

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT IN ELECTRIC )  
RATES OF KENTUCKY POWER COMPANY )      CASE NO. 9061

O R D E R

IT IS ORDERED that Kentucky Power Company shall file an original and 12 copies of the following information with the Commission by August 24, 1984, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets is required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

PRO FORMA ADJUSTMENTS

1a. Item No. 2 of the response to the Commission's Order of July 20, 1984, explains the reasons for the wage and salary increases granted during the test year. With regard to part (a) of the response, which employee group(s) received the 417 general increases granted in February, 1984?

b. What were the dates and percentages for the three most recent general increases for these employees prior to February, 1984?

c. Which employee group(s) are eligible for time progression and/or time step increases?

d. How are the amounts of these time-related increases determined and what was the average percentage increase during the test year?

2a. Item No. 3 of the response to the Commission's Order of July 20, 1984, provides information concerning the company's medical plan. When was the last extensive review of the plan performed?

b. Provide a summary of the results of the most recent comparison Kentucky Power has made of its medical plan - basic costs and coverages - with plans offered by other carriers.

3. Based on Item Nos. 2 and 4 of the response to the Commission's Order of July 20, 1984, are the following statements accurate? If not, please explain.

a. For 1984 exempt employees total merit increases will equal 6.93 percent of their base payroll and this group receives no general increases.

b. For 1984, 417 non-exempt employees received a 5 percent increase in February, 613 non-exempt employees received a 5 percent general increase in May, and the merit increases for this group will equal 4 percent of base salaries.

4a. In Case No. 8734, using the years 1970-1982 as a base, Mr. Bissinger's regression analysis produced a levelized expense of \$10.7 million. In the present case, after adding the expense of \$7.9 million incurred in 1983, Mr. Bissinger's analysis once again produces a levelized expense of \$10.7 million. Under what conditions would this levelized amount decrease below \$10.7 million?

b. Kentucky Power's projected plant maintenance expense for 1984 is \$10.4 million. How would the company's levelized expense be affected for 1984 if this level of expense was incurred?

5. Provide a schedule showing the modifications to Section V, Workpaper S-1, page 2 of the application necessary to reflect the impact of the Commission's decisions in Case Nos. 8271 and 8904 in the Orders issued August 2, 1984, and August 3, 1984, respectively.

6. Provide all necessary revisions to Section V, Workpaper S-2, pages 54 through 65, necessary to reflect the impact of the Commission's decision in Case No. 8904 in the Order issued August 3, 1984.

7. List and quantify all other revisions to the company's proposed adjustments necessary to reflect the impact of the Commission's decisions in Case Nos. 8271 and 8904.

TEST YEAR EXPENSES

8a. Item No. 12 of the response to the Commission's Order of July 20, 1984, indicates that AEP made payments of \$839,538 to the Committee for Energy Awareness in 1983. Is this one of the operating expenses which AEP pays from the dividends it receives from its subsidiaries?

b. On a pro rata basis, how much of this expense is paid by Kentucky Power through its dividends to AEP?

ISSUE: FUEL COST SYNCHRONIZATION

9a. Refer to PSC Order dated July 20, 1984, Item 33, sheet 5 of 5. Does the system pool (net) and purchased power column contain any demand charges or other charges besides fuel expenses.

b. If so, recalculate that column to include nothing but fuel expenses and provide a revised copy of that schedule.

ISSUE: RATE DESIGN

10. Provide all workpapers used to design the rates and charges for each rate class.

ISSUE: REPRESSION

11. The Commission has calculated 95 percent confidence intervals around the three price elasticity coefficients presented in Mr. Jahn's testimony as follows:

- .022 to -.942 (residential)
- .006 to -.674 (commercial)
- .144 to -.514 (industrial)

Confirm these are the correct intervals. In the event the company disagrees with these calculations, supply alternative figures.

12. Supply computer printouts of the results for the residential and commercial models presented in Exhibit LRJ-1.

13. List the major assumptions and/or conditions that must be met for the ordinary least squares estimator to be the best linear unbiased estimator of an actual population parameter.

14. Were any regression diagnostics performed on the models presented in Exhibit LRJ-1 other than those shown on the computer printouts of the results of these models? If so, describe and supply results.

15. KPC's rate structure is such that the marginal and average price paid by a customer is a function of quantity of electricity taken. Several researchers have accounted for this simultaneous determination of price and quantity in electricity demand studies by using appropriate regression techniques. Has the company investigated or attempted to correct for possible estimation bias due to the presence of simultaneity?

TIME DIFFERENTIATED COST OF SERVICE STUDY

16. In the time differentiated class cost of service study presented in Case No. 8734, the FAD and LOLP methodologies were weighted equally in arriving at results combining these two techniques. The comparable study presented in this case allocates production demand costs based on a .75 and .25 weighting, respectively, of the results of the LOLP and FAD

methodologies. Explain the reasons for the increased weight given to the LOLP methodology in the current study.

17. At page 37 in the Order of September 20, 1983, in Case No. 8734, the Commission states, "Whichever model is used in the future [to allocate capacity related costs], sufficient documentation must be provided to allow the Commission and intervenors to examine alternative assumptions and allocations." Item 23 of staff information request dated July 20, 1984, sought information that would facilitate assessment of the sensitivity of class rate of return results to the relative weights applied to the chosen demand-related production cost allocators. Such information lies within the intent of the Order in Case No. 8734 as quoted above. Accordingly, please supply any available information that would assist the Commission to assess this sensitivity. In the event no information can be supplied bearing on this issue, explain how the company can alleviate this situation either in the current case or in future cases.

Done at Frankfort, Kentucky, this 17th day of August, 1984.

PUBLIC SERVICE COMMISSION

*Richard D. Hemmings*  
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For the Commission

ATTEST:

Acting Secretary \_\_\_\_\_