

Bell, Stephanie (PSC)

From: Leslie A. Combs [REDACTED]
Sent: Tuesday, April 24, 2012 2:02 PM
To: Bell, Stephanie (PSC)
Subject: Ky Power/AEP Rate Hearing

RECEIVED

APR 24 2012

**PUBLIC SERVICE
COMMISSION**

Stephanie,

I shared with the PSC a copy of a letter I received from Greg Pauley, President of Ky Power, in response to my letter that was filed in objection to the proposed rate increase. The PSC has my permission to make their (Ky Power) response letter to me a part of the official record.

Leslie

(Copy) - FYI



**KENTUCKY
POWER**

A unit of American Electric Power

April 11, 2012

Kentucky Power
101A Enterprise Drive
P O Box 5190
Frankfort, KY 40602-5190
KentuckyPower.com

The Honorable Leslie Combs
State Capitol Annex Rm. 373-C
Frankfort, Kentucky 40601

Dear Representative Combs:

It was disappointing to learn of your opposition to Kentucky Power's environmental compliance plan at the Big Sandy Plant near Louisa. This project represents a significant economic development investment (perhaps the largest ever) in eastern Kentucky and will benefit citizens, workers, communities, local governments and the coal industry for years to come.

In your letter to Kentucky Public Service (PSC) Chairman Armstrong you stated your opposition to the proposed rate increase associated with this \$940M capital investment and criticized our company, a regulated utility, for being profitable, yet passing legitimate business expenses to customers. In reading your letter, one might conclude you are asking for shareholders of any profitable business operating in Kentucky to accept the burden of increased operating costs, particularly those forced on them by federal regulations.

You should be aware that Kentucky Power's earnings are regulated by the PSC. We can not earn excessive profits. Nor can we charge "unreasonable" rates to our customers. The PSC regulates both aspects of our business. To the extent the PSC ever determined we were earning beyond our regulated return rate, we would be subject to further rate review and regulatory action to return earnings to PSC-determined levels.

Your letter leads me to ask your opinion. Is it wrong for investor owned businesses in Kentucky to be successful? Is it wrong to make a reasonable profit from operating legally, ethically and responsibly in the Commonwealth? If your answer is yes to either question, I'm afraid manufacturers, mining industries, oil and gas companies (I could go on and on) will be less likely to invest in Kentucky. Particularly, if legislators consider profit a "dirty" word or consider themselves the arbiters of "fair" profit.

In previous meetings with you to discuss this project, you gave no indication of your opposition to it, so your letter was a surprise to me. I will be happy to meet again to discuss what you believe are our fiscal responsibilities in this matter and your interpretation of capital investment and shareholder return.

Lastly, I was also sorry to learn you weren't available to attend the recent PSC public hearing in your district regarding this project. It provided information about our Big Sandy filing and offered your constituents time to comment on it. I would be interested in learning what your constituents had to say about that meeting. Please let me know when you'd like to discuss this issue.

Sincerely,


Gregory G. Pauley
President/COO