

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
POWER COMPANY FOR THE SIX-MONTH	)	2015-00113
BILLING PERIOD ENDING DECEMBER 31, 2014	)	

ORDER

On May 27, 1997, the Commission approved Kentucky Power Company's ("Kentucky Power") environmental surcharge application and established a surcharge mechanism.<sup>1</sup> Pursuant to KRS 278.183(3), the Commission must review the past operations of the environmental surcharge at six-month intervals. After hearing, as ordered, the Commission may, by temporary adjustment to the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs that are recoverable pursuant to KRS 278.183(1). Therefore, the Commission hereby initiates the six-month review of the surcharge as billed from July 1, 2014 to December 31, 2014.<sup>2</sup>

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

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<sup>1</sup> 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).

<sup>2</sup> Since Kentucky Power's surcharge is billed on a two-month lag, the amounts billed from July 2014 through December 2014 are based on costs incurred from May 2014 through October 2014.

review proceedings.<sup>3</sup> As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings which 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 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 period under review. 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 period under review in this proceeding, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

Since the approval of its original environmental compliance plan and surcharge mechanism, Kentucky Power has sought and been granted three amendments to its original compliance plan and surcharge mechanism. Due to the termination of the AEP – East Pool Agreement on January 1, 2014, costs associated with the second and third amendments are no longer incurred by Kentucky Power, and therefore are not included in its environmental surcharge filings. The environmental surcharge, as billed during the period under review, provides recovery of the incremental costs associated with the original compliance plan, as well as the costs associated with the first amendment to the compliance plan. When determining its over- and under-recovery of the surcharge in

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

this proceeding, Kentucky Power should reflect the impacts of these prior cases, as applicable.

IT IS THEREFORE ORDERED that:

1. 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.

2. 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:

a. It, or its authorized agent, possesses the facilities to receive electronic transmissions; and

b. Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

3. 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 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 should be served.

4. 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).

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

6. Any party who submits a motion to intervene after May 19, 2015, and upon a showing of good cause is granted full intervention shall accept and abide by the existing procedural schedule.

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

8. a. The information requested in Appendix B to this Order shall be filed by the date set forth in Appendix A. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed and 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.

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 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.

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

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

9. Within seven days of the Commission's granting of 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.

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

11. 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.

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

By the Commission

ENTERED  
APR 27 2015  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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Executive Director

Case No. 2015-00113

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2015-00113 DATED **APR 27 2015**

Kentucky Power shall file its prepared direct testimony and responses to the information requested in Appendix B no later than .....5/08/15

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 .....5/19/15

All additional requests for information to Kentucky Power shall be filed no later than .....5/29/15

Kentucky Power shall file responses to additional requests for information no later than .....6/11/15

Intervenor testimony, if any, in verified prepared form shall be filed no later than .....6/19/15

All requests for information to Intervenors shall be filed no later than .....6/29/15

Intervenors shall file responses to requests for information no later than .....7/09/15

Last day for Kentucky Power to request a hearing or submit this case for decision based on the record.....7/14/15

## APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2015-00113 DATED **APR 27 2015**

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

1. Provide a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. Use ES Form 1.00 as a model for this summary. Include the two expense months subsequent to the billing periods 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 six-month review. Include all supporting calculations and documentation for any such additional over- or under-recovery.

2. The net gain or loss from sulfur dioxide and nitrogen oxide emission allowance sales are reported on ES Form 3.00, Calculation of Current Period Revenue Requirement, Third Component. For each expense month covered by 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/were the source of the gain or loss.

3. Provide the following information as of October 31, 2014. In addition to the electronic filing, provide the information in Excel spreadsheet format with the formulas intact and unprotected.

a. The outstanding balances for long-term debt, short-term debt, accounts receivable financing, and common equity.

b. The blended interest rates for long-term debt, short-term debt, and accounts receivable financing. Include all supporting calculations showing how these blended interest rates were determined.

c. Kentucky Power's calculation of its weighted average cost of capital for environmental surcharge purposes.

d. The weighted average cost of capital reflecting the application of the income tax gross-up factor. Include all calculations and assumptions used in determining the information.

4. Refer to ES Form 3.10, Costs Associated with Big Sandy, Line 16, Monthly 2003 Plan Non-Fuel O&M Expenses, from ES Form 3.13. For the May 2014 through October 2014 expense months, 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.

5. Refer to ES Form 3.10, Costs Associated with Big Sandy, Line 17, Monthly SO<sub>2</sub> Emission Allowance Consumption. For the May 2014 through October 2014 expense months, 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.

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

a. For each month in the six-month review period, provide the calculation that supports the total cost of allowances consumed that is then carried to ES Form 3.10.

b. Provide an explanation and the reasons for the fluctuations in the monthly average cost of allowances determined in 7.a.

7. Provide the 12-month average residential customer's monthly usage as of October 31, 2014. 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 calculations in electronic spreadsheet format with all formulas intact and unprotected and all rows and columns accessible.

8. If the response to Item 1 proposes additional adjustments to environmental costs for the review period, explain whether the adjustments impact the environmental costs assigned to non-associated utilities under the System Sales Clause. Provide a detailed analysis of any necessary adjustments to the environmental costs assigned to non-associated utilities resulting from the adjustments proposed in Item 1.

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