

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF	)	
AMERICAN ELECTRIC POWER COMPANY, INC.,	)	
KENTUCKY POWER COMPANY AND LIBERTY	)	CASE NO.
UTILITIES CO. FOR APPROVAL OF THE	)	2021-00481
TRANSFER OF OWNERSHIP AND CONTROL OF	)	
KENTUCKY POWER COMPANY	)	

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

Kentucky Power Company (Kentucky Power), and Liberty Utilities, Co. (Liberty), (collectively, Joint Applicants) pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested is due on February 14, 2022. The Commission directs the Joint Applicants to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 Joint Applicants shall make timely amendment to any prior response if the Joint Applicants obtain information that indicate the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Joint Applicants fail or refuse to furnish all or part of the requested information, the Joint Applicants 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, the Joint Applicants 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 Kentucky Power's response to Commission Staff's First Request for Information (Staff's First Request), Item 30.
  - a. Provide an update to the term loan extension.
  - b. Explain why American Electric Power Company, Inc. (AEP) decided to extend the loan rather than refinance it.

c. Provide the estimated interest rate for the up to two year maturity extension.

2. Refer to Liberty's response to Staff's First Request, Item 51. Also refer to the Transition Service Agreement, which is Exhibit A to the Stock Purchase Agreement, filed as Exhibit 5 to the application. Provide American Electric Power Service Corp.'s (AEPSC) costs allocated to Kentucky Power for each of the services listed in the Transition Service Agreement to be provided at cost by AEP, with a breakout for each discrete service.

3. Refer to the Application, generally. Describe Liberty's experience in other jurisdictions with securitization of any items that posed major rate risk to customers, including but not limited to extraordinary storm damage expenses or undepreciated value of retired assets.

4. Refer to Liberty's response to Staff's First Request, Item 34. Also refer to the Direct Testimony of Peter Eichler (Eichler Direct Testimony), page 8, and the Direct Testimony of David Swain (Swain Direct Testimony), page 7 and 10, regarding AEP Kentucky Transmission Company, Inc. (Kentucky Transco).

a. Provide the number of Kentucky Transco employees.

b. Explain in specific detail why it is in the public interest to maintain Kentucky Transco as a separate entity.

c. Explain in specific detail why the public interest is not better served by merging Kentucky Transco into Kentucky Power.

d. State whether Liberty would commit to merge Kentucky Transco into Kentucky Power and, if not, explain why not.

5. Refer to Liberty's response to Staff's First Request, Item 17, regarding centralized costs, including a comparison of AEPSC's allocation of costs to Kentucky Power and Liberty's anticipated centralized costs.

a. Explain whether Liberty anticipates that the same generation, transmission, and corporate services provided by AEPSC for \$75.8 million would cost approximately \$67.0 million, with \$33.1 million for Algonquin Power & Utilities Corp.'s (Algonquin) cost allocation and \$33.9 million for directly providing services currently provided by AEPSC.

b. Explain whether Liberty anticipates that the same functions provided by AEPSC under centralized generation, transmission, and corporate services that will now be provided Liberty or Algonquin under centralized generation, transmission, and corporate services (such as information technology, treasury, and investor relations), are expected to cost approximately \$33.1 million.

c. Explain whether Liberty anticipates that the same functions provided by AEPSC under centralized generation, transmission, and corporate services that will now be provided directly by Kentucky Power are expected to cost \$33.9 million.

6. Refer to Liberty's response to Staff's First Request, Item 5. Explain how other Liberty regulated utilities handle receivables and how Kentucky Power will handle all receivables post-closing.

7. Refer to Liberty's response to Staff's First Request, Item 14. Explain whether Kentucky Power will require debt or equity issuances before 2024. If so, provide the forecasted capital structure of Kentucky Power for 2022 and 2023.

8. Refer to Liberty's response to Staff's First Request, Items 23 and 53.

a. Describe how the perceived risk and subsequent interest rates associated with the hybrid debt compares to other forms of debt financing.

b. Describe how ratings agencies view hybrid debt as a financing vehicle as compared to other forms of debt.

c. Explain the form of the hybrid debt that comprise Liberty's \$1.1 billion in hybrid debt, i.e. does it take the form of convertible bonds, preferred shares, or something else.

d. Explain how Liberty would propose to treat hybrid debt as a part of its capital structure in Kentucky Power's next rate case.

9. Refer to Liberty's response to Staff's First Request, Item 31, regarding PJM Interconnection, LLC (PJM) market operations services being provided by a third party vendor post-closing until Liberty implements or completes necessary items. Identify the third party vendor and provide a copy of the third party contract, when available.

10. Refer to Liberty's response to Staff's First Request, Item 51, regarding services to be performed by AEP under the Transition Service Agreement.

a. Explain whether these are costs that Liberty considered as part of the transaction costs that will not be recovered from Kentucky Power ratepayers.

b. Explain how the transition service costs will be recorded and how they will be identifiable in Kentucky Power's next rate case.

11. Provide a chart of the costs for centralized generation, transmission, and corporate services provided by Liberty or Algonquin and allocated to each of Liberty's regulated utility subsidiaries based upon the regulated utility subsidiaries' last rate case in relation to the rate base.

12. Refer to Liberty's response to Staff's First Request, Item 36. Confirm that Liberty commits to assume the filings that are required by Case No. 2007-00023.<sup>2</sup>

13. Explain whether Liberty intends to continue Kentucky Power's agreements regarding asset sharing agreements and mutual assistance agreements, and, working with Kentucky Power and AEP, provide a list of those agreements.

14. Refer to Liberty's response to Staff's First Request, Items 38 and 46.

a. Provide an explanation of the PJM requirements or parameters that Liberty will have to work within in its determination of whether to stay within PJM, and, if the decision is to remain within PJM, what are the options available to Liberty as to how it will participate in PJM markets.

b. If PJM determines which load serving entities (LSEs) are placed in any particular zone, explain the factors used to make such determinations and the extent to which Liberty would have any influence on the ultimate determination.

15. Provide the net increase or decrease in costs post-closing that that Liberty anticipates that it will incur regarding the AEP East Transmission System, provided the total estimated cost and a break out for discrete costs. Provide the information in Excel spreadsheet format, with all rows, columns, and formulas unprotected and fully accessible.

16. Explain whether, after the post-closing transition period, Kentucky Power could be in its own PJM zone, choose a different zone, or whether the decision lies with PJM.

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<sup>2</sup> Case No. 2007-00023, *Petition of Kentucky Power Company for Approval of Spare Transformer Sharing Agreement and Transactions Agreement* (Ky. PSC Feb. 7, 2007).

17. Refer to Liberty's response to Staff's First Request, Item 43. Provide a status update on the Bridge Power Coordination Agreement negotiations, which were expected to begin in January 2022, and, if the negotiations continue, provide an updated status report beginning on Friday, February 25, 2022, and continuing every three weeks during the pendency of this proceeding.

18. Refer to Liberty's response to Staff's First Request, Item 51, regarding transition services costs that are reimbursable to AEP.

a. Explain the basis of and provide support for the 0.35 multiplied by hours of service provided.

b. Explain why it is reasonable to include the adder on top of all employee related expenses.

19. Refer to Liberty's response to Staff's First Request, Item 61. Provide a more detailed explanation of how a 12kV system is less susceptible to environmental exposure than the 34.5 kV circuits on the distribution system and whether Liberty anticipates distribution system upgrades based upon that assessment.

20. Refer to Kentucky Power's response to Staff's First Request, Item 62, which states that Kentucky Power's environmental liabilities will remain with Kentucky Power post-closing and will not be assumed or indemnified by AEP. Explain how Liberty will hedge against Kentucky Power's existing environmental liabilities.

21. In Case No. 2020-00174, Kentucky Power stated that approximately 75 percent of its existing AMR meters were between 10 and 15 years old, and thus

nearing the end of their 15-year useful life.<sup>3</sup> Explain how Liberty plans to address the age of and issues with Kentucky Power's current metering system.

22. Refer to Case No. 2020-00174, the Direct Testimony of Adrien M. McKenzie, CFA, Exhibit AMM-12. Provide an exhibit similar to this using the most recent debt, preferred stock, and common equity ratios, and the projections for each electric utility listed in Exhibit AMM-12.

23. Refer to Case No. 2017-00179,<sup>4</sup> Settlement Agreement, page 6, which states, "However, for 2023 only, the Rockport Fixed Cost Savings credit will be offset by the amount, if any, necessary for the Company to earn its Kentucky Commission-authorized return on equity (ROE) for 2023 ("Rockport Offset")." Explain whether Liberty will commit to excluding expenses that are regularly removed for ratemaking purposes in the calculation of Kentucky Power's earned return on equity for 2023. If so, provide the expenses which Liberty agrees to exclude. If not, explain why not.

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<sup>3</sup> Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021), final Order, at 68.

<sup>4</sup> Case No. 2017-00179, *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* (Ky. PSC Jan. 18, 2018).





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DATED FEB 02 2022

cc: Parties of Record

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