

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 INITIAL DATA REQUESTS ON REHEARING  
TO KENTUCKY POWER COMPANY**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Data Requests on Rehearing to Kentucky Power Co. [hereinafter “KPCo”] to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for KPCo with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings

and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



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***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 April 2, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 2<sup>nd</sup> day of April, 2018.



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Assistant Attorney General

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Application of Kentucky Power Co. for a General Adjustment of its Rates and Orders  
Approving: (a) Its 2017 Environmental Compliance Plan; (b) Tariffs and Riders; (c) Accounting  
Practices to Establish a Regulatory Asset or Liability Related to the Big Sandy 1 Operation  
Rider; and (d) All Other Required Approvals and Relief  
Case No. 2017-00179  
Attorney General's Initial Data Requests on Rehearing

1. Confirm that the Commission's reduction of KPCo's historic test year tax expense was based on a known and measurable change due to the Tax Cuts and Jobs Act ("TCJA").
2. Confirm that the non-unanimous settlement into which KPCo entered in the instant case provides, at page 9, that the Commission has authority to modify KPCo's rates to reflect changes in the tax code.
3. Does KPCo agree with the Commission's statement on p. 42 of the Final Order in this matter dated Jan. 18, 2018, that ". . . the lower rates should serve as an impetus for economic development through recruiting new businesses as well as maintaining existing business customers"? If not, why not? Explain in complete detail.
4. Identify the reductions to the gross revenue conversion factor ("GRCF") that KPCo believes would be appropriate, given the Tax Cuts and Jobs Act ("TCJA")'s reduction of the corporate tax rate from 35% to 21%.
  - a. Provide the GRCF Kentucky Power believes the Commission should use to calculate rates in this proceed. Provide all associated worksheets used to calculate this amount, in their native Excel format.
5. Reference KPCo's Motion for Partial Rehearing, p. 4, where it is stated: ". . . due to the timing of the enactment of the Tax Cuts and Jobs Act, there is no evidence in the record regarding the impact of the change in corporate tax rate on the Company's tax expense." Provide the information the Company believes is necessary for the Commission to determine the TCJA's effect on the Company's tax expense. Provide all data in Excel spreadsheet format, with all cells and formulae fully accessible.
6. Reference KPCo's Motion for Partial Rehearing, p. 4, wherein the Company states: ". . . the Commission's calculation of the Current Period Change overstates the reduction in the Company's revenue requirement by \$765,030." Provide all documentation to support the Company's calculation. Provide all data in Excel spreadsheet format, with all cells and formulae fully accessible.
7. Confirm that the Rockport UPA formula rate varies from month to month in order to reflect actual fuel, O&M, and other expenses, including tax expense.
8. Confirm that the TCJA's reduction of the corporate tax rate from 35% to 21% should reduce costs for KPCo is responsible under the Rockport UPA formula rate. If KPCo does not agree, state in complete detail why not.

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- a. If so confirmed, provide the reduction on expense under the Rockport UPA Kentucky Power would no longer be required to pay.
9. Identify all accounting adjustments to which the GRCF or Federal income tax applies, including but not limited to the Rockport UPA, Environmental Surcharge, and the Big Sandy Decommissioning Rider.
- a. Provide these amounts and calculations in native Excel format.
10. Reference FERC Docket EL17-13-000, *American Municipal Power, Inc., et al. v. Kentucky Power Co., et al.*, "Explanatory Statement In Support Of Settlement Agreement And Offer Of Settlement," dated March 28, 2018.
- a. Confirm that KPCo, its affiliated AEP East Companies, together with other AEP affiliates entered into a settlement agreement with American Municipal Power and the other entities that filed the above-referenced FERC complaint, in which KPCo and its affiliates agreed, *inter alia*:
    - (i) to reduce the base return on equity ("ROE") used to calculate charges for the AEP East Companies under PJM Tariff Attachments H-14 and H-20 from the current 10.99% to 9.85% for services rendered on and after January 1, 2018;
    - (ii) the equity component included in each AEP East Company's capital structure shall be the lesser of the actual such component, but in no event greater than 55%;
    - (iii) that the AEP East Companies will address the effect of the TCJA on each company's revenue requirements and charges for services rendered after January 1, 2018;
    - (iv) apply the provisions of the TCJA in full beginning with interim rates to be requested by AEP;
    - (v) excess ADITs not subject to the TCJA's provisions governing the availability of normalization accounting will be returned to customers over a period of 10 years; and
    - (vi) for the period between the date that the above-referenced FERC complaint was filed and December 31, 2017, the AEP East Companies shall calculate and direct PJM to provide a lump-sum credit against charges otherwise payable by transmission customers equal to \$50 million, together with interest thereon.



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- b. Provide the jurisdictional monetary impact of each of the terms of the above-referenced settlement impact on KPCo's tax expense, including but not limited to the Rockport UPA.
  - c. Provide the jurisdictional monetary reduction to revenue requirements or expense levels as a result of the above-referenced settlement.
11. Confirm that the test year level of purchase power expense associated with forced outages not recoverable under KPCo's FAC was \$1.158 million.
12. Confirm that the 3-year average of purchase power expense associated with forced outages not recoverable under KPCo's FAC was \$882,204.
13. Confirm that KPCo's application sought recovery of the 3-year average of purchase power expense associated with forced outages not recoverable under KPCo's FAC.
14. Explain why KPCo now seeks recovery of the test year level of purchase power expense associated with forced outages not recoverable under KPCo's FAC.
- a. Provide documentation of the additional \$276,081 in test year purchase power expense not recoverable under KPCo's FAC for which KPCo now seeks recovery.
15. Reference Kentucky Power Company's February 14, 2018, Response in Opposition to KIUC's Petition for Rehearing, pages 5-6. Kentucky Power references the Transmission Owner Revenues the Company reflected as a credit in base rates.
- a. Provide the amount of costs in base rates KPCo pays to other utilities as a Transmission user.
  - b. Provide the amount KPCo expects those FERC approved rates will decrease as a result of the reduction in the Federal income tax rate.
  - c. Is KPCO aware of any FERC proceedings regarding the reduction of the Federal income tax rate on transmission owners, including AEP East Companies? If so, provide citation to any such proceeding and explain the anticipated effect on KPCo customers.