

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)	CASE No.
Plan; (3) An Order Approving Its Tariffs and)	2017-00179
Riders; (4) An Order Approving Accounting)	
Practices to Establish a Regulatory Asset or)	
Liability Related to the Big Sandy 1 Operation)	
Rider; and (5) An Order Granting All Other)	
Required Approvals and Relief)	

ATTORNEY GENERAL’S FINAL COMMENTS ON REHEARING

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and tenders the following comments regarding the proposed non-unanimous settlement between Kentucky Power Company (“KPCo” or “the Company”) and Kentucky Industrial Utility Customers, Inc. (“KIUC”) pertaining to the rehearing issues in the above-styled matter.

On January 18, 2018 the Commission issued its Final Order in this matter. On February 7, 2018 both KPCo and KIUC filed their respective motions for partial rehearing. Both those parties filed responses to the other parties’ respective motions, and on February 14, 2018 the Attorney General filed his response to both motions. On February 27, 2018 the Commission issued orders granting KIUC’s motion, and granting in part and denying in part KPCo’s motion. The Commission’s February 27, 2018 orders narrowed the remaining issues to: (a) the calculation of tax savings arising under the Tax Cuts and Jobs Act (“TCJA”); and (b) the amount of Forced Outage expense to be included in base rates. On April 17, 2018 an

informal telephonic settlement conference was held among all the parties to this case. However, all remaining discussions relating to the non-unanimous settlement of the rehearing issues in this matter were apparently held only between KIUC and KPCo, despite the fact that the Attorney General and all other parties participated in the original settlement conference in this case.¹ The Attorney General was not invited to participate in any such remaining rehearing settlement discussions, nor to his knowledge were any other parties invited to participate.²

Attorney General's Comments

KIUC's motion for rehearing alleged that KPCo's annual revenue requirement should be reduced by an additional \$1.31 million to reflect the post-test year reduction in the Rockport Unit Power Agreement expense under the TCJA. In response to KIUC's motion, KPCo asserted that if the Commission approved KIUC's proposed post-test year adjustment, it should also increase the Company's annual revenue requirement by \$4.670 million³ to reflect the post-test year reduction in the Company's PJM transmission owner revenue credit (which serves as a base rate credit) allegedly resulting from the TCJA.⁴ Despite the fact that KPCo's motion for rehearing did not seek to increase its revenue requirement to reflect the alleged post-test year reduction to its PJM transmission owner revenues, the Commission's Order granting KIUC's motion for rehearing nonetheless included that issue as one to be more fully developed in the record.⁵ The Attorney General believes that since KPCo did not seek

¹ See PSC Staff's Intra-Agency Memorandum dated Oct. 30, 2017.

² The non-unanimous "Settlement Agreement" attached as Exhibit_RKW-S1 to KPCo's testimony in support of the non-unanimous settlement was signed only by KIUC and KPCo.

³ When netted against KIUC's rehearing proposal to reduce KPCo's revenue requirement by \$1.31 million, this would have yielded a net revenue increase of \$3.36 million.

⁴ See KPCo's Response in Opposition to KIUC's Petition for Rehearing, filed Feb. 14, 2018, p. 5; *see also* Rehearing Settlement Testimony of Ranie Wohnhas, p. 3.

⁵ Order dated February 27, 2018, p. 3.

this relief in its own motion for rehearing, it may arguably have been improper for the Commission to have included this issue within the scope of the rehearing. However, now that KPCo has chosen to withdraw its request to increase its annual revenue requirement by \$3.360 million, the Attorney General supports this aspect of the non-unanimous rehearing stipulation.

The Attorney General also supports the statement on page 4 of the Stipulation, paragraph (b) that KPCo will withdraw its claim to add \$1.158 million in test-year forced outage expense to base rates. Under this agreement, KPCo will be entitled to recover through its Tariff P.P.A. the actual amount of forced outage expense not otherwise recovered in base rates. Moreover, the agreement would require the Company to increase the basing point used to calculate the Tariff P.P.A. factor by \$372,542 which would benefit ratepayers.

The Attorney General, consistent with his position throughout this case that KPCo customers cannot afford an increase, does not support the provision in paragraph 1 (a) of the Stipulation stating that KPCo's base rate adjustment should be increased by \$765,030.⁶ The Attorney General believes the Commission's original calculation is reasonable.

Finally, the Attorney General believes this matter can now be submitted on the record without the need for an evidentiary hearing.

⁶ KPCo's response to AG Rehearing Supplemental Data Request, item 2 (c), states that if the Commission approves the non-unanimous settlement stipulation's provision regarding calculation of tax expense, an average residential customer's rates would increase by \$0.29 per month.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



LAWRENCE W. COOK
KENT A. CHANDLER
JUSTIN M. McNEIL
REBECCA W. GOODMAN
ASSISTANT ATTORNEYS GENERAL
700 CAPITOL AVE., SUITE 20
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-8315
Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov
Kent.Chandler@ky.gov
Justin.McNeil@ky.gov

Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium with the Commission within two business days; that the electronic filing has been transmitted to the Commission on May 25, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 25th day of May, 2018.



Assistant Attorney General