

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)	CASE NO.
RIDERS; (4) AN ORDER APPROVING)	2017-00179
ACCOUNTING PRACTICES TO ESTABLISH)	
REGULATORY ASSETS AND LIABILITIES;)	
AND (5) AN ORDER GRANTING ALL OTHER)	
REQUIRED APPROVALS AND RELIEF)	

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.’S
RESPONSE TO ATTORNEY GENERALS’
FIRST REQUEST FOR INFORMATION

1. Provide all workpapers and source documents supporting Stephen J. Baron’s testimony, exhibits, tables, and figures. Provide the requested documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

RESPONSE:

See attached workpapers of Mr. Baron.

RESPONDING WITNESS: Stephen J. Baron

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2. Refer to page 6 lines 25 – 29 of the Direct Testimony of Stephen J. Baron’s testimony where he states “While I believe that alternative methodologies for production cost allocation that focus more extensively on the summer system peak, which drives the need for capacity on the KPCo system, the 12 CP study filed by the Company is appropriate in this case to assess the reasonableness of class rates, relative to the cost of providing service.”

- a. Provide a detailed explanation of why Mr. Baron believes the summer system peak drives the need for capacity on the KPCo system.
- b. Provide all studies and analysis that support Mr. Baron’s belief that the summer system peak drives the need for capacity on the KPCo system.
- c. Provide all workpapers and source documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

RESPONSE:

- a. The basis for Mr. Baron’s statement that the summer system peak drives the need for capacity is based on the fact that Kentucky Power has a capacity obligation from the PJM RTO that is based on the PJM summer system peak demand. As a

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result of participating in PJM, Kentucky Power is required to maintain a Fixed Resource Requirement capacity obligation that is determined by the Company's summer peak coincident with the PJM summer system peak. Notwithstanding this, Mr. Baron has relied on the Kentucky Power 12 CP cost of service study in this case and does not object to using it for the allocation of the overall revenue increase and the determination of rate class subsidies.

- b. See response to Part (a).
- c. No such analyses have been prepared by Mr. Baron for this case.

RESPONDING WITNESS: Stephen J. Baron

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3. Refer to page 18 lines 3 – 5 of the direct testimony of Stephen J. Baron where he states “Again, at the end of this step, the rate increase to each rate class (other than Rate IGS) would continue to reflect the KPCo 5% subsidy reduction. Rate IGS would reflect a full elimination of its subsidy payments.”

- a. Provide a detailed explanation why Mr. Baron believes it is fair and appropriate to eliminate the entire subsidy to the IGS class while only reducing the subsidy by 5 percent for the remaining classes.
- b. Explain if Mr. Baron conducted any bill impact analysis to the Residential class regarding his recommended revenue allocation approach.
- c. If the response to (c) is affirmative, provide a copy of the bill impact analysis.
- d. Provide all workpapers and source documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

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RESPONSE:

- a. As Mr. Baron explained in his Direct Testimony, large industrial customers on Rate IGS generally face competition from manufacturers in other states and internationally. These customers, who provide substantial direct and indirect employment in Kentucky, should be the primary target for subsidy reductions. Mr. Baron's proposal in this case recognizes that most rate case pay subsidies to the residential class, but not all of these rate classes face the national and international competition that large manufacturers on Rate IGS face. As such, it is appropriate to use the first \$5.8 million of any Commission authorized reduction in the Company's revenue increase request to eliminate the subsidies paid by Rate IGS. Any additional revenue reductions would be assigned to all rate classes. Mr. Baron's proposal likely will reduce the subsidies paid by other rate classes by much more than 5%, but would, at a minimum, maintain the KPCo 5% subsidy reduction proposal.

- b. No such analysis has been make. However, as discussed in Mr. Baron's testimony and in response to Part (a), the Residential class increase would likely be less than the increase proposed by the Company. In no event, would the Residential class increase be higher than proposed by the Company. Mr. Baron's Exhibit (SJB-3) provides two illustrations of the overall percentage increase to each rate class based on his proposal.

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- c. No such analyses have been developed.
- d. No such analyses have been developed.

RESPONDING WITNESS: Stephen J. Baron

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

Stephen J. Baron

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

Jessica K. Inman

Notary Public

