

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE)	
PUBLIC SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE MECHANISM)	
OF KENTUCKY POWER COMPANY FOR THE)	
SIXTH-MONTH EXPENSE PERIODS ENDING)	CASE NO.
DECEMBER 31, 2019, JUNE 30, 2020,)	2023-00372
DECEMBER 31, 2020, DECEMBER 31, 2021,)	
JUNE 30, 2022, AND DECEMBER 31, 2022, AND)	
THE TWO-YEAR EXPENSE PERIODS ENDING)	
JUNE 30, 2021 AND JUNE 30, 2023)	

ORDER

On May 27, 1997, the Commission approved Kentucky Power Company's (Kentucky Power) environmental surcharge application and established a surcharge mechanism.¹ On January 18, 2018, the Commission approved Kentucky Power's most recent environmental compliance plan.² Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review 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

¹ Case No. 1996-00489, *Application of Kentucky Power Company d/b/a American Electric Power to Assess a Surcharge Under KRS278.183 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. 18, 2018).

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.

On its own motion, the Commission initiates (1) the six-month review of Kentucky Power's environmental surcharge for the expense periods ending December 31, 2019, June 30, 2020, December 31, 2020, December 31, 2021, June 30, 2022, and December 31, 2022, and (2) the two-year review of Kentucky Power's environmental surcharge for expense periods ending June 30, 2021, and June 30, 2023.

To facilitate this review, a procedural schedule is set forth in Appendix A to this Order. In accordance with that schedule, Kentucky Power is to file prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the periods under review.

In addition, Kentucky Power is to file its responses to the information requested in Appendix B to this Order and shall respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

Additionally, any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing may be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing. Hearings are held in the Richard Raff Hearing Room at the offices of the Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky. Witnesses who

sponsor schedules, testimony, or responses to requests for information are expected to participate in person at a hearing.

IT IS THEREFORE ORDERED that:

1. This proceeding is initiated to review Kentucky Power's environmental surcharge for the expense periods set forth in this Order.

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

3. On or before the date set forth in the procedural schedule, Kentucky Power shall file its responses to the information requested in Appendix B attached to this Order.

4. Kentucky Power shall respond to any additional requests for information propounded by Commission Staff as provided in those requests.

5. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to the service and electronic filing of papers shall be followed in this proceeding.

6. Any party filing a paper with the Commission shall file an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085³ regarding filings with the Commission.

³ 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).

7. 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).

8. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of the date of service of this Order, Kentucky Power shall file 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.

9. 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 proceeding, 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 assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise 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 utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

10. Any motion to intervene filed after the dates established in the procedural schedule 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.

11. 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 date of service of an Order of the Commission granting its intervention, file with the Commission a written statement that:

(1) It, or its authorized agent, possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding shall be served.

12. Kentucky Power shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the periods under review.

13. 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 periods.

14. Kentucky Power's monthly environmental surcharge reports and supporting data for the review periods set forth in this Order shall be incorporated by reference into the record of this case.

15. 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.


16. The Commission does not look favorably upon motions to excuse witnesses from testifying at Commission hearings. Accordingly, motions to excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing and will be granted only upon a showing of good cause.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00372 DATED DEC 06 2023

Kentucky Power shall file its prepared direct testimony and responses to the information requested in Appendix B no later than..... 01/19/2024

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..... 01/16/2024

All additional requests for information to Kentucky Power shall be filed no later than..... 02/16/2024

Kentucky Power shall file responses to additional requests for information no later than..... 03/01/2024

Intervenor testimony, if any, in verified prepared form shall be filed no later than 03/12/2024

All requests for information to Intervenors shall be filed no later than 03/28/2024

Intervenors shall file responses to requests for information no later than..... 04/12/2024

Last day for Kentucky Power or Intervenors to request a hearing or submit this case for a decision based on the record..... 04/15/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00372 DATED DEC 06 2023

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY POWER

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 January 19, 2024. The Commission directs Kentucky Power to the Commission's July 22, 2021 Order in Case No. 2020-00085⁴ 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 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

⁴ 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).

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. Prepare a summary schedule showing the calculation of $E(m)$ and the surcharge factor for the expense months under review. ES Form 1.00 can be used as a model for this summary. Include the two expense months subsequent to each specific review period that are the subject of this proceeding in order to show the over- and under-recovery adjustments for the months included for each of the periods under review. Include a calculation of any additional over- or under-recovery amount Kentucky Power believes needs to be recognized for the six-month and two-year reviews. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

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 each expense month of the specific periods 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. 1996-00489,⁵ 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 9.10 percent approved in Case No. 2020-00174.⁶ State whether Kentucky Power believes that the 9.10 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.

4. KRS 278.183(3) provides that during the two-year review, the Commission must, 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

⁵ 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).

⁶ 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* (Ky. PSC Jan. 13, 2021).

Power believes should be incorporated into its existing base rates. Explain how the surcharge amount should be incorporated into the base rates. Provide all schedules in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

5. Refer to ES Form 3.13, Mitchell Environmental Costs for each of the expense months of the specific periods under review in this proceeding. 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 22 Monthly Disposal (5010000)
- b. Line 24 Monthly Urea Expense (5020002)
- c. Line 25 Monthly Trona Expense (5020003)
- d. Line 26 Monthly Lime Stone Expense (5020004)
- e. Line 27 Monthly Polymer Expense (5020005)
- f. Line 28 Monthly Lime Hydrate Expense (5020007)
- g. Line 29 Monthly WV Air Emission Fee
- h. Line 35 Monthly FGD Maintenance Expense
- i. Line 36 Monthly Non-FGD Maintenance Expense

6. Refer to ES Form 3.20, Rockport Environmental Costs for each expense month in the periods under review. 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 and 3.12 for each expense month in the two-year review periods.

a. For each month in the two-year review periods, provide the calculation that supports the total cost of allowances consumed that is then carried to ES Form 3.13.

b. Provide an explanation and the reasons for any fluctuations greater than plus or minus 10 percent in the monthly average cost of allowances determined in 7.a.

8. Provide the actual average residential customer's monthly usage as of April 30, 2023. 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 recovery periods. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

*Kentucky Power Company
1645 Winchester Avenue
Ashland, KY 41101

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Ashland, KY 41101