

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	)	
SERVICE; (2) APPROVAL OF TARIFFS AND	)	
RIDERS; (3) APPROVAL OF ACCOUNTING	)	CASE NO.
PRACTICES TO ESTABLISH REGULATORY	)	2023-00159
ASSETS AND LIABILITIES; (4) A	)	
SECURITIZATION FINANCING ORDER; AND (5)	)	
ALL OTHER REQUIRED APPROVALS AND	)	
RELIEF	)	

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

Kentucky Power Company (Kentucky Power), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on October 20, 2023. The Commission directs Kentucky Power 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

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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).

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 Kentucky Power obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, Kentucky Power shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned 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, 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 Kentucky Power's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1(a)-(b). Provide the annual report referenced from Case No. 2017-00179.<sup>2</sup>

2. Refer to Kentucky Power's response to Commission Staff's Second Request, Item 30. Provide the referenced preferred plan from Case No. 2023-00092<sup>3</sup> regarding the proposed retirement date for Big Sandy 1.

3. Refer to Kentucky Power's response to Staff's Second Request, Item 99(a), in which Kentucky Power stated incorrect late payment charges for customers was \$26,391.44. Also refer to Kentucky Power's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 9, in which Kentucky Power stated \$69,749.80 in late payment charges were assessed from January 13, 2021, until December 31, 2021. Explain the discrepancy between these two responses.

4. Refer to Kentucky Power's response to the Attorney General of the Commonwealth of Kentucky, through his Office and Rate Intervention and Kentucky Industrial Utility Customers, Inc.'s Joint First Request for Information, Item 18. Provide the most recent Decommissioning Rider and Purchase Power Adjustment calculation spreadsheets filed in Case No. 2020-00174.<sup>4</sup>

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<sup>2</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 Tariff 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.*

<sup>3</sup> Case No. 2023-00092, *Electronic 2022 Integrated Response Planning Report of Kentucky Power Company.*

<sup>4</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 a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief.*

5. Refer to Kentucky Power's response to Joint Intervenor's First Request, Item 29(a). Provide the Institute of Electrical and Electronic Engineers (IEEE) 1366 Standard.

6. Refer to the Direct Testimony of Michael Spaeth (Spaeth Direct Testimony), Exhibit MMS-1, pages 32–34. Provide the capacity rates that would result from using the National Renewable Energy Laboratories' Annual Technology Baseline as the cost of a proxy unit.

7. Refer to Kentucky Power's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 17 and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>5</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" Provide the specific documents requested. The response was not responsive.

a. Confirm that Kentucky Power will continue each of the listed programs if the Distribution Reliability Rider (DRR) is denied. If not, explain why not.

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<sup>5</sup> Case No. 2011-00433, *Alternative Rate Filing Of Coolbrook Utilities, LLC* (Ky. PSC May 9, 2012), Order.

b. If the DRR is approved, list each program listed that Kentucky Power will continue.

c. Provide a table showing the historical expenses for each listed program for the last five years and an estimate of the projected expenses for the next three years.

8. Refer to Kentucky Power's response to Staff's Third Request, Item 42. Provide the supporting calculations used to arrive at the subscription rates for the Renewable Power Option Rider.

9. For residential customers who are disconnected for non-payment, provide a detailed timeline of events from issuance of the bill to disconnection of service under the procedures in Kentucky Power's current tariff.

10. For residential customers who are disconnected for non-payment, provide a detailed timeline of events from issuance of the bill to disconnection of service under the procedures in Kentucky Power's proposed tariff.

11. Refer to Kentucky Power's response to Commission Staff's Fourth Request for Information (Staff's Fourth Request), Item 6. Confirm that Kentucky Power will describe the securitized bonds to investors as corporate securities.

12. Refer to the Spaeth Direct Testimony pages 21–22 and Exhibit MMS-4. Also refer to the Application, Exhibit 5, Proposed Financing Order; Kentucky Power's response to Staff's Fourth Request, Items, 9, 11, and 19(b).

a. Confirm that Kentucky Power proposes to set and adjust securitized surcharges based on Revenue forecasted to be billed during the next

payment period(s), not based on forecasted deliveries of electricity during the next payment period(s). If not confirmed, explain.

b. Confirm that Findings of Fact 49, 52, 53(d) and Appendix A of the proposed Financing Order must be revised to reflect that securitized surcharges will be based on revenue forecasted to be billed during the next payment period(s), not based on forecasted deliveries of electricity during the next payment period(s). If not confirmed, explain.

13. Refer to the Application, Exhibit 5, Proposed Financing Order, Section 5. Using the two definitions of revenues in Section 5 of the Securitization Financing Rider, provide the following information about Kentucky Power Company's annual forecast variance for revenues billed to retail customers for each calendar year 2013 through 2022, which each customer class provided separately:

- a. Forecasted billed revenues.
- b. Actual billed revenues.
- c. Variance percentage.

14. Explain what principles Kentucky Power will use to determine whether any new billing component imposed on retail customers of Kentucky Power after the Financing Order is adopted will be treated as revenues for purposes of the Securitization Financing Rider.

15. Refer to the Application, Exhibit 5, Proposed Financing Order. Explain whether the financing order should be revised to address the degree of flexibility the Commission will have to alter existing components of billed charges identified in Section 5 of the Securitization Financing Rider or to add newly imposed components of billed

charges. Explain how Commission flexibility to makes these changes would be received by potential investors and rating agencies.

16. Refer to KRS 65.114(2)(d). Confirm that the Commission can alter any of the billing charge components in Section 5 of the Securitization Financing Rider. If not confirmed, explain.

17. Explain how the Securitization Financing Rider will be applied to retail customers of any municipal electric utility or any rural electric cooperative successor to Kentucky Power when some or all of the billed charges components identified in Section 5 of the Securitization Financing Rider are no longer imposed on those retail customers.

18. Explain the mechanics of how the Securitization Financing Rider will be applied to retail customers who elect to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in Kentucky when some or all of the billed charges components identified in Section 5 of the Securitization Financing Rider are no longer imposed on those retail customers.

19. Refer to Kentucky Power response to Staff's Fourth Request, Item 9; Item 17; and Kentucky Power's response to Staff's Second Request, Item 67, Attachment 5, Texas Public Utility Commission (PUC) 2006 Financing Order for American Electric Power Texas Central (AEP Texas). Confirm that by including marketing in Finding of Fact 104, the Texas PUC went beyond the statutory standard set forth in Tex. Util. Code §39.301. If not confirmed, explain.

20. Refer to Kentucky Power's response to Staff's Fourth Request, Item 10. Identify any prior issuances of securitized ratepayer-backed bonds (i) which had \$400,000,000 or greater aggregate principal amount, (ii) for which Goldman Sachs &

Co. (Goldman) served as a bookrunning underwriter, and (iii) which were issued with only one tranche.

21. Refer to Kentucky Power's response to Staff's Fourth Request, Item 16. Identify any limits in KRS 278.670 – KRS 278.696 that Kentucky Power believes limit the Commission's authority to impose conditions on the issuance of securitized bonds as long as the conditions are not inconsistent with the statutes and the Commission finds the conditions are in the public interest.

22. KRS 278.670(6)(f)1, KRS 278.670(11) and KRS 278.674(1) authorize the Commission to adopt Financing Orders approving the issuance of securitized bonds subject to conditions. Confirm that the Commission has authority to condition its approval of the issuance of securitized bonds with a lowest cost certification from the underwriters, a lowest cost certification from Kentucky Power, and a lowest cost certification from the Commission's financial advisor.

23. Refer to Kentucky Power's response to Staff's Fourth Request, Item 17 and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>6</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough

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<sup>6</sup> Case No. 2011-00433, May 9, 2012 Order.



exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response is nonresponsive. Provide the requested information.

24. Refer to Kentucky Power's response to Staff's Fourth Request Item 18 and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>7</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response is nonresponsive. Provide the requested information.

25. Refer to Kentucky Power's response to Staff's Fourth Request, Item 25(a) and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case

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<sup>7</sup> Case No. 2011-00433, May 9, 2012 Order.

No. 2011-00433,<sup>8</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response is nonresponsive. Provide the requested information.

26. Refer to Kentucky Power's response to Staff's Fourth Request, Item 27(b) and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>9</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response is nonresponsive. Provide the requested information.

27. Refer to Kentucky Power's response to Staff's Fourth Request, Item 29(c) and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law

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<sup>8</sup> Case No. 2011-00433, May 9, 2012 Order.

<sup>9</sup> Case No. 2011-00433, May 9, 2012 Order.

upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>10</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response was nonresponsive. Provide the requested information, with a request for confidential protection if necessary.

28. Refer to Kentucky Power's response to Staff's Fourth Request, Item 29(d) and KRS 278.110, which states that the Commission may employ employees to conduct an examination to perform the duties and exercise the powers conferred by law upon the Commission. Additionally, refer to Commission regulation 807 KAR 5:001, Section 4(12)(b), which states that Commission Staff may request information from any party to a case **on the Commission's behalf** (emphasis added). Finally, refer to Case No. 2011-00433,<sup>11</sup> which addresses Commission Staff's role in cases before the Commission: "We remind the parties that Commission Staff is not a party to this proceeding. The task of the Staff is to conduct investigations to facilitate a thorough exploration of the interests and issues involved. The traditional role of the Commission Staff is 'generally to analyze the evidence and advise the Commission.'" The response

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<sup>10</sup> Case No. 2011-00433, May 9, 2012 Order.

<sup>11</sup> Case No. 2011-00433, May 9, 2012 Order.

did not provide supporting documentation as requested. Provide the supporting documentation.

29. Refer to Kentucky Power's response to Staff's Fourth Request Item 30, and Kentucky Power's response to Staff's Second Request, Item 67, Attachments 1 through 7.

a. Confirm that none of these financing orders authorized the Commission's outside counsel, advisors or other consultants engaged by the commission to direct the placement of securitized bonds.

b. Confirm that in none of these prior AEP affiliate transactions did the Commission's outside counsel, advisors or other consultants engaged by the commission in fact directed the placement of securitized bonds.

30. Refer to Kentucky Power's response to Staff's Fourth Request, Item 31.

a. Provide a list of all prior securitized ratepayer-backed bond transactions for which Goldman was an underwriter and purchased bonds that were not fully subscribed at final pricing. Include the amount of bonds purchased by Goldman in each case.

b. Identify specific current regulations in the United States under which underwriters are only permitted to take bonds into inventory with the intent to resell them into the market, so the underwriter would be required to sell the bonds, even if at a loss.

c. Identify circumstances under which an underwriter may take bonds into inventory without intent to resell them into the market.

d. When an underwriter takes some bonds into inventory, identify current regulations in the United States which require that underwriter to reconfirm trades.

e. Describe whether the need to reconfirm trades can be avoided by disclosing in the original offering document that the underwriter may take some bonds into inventory and the potential consequences if the underwriter sold the retained bonds all at once.

f. Identify any prior securitized ratepayer-backed bond transactions in which one or more investors have dropped out of a trade altogether after learning that an underwriter has taken bonds into inventory.

31. Provide of any lowest cost certifications that AEP, or any of its affiliates, have provided in past securitization transactions.

32. Describe the process by which Kentucky Power intends to select the lead bookrunning underwriter.

33. Provide a list of all past debt sales by Kentucky Power where the amount of underwriting compensation has been tied to performance.

34. Provide language from the underwriting agreement from a recent utility securitization transaction in which Goldman was the lead underwriter that explains Goldman's fiduciary responsibility to the utility's ratepayers.

35. Explain whether the bonds will, be marketed primarily to investors of Asset Backed Securities or investors of AAA corporate debt.

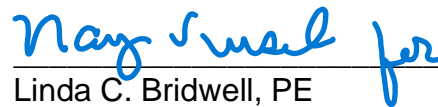
36. Refer to Kentucky Power's response to Staff's Fourth Request, Item 2, Attachment 1 and Exhibit MMS-5.

37. Explain and provide an Excel format with all cells, rows, and columns unprotected and fully accessible the reconciliation between the 1.1 percent and 1.7 percent impact of the Securitization Financing Rider on residential bills in Attachment 1 and the 5.8233 percent residential Securitization Financing Rider shown in Exhibit MMS-5.

a. Explain the reason the percentage change for RS-TOD customers varies inconsistently between 1.1 percent and 1.7 percent in Attachment 1. Provide all supporting calculations and documentation.

b. Provide an Excel spreadsheet with all cells, rows, and columns unprotected and fully accessible showing the percentage change, on average, due to the Securitization Financing Rider for each customer class.

38. Refer to Kentucky Power's response to Staff's Second Request, Item 1, Attachment 10, MessnerWP1. Confirm that discounting the securitization payments by five months more than the conventional amounts received from customers overstates the net present value savings. If not confirmed, explain considering that the conventional amounts are discounted monthly and the securitization amounts are discounted semi-annually.



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DATED   OCT 06 2023  

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