COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

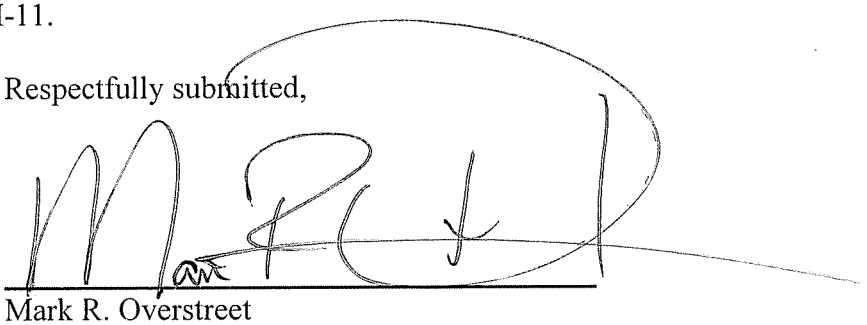
In The Matter Of:

APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF ITS 2011 ENVIRONMENTAL COMPLIANCE PLAN, FOR APPROVAL OF ITS AMENDED ENVIRONMENTAL COST RECOVERY SURCHARGE TARIFF, AND FOR THE GRANTING OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE CONSTRUCTION AND ACQUISITION OF RELATED FACILITIES	CASE NO. 2011-00401

Notice of Filing of Certain Data Request Responses

Kentucky Power Company files herewith its Responses to the following Hearing Data Requests: KPSC H-1, H-2, H-5, H-10 and H-11.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by e-mail transmission and first class mail upon the following parties of record on this 8th day of May, 2012.

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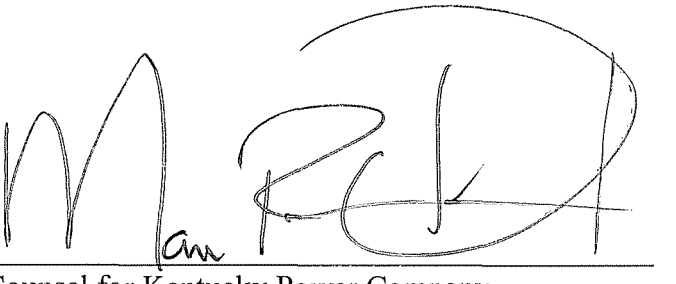

Counsel for Kentucky Power Company

Kentucky Power Company

REQUEST

Refer to the Company's 2010 Financial Report as filed with the Commission.

(a) Please provide the tons of coal burned at Big Sandy Unit 1 and Big Sandy Unit 2 during 2010. For each unit calculate the percentage that unit's consumption of coal represented of the total amount of coal consumed at Big Sandy during 2010.

(b) Please provide the cost of the coal burned at Big Sandy Unit 1 and Big Sandy Unit 2 during 2010. For each unit calculate the percentage that unit's consumption of coal represented of the total cost of coal consumed at Big Sandy during 2010.

RESPONSE

KPCo does not separately track coal consumption or cost on a unit basis.

(a) However, the estimated coal 2010 annual consumption by unit for Big Sandy Unit 1 is 375,889 tons (or 14.6%), and 2,198,096 tons (or 85.4%) for Big Sandy Unit 2. This estimate is based on total 2010 coal consumed for the Big Sandy Plant as reported through KPCo's 2010/Q4 FERC Form 1, page 402 and NERC GADS unit generation and heat rate information for each unit for that year. Unit generation and heat rate from NERC GADS were used to calculate the total heat input for each unit, and the ratio of unit heat input to total heat input was applied to the total plant coal consumption to calculate the per unit consumption, since both units consume the same coal.

(b) Based on its 2010/Q4 FERC Form 1, page 402, KPCo's total fuel cost for 2010 including oil and transportation was $174.9 million, of which $1.624 million was for oil. Of the $173.3 million in coal costs, approximately $148.0 million (85.4%) would have been attributable to Big Sandy Unit 2 and approximately $25.3 million (14.6%) attributable to Big Sandy Unit 1.

It should be noted that the 2010 Kentucky Power Utility Financial Report showed a total fuel cost of $174.0 million for KPCo in 2010. The difference between the FERC Form 1 and the Kentucky Power Utility Financial Report (approximately $0.9 million) is attributable to deferred fuel.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide the current prices of 1.7 lbs SO2/MMBTU coal and 4.5 lbs SO2/MMBTU coal and calculate the difference between the two. Using Big Sandy Unit 2's consumption of coal in 2010, and current prices for 1.7 lbs SO2/MMBTU coal and 4.5 lbs SO2/MMBTU coal, please calculate the difference in the cost of coal consumed in Big Sandy Unit 2 would have been if it had been able to burn 4.5 lbs. SO2/MMBTU coal during 2010.

RESPONSE

The installation of a scrubber will allow KPCo to expand the sulfur range of fuel purchased for Big Sandy Unit 2. Two potential fuel combinations with the scrubber installation are either to purchase a 4.5 lb sulfur coal that could be consumed with no blending, or purchase and blend high sulfur (7.5 lb SO2) and low sulfur (1.7 lb SO2) coal to achieve a 4.5 lb sulfur coal mixture. Regardless of the fuel purchased, it must meet the other operational parameters and constraints of the unit. The following calculation shows the costs of each approach, based on the current market projections for 2013. KPCo would evaluate all of the fuel options available and make purchase decisions based on providing fuel at the lowest reasonable cost.

The coal prices used are from SNL Energy's, April 30, 2012 Weekly Coal Report, as such market data would most closely represent the historical KPCo procurement practice.

The prices as published on a per ton basis for the third and fourth quarters of 2012, as well calendar year 2013 are shown in Table 1 below. In reviewing the comparisons, it should be understood that Q3 2012 and Q4 2012 coal price data represent values that are closer to spot market purchases, whereas the calendar year 2013 price is more representative of a price that may be seen in response to a longer-term solicitation. In addition, Q3 and Q4 2012 coal market prices are affected by a current lack of market activity by many coal consumers. This has driven current coal prices below levels that are expected to be seen in future years.

Table 1

Coal Region	BTU/lb	lb SO2/MM BTU	Q3 2012	Q4 2012	Calendar Year 2013 Price
CAPP	12,500	1.5	$59.30	$61.60	$68.00
Pittsburg Seam	13,000	4	$58.00	$58.25	$58.60
NAPP	12,500	7.5	$48.25	$48.50	$48.75

A comparison of the 2010 actual fuel cost and the market data presented above is included in Table 2 on page 3 of this response.

Savings Based on Q3 2012 SNL Pricing	$147,993,394	Calculated 2010 Big Sandy Unit 2 Coal Cost as Calculated in KPSC H-1
	$126,186,354	Coal Cost Based on a 4 lb SO2/MMBTU Pittsburg Seam Coal
	$21,807,039	Estimated Fuel Savings Based on Pittsburg Seam Coal
	15%	Percentage Estimated Savings Over 2010 CAPP Cost
	$121,674,104	Coal Cost Based on a 50:50 Blend of CAPP and NAPP Coals
	$26,319,289	Estimated Savings based on 50:50 CAPP:NAPP Blend
	18%	Percentage Estimated Savings Over 2010 CAPP Cost

Savings Based on Q4 2012 SNL Pricing	$147,993,394	Calculated 2010 Big Sandy Unit 2 Coal Cost as Calculated in KPSC H-1
	$126,730,261	Coal Cost Based on a 4 lb SO2/MMBTU Pittsburg Seam Coal
	$21,263,133	Estimated Fuel Savings Based on Pittsburg Seam Coal
	14%	Percentage Estimated Savings Over 2010 CAPP Cost
	$124,558,985	Coal Cost Based on a 50:50 Blend of CAPP and NAPP Coals
	$23,434,408	Estimated Savings based on 50:50 CAPP:NAPP Blend
	16%	Percentage Estimated Savings Over 2010 CAPP Cost

Savings Based on Calendar Year 2013 SNL Pricing	$147,993,394	Calculated 2010 Big Sandy Unit 2 Coal Cost as Calculated in KPSC H-1
	$127,491,730	Coal Cost Based on a 4 lb SO2/MMBTU Pittsburg Seam Coal
	$20,501,663	Estimated Fuel Savings Based on Pittsburg Seam Coal
	14%	Percentage Estimated Savings Over 2010 CAPP Cost
	$132,082,303	Coal Cost Based on a 50:50 Blend of CAPP and NAPP Coals
	$15,911,091	Estimated Savings based on 50:50 CAPP:NAPP Blend
	11%	Percentage Estimated Savings Over 2010 CAPP Cost

It must be further noted that applying forward looking coal prices to historical consumption requires many assumptions, including:

- The 2010 Unit 2 Fuel Cost includes coal and transportation.
- The cost projections for the market are for coal only and do not include transportation (including such costs would reduce the above stated savings).
- The cost savings is solely based on the cost of the fuel and does not take into account other costs that might be associated with a scrubber, such as the cost of chemicals.
- The current coal market for 2013 is different from the market that existed in 2010 and the market when such fuel purchases are executed for KPCo will also be different.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide by unit the current net book value and the remaining useful lives of Big Sandy Units 1 & 2.

RESPONSE

Plant balances are not available by unit, only by total plant. The values could be allocated to the two units based on their respective MW. The composite depreciation rate for Big Sandy is 3.78%. The undepreciated plant balance, or the net book value, as of March 31, 2012 is as follows:

$549,494,999	Original Cost
$270,657,716	Accumulated Depreciation
$278,837,283	Net Book Value

Big Sandy Unit 1 is expected to retire no later than June 1, 2015. As of April 30, 2012, the length of time remaining for the undepreciated portion of Big Sandy Unit 1 is approximately 37 months. An estimated retirement date for Big Sandy Unit 2 has not been established.

Nevertheless, if the Company's application is granted, Kentucky Power expects to continue to operate Big Sandy Unit 2 until 2040. This would yield a remaining life of approximately 28 years.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please refer to KPSC 2-23, Attachment 1, page 3, (LPM-3).

(a) Was the 5.6372 amount used for the state section 199 deduction calculation computed using a six percent or nine percent rate?

(b) If a nine percent rate was used, please confirm that the following amendments should be made:

(i) The amount of 5.6372 should be amended to 8.4728;

(ii) The gross revenue conversion factor should be amended to 1.5107;

(iii) The pre-tax weighted average cost of capital should be amended to 7.15;

(iv) The weight average cost of capital should be amended to 10.57%.

RESPONSE

(a) The 5.6372 amount used for the state section 199 deduction calculation was computed using a six percent rate instead of the nine percent rate that became effective for 2010.

(b) If a nine percent rate is used, the following amendments should be made:

(i) The amount of 5.6372 should be amended to 8.4728;

(ii) The gross revenue conversion factor of 1.5762 should be amended to 1.5492, which disagrees with the 1.5107 suggested by Staff;

(iii) The pre-tax weighted average cost of capital of 7.27% should be amended to 7.15;

(iv) The weight average cost of capital of 10.69% should be amended to 10.57%.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

If both Big Sandy 1 and 2 were retired at some time other than that set forth in the Company's Application, would the Company be subject to any penalties or other claims for damage under the contracts?

RESPONSE

The Big Sandy Plant currently has seven long term coal agreements. Of these agreements, four extend through the end of 2012, while three currently are expected to terminate at the end of 2013. If the Big Sandy Plant is required to cease operation prior to the termination of these contracts, KPCo may be required to pay liquidated damages for breach of contract on those coal supply agreements as well as any liquidated damages for lack of performance associated with transportation agreements.

WITNESS: Lila P Munsey