

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)	CASE NO.
SERVICE; (2) AN ORDER APPROVING ITS 2017)	2017-00179
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)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL

The Attorney General, by and through his Office of Rate Intervention ("Attorney General"), 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 October 27, 2017. Responses to requests for information in paper medium 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.

The Attorney General 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 the Attorney General 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 filing a paper containing personal information, the Attorney General 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 Direct Testimony of Ralph C. Smith ("Smith Testimony"), page 8, lines 22–23. Confirm that the overall revenue increase is \$60,397,438 rather than \$60,697,438.

2. Refer to the Smith Testimony, page 12.

- a. Page 12, lines 4–5, State "Company has an annual base rate revenue requirement excess of approximately \$39.9 million". Explain whether the approximately \$39.9 million is an excess or a deficiency.

b. Reconcile the Attorney General's support for a revenue increase of approximately \$40.0 million, or 8.00 percent, with the Attorney General's October 4, 2017 press release in which he proposes that Kentucky Power Company ("Kentucky Power") "forgo the requested increase on ratepayers by implementing stronger controls on spending and by decreasing the amount returned to its shareholders." A copy of the October 4, 2017 press release is attached as an Appendix.

3. Refer to the Smith Testimony, page 59. Explain in detail your recommendation that the Commission require Kentucky Power to clarify the responsibility among Consolidated Coal Company, Kentucky Power, and other American Electric Power Company affiliates to pay the Mitchell Plant ash pond remediation costs, including but not limited to costs associated with the Conner Creek Impoundment and Conner Creek Dam.

4. Refer to the Smith Testimony, pages 59–66, regarding the costs associated with the Rockport environmental surcharge and the Big Sandy retirement costs.

a. State whether the Attorney General is aware of any case(s) in which this Commission or another state public utility regulatory agency has denied the recovery of costs that are similar to the Rockport and Big Sandy costs that the Attorney General proposes be denied in this proceeding.

b. If the answer to a. above is affirmative, provide the authority, case law or other documentation that supports the denial.

c. Confirm that the Attorney General's revenue requirement removes only the costs associated with Rockport environmental surcharge.

5. Refer to the Smith Testimony, page 61, which alleges that AEP entered into the Consent decree to, among other things, provide “lower cost solutions at other non-Kentucky” generating plants. Identify and explain the “lower cost solutions” at other non-Kentucky jurisdictional electric generating plants and the rate impacts on Kentucky Power’s customers.

6. Refer to the Smith Testimony at page 70. Explain in detail why the cost-of service items should not be tracked and recovered through Tariff PPA, but instead continue to be collected through base rates.

7. Refer to the Smith Testimony, Exhibit RCS-1, page 3 of 32.

a. Refer to line 10, Theft Recovery Revenue. If the Commission were to deny Kentucky Power’s proposal to add five employees, explain whether the Attorney General would still recommend the proposed adjustment.

b. Refer to line 18, Affiliate Charges for Corporate Aviation Expense, Schedule C-9. Also refer to Kentucky Power’s response to Commission Staff’s Second Request for Information, Item 55; Kentucky Power’s response to Commission Staff’s Third Request for Information, Item 19; and Kentucky Power’s response to the Attorney General’s First Request for Information, Item 153. Explain the basis for rendering all aviation expense unallowable for ratemaking purposes.

c. Refer to line 24, Rate Case Expense and the Smith Testimony, page 51.

(1) Explain why the Attorney General has not raised this issue with the Federal Energy Regulatory Commission (“FERC”).

(2) Provide the most recent returns on equity (“ROE”) that have been granted by FERC.

(3) Confirm that the Attorney General is recommending that all rate case expense be denied due to the ROE that is being applied to the Rockport Unit Power Sale.

8. Refer to the Smith Testimony. Provide Exhibit RCS-1 in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible.

9. Refer to the Direct Testimony of J. Randall Woolridge, Ph.D. (“Woolridge Testimony”), Exhibit JRW-4, page 1 of 3.

a. Explain why the Attorney General’s proposed ROE of 8.6 percent for Kentucky Power is representative of investor’s expectations, given that the median earned ROE for electric utilities, as shown in Panel A, is 9.3 percent.

b. Provide an update to Panels A and B using the most recent Value Line investment Survey reported ROEs.

10. Refer to the Woolridge Testimony, page 30, line 9. Provide the current yield on long-term A-rated public utility bonds.

11. Refer to the Woolridge Testimony, page 47, Table 1. Explain why the growth rate was adjusted by one-half.

12. Refer to the Woolridge Testimony, Exhibit JRW-10.

a. Refer to page 2 of 6.

(1) Provide a copy of the source documents for the annual dividends and 30-day, 90-day, and 180-day dividend yields.

(2) If any of the above is calculated, provide the calculations.

b. Refer to pages 3–6 of 6.

(1) Explain how negative growth rates were included in the calculation of mean values on pages 3 and 5.

(2) Explain why averaging median values produces meaningful estimates.

13. Provide the most recently authorized ROE awards for the Attorney General's proxy groups, and the dates they were awarded.

14. Refer to the Direct Testimony of David E. Dismukes, Ph.D., ("Dismukes Testimony"), page 7. Provide the average amount of accounts receiving multiple disconnects for the state of Kentucky.

15. Refer to the Dismukes Testimony, pages 15–16. Confirm that the Attorney General supports Kentucky Power's proposal to reduce the residential class subsidy by 5 percent. If the Attorney General cannot confirm, provide the amount of residential class subsidy the Attorney General supports.

16. Refer to the Dismukes Testimony, pages 20–22. Confirm that, aside from Kentucky Power's analysis of fixed costs as applied to the demand-related costs, the Attorney General finds no other major issues with the methodology applied to Kentucky Power's cost-of-service study ("COSS"). If this cannot be confirmed, explain the issues the Attorney General finds with the COSS.

17. Refer to the Dismukes Testimony, pages 22–23. Confirm that although Dr. Bonbright questions the assignment of demand-related costs as fixed relative to the number of customers taking electrical service, he also states that most utilities use

18. some form of minimum system to classify costs, and such practice is in line with the FERC accounts.

19. Refer to the Dismukes Testimony, Exhibit DED-6.

a. Explain why the study did not include any utilities from Indiana or Ohio in the comparison.

b. Provide an update to this exhibit showing the date each of the companies listed were authorized to begin charging the rates shown.

c. State whether any of the utilities shown in the comparison have formula rate cases.

20. Refer to the Dismukes Testimony, Exhibit DED-7.

a. Provide a copy of the source document, the 2009 Residential Electricity Consumption Survey ("RECS").

b. Given that the survey was performed eight years ago, explain whether the usages on this table would increase or decrease if the study were performed today.

21. Refer to the Dismukes Testimony, Exhibit DED-8. Provide the percentage of income for incomes greater than \$120,000.

22. Explain whether Mr. Dismukes believes that regardless of income, many customers in Kentucky Power's service territory rely on electricity as a primary means for heating, and thus, are above-average electric users.

23. Confirm whether the Attorney General performed its own COSS. If the Attorney General did perform his own COSS, provide a copy in Excel spreadsheet

format with all formulas intact and unprotected and with all columns and rows accessible.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
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DATED OCT 17 2017

cc: Parties of Record

APPENDIX

APPENDIX TO A REQUEST FOR INFORMATION OF THE KENTUCKY
PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179

Beshear Vows to Fight AEP/Kentucky Power Rate Proposal

PIKEVILLE, Ky. (Oct. 4, 2017) – Attorney General Andy Beshear today joined Eastern Kentucky lawmakers, school and local officials, and advocates to announce his Office of Rate Intervention is recommending that the Public Service Commission (PSC) deny AEP/Kentucky Power's more than \$60 million proposed increase.

The 16-percent increase, Beshear and the group said, would further devastate the more than 168,500 Kentuckians in the utility's 20-county service area, which includes Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike and Rowan counties.

Beshear is proposing that AEP forgo the requested increase on ratepayers by implementing stronger controls on spending and by decreasing the amount returned to its shareholders.

"Our families in Eastern Kentucky are already past the breaking point. They simply cannot afford another increase," Beshear said. "This company must manage its needs without placing them on the backs of households, business, seniors, schools and local governments."

Beshear said a crippling rate increase by the company now would counter any economic development efforts in the region by pushing out the skilled workforce needed to maintain existing businesses or attract new businesses.

Beshear's proposal filed with the PSC incorporates testimony by four experts on affordability, rate of return required by shareholders and the effect on low-income customers.

Parties in this case include the Kentucky School Board Association, the Kentucky Cable Telecommunications Association, Kentucky League of Cities, Kentucky Commercial Utility Customers, Kentucky Industrial Utility Customers and Walmart.

The PSC has scheduled three public meetings: Prestonsburg Nov. 2; Hazard Nov. 6 and Ashland Nov. 8, where the public may attend and provide comments.

Beshear and the group said the PSC should be required, however, to hold public hearings in each of the 20 counties and hear concerns on its proposed increase, which they all agree is unwarranted.

"It's nothing to hear an \$800 or \$1,000 electric bill each month," said Alice Craft, a retired Letcher County teacher. "AEP is asking for another raise. How on God's green Earth do you expect citizens to pay for this when they can't even pay for the last increase? We need help from Attorney General Beshear. We need to stop AEP and the rate increases. We can't afford it."

"It's unacceptable to not have a public hearing in Pike County," said Rep. Angie Hatton, of Whitesburg. "AEP provides electricity to more than 33,000 customers in Pike County, making it by far the largest county in the service area. I demand the PSC hold a public hearing in Pikeville before the case begins Dec. 6. These rates are already so high that they can't be borne by most Eastern Kentucky customers. To grant any increase at all would ensure that low-income customers will be forced to choose between heat and food this winter."

"Kentucky Power is attempting to bolster its bottom line on the backs of consumers who are already reeling from the effects of the collapse of our region's coal economy," said Knott County Judge-Executive Zach Weinberg. "Instead of accepting a lesser return during these hard times, it is seeking to pass its costs on to those who can afford it least, the men and women and children of Eastern Kentucky."

"If you live on a low income, or a fixed income, or live paycheck to paycheck, every penny matters," said Roger McCann, executive director of Community Action Kentucky. "If the cost of one thing goes up, that means you have less to spend on things like food, medicine, books and gasoline. Something has to be cut and that is why I am here today. To speak up for the families who are going to have to make yet another tough decision."

"Last year Letcher County School System spent \$953,677 on electricity," said Letcher County Public Schools Superintendent Tony Sergent. "A 16-percent increase would cost our district \$152,588 annually. With all of the other cuts to our county, like the lowering of the unmined coal assessment, it is easy to see that our school district and others in Eastern Kentucky can't take another hit."

"Pike County schools cannot afford to spend additional money on an electricity rate hike," said Pike County Public Schools Superintendent Reed Adkins. "We are experiencing increases at every corner, like how the free and reduced lunch rates have increased in Pike County, and our families cannot afford one more."

"We in Eastern Kentucky are doing everything possible to increase education levels, improve health, establish a strong workforce and attract new businesses," said James Michael Howell, executive director of the Big Sandy Area Community Action Program. "But we cannot move forward if we are continually being cut off at the knees. This rate increase would do just that."

To request a public hearing in your county, or to submit a public comment, contact the Public Service Commission at psc.info@ky.gov or at 502-564-3940.

Beshear's Office of Rate Intervention serves as a watchdog for consumers in matters relating to health insurance, natural gas, water, sewer, electric and telephone rates. Under Kentucky law, the office is responsible for representing the interests of Kentucky consumers before governmental ratemaking agencies, concentrating on utility cases before PSC.

In April, Beshear's office entered into a settlement with LG&E and KU saving Kentucky ratepayers \$90 million.

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