

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY	)	
FOR AN ORDER APPROVING ACCOUNTING	)	
PRACTICES TO ESTABLISH REGULATORY ASSETS	)	
AND LIABILITIES RELATED TO THE EXTRAORDINARY	)	CASE NO.
EXPENSES INCURRED BY KENTUCKY POWER	)	2016-00180
COMPANY IN CONNECTION WITH THE TWO 2015	)	
MAJOR STORM EVENTS	)	

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 and six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before August 12, 2016. 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.

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 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, paragraph 25, and Exhibit 2, page 1 of 1. The total amount of deferred storm costs is shown as \$4,694,230. Confirm that Kentucky Power is requesting a deferral of \$285,609 for the March 2015 storm and \$4,408,621 for the July 2015 storm. If this cannot be confirmed, provide the requested deferral amount for each storm.

2. Refer to Kentucky Power's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 4.

a. Refer to the response to Item 4.a.

(1) In light of Kentucky Power's specific acknowledgement that Commission approval is a necessary predicate for it to record a regulatory asset, and notwithstanding the Generally Accepted Accounting Principles ("GAAP") rule permitting

Kentucky Power to do so, explain why Kentucky Power did not seek Commission approval before deferring the incremental operation and maintenance expense related to the 2015 Major Event storms.

(2) In the event Kentucky Power's application is denied by the Commission, explain how such a denial would affect Kentucky Power's 2015 financial statements, including operations and maintenance ("O&M") expense, earnings and return on equity. Also, describe the process that would need to be undertaken to restate Kentucky Power's 2015 financial statements, and state whether Kentucky Power would restate its 2015 financial statement.

(3) Provide a copy of Kentucky Power's audited 2015 financial statements and audit report.

(4) Provide a copy of the GAAP rule referenced in this response.

b. For each of the two major storms, provide the actual costs recorded on Kentucky Power's books each month since each storm occurred.

c. Refer to the response to Item 4.c. Provide supporting documentation showing when the journal entry was made to transfer the incremental storm costs to account 182.

3. Refer to Kentucky Power's response to Staff's First Request, Item 5. Explain the necessity of receiving an Order in this proceeding by September 30, 2016.

4. Refer to Kentucky Power's response to Staff's First Request, Items 6.c. and 12.

a. Explain why the costs listed in Item 12 have not been included in this application for a regulatory asset, given the amount of maintenance O&M costs in base rates listed in Item 6.c.

b. What does the percent of the O&M cost for storm damages embedded in rate base represent to total 2015 O&M expense?

c. What percent does the proposed regulatory asset represent to total 2015 O&M expense?

d. With respect to Items b. and c. above, provide the percent each amount represents in relation to total O&M expense exclusive of Accounts 501 (Fuel) and 555 (Purchased Power).

5. Refer to Kentucky Power's response to Staff's First Request, Item 13, findings 5 and 6 of Kentucky Power's review and its plans related to those findings.

a. Explain and elaborate on the term "separate grounding personnel" to be assigned to Forestry crews.

b. Explain the need for a General Foreman to be present when a stick saw is in use, rather than considering the size of the crew or other equipment use.

c. Explain and elaborate on the term "Cut and Run" crews.

6. Refer to Kentucky Power's response to Staff's First Request, Item 15, Recommendation B-2. State whether any line hardening had occurred on any of the distribution lines that suffered outages during the March 2015 and July 2015 storms.

7. Provide Kentucky Power's earnings, equity, and return on equity for calendar year 2015, along with the supporting calculations.

8. Provide a copy of all communication between or among Kentucky Power, American Electric Power Service Corporation personnel, and/or Kentucky Power's auditors regarding the recording of the storm costs as a deferral.

9. Explain why the case style used by Kentucky Power for this proceeding refers to the establishment of both regulatory assets and liabilities when Kentucky Power is not proposing to establish a regulatory liability.

10. Provide the amount budgeted for total O&M costs for each of the next five years. If storm costs are included in the O&M budget, provide the amount included in total O&M costs each year.



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DATED JUL 27 2016

cc: Parties of Record

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