VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant Sr. in Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Amy J. Elliott

Amy J. Elliott

COMMONWEALTH OF KENTUCKY)
) Case No. 2016-00109
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this 31st day of March, 2016.

Judy K Rosquist 481 393

Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

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.

RESPONSE

Please refer to KPCO_R_PSC_1_1_Attachment1.xls for a summary schedule showing the calculation of E(m) and the calculation of the surcharge factors. Please also refer to the response to KPSC 1-10 for the calculation of the proration of the surcharge factors for the June and July expense months.

There was no over- or under-recovery amount for the period in the calculation of the revenue requirement. Kentucky Power included a $75,542 adjustment in the February 2016 expense month to correct an over-collection during the review period that was due to misclassification of certain accounts used in calculating the retail allocation percentage. The misclassification of accounts had caused Kentucky Power to slightly overstate the retail allocation percentage. Please refer to KPCO_R_PSC_1_1_Attachment2.xls for the analysis supporting the $75,542 adjustment. Because Kentucky Power added the $75,542 to the over-collection amount in the February expense month, no further adjustments are necessary.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

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.

RESPONSE

Please refer to KPCO_R_PSC_1_2_Attachment1.xls.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

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 2015 and June 2015 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.

RESPONSE

The variance in the Big Sandy Plant's O&M expenses between May 2015 and June 2015 resulted from the retirement of Big Sandy Unit 2 in May 2015.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to ES Form 3.10, Costs Associated with Big Sandy, Line 17, Monthly S02 Emission Allowances, for the May 2015 and June 2015 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.

RESPONSE

The variance in the Big Sandy Plant's SO2 Emission Allowances expenses between May 2015 and June 2015 resulted from the retirement of Big Sandy Unit 2 in May 2015.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to ES Form 3.13, Mitchell Environmental Costs for the June 2015 through October 2015 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 for each of the following operating and maintenance costs listed on Form 3.13:

a. Line 14 Monthly Disposal (5010000)
b. Line 15 Monthly Urea Expense (5020002)
c. LIne 16 Monthly Trona Expense (5020003)
d. Line 17 Monthly Lime Stone Expense (5020004)
e. Line 18 Monthly Polymer Expense (5020005)
f. Line 19 Monthly Lime Hydrate Expense (5020007)
g. Line 20 Monthly WV Air Emission Fee
h. Line 26 Monthly FGD Maintenance Expense
i. Line 27 Monthly Non-FGD Maintenance Expense

RESPONSE

Please refer to KPCO_R_PSC_1_5_Attachment 1.xls for the variation analysis.

a. Monthly Disposal includes sales of gypsum to the neighboring wallboard plant. The variations reflect changes in the wallboard plant's demand for gypsum from the Mitchell generating station.

b-f. Consumable usage varies directly with plant operation. Planned outages at Mitchell Unit 2 during the first half of June and Mitchell Unit 1 during September and October, as well as a maintenance outage on Mitchell Unit 2, resulted in lower generation during these months and the corresponding reduction in consumables. Please refer to KPCO_R_PSC_1_5_Attachment 2.xls for the schedule of outages at the Mitchell Plant during the review period.

g. There was no variance.

h&i. The monthly variations in maintenance expense result primarily from maintenance decisions plant management makes to ensure the safe, reliable, and compliant operation of the Mitchell Plant.

More specifically, the elevated FGD O&M expenses during June and July largely resulted from work on the induced draft fans and an inspection of the absorber recycle pump for both Mitchell Units 1 and 2.

The FGD O&M expenses were elevated again in September primarily due to the cleaning of auxiliary pump nozzle, the repair of a reagent slurry feed pump, and an operational check of one of the ball mills.

The elevated Non-FGD O&M expense in July primarily resulted from the annual title V emissions fee payment. It was elevated again in September because of repairs to the rappers on the Mitchell Unit 1 precipitator and certification of the nuclear coal analyzer, also on Unit 1. Finally, the elevated October Non-FGD O&M expense was a result of additional repairs to the rappers on the Mitchell Unit 1 precipitator.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to ES Form 3.20, Rockport Environmental Costs for the June 2015 through October 2015 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 for each of the following operating and maintenance costs listed on Form 3.20:

a. Line 10 Monthly Brominated Sodium Bicarbonate (5020028)
b. Line 11 Monthly Activated Carbon (5020008)
c. Line 12 Monthly IN Air Emission Fee
d. Line 15 Monthly Maintenance Expense

RESPONSE

Please refer to KPCO_R_PSC_1_6_Attachment1.xls for the variation analysis.

a&b. Rockport Plant recently installed the Dry Sorbent Injection (DSI) system which was placed in service in June and May on Units 1 and 2, respectively. Also included with the DSI installation were upgrades to Rockport Plant's Activated Carbon Injection (ACI) system. The DSI installation and ACI upgrades were made in response to EPA's MATS Rule. As with the installation of any other major environmental control technology, during the months of June 2015 through October 2015 startup/checkout work was being performed, identification of operational issues were made, and the necessary equipment fixes were executed to ensure the reliability of the system. These activities resulted in monthly variances greater than plus or minus 10 percent.

c. There was no variance.

d. Monthly Maintenance Expense consists of five major categories including Base Cost of Operations (BCO), Planned Outages, Forced and Opportunity Outages, Non-Outage Maintenance and Inspection (NOMI), and Other Non-Generation. Not all of these categories are directly tied to total generation and are instead largely based on prudent decision making in addressing the maintenance needs of the units. The monthly variation of maintenance expense is based on the maintenance decisions that plant management made to ensure the safe, reliable, and compliant operation of Rockport Plant. More specifically, elevated monthly maintenance expense greater than 10 percent in September and October were due to the cleaning of the DSI system's material handling equipment.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Reference ES Forms 3.11, 3.11A and 3.11B 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 for May and June 2015 and ES Form 3.13 for the months of June through October 2015.

b. Provide an explanation and the reasons for the fluctuations in the monthly average cost of allowances determined in 5.a.

RESPONSE

a. Please refer to KPCO_R_PSC_1_7_Attachment1.xls.

b. There was no fluctuation in the monthly average unit cost of allowances.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Provide the 12-month average residential customer's monthly usage as of October 31, 2015. 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.

RESPONSE

The average residential customer's monthly usage for the twelve-month period ended October 31, 2015 was 1,387 kWh.

The Company is not proposing any under- or over-recovery adjustment as part of this proceeding.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

If the response to Item 1 to this request 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.

RESPONSE

Although the response to Item No. 1 does not propose an adjustment to the environmental costs, the Company had made an adjustment in the February 2016 expense month to correct a misclassification of certain accounts used in the allocation of environmental expenses.

The Company previously made the necessary correction to the non-associated utilities costs in the November 2015 expense month.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Monthly Environmental Surcharge Reports filed July 21, 2015 and August 20, 2015, for the expense months of June and July 2015. Provide an explanation of how Kentucky Power accomplished the proration of the billing factor for both months using both the previous Tariff ES and the current Tariff ES. Include any relevant documentation to support the environmental surcharge factor reflected on customer's bills.

RESPONSE

The Commission's June 22, 2015 Order in Case No. 2014-00396 directed that the Tariff ES related-rates approved in that case were to be effective for service rendered on or after June 22, 2015. Because of the two-month "lag" in Tariff ES billings, the current Tariff ES-related rates (*i.e.*, those rates calculated under Tariff E.S. as approved by the Commission in its June 22, 2015 Order in Case No. 2014-00396) appeared on customers' bills no earlier than bills rendered August 21, 2015 (two complete billing cycles after the effective date of rates).

The proration was calculated daily using the following formula:

((Prior Tariff ES Rate * No. of days at old rate) + (New Rate * No. of Days at Current Tariff ES Rate)) ÷ Total Number of Days in Billing Period

For example, a bill rendered August 21, 2015 reflected one day of service under current Tariff ES-related rates and 28 days of service under prior Tariff ES-related rates. A bill rendered on August 22, 2015 reflected two days of service under current Tariff ES-related rates and 27 days of service under the prior Tariff ES-related rates. The progression continued until bills rendered September 21, 2015 reflected service for the entire bill period solely under current Tariff ES-related rates. The properly prorated rates were modified in the Company's billing system on a daily basis to ensure that each bill reflected a properly-calculated ES factor.

Please refer to KPCO_R_PSC_1_10_Attachment1.xls for the daily calculation of the proration of the billing factor.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the revised Monthly Environmental Surcharge Report filed August 10, 2015, for the expense month of June 2015.

a. Provide a detailed explanation for the reduction in Accumulated Depreciation for Non-FGD Costs from $158,530,597 to $76,575,377.

b. Provide a detailed explanation for the increase in Accumulated Deferred Income Tax for Non-FGD Costs from $35,742,722 to $37,928,854.

c. Provide a detailed explanation for the decrease in Accumulated Deferred Income Tax for FGD Costs from $26,155,265 to $25,000,877.

RESPONSE

a-b. The initial calculation of the Mitchell environmental costs for the expense month of June 2015 had a formulaic error in which the net book value of the SCR was used in lieu of the accumulated depreciation, resulting in an overstatement of the accumulated depreciation and an understatement of the net book value. Accumulated deferred income tax varies directly with accumulated depreciation. Because the total accumulated depreciation for the Mitchell Non-FGD costs was changed, the accumulated deferred income tax changed accordingly.

c. There were two changes that caused the decrease in ADIT. The first change was that the original calculation of ADIT was as of June 30, 2015 rather than May 31, 2015. The second change was to correct a formulaic error in the calculation of ADIT.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Monthly Environmental Surcharge Reports filed October 19, 2015, and November 20, 2015, for the expense months of September and October 2015, Form ES 3.32. Line 13, Non-Residential Retail Revenues, appears to be misstated by the amount of line 12, Less All Other Classifications PPA Revenues. Confirm the misstatement and provide corrected calculations.

RESPONSE

Confirmed. Please refer to KPCO_R_PSC_1_12_Attachment1.xls for corrected calculations. The misstatement resulted in an approximate $3,000 under-recovery in both September and October.

Any under or over-recovery due to this misstatement would have been reflected in a subsequent month.

WITNESS: Amy J Elliott