive taxable income. The amount of the reduction is dependant on the actual amount of the parent company loss and the Company's relative taxable income as compared to the other companies in the consolidated group having taxable income.

KPSC Case No. 2014-00396 General Rate Adjustment
KIUC First Set of Data Requests
Dated January 29, 2014
Item No. 21
Page 2 of 2

- c. The PCLA adjustment has been included in Federal income tax expense and approved by the West Virginia Commission in West Virginia rate cases since the early 1990's. In this filing, however, the Company followed past precedent in Company Case Nos. 2005-00341 and 2009-00459 and did not include the PCLA in the determination of income tax expense. Should the Kentucky Commission determine that it would now be appropriate to include the PCLA adjustment as a reduction to income tax expense in this proceeding, the Company would comply.
- d. Mr. Bartsch is a witness in the Appalachian Power Company proceeding in West Virginia and is familiar with Appalachian Power Company's proposal related to the PCLA.
- e. Please see [KIUC_1_21_Attachment2.xlsx](#) (Closing Tax Allocation for 2013) and [KIUC_1_21_Attachment3.xlsx](#) (Closing Tax Allocation for 2014) which show the estimated Parent Company Loss Allocations that were accrued for calendar years 2013 and 2014 using the process described in the AEP Tax Allocation Agreement. The 2014 amounts include the retroactive extension of bonus depreciation. The PCLA accrued for Kentucky Power was \$293,000 in 2013 and \$327,000 in 2014. A pro rata Kentucky Power PCLA adjustment for the 12 months ended September 30, 2014 Test Year would be \$318,500.

WITNESS: Jeffrey B Bartsch

**AMERICAN ELECTRIC POWER COMPANY, INC. AND
ITS CONSOLIDATED AFFILIATES ---
2013 TAX AGREEMENT REGARDING METHOD OF
ALLOCATING CONSOLIDATED INCOME TAXES**

The below listed affiliated companies, joining in the annual filing of a consolidated federal income tax return with American Electric Power Company, Inc., agree to allocate the consolidated annual net current federal income tax liability and/or benefit to the members of the consolidated group in accordance with the following procedures:

- (1) The consolidated regular federal income tax, exclusive of capital gains and preference taxes and before the application of general business credits including foreign tax credits, shall be apportioned among the members of the consolidated group based on corporate taxable income. Loss companies shall be included in the allocation, receiving a negative tax allocation which is similar to a separate return carryback refund, before considering general business credits, which would have resulted had the loss company historically filed a separate return.
- (2) The corporate taxable income of each member of the group shall be first reduced by its proportionate share of American Electric Power Company, Inc.'s (the holding company) tax loss (excluding the effects of extraordinary items which do not apply to the regulated business) in arriving at adjusted corporate taxable income for each member of the group with positive taxable income.
- (3) To the extent that the consolidated and corporate taxable incomes include material items taxed at rates other than the statutory tax rate (such as capital gains and preference items), the portion of the consolidated tax attributable to these items shall be apportioned directly to the members of the group giving rise to such items.
- (4) General business credits, other tax credits, and foreign tax credits shall be equitably allocated to those members whose investments or contributions generates the tax credit.
- (5) If the tax credits can not be entirely utilized to offset the consolidated tax liability, the tax credit carryover shall be equitably allocated to those members whose investments or contributions generated the credit.
- (6) Should the consolidated group generate a net operating tax loss for a calendar year, the tax benefits of any resultant carryback refund shall be allocated proportionately to member companies that generated corporate tax losses in the year the consolidated net operating loss was generated. Any related loss of general business credits, shall be allocated to the member companies that utilized the credits in the prior year in the same














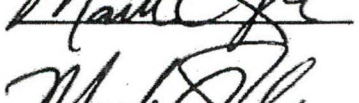
proportion that the credit lost is to the total credit utilized in the prior year. A consolidated net operating tax loss carryforward shall be allocated proportionately to member companies that generated the original tax losses that gave rise to the consolidated net operating tax loss carryforward.

- (7) A member with a net positive tax allocation shall pay the holding company the net amount allocated, while a tax loss member with a net negative tax allocation shall receive current payment from the holding company in the amount of its negative allocation. The payment made to a member with a tax loss should equal the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return. The holding company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments.
- (8) No member of the consolidated group shall be allocated a federal income tax which is greater than the federal income tax computed as if such member had filed a separate return.
- (9) In the event the consolidated tax liability is subsequently revised by Internal Revenue Service audit adjustments, amended returns, claims for refund, or otherwise, such changes shall be allocated in the same manner as though the adjustments on which they are based had formed part of the original consolidated return using the tax allocation agreement which was in effect at that time.

Any current state tax liability and/or benefit associated with a state tax return involving more than one member of the consolidated group, shall be allocated to such members following the principles set forth above for current federal income taxes. Due to certain states utilizing a unitary approach, the consolidated return liability may exceed the sum of the liabilities computed for each company on a separate return basis. If this occurs, the excess of the consolidated liability over the sum of the separate return liabilities shall be allocated proportionally based on each member's contribution to the consolidated apportionment percentage. If additional tax is attributable to a significant transaction or event, such additional tax shall be allocated directly to the members who are party to said transaction or event.

This agreement is subject to revision as a result of changes in federal and state tax law and relevant facts and circumstances.

The above procedures for apportioning the consolidated annual net current federal and state tax liabilities and expenses of American Electric Power Company, Inc. and its consolidating affiliates have been agreed to by each of the below listed members of the consolidated group as evidenced by the signature of an officer of each company.

COMPANY	OFFICER'S SIGNATURE
American Electric Power Company, Inc.	
American Electric Power Service Corporation	
AEP Appalachian Transmission Company, Inc.	
AEP C&I Company, LLC	
AEP Coal, Inc.	
AEP Credit, Inc.	
AEP Desert Sky GP, LLC	
AEP Desert Sky LP II, LLC	
AEP Elmwood LLC	
AEP Energy, Inc.	
AEP Energy Partners, Inc.	
AEP Energy Services, Inc.	
AEP Energy Services Gas Holding Company	
AEP Energy Supply LLC	

AEP Fiber Venture, LLC

Mark E. [Signature]

AEP Generating Company

Mark E. [Signature]

AEP Generation Resources, Inc.

Mark E. [Signature]

AEP Indiana Michigan Transmission Company, Inc.

Mark E. [Signature]

AEP Investments, Inc.

Mark E. [Signature]

AEP Kentucky Coal, LLC

Mark E. [Signature]

AEP Kentucky Transmission Company, Inc.

Mark E. [Signature]

AEP Nonutility Funding, LLC

Mark E. [Signature]

AEP Ohio Transmission Company, Inc.

Mark E. [Signature]

AEP Oklahoma Transmission Company, Inc.

Mark E. [Signature]

AEP Pro Serv, Inc.

Mark E. [Signature]

AEP Properties, LLC

Mark E. [Signature]

AEP Resources, Inc.

Mark E. [Signature]

AEP Retail Energy Partners, LLC

Mark E. [Signature]

AEP River Operations, LLC

Mark E. [Signature]

AEP Southwestern Transmission Company, Inc.

Mark Effe

AEP T & D Services, LLC

Mark Effe

AEP Texas Central Company

Mark Effe

AEP Texas Central Transition Funding, LLC

ME

AEP Texas Central Transition Funding II, LLC

ME

AEP Texas Central Transition Funding III, LLC

ME

AEP Texas Commercial & Industrial Retail GP, LLC

Mark Effe

AEP Texas Commercial & Industrial Retail Limited Partnership

Mark Effe

AEP Texas North Company

Mark Effe

AEP Texas North Generation Company, LLC

Mark Effe

AEP Transmission Company, LLC

Mark Effe

AEP Transmission Holding Company, LLC

Mark Effe

AEP Transmission Partner, LLC

Mark Effe

AEP Utilities, Inc

Mark Effe

AEP Utility Funding, LLC

Mark Effe

AEP West Virginia Transmission Company, Inc.



AEP Wind GP, LLC



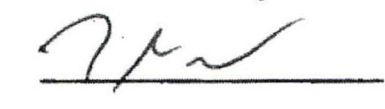
AEP Wind Holding, LLC



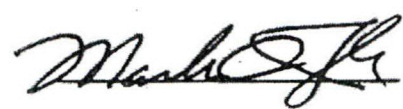
AEP Wind LP II, LLC



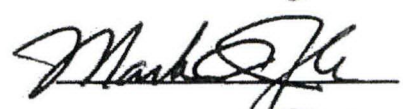
Appalachian Consumer Rate Relief Funding LLC



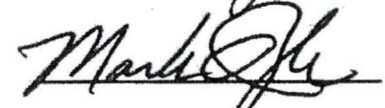
Appalachian Power Company



Avigent



Blackhawk Coal Company



BlueStar Energy Holdings, Inc.



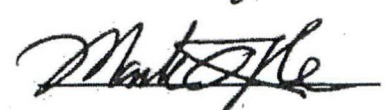
BSE Holdco, LLC




BSE Solutions, LLC



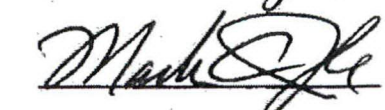
Cedar Coal Company



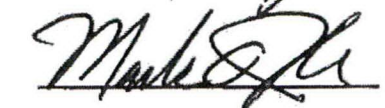
Central Appalachian Coal Company



Central Coal Company



Conesville Coal Preparation Company



Conlease, Inc.

Mark [Signature]

CSW Energy, Inc.

Mark [Signature]

CSW Energy Services, Inc.

Mark [Signature]

Dolet Hills Lignite Company, LLC

Mark [Signature]

Franklin Real Estate Company

Mark [Signature]

Indiana Franklin Realty, Inc.

Mark [Signature]

Indiana Michigan Power Company

Mark [Signature]

Kentucky Power Company

Mark [Signature]

Kingsport Power Company

Mark [Signature]

Mutual Energy SWEPCO LP

Mark [Signature]

Ohio Phase-In Recovery Funding LLC

gjk

Ohio Power Company

Mark [Signature]

Price River Coal Company, Inc.

Mark [Signature]

Public Service Company of Oklahoma

Mark [Signature]

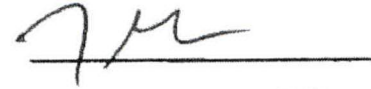
REP General Partner LLC

Mark [Signature]

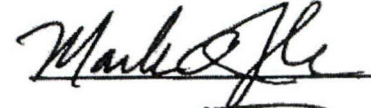
REP Holdco, LLC



Snowcap Coal Company, Inc.



Southern Appalachian Coal Company



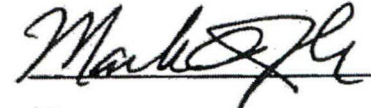
Southwest Arkansas Utilities Corp.



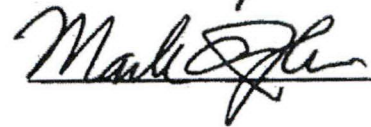
Southwestern Electric Power Company



United Sciences Testing, Inc.



Wheeling Power Company



STITES & HARBISON PLLC
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(502) 223-3477
(502) 223-4124 Fax

March 2, 2015

Mark R. Overstreet
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(502) 223-4387 FAX
moverstreet@stites.com

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

MAR 02 2015

PUBLIC SERVICE
COMMISSION

RE: Case No. 2012-00578

Dear Mr. Derouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Power Company's Annual Status Report regarding the Mitchell generating station. It is being filed in accordance with Ordering Paragraph 6 of the Commission's October 7, 2013 Order in the above matter.

Please do not hesitate to contact me if you have any questions.

Very truly yours,



Mark R. Overstreet

MRO

Enclosure

cc: Michael L. Kurtz
Jennifer B. Hans
Shannon Fisk
Joe F. Childers

RECEIVED

MAR 02 2015

PUBLIC SERVICE
COMMISSION

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 Rulings;)
(4) Deferral Of Costs Incurred In Connection With The)
Company's Efforts To Meet Federal Clean Air Act And)
Related Requirements; And (5) For All Other Required)
Approvals And Relief)

Case No. 2012-00578

MITCHELL GENERATING PLANT: MARCH 2, 2015 ANNUAL PERFORMANCE
REPORT AND REPORT ON POTENTIAL IMPACTS OF FUTURE ENVIRONMENTAL
REGULATIONS

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3) Mitchell Plant Unplanned System Outages..... 3

4) Mitchell Plant Operations & Maintenance ("O&M") Expenses 4

5) Mitchell Plant Capital Investments 4

6) Discussion of Environmental Regulations and Potential Future Impacts..... 5

1) **Introduction**

Kentucky Power Company files this report in conformity with the Kentucky Public Service Commission's October 7, 2013 Order in Case No. 2012-00578. Portions of the required information are provided in the following attachments:

Attachment 1: Plant Performance Data

- i. Net Capacity Factor
- ii. Equivalent Forced Outage Rate ("EFOR")
- iii. Equivalent Availability Factor
- iv. Net Unit Heat Rate

Attachment 2: Unplanned System Outages

2) **Mitchell Plant Performance**

Attachment 1 to this report includes performance data for Mitchell Unit 1 (ML1) & Unit 2 (ML2). The performance of ML1 during 2014 was affected by turbine vibrations in January and February and a planned outage that occurred from October 11, 2014 to November 2, 2014. In the 10 days of October preceding the planned outage the unit experienced a forced outage and maintenance outage, resulting in a high calculated EFOR for the month of October which only represents that portion of the month when the unit was not in a planned outage.

Tube leaks in April impacted the performance of ML2 in 2014.

3) **Mitchell Plant Unplanned System Outages**

Attachment 2 to this report shows the unplanned outage events that occurred at ML1 & ML2 during the 2014 calendar year. ML1 experienced turbine vibrations in January and February resulting in multiple outages of relatively short duration prior to an outage in February to repair the turbine.

The list of outages includes both Forced Outages ("FO") and Maintenance Outages ("MO"). A FO is defined by the North American Electric Reliability Corporation ("NERC") as an outage event that requires the removal of a unit from service in the near term, or placing the unit in another outage state or a Reserve Shutdown state. This type of outage usually results from immediate mechanical/electrical/hydraulic control system trips or operator-initiated trips in response to unit alarms¹.

Within the classification of FO there are three types that differ as follows:

¹ NERC GADS Generating Availability Data System Data Reporting Instructions, January 2012.

U1 - An automatic or manual immediate separation of a generating unit from the grid

U2 - An outage that requires removal from the grid within six hours of the event

U3 -An outage that can be postponed beyond six hours but that requires a unit to be removed from the in-service state before the end of the next weekend.

A MO is defined by NERC as an outage that can be deferred beyond the end of the next weekend, but requires that the unit be removed from service, placed in another outage state, or placed in a Reserve Shutdown state before the next Planned Outage.

4) **Mitchell Plant Operations & Maintenance ("O&M") Expenses**

The 2014 budgeted and actual O&M expenses for the Mitchell Plant, as well as the budgeted O&M expenses for 2015 are included in Table 1 below. The actual O&M expense in 2014 was approximately \$4.2 million over the budgeted amount. This variance is largely due to an increase in cost for day-to-day operations and spending for forced outages.

The 2015 budgeted O&M expense of \$30.4 million is approximately \$6 million over 2014 actuals. This increase is driven primarily by a planned increase for scheduled outages in 2015.

Table 1

Mitchell Plant O&M Expense		
	2014	2015
Actuals	Budget	Budget
\$24,488,599	\$20,468,529	\$30,404,062

NOTES:

Totals reflect the 50% of Mitchell Plant owned by KPCo

5) **Mitchell Plant Capital Investments**

The 2014 actual and budgeted capital investments for the Mitchell Plant, as well as the forecasted capital spend for 2015 are included in Table 2.

In 2014, capital project spending at the Mitchell Plant was approximately \$38.4 million, which was \$6.1 million under the budgeted amount for the year. Actual costs were less than budgeted costs due to the construction of some major projects being shifted into 2015.

The decreased capital expenditures budgeted for 2015 are indicative of the completion of major environmental projects at the plant, which included dry fly ash conversion and landfill construction.

Table 2

Mitchell Plant Capital Investment		
2014		2015
Actuals	Budget	Budget
\$38,440,850	\$44,563,256	\$18,152,553

NOTES:

Totals reflect the 50% of Mitchell Plant owned by KPCo

6) Discussion of Environmental Regulations and Potential Future Impacts

The Mitchell Plant has fully controlled units with respect to air emissions, meaning that they are equipped with Electrostatic Precipitators (“ESPs”) for the removal of approximately 99% of particulate matter; Selective Catalytic Reduction (“SCR”) systems for reduction of approximately 90% of nitrogen oxide (“NO_x”) emissions; and flue gas desulfurization systems (“FGD”) for reduction of sulfur dioxide (“SO₂”) emissions by approximately 98%. These systems are instrumental in achieving compliance with air pollution control regulations as described below.

Mercury and Air Toxics Standards (“MATS”)

The MATS Rule is federal regulation under the Clean Air Act that creates additional environmental requirements at coal- and oil-fired electric generating units for emissions of hazardous air pollutants (“HAPs”). It became effective February 16, 2012 and has a compliance date of April 16, 2015. The emission parameters regulated by this rule are: 1) mercury; 2) several non-mercury metals such as arsenic, lead, cadmium and selenium; 3) various acid gases including hydrochloric acid (“HCl”); and 4) many organic HAPs. The rule establishes stringent emission rate limits for mercury, filterable particulate matter (“PM”) as a surrogate for all non-mercury toxic metals, and HCl as a surrogate for all acid gases. Alternative emission limits were also established for the individual non-mercury metals and for sulfur dioxide (“SO₂”) (alternate to HCl) for generating units that have operating FGD systems. The rule regulates organic HAPs through work practice standards.

The installed Mitchell SCR and FGD systems achieve co-benefit removal of mercury from the flue gas while the ESPs remove particulate bound mercury and other particulate hazardous air pollutants. The FGD systems will allow the plant to meet the SO₂ alternate measurement for mitigation of acid gas emissions. These systems are expected to enable the Mitchell Plant to meet the emissions requirements of the MATS Rule.

Cross-State Air Pollution Rule (“CSAPR”)

The CSAPR was created to serve as the replacement for the CAIR, and was initially proposed by the EPA in August 2010 as the Clean Air Transport Rule. The CSAPR addresses National

Ambient Air Quality Standards (“NAAQS”) for ozone and particulate matter, and is focused on the reduction of emissions of SO₂ and NO_x from electric generating units in 28 eastern, southern and mid-western states—including Kentucky, Indiana and West Virginia.² Along with other requirements, the final CSAPR established state-specific annual emission “budgets” for SO₂ and annual and seasonal budgets for NO_x. Based on this budget, each emitting unit within affected states was allocated a specified number of NO_x and SO₂ allowances for the applicable compliance period, whether annual or ozone season. Allowance trading within and between states is allowed on a regional basis.

Phase I of the CSAPR was originally intended to go into effect in January, 2012. The program was delayed as a result of complicated and lengthy litigation. Much of that litigation has been resolved, and Phase I of the program took effect on January 1, 2015. The CSAPR Phase 2 emission budgets will be applicable beginning in 2017. The installed SCR and FGD systems’ respective emission reductions of NO_x and SO₂ allowed the plant to operate in compliance with the Clean Air Interstate Rule, and will allow continued compliance with, and minimize the cost of, emission allowances associated with the Cross State Air Pollution Rule.

Clean Water Act (“316(b)”) Rule

A final rule under Section 316(b) of the Clean Water Act was issued by EPA on August 15, 2014, with an effective date of October 14, 2014 affecting all existing power plants withdrawing more than two million gallons of cooling water per day. The rule offers seven technology options to comply with a standard that addresses impingement of aquatic organisms on cooling water intake screens and requires site-specific studies to determine appropriate compliance measures to address entrainment of organisms in cooling water systems for those facilities withdrawing more than 125 million gallons per day. The overall goal of the rule is to decrease impacts on fish and other aquatic organisms from operation of cooling water systems. Additional requirements may be imposed as a result of consultation with other federal agencies to protect threatened and endangered species and their habitats.

Facilities with existing closed cycle recirculating cooling systems, such as Mitchell, may not be required to make any technology changes. This determination would be made by the applicable state environmental agency during the plants’ next National Pollutant Discharge Elimination System (“NPDES”) permit renewal cycle. If additional capital investment is required, the amount is expected to be small compared to the cost that would be needed if the plant were not equipped with cooling towers.

Coal Combustion Residuals (“CCR”) Rule

² Final CSAPR issued by the USEPA on July 6, 2011 and published in the Federal Register on August 8, 2011.

EPA signed the final CCR Rule on December 19, 2014. This rule regulates CCR as a non-hazardous waste under Subtitle D of the Resource Conservation and Recovery Act and will become effective six months from the date of its publication in the Federal Register (not yet published as of February 24, 2014). Preliminary review of this extensive rule indicates it is applicable to new and existing CCR landfills and CCR surface impoundments. It contains requirements for liner design criteria for new landfills, surface impoundment structural integrity requirements, CCR unit operating criteria, groundwater monitoring and corrective actions, closure and post-closure care, and recordkeeping, notification and internet posting obligations. EPA has not included a mandatory liner retrofit requirement for existing, unlined CCR surface impoundments, however operations must cease if groundwater monitoring data indicate there has been a release from the impoundment that exceeds applicable groundwater protections standards. Additional review and evaluation of this final rule is needed before its impacts to Kentucky Power operations can be fully determined.

It should be noted that the Mitchell Plant has completed a dry fly ash conversion and dry ash landfill construction to meet current permit requirements. These projects will also position the Mitchell Plant well for compliance with the CCR rulemaking.

Effluent Limitation Guidelines and Standards (“ELG”)

EPA proposed an update to the ELG for the steam electric power generating category in the Federal Register on June 7, 2013. The proposed ELG would require more stringent controls on certain discharges from certain electric generating units, and will set technology-based limits for waste water discharges from power plants with a main focus on process and wastewater from FGD, fly ash sluice water, bottom ash sluice water and landfill/pond leachate.

Kentucky Power anticipates that wastewater treatment projects will be necessary at the Mitchell units and these have been considered as part of the respective long-term unit evaluations. The expected date for a final ELG rule is September 30, 2015. Similar to the effect on CCR compliance mentioned above, Mitchell Plant’s dry fly ash conversion and dry ash landfill construction should position the plant well for compliance with the final ELG rulemaking.

National Ambient Air Quality Standards (“NAAQS”)

The Clean Air Act requires EPA to establish and periodically review the NAAQS designed to protect public health and welfare. Several NAAQS have been recently revised or are under review, which could lead to more stringent SO₂ and NO_x limits. This includes the NAAQS for SO₂ (revised in 2010), NO_x (revised in 2010), fine particulate matter (revised in 2013), and ozone (expected to be revised in 2015).

The scope and timing of potential requirements is uncertain. However, because both units at the Mitchell Plant have already been retrofitted with SCR and FGD systems, the risk from more stringent SO₂ and NO_x limits is expected to be manageable.

Greenhouse Gas (“GHG”) Regulations

EPA has been working on a regulatory program for greenhouse gas emissions from existing power plants since December 2010. On June 25, 2013, President Obama announced a climate action plan to address GHG emissions from all fossil-fired power plants which included a specific schedule for EPA to propose, finalize and implement greenhouse gas regulations. EPA issued proposed GHG New Source Performance Standards, referred to as the Clean Power Plan, for existing sources on June 2, 2014 and plans to finalize these guidelines during the summer of 2015.

As proposed, the guidelines are complex and rely on aggressive assumptions for coal plant heat rate improvements, redispatch of natural gas generation, and greater utilization of renewable energy and end-use energy efficiency to establish CO₂ target emissions levels for states. The proposed guidelines also include interim goals taking effect in 2020, and final targets becoming effective in 2030. Once the regulations are final, States will then be required to develop implementation plans for compliance on a regional basis, or be subject to a federal implementation plan. States will have from one to three years, depending on available deadline extensions, to submit their single-state or multi-state implementation plans.

The targets contained in the proposed guidelines result in CO₂ emission rate reductions for Kentucky of an average of 15% from 2020 – 2029, and 18% from 2030 and beyond (based on 2012 levels). However, the impact of these targets and the compliance schedule, within the context of a state-wide compliance plan, on the electric generating units at the Mitchell Plant is unclear at this time.

Mitchell 1

Net Maximum Capacity: 385

MONTH	FORCED OUTAGE RATE (%)	EQUIV FORCED OUTAGE RATE (%)	EQUIV AVAIL FACTOR (%)	NET CAPACITY FACTOR MWH (%)	HEAT RATE ACTUAL (BTU / KWH)
JAN 14	25.33	37.37	64.98	48.31	10,084
FEB 14	9.46	42.78	18.91	20.21	10,540
MAR 14	17.47	21.83	67.91	62.98	10,738
Q1 Total	19.89	31.73	51.65	44.61	10,616
APR 14	0.00	0.88	87.95	79.45	9,156
MAY 14	0.00	1.07	65.61	58.26	9,901
JUN 14	0.00	4.08	63.47	51.32	10,372
Q2 Total	0.00	1.86	72.27	62.96	9,718
JUL 14	4.55	7.70	86.96	67.86	9,992
AUG 14	0.00	4.67	94.39	79.16	10,190
SEP 14	0.00	3.90	95.41	80.90	10,419
Q3 Total	1.43	5.37	92.22	75.92	10,410
OCT 14	91.57	92.01	1.28	0.86	10,750
NOV 14	41.78	42.14	55.30	47.71	10,747
DEC 14	19.64	31.45	25.25	16.31	11,717
Q4 Total	42.32	45.42	26.99	21.35	10,997
YTD TOTAL	12.24	17.45	60.80	51.21	10,304

Mitchell 2

Net Maximum Capacity: 395

MONTH	FORCED OUTAGE RATE (%)	EQUIV FORCED OUTAGE RATE (%)	EQUIV AVAIL FACTOR (%)	NET CAPACITY FACTOR MWH (%)	HEAT RATE ACTUAL (BTU / KWH)
JAN 14	0.96	6.67	82.93	74.70	9,619
FEB 14	0.00	6.16	91.01	93.47	9,508
MAR 14	0.00	6.99	91.43	84.94	8,664
Q1 Total	0.30	6.42	89.37	84.07	9,362
APR 14	15.35	17.20	61.86	53.66	10,537
MAY 14	0.00	2.17	70.05	58.30	9,090
JUN 14	4.48	6.19	92.03	76.47	9,717
Q2 Total	6.44	8.33	74.60	62.76	9,750
JUL 14	0.00	0.83	98.01	81.21	9,643
AUG 14	9.86	10.58	66.66	51.99	9,891
SEP 14	11.18	11.99	85.84	69.80	9,295
Q3 Total	6.63	7.43	83.48	67.64	9,821
OCT 14	0.92	1.00	98.57	81.23	9,728
NOV 14	0.00	2.72	96.32	89.09	9,291
DEC 14	0.00	4.03	78.30	65.10	9,251
Q4 Total	0.33	2.51	91.01	78.36	9,432
YTD TOTAL	3.28	6.12	84.37	73.18	9,571

**Mitchell Generating Plant
Unplanned Outages
2014**

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Kentucky Power Co.
01/01/2014 To 12/31/2014
Mitchell Unit 1

Month	From	To	HOURS OF DURATION		Reason for Outage
			Unplanned	Event Type	
January	12/30/13 10:30	1/4/14 20:52	92.87	U1	due to #5 turbine bearing possibly being wiped.
January	1/11/14 18:00	1/13/14 1:10	31.17	U1	Unit trip (suspected turbine vibration at this time)
January	1/15/14 18:52	1/16/14 1:43	6.85	U1	Turbine Vibration
January	1/21/14 6:40	1/21/14 17:04	10.4	U1	Turbine vibrations on #5, #6 and #7
January	1/22/2014 0:44	1/22/2014 16:00	15.27	SF	#1 turbine throttle valve failed
January	1/22/14 16:00	1/23/14 8:00	16	U1	Start-up steam u/a
January	1/23/14 21:56	1/23/14 23:45	1.82	U1	High Vibrations
February	2/5/14 16:32	2/5/14 21:52	5.33	U1	Turbine Vibration
February	2/6/14 9:15	2/7/14 0:00	14.75	U1	Tripped on turbine vibration
February	2/7/14 0:00	2/7/14 0:01	0.02	U1	Valve Repair Work
February	2/7/14 0:01	2/23/14 0:00	383.98	MO	Turbine Vibration Inspection and Repair
March	3/8/14 5:44	3/12/14 21:15	110.52	U1	Reheat Tube Leak
March	3/28/14 1:20	4/3/14 21:30	164.17	MO	Air Heater Wash
June	6/9/14 0:00	6/9/14 16:41	16.7	MO	Continue planned outage tube repairs in
June	6/13/14 5:11	6/14/14 16:47	35.6	MO	#12 ID Fan Hydraulic Leak Repairs
July	7/2/14 3:29	7/3/14 10:05	30.6	U1	External steam leak on main turbine
July	7/3/14 10:05	7/5/14 5:25	43.3	MO	Main steam line drain piping inspections
October	10/1/14 10:07	10/6/14 0:00	109.9	U2	Tube Leak
October	10/6/14 0:00	10/11/14 0:00	120.0	MO	Planned Outage preparation
November	11/4/14 16:31	11/11/14 17:47	169.27	U2	Tube Leak
November	11/12/2014 5:15	11/13/2014 5:15	24	SF	second reheat turbine valve
November	11/13/14 10:48	11/13/14 11:05	0.28	U1	Low Main Steam Temperature Trip
November	11/27/14 12:12	12/3/14 0:00	131.8	U2	Tube leak
December	12/3/14 0:00	12/22/14 22:25	478.42	MO	Tube Replacement Lower Right rear wall

Event Type	NERC Description
MO	Maintenance Outage - can be deferred beyond the end of the next weekend but must occur before the next planned outage
SF	Startup Failure - results when a unit is unable to synchronize within a specified startup time following an outage or reserve shutdown.
U1	Unplanned (Forced) Outage - requires immediate removal from service
U2	Unplanned (Forced) Outage - required removal from service within 6 hours
U3	Unplanned (Forced) Outage - can be postponed beyond 6 hours but requires removal from service before the end of the next weekend

**Mitchell Generating Plant
Unplanned Outages
2014**

KPSC Case No. 2012-00578
March 1, 2015
Attachment 2
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Kentucky Power Co.
01/01/2014 To 12/31/2014
Mitchell Unit 2

Month	From	To	HOURS OF DURATION		Reason for Outage
			Unplanned	Event Type	
January	1/11/14 4:00	1/14/14 8:41	76.68	MO	Tube Leak
January	1/14/14 8:41	1/14/14 15:45	7.07	MO	Tube Leak
January	1/22/14 3:56	1/22/14 10:07	6.18	U2	Water Line Leak @ Feedpump
April	4/18/14 2:31	4/23/14 23:25	140.9	MO	Repair suspected tube leak in reheat section of boiler
April	4/26/14 18:04	4/30/14 6:00	83.93	U1	Tube leak
June	6/28/14 13:20	6/29/14 21:12	31.9	U1	Loss of 600V Kv buss. due to fault
August	8/11/14 8:03	8/19/14 6:15	190.2	MO	Economizer tube leak repairs
August	8/19/2014 13:30	8/20/2014 13:30	24	SF	Hydrolyzer condensate return line leak.
August	8/20/14 13:30	8/21/14 18:00	28.5	U1	Hydrolyzer condensate return line leak
September	9/21/14 3:40	9/24/14 10:30	78.8	U1	Exciter brush issues
September	9/24/14 23:04	9/24/14 23:23	0.3	U1	Unit needs to come off line to reset valves
October	10/23/14 7:00	10/23/14 13:49	6.8	U1	Control Valve Failed closed causing turbine vibration.
December	12/4/14 2:07	12/8/14 3:50	97.72	MO	Tube Leak Repairs

Event Type	NERC Description
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