

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE MECHANISM)	CASE NO.
OF KENTUCKY POWER COMPANY FOR THE)	2020-00133
TWO-YEAR BILLING PERIOD ENDING)	
JUNE 30, 2019)	

ORDER

On May 27, 1997, the Commission approved Kentucky Power Company's (Kentucky Power) environmental surcharge application and established a surcharge mechanism.¹ Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review and evaluate the past operations of the environmental surcharge, disallow any surcharge amounts found not to be just and reasonable, and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). At two-year intervals, the Commission must review and evaluate the past operations of the environmental surcharge, disallow improper expenses and, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility. Therefore, the Commission hereby initiates the two-year review of Kentucky Power's surcharge as billed from July 1, 2017, through June 30, 2019.²

¹ Case No. 1996-00489, *Application of Kentucky Power Company d/b/a American Electric Power to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with the Clean Air Act and Those Environmental Requirements Which Apply to Coal Combustion Wastes and By-Products* (Ky. PSC May 27, 1997).

² Because Kentucky Power's surcharge is billed on a two-month lag, the amounts billed from July 2017 through June 2019 are based on costs incurred from May 2017 through April 2019.

On March 29, 2013, Kentucky Power filed with the Commission written notification of its election pursuant to 807 KAR 5:001, Section 8, to use the electronic filing procedures in all future company six-month and two-year environmental surcharge review proceedings.³ As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings that we initiate on our own motion, we find that electronic filing procedures should be used. As such, Kentucky Power shall follow the procedures set forth in 807 KAR 5:001, Section 8, when filing any document or paper in this matter.

To facilitate this review, a procedural schedule is set forth in Appendix A. In accordance with that schedule, Kentucky Power is to file prepared direct testimony: (a) in support of the reasonableness of the application of its environmental surcharge mechanism during the period under review; and (b) on a proposal to roll-in its environmental surcharge into existing base rates. In addition, Kentucky Power is to file its response to the information requested in Appendix B to this Order. Since over- or under-recoveries may have occurred during the periods under review in this proceeding, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

All requests for intervention should be filed by the date set forth in Appendix A. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceedings which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will

³ Letter from Mark R. Overstreet, Counsel for Kentucky Power Company, to Jeff Derouen, Executive Director, Public Service Commission (Mar. 29, 2013).

assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Further, KRS 278.040(2) requires that a person seeking intervention must have an interest in the rates or service of a utility, as those are the only matters that are subject to the Commission's jurisdiction.

Based on the foregoing, the Commission further finds that any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of electricity consumed by the movant or a general statement regarding a potential impact of a possible modification of rates will not be deemed sufficient to establish a special interest.

IT IS HEREBY ORDERED that:

1. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding.
2. The Commission directs all parties to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085⁴ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency.
3. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of entry of this Order, Kentucky Power shall file a written statement with a copy to parties of record that

⁴ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

it waives any right to service of Commission Orders by United States mail and that it or its authorized agent possesses the facilities to receive electronic submissions.

4. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the entry of an Order of the Commission granting its intervention, file with the Commission a written statement that it waives any right to service of Commission orders by United States mail and that it or its authorized agent possesses the facilities to receive electronic submissions.

5. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

6. The procedural schedule set forth in Appendix A to this Order shall be followed in this proceeding.

7. Any motion to intervene filed after the date set forth in Appendix A shall show a basis for intervention and good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

8. By the date set forth in Appendix A, Kentucky Power shall file its prepared direct testimony: (a) in support of the reasonableness of the application of its

environmental surcharge mechanism during the period under review; and (b) on a proposal to roll-in its environmental surcharge into existing base rates.

9. Any party filing testimony shall comply with the electronic filing procedures set forth in 807 KAR 5:001, Section 8, and shall file with the Commission an original in paper medium and an electronic version. The original 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.

10. a. The information requested in Appendix B to this Order is due by the date set forth in Appendix A. Responses to requests for information shall include the name of the witness responsible for responding to the questions related to the information provided, with an original in paper medium and an electronic version to the Commission. 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.

b. 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 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.

c. Any party shall make timely amendment to any prior responses 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.

d. A party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond for any requests to which a party fails or refuses to furnish all or part of the requested information.

e. Careful attention should 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.

f. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

11. Within seven days of the Commission's granting intervention to a party, Kentucky Power shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

12. Kentucky Power's monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

13. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

12. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00133 DATED APR 29 2020

Kentucky Power shall file its prepared direct testimony and responses to the information requested in Appendix B no later than 05/29/20

A person interested in becoming a party to this proceeding shall file a motion to intervene with the Commission pursuant to 807 KAR 5:001, Section 4(11) no later than.....06/05/20

All additional requests for information to Kentucky Power shall be filed no later than 06/19/20

Kentucky Power shall file responses to additional requests for information no later than..... 07/03/20

Intervenor testimony, if any, in verified prepared form shall be filed no later than 07/17/20

All requests for information to Intervenors shall be filed no later than..... 07/31/20

Intervenors shall file responses to requests for information no later than..... 08/14/20

Last day for Kentucky Power to request a hearing or submit this case for decision based on the record..... 08/28/20

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00133 DATED APR 29 2020

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

1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing period under review. Use ES Form 1.00 as a model for this summary. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included in the billing period under review. Include a calculation of any additional over- or under-recovery amount Kentucky Power believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for any such additional over- or under-recovery. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

2. The net gain or loss from sulfur dioxide and nitrogen oxide emission allowance sales is reported on ES Form 3.00, Calculation of Current Period Revenue Requirement, Third Component. For the last six expense months of the billing period under review, provide an explanation of how the gain or loss reported in the expense month was calculated and describe the transaction(s) that was the source of the gain or loss.

3. In Case No. 1996-00489,¹ the Commission ordered that Kentucky Power's rate of return on common equity for the environmental surcharge would be reviewed for reasonableness during the two-year review case. Currently, the rate of return on common equity is 10.25 percent approved in Case No. 2017-00179.² State whether Kentucky Power believes that the 10.25 percent rate of return on common equity for the environmental surcharge is reasonable. Explain the response and include any analyses or evaluations supporting its conclusions. If not, provide the rate of return on common equity that Kentucky Power proposes for its environmental surcharge. Provide a detailed analysis and testimony supporting Kentucky Power's position.

4. KRS 278.183(3) provides that, during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility. State whether Kentucky Power believes any additional surcharge amounts need to be incorporated into its base rates in conjunction with this two-year review. If so, provide the additional surcharge amount that Kentucky Power believes should be incorporated into its existing base rates. Explain how the surcharge amount should be incorporated into the base rates. Include all supporting calculations, workpapers, and assumptions as well as any analysis that Kentucky Power believes support its position.

¹ Case No. 1996-00489, *Application of Kentucky Power Company d/b/a American Electric Power to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with the Clean Air Act and Those Environmental Requirements Which Apply to Coal Combustion Wastes and By-Products* (Ky. PSC May 27, 1997).

² 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. 1, 2018).

5. Refer to ES Form 3.13, Mitchell Environmental Costs for the expense months November 2018 through April 2019. Explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent for each of the following operating and maintenance costs listed:

- a. Line 18 Monthly Disposal (5010000)
- b. Line 20 Monthly Urea Expense (5020002)
- c. Line 21 Monthly Trona Expense (5020003)
- d. Line 22 Monthly Lime Stone Expense (5020004)
- e. Line 23 Monthly Polymer Expense (5020005)
- f. Line 24 Monthly Lime Hydrate Expense (5020007)
- g. Line 25 Monthly WV Air Emission Fee
- h. Line 31 Monthly FGD Maintenance Expense
- i. Line 32 Monthly Non-FGD Maintenance Expense

6. Refer to ES Form 3.20, Rockport Environmental Costs for the expense months November 2018 through April 2019. Explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent for each of the following operating and maintenance costs listed:

- a. Line 13 Monthly Brominated Sodium Bicarbonate (5020028)
- b. Line 14 Monthly Brominated Activated Carbon (5020008)
- c. Line 16 Monthly IN Air Emission Fee
- d. Line 19 Monthly Maintenance Expense

7. Reference ES Form 3.11 for the months in this review period.

a. For each month in the two-year review period, provide the calculation that supports the total cost of allowances consumed that is then carried to ES Form 3.10 for the May 2017 through July 2017 expense months, and ES Form 3.13 for the August 2017 through April 2019 expense months.

b. Provide an explanation and the reasons for any fluctuations in the monthly average cost of allowances determined in 10.a.

8. Provide the actual average residential customer's monthly usage as of April 2019. Based on this usage amount, provide the dollar impact any over- or under-recovery will have on the average residential customer's bill for the requested recovery period. Provide all supporting calculations in Excel spreadsheet format with all formulas intact and unprotected and all rows and columns accessible.

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