

**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) 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 )**

**CASE NO.  
2017-00179**

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'S  
RESPONSE TO KENTUCKY POWER COMPANY'S  
FIRST REQUEST FOR INFORMATION**

1. Please provide all schedules, tables, and charts included in the testimony and exhibits to the testimony of Mr. Baron in electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

See attached workpapers of Mr. Baron.

RESPONDING WITNESS: Stephen J. Baron

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2. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Baron. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

See response to Question No. 1.

RESPONDING WITNESS: Stephen J. Baron

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3. To the extent not already provided, please provide all schedules, tables, and charts included in the testimony and exhibits to the testimony of Mr. Kollen in electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

KIUC filed Mr. Kollen's electronic workpapers on 10/3/2017.

RESPONDING WITNESS: Lane Kollen

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**RESPONSE:**

KIUC filed Mr. Kollen's electronic workpapers on 10/3/2017. The data request responses relied on by Mr. Kollen are cited and/or provided as exhibits to his Direct Testimony.

RESPONDING WITNESS: Lane Kollen

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5. Please provide all schedules, tables, and charts included in the testimony and exhibits to the testimony of Mr. Baudino in electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please refer to the spreadsheet entitled "Ky Power 2017 ROE Analysis.xlsx" included with the response to Data Request No. 6.

RESPONDING WITNESS: Richard. A. Baudino

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6. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Baudino. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please refer to the material attached to this response.

Please note that Mr. Baudino did not include copies of the Value Line Investment Survey Reports due to copyright restrictions.

Please note that Mr. Baudino did not include the pages from Dr. Morin's *New Regulatory Finance* cited in footnote 5 due to copyright restrictions.

Please note that copies of the materials cited in footnotes 1 through 4 may be obtained using the web addresses in the footnotes.

Please note that Mr. Baudino did not include material cited in footnote 8 from *A Random Walk Down Wall Street* due to copyright restrictions.

RESPONDING WITNESS: Richard. A. Baudino

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7. Please provide all schedules, tables, and charts included in the testimony and exhibits to the testimony of Mr. Kornstein in electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

See attached.

RESPONDING WITNESS: Barry J. Kornstein

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8. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Kornstein. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

See attached.

RESPONDING WITNESS: Barry J. Kornstein



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9. Please refer to page 3, lines 11-16, of the testimony of Mr. Levi. Please provide detailed information that supports the claim that the Catlettsburg refinery will have the highest energy rate of all of the Marathon refineries. This information should include the actual tariff sheets under which each of the other Marathon refineries take service and a spreadsheet calculation showing a bill calculation for each of the other Marathon refineries. The bill calculation should include, at a minimum, the energy charge (in \$/kWh), demand charge (in \$/kW) and all reactive demand charges for the billing months of March 2016 through February 2017. To the extent required, Kentucky Power will execute an appropriate non-disclosure agreement.

**RESPONSE:**

Please see response to Staff item 15. The tariff sheets, energy charges, demand charges and reactive demand charges for each of the Marathon refineries are publically available through each of the various utilities. The utilities are: Ohio—AEP Ohio; Illinois—Ameren Illinois; Louisiana—Entergy Louisiana; Texas—Texas New Mexico Power; Michigan—DTE Energy; Kentucky—Kentucky Power.

RESPONDING WITNESS: Brad Levi

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10. Please refer to page 4, lines 1-3, of the testimony of Mr. Levi in which Mr. Levi states, "Substantial increases to the Catlettsburg refinery's electric rates would therefore adversely impact that facility's production costs and could impact its utilization rates."
- a. Please provide all facts that support the statement that increases to electric rates would adversely impact the refinery's production costs including, without limitation, the percentage of total production costs for that Catlettsburg refinery that is electricity cost.
  - b. Please provide all facts that support the statement that increases to electric rates could impact its utilization rates including, without limitation, the production costs for each of the other Marathon refineries and the percentage of total production costs for each of the other Marathon refineries that is electricity cost.

**RESPONSE:**

- a. Please see the testimony of Mr. Levi at page 4. Of the total production costs at the Catlettsburg refinery, electricity is the third highest cost after crude oil and labor.
- b. Please see the response to Item (a) above. At each of Marathon's other refineries, electricity is a major cost of production typically after crude oil and labor.

RESPONDING WITNESS: Brad Levi

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11. Please refer to page 24, lines 211-17, of the testimony of Mr. Baron. Please identify from a ratemaking standpoint which requirements of state and federal laws are not addressed by the Company's "Special Terms and Conditions for taking service under Tariff I.G.S."

**RESPONSE:**

The Special Terms and Conditions do not address, whatsoever, the impact of forced outages of customer generation, nor do they address the provision of maintenance service, consistent with PURPA.

RESPONDING WITNESS: Stephen J. Baron

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12. Please refer to page 29, lines 11-14, of the testimony of Mr. Kollen. Please provide all facts that support Mr. Kollen's assertion that, as a coal-fired plant, the mid-2031 planned retirement date of Big Sandy Unit 1 was "based, in large part, on the avoidance of costs necessary to comply with numerous environmental requirements applicable to coal-fired generation."

- a. Without limitation, in answering this data request please provide for each individual "environmental requirement":
  - (i) a full citation to the statute, regulation, order or other legal requirement imposing the environmental requirement; and
  - (ii) all facts supporting Mr. Kollen's statement the mid-2031 planned retirement date was based on or otherwise required or influenced by the identified environmental requirement;

**RESPONSE:**

Mr. Kollen relied on the record in Case No. 91-066 wherein the most recent Big Sandy 1 and 2 depreciation rates were adopted and the record in Case Nos. 2012-00578 and 2014-00396 wherein the Commission reviewed and approved the retirement of Big Sandy 2.

RESPONDING WITNESS: Lane Kollen

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13. Please refer to page 32, lines 11-15, of the testimony of Mr. Kollen. Please provide a citation to all statutory or regulatory requirements, including orders, that a utility submit for Commission approval a "dismantling and site restoration plan" prior to dismantling a retired generation asset.

**RESPONSE:**

Mr. Kollen is not aware that there is presently a statutory requirement. Mr. Kollen recommends that the Commission establish a regulatory requirement in this proceeding to ensure that the Company does not unilaterally decide to commence dismantling and site restoration and incur the related costs. Historically, the Commission did not allow recovery of terminal net salvage costs in the depreciation rates and expense and the utility had to seek recovery of such costs after they were incurred. This historical practice has been eroded through depreciation study errors and settlements. Mr. Kollen recommends that the Commission affirmatively address this issue in this proceeding and establish the regulatory framework for recovery of such costs going forward. This framework will preclude recovery of terminal net salvage during the operation of the power plant and assumes that the facility will be retired in place without dismantlement or site remediation. This framework will require the utility to seek authorization from the Commission to dismantle the facility and remediate the site after retirement of the facility, incur costs for that purpose, and to recover the actual costs incurred for that purpose.

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Mr. Kollen notes that there presently is no statute or regulatory requirement that requires the Commission to preemptively authorize dismantlement and site remediation after retirement or requires the Commission to allow the Company to preemptively recover such costs prior to retirement through depreciation rates and expense.

RESPONDING WITNESS: Lane Kollen

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14. Please refer to page 33, lines 18-22, and page 34, lines 1-3, of the testimony of Mr. Kollen. Please confirm that the terminal net salvage costs of the natural gas fired Big Sandy Unit 1 would not be eligible for recovery through the Decommissioning Rider because it would not be considered a coal-related asset.

**RESPONSE:**

Mr. Kollen recommends that the Decommissioning Rider be modified to include such costs after the Company's power plants are retired, including Big Sandy 1, but only if the Commission authorizes dismantlement and site remediation in lieu of retirement in place and authorizes recovery through the Decommissioning Rider.

RESPONDING WITNESS: Lane Kollen

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15. Please refer to page 35, lines 21-23, and Page 35, lines 1-6. Please confirm that the Company was unable to take a § 199 deduction on its federal tax returns from 2014- 2016. The Company provided copies of its returns in its September 5, 2017 and September 6, 2017 supplemental responses to AG 1-115.

**RESPONSE:**

Confirmed. However, the increase in revenues will result in an increase in taxable income, which will qualify for the Section 199 deduction, all else equal.

RESPONDING WITNESS: Lane Kollen



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RESPONSE TO KENTUCKY POWER COMPANY'S  
FIRST REQUEST FOR INFORMATION**

16. Please refer to page 45, lines 10-15, of the testimony of Mr. Kollen. Please provide all bases for Mr. Kollen's claim that his proposed use of 2.0% short term debt is consistent with the Company's actual use of short-term debt during the test year.

**RESPONSE:**

Mr. Kollen reviewed the Company's historic use of short-term debt. In the test year, the month-end balances were as much as 1.1% of capitalization. However, in earlier years, the daily balances were as much as 4.5%. Based on his experience and the historically low short-term debt interest rates, Mr. Kollen believes that short-term debt can and should be used effectively to minimize the Company's cost of capital. The Company has a ready and low cost source for such financing through the AEP Money Pool. Further, this is consistent with "laddering" or staggering the Company's debt maturities from the short-term (daily borrowings) to the long-term (up to 30 years).

RESPONDING WITNESS: Lane Kollen

**AFFIDAVIT**

STATE OF GEORGIA        )

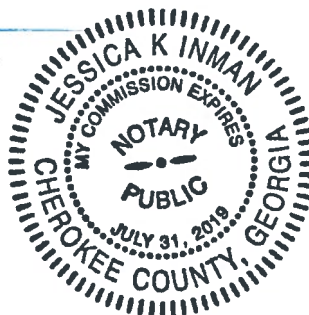
COUNTY OF FULTON        )

STEPHEN J. BARON, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Stephen J. Baron

Sworn to and subscribed before me on this  
27th day of October 2017.

  
\_\_\_\_\_  
Notary Public




**AFFIDAVIT**

STATE OF GEORGIA        )

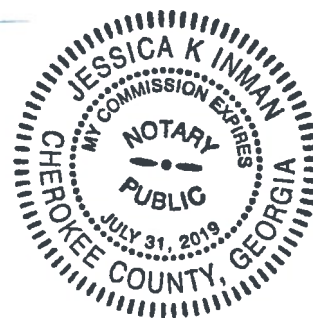
COUNTY OF FULTON       )

RICHARD A. BAUDINO, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

  
Richard A. Baudino

Sworn to and subscribed before me on this  
27<sup>th</sup> day of October 2017.

  
Notary Public



**AFFIDAVIT**

STATE OF GEORGIA        )

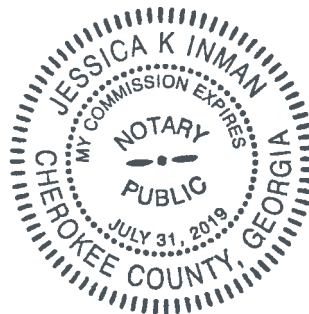
COUNTY OF FULTON        )

LANE KOLLEN, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

  
Lane Kollen

Sworn to and subscribed before me on this  
27th day of October 2017.

  
Notary Public



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the 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. :

Case No 2017-00179

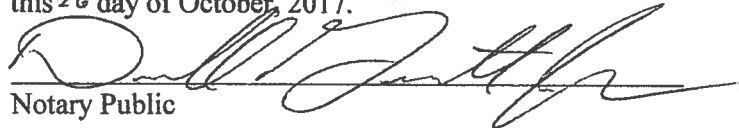
AFFIDAVIT OF BARRY KORNSTEIN

STATE OF Kentucky )  
COUNTY OF Jefferson )

Barry Kornstein, being duly sworn, deposes and states that the attached responses are true and correct to the best of his knowledge, information and belief.

  
Barry Kornstein

Subscribed and sworn to or affirmed before me  
this 26 day of October, 2017.

  
Notary Public

**DARRELL GARRETT, JR.**  
Notary Public  
State at Large  
Kentucky  
My Commission Expires Feb. 22, 2020