

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
KENTUCKY POWER COMPANY FOR 1))	
AUTHORITY UNDER KRS 278.2207(2) AND)	
KRS 278.2219 TO THE EXTENT REQUIRED)	
TO ENABLE THE COMPANY TO PAY FEES)	CASE NO.
AND COSTS IMPOSED BY THE GRID)	2018-00287
ASSURANCE, LLC SUBSCRIPTION)	
AGREEMENT; 2) THE GRANT OF ALL)	
OTHER REQUIRED APPROVALS AND)	
RELIEF)	

COMMISSION STAFF'S FIRST 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 in paper medium and an electronic version of the following information. The information requested herein is due on or before October 17, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. 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 that 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. Provide the operating agreements for Grid Assurance, LLC (Grid Assurance), and AEP Transmission Holding Company, LLC (AEP Transmission Holding),
2. Explain in detail how the members of the board of managers of Grid Assurance will be chosen.
3. Explain the extent that AEP Transmission Holding will be able to influence, directly or indirectly through other persons or entities, the composition of Grid Assurance's board of managers.
4. To the extent that AEP Transmission Holding will be able to influence the composition of Grid Assurance's board of managers, explain in detail how AEP

Transmission Holding intends to exercise that influence. Include any description of any processes to be in place for exercising that influence and the involvement of Kentucky Power, its parent company, or any affiliate.

5. Explain in detail the rights as to Grid Assurance held by AEP Transmission Holding because of its equity interest ownership in Grid Assurance. Include in the explanation the extent that AEP Transmission Holding may direct the management or policies of Grid Assurance, either directly or indirectly through other persons or entities.

6. Describe any overlap between employees, owners, members, directors, managers, officers, stockholders, voting or holding trusts, and operators of Grid Assurance, AEP Transmission Holding, and Kentucky Power, its parent, and affiliates. Include current and anticipated overlap, that is, after the Transition Date, as defined in the application. Include any overlap of position, e.g., the director of AEP Transmission Holding shall, by virtue of holding that position, be a manager of Grid Assurance.

7. Identify the individuals involved in the decision for AEP Transmission Holding to become an equity investor in Grid Assurance and describe their process for reaching that decision.

8. Identify the individuals involved in the decision for Kentucky Power to become a subscriber to Grid Assurance and describe their process for reaching that decision.

9. Refer to the application, paragraph 8.

a. Provide an update on the current equity ownership levels and anticipated Transition Date.

b. Identify the method by which new subscribers may have an opportunity to become equity owners after the Transition Date and how that would affect AEP Transmission Holding's equity interest.

10. Refer to the application, paragraph 10. Explain what is meant by, "Grid Assurance supports the restoration of electric service . . . through multiple services including: . . . assisting with delivery logistics."

11. Refer to the application, paragraph 11. Identify any service available to Kentucky Power, its parent company, or affiliates similar to the Sparing Service, as defined in the application. Include the name of the service provider, price, and description of the service.

12. Refer to the application, paragraphs 18–24.

a. Explain the volatility of the cost to be charged to Kentucky Power and any limits or parameters on how this cost may change in the future should the application be approved.

b. State whether Kentucky Power foresees a situation where its cost for the Sparing Service could become more than *de minimus*.

c. State whether Kentucky Power believes there is a threshold cost for the Sparing Service for which it would need additional Commission approval to agree to pay.

13. Describe the extent to which Kentucky Power may cease participating in the Subscription Agreement, as that term is used in the application. Include the individuals, by name or position, with authority to make that determination on Kentucky Power's behalf,

and state whether it is contingent upon approval of any person or entity outside of Kentucky Power.

14. Provide a copy of all applications and orders granting or denying same for any Kentucky Power affiliate to enter into a Subscription Agreement.

15. Refer to the application, paragraphs 25–28. State whether the Subscription Agreement requires Kentucky Power to purchase equipment from Grid Assurance under any circumstances.

16. Refer to the application, paragraph 31, which states that “[e]ach member of the Board of Managers [for Grid Assurance] will have an equal vote for the management of Grid Assurance.” Identify and provide the source or support for this statement.

17. Refer to the application, paragraph 32.

a. Explain how Kentucky Power, its parent, or its affiliates will augment and support Grid Assurance in the future.

b. Explain what is meant by the sentence, “The final staffing will be a function of the final subscription and final contracted services.”

18. Refer to the application, paragraph 33. If AEP Transmission Holding increases its equity interest in Grid Assurance as described in that paragraph, explain the effect on AEP Transmission Holding’s ability to direct and control Grid Assurance in relation to other equity owners.

19. Refer to the application, paragraph 36. Explain the circumstances under which Kentucky Power would, upon a Qualifying Event, purchase equipment from Grid Assurance at a price greater than market price.

20. Refer to the application, paragraph 37. Explain the circumstances under which Kentucky Power would, using a Discretionary Sale, purchase equipment from Grid Assurance at a price greater than market price.

21. Refer to the application, paragraph 38. Explain the basis for stating that AEP Transmission Holding will hold a non-controlling interest in Grid Assurance even though it will have an equity interest in Grid Assurance and will have representation on the Board of Managers of Grid Assurance.

22. Refer to the application, paragraph 45, which states that “[t]he lead time to obtain an Inventoried Spare from a manufacturer may be up to two years.” Identify and provide the source or support for this statement.

23. Refer to the application, paragraph 47.

a. Identify the alternatives examined and provide Kentucky Power’s analysis of those alternatives.

b. Explain what is meant by, “Grid Assurance also provides Kentucky Power with . . . pre-planned transportation and logistical plans.”

c. State Kentucky Power’s belief as to whether Grid Assurance is a replacement or alternative to mutual assistance agreements and whether Kentucky Power is considering such an agreement.

24. Refer to the application, paragraph 10, which states that Grid Assurance was launched in May 2016. Refer also to the application, paragraph 58, which seeks an expedited decision. Explain why Kentucky Power waited until August 23, 2018, to file its notice of intent to file its application.

25. Refer to the form Subscription Agreement attached as Exhibit 2 to the application.

a. Explain what “assessments” are included in the definition of “original cost” on page 8 of the exhibit.

b. Explain what “fees” are included in the definition of “original cost” on page 8 of the exhibit.

c. Explain what “other costs” are included in the definition of “original cost” on page 8 of the exhibit.

d. Refer to paragraph 2.6 of the exhibit. Describe any discussion American Electric Power Company, Inc., has had regarding itself, a wholly owned entity, or an affiliate becoming a subcontractor for Grid Assurance and any such anticipated subcontractor activities.

e. Refer to paragraph 9.1 of the exhibit. Explain whether Kentucky Power anticipates participating in any committee.

f. Refer to Schedule 4.5 of the exhibit.

(1) Describe the extent the terms of sale in this schedule differ from Kentucky Power’s typical purchases of similar equipment.

(2) Explain the interplay between the Delivery term in paragraph 1 and representations in the application regarding Grid Assurance’s logistics services, for example, in paragraph 14 of the application.

(3) Describe Kentucky Power’s analysis of the effect on the warranty provisions on Kentucky Power’s evaluation of the relative costs of a purchase

pursuant to these terms as compared to Kentucky Power's typical purchases of similar equipment.

g. Calculate Kentucky Power's Termination Liability, as defined in the exhibit, based on currently known information.

26. State whether Kentucky Power has or will have a preference for purchases from Grid Assurance.

27. Provide a copy of Kentucky Power's policies and procedures regarding equipment purchasing for the type of equipment included in its subscription to Grid Assurance and describe any changes to those policies and procedures anticipated because of the Grid Assurance subscription.

28. State whether Kentucky Power is seeking approval for any future purchase of equipment from Grid Assurance and, if so:

a. Identify what specific types or categories of purchase for which you request approval.

b. Explain how Kentucky Power will decide to make those purchases.


29. Provide any other contracts, executed or anticipated, between (1) Kentucky Power, its parent, or affiliates and (2) Grid Assurance.

30. Describe any cost-benefit analysis of the Grid Assurance subscription as to Kentucky Power, its parent, or affiliates.

31. Describe any plans, mechanisms, procedures, or processes Kentucky Power has in place for future evaluations of the cost-effectiveness of subscribing to Grid Assurance.

32. Explain and quantify to the extent possible any monetary savings Kentucky Power anticipates with respect to its equipment reserve because of subscribing to Grid Assurance.

33. Explain and quantify to the extent possible any costs Kentucky Power anticipates with respect to its participation in Grid Assurance not captured in the fee to be paid to Grid Assurance, including but not limited to any compliance cost or cost associated with overseeing/auditing Grid Assurance.

for 
Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 01 2018

cc: Parties of Record

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