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September 19, 2016

Kenneth J. Gish, Jr.  
Stites & Harbison, PLLC  
250 West Main Street  
Suite 2300  
Lexington, KY 40507-1758

Re: Case No. 2015-00152 Second Quarter 2016 Status Report

Dear Mr. Gish:

Commission Staff acknowledges receipt of Kentucky Power Company's Second Quarter 2016 Status Report filed on August 15, 2016 in compliance with the directives of the Commission's January 27, 2016 Order in Case No. 2015-00152.<sup>1</sup> Upon review of the status report, Commission Staff has the following clarifying questions for Kentucky Power:

- In Case 2015-00152, Exhibit JGD-3 to the Direct Testimony of Joseph G. Deruntz listed the components and associated revised cost estimates for the Big Sandy ash pond closure, but did not include a line item for "QA/QC Consultant." In Kentucky Power's Response to Commission Staff's Supplemental Data Request, Item 2, KPCo\_2\_2\_Attachment\_1.pdf,<sup>2</sup> in the reconciliation of estimates spreadsheet, the QA/QC Consultant line item appeared as being removed and as being added to the General Conditions line item. However, the General Conditions estimate and the overall budget amount estimate for all items did not change from the Exhibit JGD-3 amounts. The quarterly reports have again introduced the QA/QC Consultant item as a separate line item. Provide a detailed description and explanation of the QA/QC Consultant item, its expected estimated cost, and whether the QA/QC Consultant cost is now separated from the General Conditions cost item. Lastly, explain how the inclusion of the QA/QC Consultant cost into the General Conditions item changed the Revised Estimate for the General Conditions item by \$1,243,764 as shown in KPCo\_2\_2\_Attachment\_1.pdf.

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<sup>1</sup> Case No. 2015-00152, Application of Kentucky Power Company for: (1) A Certificate of Public Convenience and Necessity Authorizing the Company to Close the Big Sandy Coal Ash Impoundment; and (2) All Other Required Approvals and Relief (Ky. PSC Jan. 27, 2016).

<sup>2</sup> Exhibit JGD-3 and KPCo\_2\_2\_Attachment\_1.pdf are attached to this letter.

- Provide a detailed description of the Overhead cost, a detailed derivation of each component of the Overhead cost item, and the projected total estimate of this cost item.
- The status report indicates that Kentucky Power has entered into a general closure construction contract with Entact, LLC. The total contract price is \$52 million, including \$6.4 million set aside for escalation of labor, materials, equipment, and emergent work. Explain whether the scope of the construction contract is for the entirety of the Big Sandy ash pond closure project, including the post closure care and monitoring component.

Commission Staff requests that Kentucky Power submit responses to the forgoing questions within 14 days of the date of this letter. Should you have any questions, please feel free to contact Quang Nguyen, Assistant General Counsel, at (502) 782-2586. Thank you for your attention to this matter.

Sincerely,



Talina R. Mathews  
Executive Director

QN/ph

**KENTUCKY POWER COMPANY - BIG SANDY POWER PLANT**

**BIG SANDY FLY ASH RESERVOIR CLOSURE - ESTIMATE AT COMPLETION**

Item No.	Description	Original Estimate	Revised Estimate	Revision Delta	Notes & Assumptions
01 00	GENERAL CONDITIONS	\$ 4,493,764	\$ 4,493,764	\$ -	
02 10	CLEARING & GRUBBUNG	\$ 855,751	\$ 855,751	\$ -	
03 00	STRIPPING TOPSOIL	\$ 2,189,275	\$ 2,189,275	\$ -	
04 00	EXCAVATION	\$ 11,452,453	\$ 11,452,453	\$ -	
05 00	FOUNDATION PREPARATION	\$ 252,278	\$ 252,278	\$ -	
06 00	FILL	\$ 5,115,613	\$ 5,115,613	\$ -	
07 00	EROSION & SEDIMENT CONTROL	\$ 4,270,174	\$ 4,270,174	\$ -	
08 00	DRAINAGE SYSTEM	\$ 678,910	\$ 678,910	\$ -	
09 00	ROADS & PARKING AREA	\$ 1,394,714	\$ 1,394,714	\$ -	
10 00	CHAIN LINK FENCE	\$ 79,722	\$ 79,722	\$ -	
12 00	STRUCTURAL CONCRETE	\$ 1,409,915	\$ 1,409,915	\$ -	
13 00	GEOTEXTILES	\$ 89,969	\$ 89,969	\$ -	
22 00	INSTRUMENTATION	\$ 239,859	\$ 239,859	\$ -	
26 00	GEOMEMBRANE	\$ 4,996,109	\$ 9,460,110	\$ 4,464,001	Added liner, geocomposite & separation layer over entire impoundment.
30 00	MISCELLANEOUS STRUCTURES	\$ 414,333	\$ 414,333	\$ -	
36 00	DEMOLITION, REMOVALS AND ALTERATIONS	\$ 325,912	\$ 325,912	\$ -	
<b>CONTRACT AMOUNT (OVERNIGHT COST)</b>		<b>\$ 38,258,752</b>	<b>\$ 42,722,753</b>	<b>\$ 4,464,001</b>	
99 10	Project Management, Engineering & Construction (PMEC)	\$ 2,850,000	\$ 2,850,000	\$ -	
99 20	Mitigation of Stream Impacts		\$ 4,200,000	\$ 4,200,000	Purchase 5600 wetland credits from area mitigation bank.
99 30	Mitigation of Bat Impacts		\$ 159,000	\$ 159,000	Payment to KY Dept. of Fish & Wildlife
99 40	Borrow Material Processing & Handling		\$ 5,115,000	\$ 5,115,000	Processing & Stockpiling of 308,000 CY of fill/cover material
99 50	Contingency for Construction	\$ 4,100,000	\$ 4,100,000	\$ -	Change Order Reserve
99 60	Post Closure Care & Monitoring		\$ 3,180,000	\$ 3,180,000	Required by permit for 30 Years
<b>OWNER ADDITIONS</b>		<b>\$ 6,950,000</b>	<b>\$ 19,604,000</b>	<b>\$ 12,654,000</b>	
<b>BUDGET AMOUNT</b>		<b>\$ 45,208,752</b>	<b>\$ 62,326,753</b>	<b>\$ 17,118,001</b>	



**BIG SANDY FLY ASH RESERVOIR CLOSURE - RECONCILIATION OF CHARTER AND REVISED ESTIMATES**

Item No.	Description	Charter Estimate	Revised Estimate	Estimate Change	Notes & Assumptions
01 00	GENERAL CONDITIONS	\$3,250,000	\$4,493,764	\$1,243,764	QA/QC added
02 10	CLEARING & GRUBBUNG	\$540,000	\$855,751	\$315,751	
03 00	STRIPPING TOPSOIL	\$698,252	\$2,189,275	\$1,491,023	Greater limits of disturbance for borrow areas
04 00	EXCAVATION	\$35,299,761	\$11,452,453	-\$23,847,308	V-channel design requires less excavation
05 00	FOUNDATION PREPARATION	\$0	\$252,278	\$252,278	
06 00	FILL	\$22,095,482	\$5,115,613	-\$16,979,869	V-channel design requires less fill
07 00	EROSION & SEDIMENT CONTROL	\$1,686,126	\$4,270,174	\$2,584,048	Greater limits of disturbance around entire site
08 00	DRAINAGE SYSTEM	\$0	\$678,910	\$678,910	
09 00	ROADS & PARKING AREA	\$1,029,000	\$1,394,714	\$365,714	
10 00	CHAIN LINK FENCE	\$0	\$79,722	\$79,722	
11 00	PILING	\$0	\$0	\$0	Not used
12 00	STRUCTURAL CONCRETE	\$0	\$1,409,915	\$1,409,915	Dam modification
13 00	GEOTEXTILES	\$0	\$89,969	\$89,969	
22 00	INSTRUMENTATION	\$0	\$239,859	\$239,859	
26 00	GEOMEMBRANE	\$0	\$9,460,110	\$9,460,110	Added Liner, Geocomposite & Separation Layer
30 00	MISCELLANEOUS STRUCTURES	\$0	\$414,333	\$414,333	
36 00	DEMOLITION, REMOVALS AND ALTERATIONS	\$0	\$325,912	\$325,912	
<b>CONTRACT AMOUNT (OVERNIGHT COST)</b>		<b>\$64,598,621</b>	<b>\$42,722,753</b>	<b>(\$21,875,868)</b>	
99 10	Project Management, Engineering & Construction (PMEC)	\$5,300,000	\$2,850,000	-\$2,450,000	Refinement of charter estimate
99 20	Mitigation of Stream Impacts	\$0	\$4,200,000	\$4,200,000	Purchase 5600 credits from area mitigation bank.
99 30	Mitigation of Bat Impacts	\$0	\$159,000	\$159,000	KY DF&W
99 40	Borrow Material Processing & Handling	\$0	\$5,115,000	\$5,115,000	308,000 CY (Processing & Stockpiling)
99 50	Contingency for Construction	\$19,379,586	\$4,100,000	-\$15,279,586	Contingency reduced with completion of engineering
99 60	Post Closure Care & Monitoring	\$0	\$3,180,000	\$3,180,000	30 Years
99 70	QA/QC Consultant	\$3,229,931	\$0	-\$3,229,931	QA/QC removed & incorporated into general conditions
99 80		\$0	\$0	\$0	
<b>OWNER ADDITIONS</b>		<b>\$27,909,517</b>	<b>\$19,604,000</b>	<b>-\$8,305,517</b>	
<b>BUDGET AMOUNT</b>		<b>\$92,508,138</b>	<b>\$62,326,753</b>	<b>-\$30,181,385</b>	Overall refinement of charter estimate

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