COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) AN ORDER APPROVING ITS 2017 ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER APPROVING ITS TARIFFS AND RIDERS; (4) AN ORDER APPROVING ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND (5) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2017-00179

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

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original with six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before August 28, 2017. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond. Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

When filing a paper containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, section 4 (10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Exhibit D, page 45 of 169.

a. State the methods Kentucky Power will use to promote the new tariff to its customers.

b. State whether Kentucky Power will explain the pros and cons of the new tariff to potentially interested customers.

c. Explain whether there is minimum time period a customer must remain on the new tariff. For example, if a customer takes service under tariff R.S.D. for a month and no longer wishes to be served under the tariff, can the customer switch back to tariff R.S. the following month?

d. State whether Kentucky Power intends for this to be a permanent program that is limited to 1,000 customers, or whether it will be evaluated and potentially expanded in the future.

e. State whether customers choosing to participate in the tariff will need a demand-reading meter installed, or any other equipment not otherwise already installed, to participate.

2. Refer to the Application, Exhibit D, pages 65–67 of 169. Tariff C.S.-Coal is set to expire December 31, 2017.

a. State whether Kentucky Power intends to extend that date, and if not, explain to what tariff or tariffs customers currently taking service under Tariff C.S.-Coal will be moved.

3. Refer to the Application, Exhibit D, page 113, and to the customer notice. State whether the rate for tariff K.E.D.S. is $.025 per month per account, or $.25 per month per account.

4. Refer to the Application, Exhibit E.

a. Refer to the Application, Section 1, page 5..

(1) Also refer to the Direct Testimony of Stephen L. Sharp, Jr. ("Sharp Testimony"), page 8, lines 12–13. State whether Kentucky Power has a standard customer application for service. If so, provide a copy of the application of service.

(2) Also refer to the Sharp Testimony, page 8, lines 15–17. State the type(s) of verification Kentucky Power requires to verify a customer's identity

and legal occupancy, and indicate the safeguards in place to protect potentially sensitive information.

b. Refer to page 7 of 205, Criteria for Waiver of Deposit Requirement. Explain whether the tariff changes made at paragraph 2 under this heading mean that customers with good credit will no longer qualify for a waiver of the deposit.

c. Refer to page 7 of 205, Section 4, Deposits, D. 807 KAR 5:006, Section 8(3)(c), states that "[a]n additional or subsequent deposit shall not be required of a residential customer whose payment record is satisfactory, unless the customer's classification of service changes, except as established in subsection (1)(d)(3)." Confirm that Kentucky Power does not require an additional or subsequent deposit from a residential customer with a satisfactory payment history unless the customer's classification changes or the customer requests a recalculation of their deposit under 807 KAR 5:006, Section 8(1)(d)(3).

d. Refer to page 7 of 205, Section 4, Deposits, D.1. State whether Kentucky Power intended to change the term "meter diversion" in this section to "energy diversion," as proposed in Section B.1. on this page. If not, explain.

e. Refer to page 8 of 205, Section 5, Payments, A., last line of the first paragraph. State why the phrase "in any month" is not included as strikethrough text.

f. Refer to page 8 of 205, Section 5, Payments, B., Average Monthly Payment Plan (Amp), first paragraph.

(1) State why "S.G.S." is not included as strikethrough text.

(2) Explain why "S.G.S.-T.O.D." is being deleted from this section.

g. Refer to page 9 of 205, Section 5, Payments, C., All Payments. Also refer to Sharp Testimony, page 14, line 23, and page 15, line 1. State why Kentucky Power no longer offers the option of paying at the Kentucky Power's local offices and indicate how long it has been since Kentucky Power stopped accepting payments at its local offices.

h. Refer to page 9 of 205, Section 6, Payment Arrangements. Also refer to the Sharp Testimony, pages 15–18.

(1) Confirm that partial payment plans that extend for a period longer than 30 days will be in writing or electronically recorded, and state the date and the amount of payment due.

(2) Confirm that any written partial payment plans will be dated and signed by both parties, and will advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan.

(3) Confirm that the medical certificate referenced in Section 6, Payment Arrangements, number 8, and the Sharp Testimony, page 16, lines 7–9 is the same as the medical certificate referenced in 807 KAR 5:006, Section 15(2)(c).

(4) Confirm that the Certification referenced in Section 6, Payment Arrangements, number 9, and the Sharp Testimony, page 16, lines 10–13 is the same as the certification referenced in 807 KAR 5:006, Section 15(3).

i. Refer to page 11 of 205, Section 9, Customer's Liability. Kentucky Power has added language regarding charges that may be assessed "based on electrical usage and damages to all Company equipment." Explain what types of charges may be based on electrical usage and what types of charges may be assessed for damages to company equipment.

j. Refer to page 14 of 205, Section 18, Denial or Discontinuance of Service. Also refer to the Sharp testimony, page 19, lines 10–20 and page 20, lines 1–2. Explain how the revisions to this section comply with the Customer Bill of Rights.

k. Refer to page 18 of 205, Section 21, Alerts and Subscriptions, General. Indicate the applicable state laws that govern the terms and conditions of Kentucky Power's Mobile Alert Service.

l. Refer to page 19 of 205, Section 21, Alerts and Subscriptions, Additional Terms and Conditions for E-mail Alerts. Indicate what other types of information Kentucky Power foresees sending to customers that sign up for E-mail Alerts.

m. Refer to page 43 of 205. Kentucky Power includes PJM billing line item 2210 in the calculation of its Fuel Adjustment Clause ("FAC"). Explain whether PJM billing line items 2211 and 2215 have replaced billing line item 2210.

n. Refer to pages 67–69 of 205. State why the following clauses were not included as strikethrough text: Big Sandy Retirement Rider, Big Sandy 1 Operation Rider, Purchase Power Adjustment, Environmental Surcharge, Capacity Charge, and Kentucky Economic Development Surcharge. Also state why the delayed payment charge language is not included in this rate schedule.

o. Refer to page 123 of 205. Explain whether Kentucky Power will continue to submit its System Sales Clause filing monthly at the same time it files its FAC, or if it will only file annually.

p. Refer to page 183 of 205, Rider R.P.O., Availability of Service, second paragraph. Confirm that the phrase "Option A" is new language.

q. Refer to page 190 of 205. Explain why this adjustment is not included in the adjustment clauses to the applicable rate schedules throughout the tariff.

r. Refer to page 191 of 205, Section 1.a. Provide a detailed breakdown of the $79,076,785 annual amount of purchase power costs.

s. Refer to the delayed payment charge language in the Kentucky Power's rate schedules. Confirm that the delayed payment charge is only assessed on the unpaid current month's portion of a customer's bill and that additional delayed payment charges are not assessed on unpaid delayed payment charges.

5. Refer to the application, Section II, Exhibit F.

a. Refer to Kentucky Power's response to the July 6, 2017 Deficiency Notice, Exhibit 1. Confirm that Kentucky Power charged its customers the current tariffed rates for the following rate classes whose rates were revised:

(1) Storage Water Heating Provision, Tariff Code 012.

(2) Load Management Water Heating Provision, Tariff Code 011.

(3) Small General Time of Day Service, Tariff Code 227.

(4) Medium General Service Time of Day, Tariff Code 229.

(5) Municipal Waterworks, Tariff Code 540.

b. Refer to the application, Section II, Exhibit J.

(1) Confirm that the Residential Service, Tariff Code 054, which is listed in Exhibit J but not in the notice, has no customers during the test year.

(2) Confirm that the following rate classes which were listed in the notice but not Exhibit J have no customers during the test year.

i. Tariff R.S. – L.M. – T.O.D., Tariff Code 027.

ii. Tariff Large General Service, Tariff Code 268.

iii. Tariff Large General Service, Tariff Code 270.

iv. Tariff Industrial General Service, Rate Code 370.

6. Refer to the Direct Testimony of Matthew J. Satterwhite ("Satterwhite Testimony"), pages 3 through 5.

a. Provide the number of Kentucky Power employees from 2011 through 2016 by year.

b. Provide the number of Kentucky Power employees at the beginning and end of the test year.

c. Explain why five additional personnel are needed when Kentucky Power's customer count has declined by 2,300 since September 2014.

7. Refer to the Satterwhite Testimony, page 5, regarding the Braidy Industries Inc. announcement to locate an aluminum mill in South Shore, Kentucky.

a. When is the construction of the aluminum mill expected to be started?

b. What impact will the proposed aluminum mill have on Kentucky Power's load when it becomes operational?

8. Refer to Satterwhite Testimony, pages 8–9, regarding past and future Community Advisory Panel meetings.

a. Identify the members of the Ashland, Pikeville, and Hazard panels.

b. State how many community meetings have been held with each panel.

c. State the dates for future community meetings with each panel. If future meetings have not been scheduled, provide the expected frequency of future meetings.

d. Describe how the panels were selected.

e. Describe how notice was provided to inform Kentucky Power's customers about the panels and the community meetings.

9. Refer to Satterwhite Testimony, page 10, which states that Kentucky Power provided over $2 million toward economic development efforts since 2014.

a. State the amount of the $2 million that came from the Kentucky Power Economic Growth Grant program, which is funded through an economic development surcharge paid by ratepayers and matching shareholder contribution.

b. State the amount of the $2 million that came from the Kentucky Economic Advancement Program, which focuses on economic development support for Lawrence County, Kentucky, and Kentucky counties contiguous to Lawrence County pursuant to 2012-00578.[1]

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[1] Case No. 2012-00578, *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) All Other Required Approvals and Relief* (Ky. PSC Oct. 7, 2013), pages 36–37. Kentucky Power agreed to provide shareholder contribution for economic development support in the amount of $100,000 for five years, with a carve-out of $33,000 set aside for job training. The Commission found, and Kentucky Power agreed, that Kentucky Power should provide shareholder contribution in the amount of $233,000 per year for five years.

10. Refer to the Satterwhite Testimony, page 14. Provide Kentucky Power's annual rates of return and return on equity for 2016 and 2017.

11. Refer to the Direct Testimony of Jeffrey B. Bartsch ("Bartsch Testimony") page 3, regarding the Commission assessment and Section V, Workpaper S-2, page 2, line 3, where the Kentucky Public Service Commission Maintenance Fee ("KPSC Maintenance Fee") is listed at 0.19 percent. On June 1, 2017, the Kentucky Department of Revenue provided the new assessment rate of .1996 percent for state government's 2017–2018 fiscal year to the Commission.

a. Provide a revised Gross Revenue Conversion Factor ("GRCF") calculation using the new assessment rate.

b. Provide updates required to any schedule to reflect the proper KPSC Maintenance Fee and GRCF.

12. Refer to the Direct Testimony of Douglas R. Buck ("Buck Testimony"). Explain any fundamental differences between the filed cost-of-service study ("COSS") and the COSS from Kentucky Power's last rate case.

13. Refer to the Buck Testimony, page 16. Explain in detail the weights in the meter reading requirements.

14. Refer to the Buck Testimony, Exhibit DRB-2, page 3 of 3. Explain why Kentucky Power believes a 5 percent decrease of the class subsidization is considered to be in line with the principle of gradualism.

15. Refer to KPCO_R_1_73_Attachment 35-KPCO_CCOS_-_Test_Year_ 2017_-_DRB_-_FINAL_-_KPSC_DR_1-73_Excel.xls. Refer to the Allocators tab.

Provide the source for the directly inputted allocators in Column C, between rows 223 and 260.

16. Refer to the Direct Testimony of Andrew R. Carlin ("Carlin Testimony"), page 6. Provide the annual rate of turnover or retention rate for years 2012–2016.

17. Refer to the Carlin Testimony, beginning at page 7.

a. Provide copies of any salary surveys or analysis of prevailing wage and salary amounts, and any other information or documents utilized in the process of determining the amount of compensation for wage and salaried employees.

b. Provide the total amount of Kentucky Power salaries reflected in the proposed test-year level of expenses broken down by department, base pay, and by each and any incentive pay program in effect along with any stock option plans during the test year.

18. Refer to the Carlin Testimony, page 18. Provide the Company's 2017 base salary increases.

19. Refer to the Carlin Testimony, page 11. Provide a list of other Kentucky utilities and American Electric Power ("AEP") subsidiaries that use an incentive compensation program.

20. Refer to the Carlin Testimony, page 36, which states that AEP, Kentucky Power's parent, performs annual reviews of the reasonableness of AEP benefit plan costs. Describe the benefit plan review process, and provide the names and job titles of those persons who conduct the review. If a third party performs the annual review, identify who in AEP makes the final decision regarding benefit plans and provide the

names and job titles of those persons who evaluate the third party's report and make recommendations regarding the decision.

21. Refer to the Direct Testimony of Jason A. Cash, Depreciation Study Report, page 5.

a. Confirm that based on a 5.78 percent depreciation rate, the estimated life of Big Sandy Unit 1 is 17.3 years.

b. Refer to Case No. 2013-00430,[2] the Direct Testimony of Robert L. Walton, page 11, where it states that "[i]n addition, AEPSC [American Electric Power Service Corporation, or AEP Service Corporation] has recent experience completing both combined cycle and simple cycle gas turbine projects that include similar gas delivery activities to what will be included in the Big Sandy Unit 1 Project." Identify all such projects, as well as any others that have occurred since, the type of unit, the depreciable life, and the authority for the depreciable life.

22. Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"), pages 8 and 9.

a. For the Project 20 consumables that Kentucky Power currently uses, explain whether the consumable is recorded as an inventory item on the books of Kentucky Power, or is expensed as received.

b. Identify the inventory accounts by account number and account description on which Kentucky Power currently recovers a return through general rates.

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[2] Case No. 2013-00430, *Application of Kentucky Power Company for a Certificate of Public Convenience and Necessity Authorizing the Company to Convert Big Sandy Unit 1 to a Natural Gas-Fired Unit and for All Other Relief* (Ky. PSC Aug. 1, 2014).

c. For the test year, provide a schedule that shows the monthly balances of the consumable inventories on which Kentucky Power earned a return through general rates, and provide a calculation of the return that Kentucky Power now proposes to recover through the environmental surcharge. Provide the calculation in Excel spreadsheet format with the formulas intact and unprotected.

d. Explain whether any consumables currently recovered through the environmental surcharge that are recorded in an inventory account are also consumed for non-environmental purposes. If so, explain how Kentucky Power proposes to separate the inventory by environmental and non-environmental consumption in order to calculate a return on the environmental portion of the inventory.

23. Refer to the Elliot Testimony, page 9, lines 12–16.

a. Provide any other AEP operating companies that recover through a rider the costs and a rate of return on consumables inventory.

b. Provide any other Kentucky utilities that recover through a rider the costs and a rate of return on consumables inventory.

24. Refer to the Elliott Testimony, page 10, lines 12 through 18, and Exhibit AJE-4. Provide the calculations of the return on consumable inventories that are included in the Mitchell and Rockport monthly environmental costs.

25. Refer to the Elliott Testimony, page 12, lines 1 through 12. Also refer to Section V of the Application, Exhibit 2, Adjustment W03. Explain why the amounts shown on Adjustment W03 as Total Mitchell FGD Operating Expenses for the months of March 2016 through September 2016, and February 2017 do not agree with the

amounts shown on ES Form 3.13, as filed in the monthly environmental surcharge reports for the same months.

26. Refer to the Elliott Testimony, page 14, lines 3 through 19.

a. Explain the rationale for Kentucky Power's proposal to apply a gross-up factor to Mitchell's monthly environmental costs (ES Form 3.13) and why it is appropriate to apply a gross-up factor to environmental expenses.

b. Confirm that Kentucky Power has not previously applied a gross-up factor to its monthly environmental costs.

c. Identify those costs that Kentucky Power is incurring to operate approved environmental projects that it is not currently recovering.

d. Explain why Kentucky Power is not proposing to gross-up Rockport's environmental costs on ES Form 3.20, as it is proposing to do so for the Mitchell plant.

e. Refer to the monthly environmental surcharge reports for the test year. Provide a schedule comparing the monthly environmental expenses as filed, grossed-up as proposed in the Elliott Testimony, with the environmental expenses as filed in the monthly reports. Provide the schedule in Excel spreadsheet format with the formulas intact and unprotected.

27. Refer to the Elliott Testimony, page 15, lines 9 through 21, and page 16, lines 1 through 8. Also refer to Section V of the application, Exhibit 2, Adjustment W05.

a. Confirm that the reference to Calendar Year 2016 on Lines 1 and 2 of adjustment W05 should be to the test year.

b. Adjustment W05 shows an amount on Line 1 of $48,498,047. Provide the calculation that results in this amount in Excel spreadsheet format with the formulas intact and unprotected.

c. Adjustment W05 shows an amount on Line 3 of $46,217,722. Provide the calculation that results in this amount in Excel spreadsheet format with the formulas intact and unprotected.

d. Provide an explanation of the nature of each of the listed deferrals with a calculation showing how the amounts were determined.

28. Refer to the Elliott Testimony, page 16 and 17, regarding the property tax annualization adjustment, and Worksheet 57.

a. Provide a comparison of the actual property taxes paid on Kentucky Power's transmission and distribution operating property based on the assessments for calendar years 2016 and 2017.

b. Provide a comparison of the property taxes paid on generation assets based on calendar year 2016 and 2017 assessments.

c. Provide a reconciliation showing how Kentucky Power's test-year total property tax expenses were allocated among base rates and riders.

d. Provide copies of the work papers utilized in developing Worksheet 57.

e. Provide copies of the Kentucky Department of Revenue Public Service Company Assessment ("DORPSC Assessment") for 2015, 2016, and 2017.

f. Has Kentucky Power's 2017 DORPSC Assessment been finalized?

29. Refer to the Direct Testimony of Brad N. Hall ("Hall Testimony"), page 12, regarding the creation of approximately 830 full-time jobs in Kentucky Power's service territory. Of the 830 jobs, provide the number of jobs that exist as of the date of this data request and the number of jobs that will be created in the future.

30. Refer to the Hall Testimony, page 17, lines 16–20. Confirm if Kentucky Power Economic Growth Grants ("K-PEGG") funds to local economic development organizations are used for administrative purposes or salaries.

31. Refer to the Hall Testimony, page 21, lines 1–12. Confirm that the $233,000 in funds for Kentucky Power Economic Advancement Program ("KEAP") are from shareholders and not customers.

32. Refer to the Hall Testimony, page 25, lines 8–19. After the closure of the KEAP program in 2018, explain why the annual funds of $233,000 will not be directed into the K-PEGG program.

33. Explain whether the proposed increase in the Kentucky Economic Development Surcharge ("KEDS") from $0.15 per meter per month to $0.25 per meter per month is related to the termination of KEAP after calendar year 2018.

34. Refer to the Direct testimony of Adrien M. McKenzie, CFA ("McKenzie Testimony"). Provide all exhibits in Excel spreadsheet format will all formulas accessible.

35. Refer to the McKenzie Testimony, page 24, lines 5–16 and Exhibit AMM-5.

a. Confirm that a criterion to be included in the proxy group of utilities is a credit rating from S&P and Moody's corresponding to one notch above and below Kentucky Power's current ratings.

(1) Provide the corporate credit ratings for each proxy utility.

(2) If the corporate credit rating is not within one notch above or below current ratings, explain why the utility was included.

b. Confirm that a criterion to be included in the proxy group of utilities is a Value Line Investment Survey ("Value Line") safety rank of 1, consistent with AEP's rank of 1.

(1) Provide the safety ranks of each proxy utility.

(2) If the safety rank is not 1, explain why the utility was included.

c. Confirm that criteria to be included in the proxy group are no cuts in dividend payments during the past six months and no announcement of a dividend cut since that time.

(1) Provide the dividends for the past six months for each proxy utility.

(2) If the dividend has been cut, explain why the utility was included.

d. Explain why Emera Inc. and NextEra Energy, Inc. are included in the proxy group of utilities, since these two companies are not part of the Value Line electric utility industry category.

e. Explain why Pinnacle West was excluded from the proxy utility group.

36. Refer to the McKenzie Testimony, page 58, and Exhibit AMM-9.

a. State whether triple-B utility bond yields were used in the Risk Premium analysis, as stated on page 58, lines 11–12, or whether Baa utility bond yields were used as indicated in Exhibit AMM-9, pages 1 and 2.

b. Refer to Exhibit AMM-9, page 1. Provide an update to the Risk premium cost of equity using the average bond yield on public utility bonds and Baa subset for the most current three months.

37. If necessary, provide any revisions to Mr. McKenzie's analysis on ROE that are a result of this request for information.

38. Provide the most current ROE awarded by each respective regulatory agency and the date of the award for the proxy group of electric utilities or for the utility subsidiary if the proxy group member is a holding company.

39. Provide the regulatory Commission approved ROE and the date of the approval for each AEP subsidiary.

40. Provide the monthly ROE for AEP and for Kentucky Power for January 2016 to the most current month available. This should be considered an ongoing request.

41. Refer to the Direct Testimony of John M. McManus ("McManus Testimony"), page 7, lines 19 through 23, and page 8, lines 1 through 6.

a. Clarify what is meant by a reduction of ozone season NO_x budgets for states covered by Cross State Air Pollution Rule resulting from the Environmental Protection Agency's September 7, 2016 final rule.

b. Explain how this reduction of ozone season NO_x budgets will impact Kentucky Power's use of emission allowances and the cost incurred for allowances.

42. Refer to the McManus Testimony, page 12. Provide an update on the U.S. Court of Appeals for the District of Columbia Circuit's April 28, 2017 stay of the Clean Power Plan litigation and Order directing parties to file briefs addressing future litigation.

43. Refer to the Direct Testimony of Zachary C. Miller ("Miller Testimony"), page 6, lines 20–22. Provide an update to Table 1 on page 3 of Mr. Miller's Testimony using the rates of the refinancing of the $325,000,000 6 percent Senior Note, Series E, and the $65,000,000 WVEDA Mitchell Project, Series 2014A Variable Rate Demand Note, in June 2017.

44. Refer to the Direct Testimony of Debra L. Osborne ("Osborne Testimony"), page 7, regarding the decommissioning and demolition of Big Sandy Unit 2.

a. Was Commission authorization required to change the plan for the demolition of Big Sandy Unit 2?

b. Identify and explain any cost impacts resulting from Kentucky Power's change to its demolition plan.

45. Refer to the Osborne Testimony, pages 8 and 9, regarding Kentucky Power's non-fuel, non-labor generation operating and maintenance expense ("O&M

expense"). Also refer the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony") beginning at page 16 and the Application, Section V, Exhibit 2, page 42, Worksheet 41.

a. Explain the difference in the test-year steam maintenance expense in the Osborne Testimony, page 9, in the amount of $12,276,224, and the steam maintenance expense in Worksheet 41 of $11,581,535.

b. Confirm that Kentucky Power proposes no change to its non-plant and steam operations expense in the test year.

c. Provide the non-plant and steam operation expenses for the years ended February 2015 and February 2016.

d. Explain further and provide the accounting accruals that gave rise to the negative balance in the steam maintenance expense, non-plant category.

e. Provide the monthly O&M expense for Big Sandy, broken down by account number and steam maintenance and steam operations expense, from June 2016 through the present, and consider this an ongoing request throughout this proceeding.

f. Provide the monthly O&M expense for Mitchell, broken down by account number and steam maintenance and steam operations, from the date of acquisition through the present, and consider this an ongoing request throughout this proceeding.

g. Provide a history of the planned maintenance outages for Big Sandy and Mitchell.

h. Provide a schedule of the future planned maintenance outages for Big Sandy and the Mitchell units.

i. Provide a history of forced outages for Big Sandy (after conversion to natural gas) and the Mitchell units.

j. Provide the years in which the most recent generator overhauls were performed on the Mitchell units.

k. Provide the existing cycles for generator overhauls for Big Sandy and the Mitchell units.

l. State in what year(s) generator overhauls will be planned for Big Sandy and the Mitchell units.

m. Provide the projected cost of the overhaul of each unit.

n. Provide the year(s) in which the most recent turbine overhauls were performed at each unit.

o. Provide the existing cycles for turbine overhauls for each unit.

p. State in what year(s) turbine overhauls will be planned for each unit.

q. Provide the projected cost of the turbine overhaul at each unit.

46. Refer to the Osborne Testimony, page 13, regarding capital and O&M costs of the Rockport Unit 1 selective catalytic converter ("SCR").

a. Identify the amount of annual capital and O&M expense projected for the Rockport Unit 1 SCR.

b. Explain how such costs are to be recovered and if such recovery is different than the methodology currently in place.

c. Explain how current environmental costs related to Rockport Unit 1 are recovered.

47. Refer to the Osborne Testimony, page 15, regarding the Indiana Commission's Order in the Rockport Unit 1 CPCN case. Provide a copy of the Order or the web site address where it may be accessed.

48. Refer to the Osborne Testimony, page 11, lines 18 through 21. Describe in detail the catalyst used in the SCR technology, including its useful life.

49. Provide a copy of the April 14, 2017 order issued by the United States Court of Appeals for the Sixth Circuit that ruled AEP must pay for the installation of SCR equipment at the Rockport Generating Station Unit 2.

50. Refer to the Direct Testimony of Everett G. Phillips, page 46, regarding the amount of Kentucky Power's distribution Vegetation Management Plan O&M spending of $21,465,163 in the test year. Also refer to the final Order in Case No. 2014-00396,[3] page 76 where it states that "[b]eginning July 1, 2019, Kentucky Power projects implementing a five-year maintenance clearing cycle, at which time it will reduce Vegetation Management Plan expenditures to approximately $16 million." Explain in detail why Kentucky Power's test-year expenditures for its Vegetation Management Plan are almost $5.5 million more than projected in Kentucky Power's prior rate case.

51. Refer to the Direct Testimony of John A. Rogness ("Rogness Testimony"), page 11, Table 1. For each AEP subsidiary in PJM, list the PJM billing line items recovered by each through the FAC.

[3] Case No. 2014-00396, *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) An Order Approving Its Tariffs and Riders; and (4) An Order Granting all other Required Approvals and Relief* (Ky. PSC June 22, 2015).

52. Refer to the Rogness Testimony, page 23, Table 2.

a. Provide a similar table comparing the fuel rates including the as filed monthly fuel rates, the billing line items ("BLI") currently recovered by East Kentucky Power Cooperative, Inc., and the difference between the two monthly fuel rates.

b. Provide a similar table comparing the fuel rates including as filed monthly fuel rates, the BLI currently recovered by Duke Kentucky Energy, Inc., and the difference between the two monthly fuel rates.

53. Refer to the Rogness Testimony, page 27, lines 8–13. Using the test-year gains and losses from incidental sales of natural gas, provide the calculation of the annual purchase power adjustment factor.

54. Refer to the Rogness Testimony, page 26, regarding gains and losses from incidental gas sales.

a. In Case No. 2014-00078,[4] the Commission approved the accounting treatment for the sale of natural gas sold at a loss based upon the circumstances that existed in the case. Provide the similarities and differences that Kentucky Power's situation has in relation to that case.

b. Provide any cases that Kentucky Power is aware of that have been decided by the Federal Energy Regulatory Commission or state public utility commission regarding the treatment of gains or losses on the sale of natural gas not used for combustion since the 2014 polar vortex.

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[4] Case No. 2014-00078, *An Investigation of Duke Energy Kentucky, Inc.'s Accounting Sale of Natural Gas not Used in Its Combustion Turbines*, (Ky. PSC Nov. 25, 2014).

55. Refer to the Rogness Testimony, page 5, regarding the Annualization of Lease Costs.

a. Provide for each month of the test year the dollar amount associated with any aviation costs (ownership, lease, or rental costs directly assigned or allocated to Kentucky Power) reflected in the test-year level of costs, along with the purpose of the flight and with the names of persons on the flight.

b. Provide supporting information for lease costs during the test year. Include the beginning and ending dates of each lease, cost per lease, and nature of lease.

56. Refer to the Direct Testimony of Tyler H. Ross, beginning at page 12, regarding payroll and benefit adjustments. Also refer to Kentucky Power's response to Commission Staff's First Request, (Staff's First Request"), Item 69.

a. With respect to the payroll services provided to Wheeling Power Company and AEP Generation Resources, Inc., does Kentucky Power receive compensation for its payroll services?

b. If the answer to a. above is affirmative, explain how the compensation is determined and the amount Kentucky Power received for its payroll services in the test year.

c. If the answer to a. above is negative, explain why Kentucky Power is not recovering its costs for the payroll services and provide the amount that it should be recovering.

d. Refer to pages 12 and 13 regarding employee group benefits. Provide the jurisdictional medical insurance adjustment assuming the following: Total

Healthcare/Medical Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium. Continue to assume that the employee would pay 21 percent of the total cost for single coverage and 32 percent of the total cost for all other types of coverage, compared to the amount of healthcare/medical insurance expense incurred during the test year.

e. Refer to pages 12 and 13 regarding employee benefits. Provide the jurisdictional dental insurance adjustment in the test year, assuming employees would pay 60 percent of the total cost of coverage. Calculate the amount as follows: Total Dental Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium.

f. Refer to pages 12 and 13 regarding employee benefits. Provide a schedule that identifies the jurisdictional cost for providing long-term disability insurance.

g. Refer to pages 12 and 13 regarding employee benefits. Provide a schedule that identifies the costs for providing group life insurance coverage over $50,000.

h. Refer to page 15 regarding savings plan expense and the response to Staff's First Request, Item 72. For employees who participate in a defined benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any AEP 401(k) retirement savings account.

i. Provide the information requested in items d. through h. that are passed through from AEPSC or other affiliated companies.

57. Refer to the Direct Testimony of Sharp Testimony, page 4, lines 3-4. Confirm that Kentucky Power will match the increased and current funding on a dollar-for-dollar basis.

58. Refer to the Sharp Testimony, page 4, lines 11–12. Confirm that Kentucky Power will match the current funding and the increased funding on a dollar-for-dollar basis.

59. Refer to the Sharp Testimony, page 9 lines 20–22. Provide who will pay for the state inspection.

60. Refer to the Sharp Testimony, page 13, lines 17–22.

a. Explain why Kentucky Power offers two similar budget plan programs.

b. Explain whether Kentucky Power has considered consolidating into one budget plan program.

61. Refer to the Sharp Testimony, page 18, lines 18–21.

a. Provide the average length of time between the date of the customer's last billing period and the date of termination.

b. Provide an example of applicable charges and the charge amounts.

62. Refer to the Sharp Testimony, page 20, lines 10–12. Provide the annual and test year cost of the mobile alert service.

63. Refer to the Sharp Testimony, page 25, lines 17–23. State whether there has been any instance when the operator failed to remove their equipment after being notified by Kentucky Power and provide the outcome.

64. Refer to the Sharp Testimony, Exhibit SLS-1, pages 1–2 of 6.

a. The sample residential bill provided in Exhibit SLS-1 indicates that the delayed payment charge is assessed if the bill is not paid by the due date. Kentucky Power's tariff indicates that the delayed payment charge is assessed to residential customers if payment is not made by the next billing date. State when the late payment charge is assessed to residential customers who do not make their payments by the due date.

b. The sample residential bill provided in Exhibit SLS-1 includes a billing line item for State Sales Tax. KRS 139.470(8)(b)1 exempts all gross receipts derived from sales classified as residential by a utility company. Confirm that Kentucky Power residential customers are not billed for state sales tax.

65. Refer to the Sharp Testimony beginning at page 24, regarding cable television pole attachment charges, and Exhibit SLS-2. Also refer to Worksheet 46. Provide copies of these documents in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible.

66. Refer to the Direct Testimony of Katharine I. Walsh In a table, provide each class's fixed cost of service, the current customer charge, and the proposed customer charge.

67. Refer to the Vaughan Testimony, page 14, lines 3–5. Expand on the principle of gradualism and support how a 59 percent increase in the customer charge supports the principle of gradualism.

68. Refer to the Vaughan Testimony, page 14, lines 21–23.

a. Provide the study from which the fixed distribution plant allocation factors originate.

(1) Provide who performed this study.

b. Explain if this study was used in prior rates cases and if so, if it was updated for the instant case.

69. Refer to the Vaughan Testimony, page 15 lines 16–18. Provide the appropriate levelized carrying charge.

70. Refer to the Vaughan Testimony, page 19, lines 1–12.

a. Explain whether the Optional Residential Demand-Metered Electric Service Tariff is offered by any AEP subsidiary.

b. If the answer to a. above is affirmative, provide any studies of the results of the success or failure of the tariff.

c. Given that this class has a demand charge, explain why the customer charge is changed so to include only the fixed costs associated with consumer related expenses.

71. Refer to the Vaughan Testimony, page 21, lines 14–20. Provide bill impacts at the existing rates and proposed rates for current SGS and MGS rate classes at 100 kWh increments up to the largest load for each class.

72. Refer to the Vaughan Testimony, page 23, lines 11–19. The COSS results for the public schools still indicate that the public schools are contributing to the current and proposed Rate Of Return and are subsidizing other classes. Explain why Kentucky Power states that the public schools have a low return and do not reflect the true cost of service.

73. Refer to the Vaughan Testimony, page 25, lines 13–14. Explain why if the clause is "antiquated," Kentucky Power is just now requesting its removal and did not remove it in prior rate cases.

74. Refer to the Vaughan Testimony, page 26–29. Using the test year, provide the monthly PJM LSE OATT charges and credits

75. Refer to the Vaughan Testimony. Provide a table listing the fixed costs, distribution costs, and energy costs to serve based on the COSS for all rate classes.

76. Refer to the Wohnhas Testimony, pages 13 and 14, regarding the normalization expense for major storm expense. Also refer to the Application, Section V, Exhibit 2, Worksheet 17, footnote 1. State whether the actual major storm expense for the 12 months ended February 29, 2016, includes the $316,894 that was denied as a regulatory asset in Case No. 2016-00180.[5]

77. Refer to the Wohnhas Testimony, page 25, regarding the case review.

a. Other than the refinancing mentioned in the Wohnhas Testimony, page 12, is Kentucky Power still confident that the current application is an accurate representation of the facts?

b. In the answer to a. above is negative, identify any problems in the application and provide corrections as necessary.

78. Refer to the application filed in Case No. 2017-00231, which was consolidated into this proceeding.

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[5] Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities related to Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Two Major Strom Events* (Ky. PSC Nov. 13, 2016), Order at 9.

a. Refer to page 2, paragraph 5. Identify the AEP operating companies that participated in the review of their billing correspondence. Explain what prompted AEP and Kentucky Power to undertake this review.

b. Refer to page 2, paragraph 6. Provide the following information related to the customer meetings referenced in this paragraph: dates; times; locations; agenda; presentations; handouts; number of company attendees; and number of customer attendees.

c. Refer to page 3, paragraph 8. Confirm that Kentucky Power is able to redesign the billing format to make it more understandable without combining billing line items.

d. Refer to page 4, paragraph 11. Provide documentation supporting the statements that customers "indicated that the number of billing line items was unhelpful" and that customers requested that Kentucky Power "simplify the presentation of charges on the Company's bills."

e. Refer to page 5, paragraph 17. Explain why Kentucky Power is proposing to combine the Purchase Power Adjustment with other billing line items given that 807 KAR 5:006, Section 7(1)(a)(9), requires that bills for utility service issued show "adjustments, if applicable."

79. Refer to the Sharp Testimony and Exhibit SLS-1 filed in Case No. 2017-00231 which was consolidated into this proceeding.

a. Refer to Exhibit SLS-1. Explain the columns labelled Midsize Segment Midwest Midsize Region and Lincoln Electric System.

b. Explain the entries on the blue shaded lines in each column.

c. Identify the other AEP operating companies participating in the same survey, and provide the survey results for each company.

80. Refer to page 3 of the Sharp Testimony filed in Case No. 2017-00231, which was consolidated into this proceeding.

a. Provide the details of the advisory panels and outreach workshops that Kentucky Power hosted to discuss customer concerns with bill formats. Include the dates, locations, agenda, presentations, handouts, number of company attendees, number of customer attendees, and documentation of customer complaints.

b. Lines 8 and 9 on page 3 state that the most frequent complaint was the number of line items on the bill. Identify other customer complaints and the number of each separate type of complaint.

81. Refer to page 6 of the Sharp Testimony filed in Case No. 2017-00231, which was consolidated into this proceeding.

a. Describe the general availability or difficulty of internet access for Kentucky Power customers who may have a need to access the calculation spreadsheet on the Kentucky Power's website.

b. Describe any additional training or qualifications for customer service representatives necessary to answer customer's questions about the prosed combing of line items on customer's bills.

82. Refer to the Supplemental Testimony of Stephen L Sharp, Jr. filed in Case No. 2017-00231 which was consolidated into this proceeding.

a. Identify all of the AEP operating companies that are included in the proposed system-wide bill format conversion project.

b. Provide the total project cost of the proposed conversion of the bill formats, and Kentucky Power's portion assuming Commission approval of the bill format change.

83. Refer to the response to Staff's First Request, Item 31, regarding expenses for professional services. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following information as it relates to consulting services either directly incurred and assigned or allocated to Kentucky Power:

a. The name of the company providing the consulting service.

b. The type of consulting service provided.

c. When the consulting service began and when it is expected to be completed.

d. The dollar amount reflected in the test-year level of expenses associated with the consulting service, along with the total expected cost of the consulting service project.

e. If allocated to Kentucky Power, provide the organization which allocated the cost to Kentucky Power, the methodology used in the allocation, and the total cost of the consulting service.

f. The last date that this type of consulting service was performed for Kentucky Power or the allocating organization.

84. Refer to the response to Staff's First Request, Item 33. For the test year, provide the following information at it relates to lobbying activities:

a. The names of each of the Kentucky Power's Kentucky lobbyists registered in Kentucky.

b. For each of the registered lobbyists, the dollar amount and percentage of the lobbyist's salary, fringe benefits, any incentive pay, expense reports recorded below the line, and any lobbying activities costs reflected in Kentucky Power's proposed cost of service.

c. The dollar amount of any lobbying activity allocated to Kentucky Power from AEP or any of its subsidiaries, along with a statement in which these costs are recorded and account numbers where these costs are recorded (above or below the line).

85. Refer to the response to Staff's First Request, Item 42. Provide the following information for any of the AEP Service Corporation and other affiliated entities' costs directly assigned or allocated to Kentucky Power, as well as other requested information.

a. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following as it relates to salaries either directly assigned or allocated to Kentucky Power by another AEP entity.

(1) By AEP Service Corporation by Department, the total salary amount along with the number of hours associated with the salary cost and associated incentive pay broken down by each incentive pay program, including any stock option plans in effect during any month of the test year.

(2) By any other AEP subsidiary, provide the name of the subsidiary and the department along with the total salary amount and associated

incentive pay, including any stock option plans, along with the number of hours associated with the salary, incentive pay and any stock option plans costs.

b. The AEP Service Corporation Charge billed to Kentucky Power for each 12 months ended February 2012 through February 2017.

c. The number of AEP Service Corporation employees for each 12-month period from February 2012 through February 2017.

d. Kentucky Power's peak demand (date and time) for each 12-month period from February 2012 through February 2017.

e. Kentucky Power's kWh sales (by customer class residential, commercial, and industrial) for each 12-month period from February 2012, through February 2017.

f. The level of Kentucky Power employees for each 12-month period from February 2012 through February 2017.

g. Whether the costs are allocated based on the number of Kentucky Power employees, Kentucky Power kWh sales, or Kentucky Power's peak demand. If so, identify each.

h. Whether Kentucky Power has made an adjustment to the test-year level of AEP Service Corporation costs to reflect the most recent three-, five-, or ten-year trend in the number of employees, the kWh sales, and Kentucky Power's peak demand. If so, identify each adjustment.

i. If the answer to h. above is no, provide a complete explanation as to why no test-year adjustment was made in Kentucky Power's proposed test-year level of AEP Service Corporation costs.

86. Refer to the response to Staff's First Request, Item 46, regarding executive salaries and other compensation and provide:

a. The account numbers to which the executives and/or officers' salaries and other compensation were charged.

b. An explanation of the amount and percentage of each of these employees' salaries and associated expenses which were recorded below the line for ratemaking purposes, along with how the methodology for doing so was determined.

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DATED AUG 14 2017

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