

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 RESPONSES TO DATA REQUESTS
OF 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 the following responses to data requests of Kentucky Power Company in the above-styled matter.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



REBECCA W. GOODMAN
LAWRENCE W. COOK
KENT A. CHANDLER
ASSISTANT ATTORNEYS GENERAL
700 CAPITOL AVE.
STE. 20
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
Rebecca.Goodman@ky.gov
Larry.Cook@ky.gov
Kent.Chandler@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 October 27, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 27th day of October, 2017.

A handwritten signature in blue ink, appearing to be 'AJL', is placed on a light blue rectangular background.

Assistant Attorney General

WITNESS/RESPONDENT RESPONSIBLE:

Ralph C. Smith

QUESTION No. 1

Page 1 of 1

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

RESPONSE:

See the attachment to the Attorney General's response to item no. 8 of the Commission Staff's data requests to the Attorney General.

WITNESS/RESPONDENT RESPONSIBLE:

Ralph C. Smith

QUESTION No. 2

Page 1 of 1

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

RESPONSE:

See the response to question 1. There are no other documents responsive to this question.

WITNESS/RESPONDENT RESPONSIBLE:

Dr. J. Randall Woolridge

QUESTION No. 3

Page 1 of 1

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

RESPONSE:

Dr. Woolridge's work papers, data and work sheets, and source documents are being uploaded with this filing, and include:

- a. Articles (Copies of articles and studies used and cited in the Testimony, exhibits, and appendices, listed by Authors name and date of publication);
- b. Electric V-Lines – August 18, 2017 (Copies of electric utility *Value Line* reports used in Exhibits); and
- c. Work sheets (Copies of data and work sheets used in the development of Dr. Woolridge's Exhibits, including copies of Exhibits JRW-1 through JRW-14.

WITNESS/RESPONDENT RESPONSIBLE:
Dr. J. Randall Woolridge

QUESTION No. 4
Page 1 of 1

To the extent not already provided, please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Woolridge. 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. 3.

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 5
Page 1 of 1

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

RESPONSE:

Please see the following attached files:

DED-1 & DED-2 KY Labor Market Data FINAL.xlsx

DED-3 Historic Residential Rates FINAL.xlsx

DED-4 Rate per MWh Analysis FINAL.xlsx

DED-5 Analysis of Company's Customer Costs FINAL.xlsx

DED-6 Survey of Regional Customer Charges FINAL.xlsx

DED-7 & DED-8 Workpapers

DED-9 Analysis of Company's Customer Counts, Sales, and Revenues (2006-2016)

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 6
Page 1 of 1

Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Dismukes. 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 Kentucky Power 1-5.

WITNESS/RESPONDENT RESPONSIBLE:
Roger McCann

QUESTION No. 7
Page 1 of 1

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

RESPONSE:

- a. Figure 1 refer to **CAK_Attachment_CAACountyList**.
- b. Lines 11-16, page 6 refer to **CAK_Attachment_KPC KACA Agreement**.
- c. Figure 2, page 7 refer to **CAK_Attachment_KPCoCustomersinPoverty**.
- d. Lines 5 through 8, page 8 refer to **CAK_Attachment_LIHEAPdataStatewide**.
- e. Figure 3 and 4 refer to **CAK_Attachment_CountyLIHEAP** and **CAK_Attachment_AEPLIHEAP**.
- f. Formula used to calculate chart on page 5, Cost to Households Living in Poverty of Rate increase:
Number of Households with incomes below the poverty line * (monthly proposed increase per household * 12 months
35,756* (\$23.61*12)
- g. Figure 7 and 8 refer to **CAK_Attachment_AEPPProgram1617**.

WITNESS/RESPONDENT RESPONSIBLE:
Roger McCann

QUESTION No. 8
Page 1 of 1

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

RESPONSE:

- a. On line 4, page 10, United States Department of Agriculture Economic Research Service, refer to **CAK_Attachment_FoodSecurity**.
- b. On lines 11 through 16, page 13 refer to **CAK_Attachment_ServiceChargeStudy**.
- c. On line 23, page 5, refer to **CAK_Attachment_PSC Case No. 2005-00341_Settlement**.
- d. On line 24, page 5, refer to **CAK_Attachment_AEPTariff**.
- e. On line 22, page 6, Small Area Income and Poverty Estimates, 2015 poverty and Median Household Income Estimates refer to **CAK_Attachment_SAIPENation** and **CAK_Attachment_SAIPEKYCounties**.
- f. On line 11, page 17 Commonwealth of Kentucky Comparison of Residential Customer Rates refer to **CAK_Attachment_KYRateComparison**.
- g. Attached letter references to Kentucky Center for Education & Workforce Statistics refer to **CAK_Attachment_KCEWS**.
- h. Attached letter references to U.S. Census Data refer to **CAK_Attachment_2014AmericanCommunity**.

WITNESS/RESPONDENT RESPONSIBLE:
Dr. J. Randall Woolridge

QUESTION No. 9
Page 1 of 1

Please refer to Exhibit JRW-4.1 to the testimony of Mr. Woolridge. Please provide all underlying data and supporting calculations for each column in Exhibit JRW-4.1. Please provide this information for both proxy groups shown in the exhibit. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Per the response to question no. 3, the work sheets are uploaded as part of this filing. The data and supporting calculations for Exhibit JRW-4.1 are provided in three files:

KPC - KY - 2017 ROR Exhibits 6.0 -10-3-17 – JRWoolridge, tab JRW-4.1
Electric Utility 10-K Financial Data – 2016
Electric Utilities - Regulated Revenue - 2016 10-k

WITNESS/RESPONDENT RESPONSIBLE:

Roger McCann

QUESTION No. 10

Page 1 of 1

Please refer to page 3, lines 1-2, of the testimony of Mr. McCann. Please identify with specificity each instance where the opinions expressed in the testimony of Mr. McCann differ from that of the Office of Attorney General.

- a. For each instance where the opinions expressed in the testimony of Mr. McCann differ from that of the Office of Attorney General, identify how the opinions differ.

RESPONSE:

In my testimony, I speak for Community Action Kentucky. I generally agree with the Office of the Attorney General's testimony. I speak for the low-income residents of the Kentucky Power service area based on my experience with local Community Action Agencies. It was at the suggestion of the PSC that my testimony be filed with the Office of the Attorney General.

WITNESS/RESPONDENT RESPONSIBLE:

Ralph C. Smith

QUESTION No. 11

Page 1 of 2

Please refer to page 70, lines 15-17, of the testimony of Mr. Smith where Mr. Smith claims that "many companies in Kentucky are either not paying wage increases, or for those that are, the increases are significantly less than KPCo's proposed 3.5% merit increase."

- a. Please identify all facts that support Mr. Smith's claim.
- b. Please provide copies of all studies reviewed or relied upon by Mr. Smith to support this claim.
- c. Please identify the companies referred to by Mr. Smith that are not providing wage increases.
- d. Please identify the companies referred to by Mr. Smith as providing "increases significantly less than" Kentucky Power.
- e. For each company that Mr. Smith identified in response to subparts c. and d. above please provide the annual rate of pay increases from 2009 through 2016.

RESPONSE:

Objection. Mr. Smith did not make such a statement on page 70 of his testimony. Without waiving this objection, on page 27 (lines 10-17) of his testimony, the following question and answer appear:

Q. Did the Company cite any study of local wages relative to merit increases for non-exempt salaried and exempt employees?

A. No, it did not. The Commission has been requiring that all utilities filing base rate applications must conduct a separate wage study based on local wages and benefits paid within the geographic area where the utility operates, and must include state data where available. The Commission can take administrative notice that many companies in Kentucky are either not paying wage increases, or for those that are, the increases are significantly less than KPCo's proposed 3.5% merit increase.

- a. – e. See the direct testimony of Attorney General witness David E. Dismukes, Ph.D., pp. 5-6, and exhibit DED-2 which shows that although average monthly earnings for the Commonwealth as a whole are growing, average earnings in the eastern part of the state

QUESTION No. 11
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have stagnated. As Dr. Dismukes observes, "[w]ages in Eastern Kentucky are now back up to a level that is 20 percent lower than the statewide average."¹ It is far more important for the Commission to understand and take notice of this trend in the Eastern Kentucky economy as a whole rather than examining individual employers that may or may not be providing wage increases. Mr. Smith has not tracked the wage increment history of any individual employers in eastern Kentucky.

¹ See Direct Testimony of David Dismukes, page 6 (lines 9-10).

WITNESS/RESPONDENT RESPONSIBLE:

Ralph C. Smith

QUESTION No. 12

Page 1 of 3

Please refer to page 64, lines 9-11, of the testimony of Mr. Smith where Mr. Smith testifies that, "[b]ut for the AEP Consent Decree, the retirement of Big Sandy Unit 2, and the purchase of the 50 percent undivided interest in the Mitchell Plant by KPCo might not have been necessary."

- a. Please provide all facts that support Mr. Smith's assertion that the AEP Consent Decree was a "but for" cause of the retirement of Big Sandy Unit 2 and the acquisition by Kentucky Power of an undivided 50 percent interest in the Mitchell Plant.
- b. Please confirm that in Case No. 2011-00401 the Attorney General opposed Kentucky Power's proposal to retrofit Big Sandy Unit 2 with a flue gas desulfurization unit.
- c. Please confirm that Kentucky Power could not, consistent with the Mercury and Air Toxic Standards Rules, continued to operate Big Sandy Unit 2 after April 16, 2015 absent the installation of a flue gas desulfurization unit.[sic]
- d. Confirm that it is Mr. Smith's testimony that absent the AEP Consent Decree the Company would not have been required to perform the resource disposition analysis that resulted in Case No. 2012-00578.

RESPONSE:

- a. As explained on 60-61 of Mr. Smith's testimony, none of the units at the Big Sandy and Rockport stations were identified in the original or amended complaints that led to the AEP Consent Decree. The purpose of the Consent Decree that AEP signed was to "settle[] outstanding litigation . . . that stemmed from differences in interpretation of various NSR requirements associated with coal unit maintenance practices. The AEP Companies admitted no violations of law and all claims against them were released."² Although the Consent Decree was a conclusion to litigation involving certain AEP owned generating facilities, neither Big Sandy nor Rockport were included in any pleading until "the Consent Decree [was] lodged with the Court by parties in October 2007."³ Regardless of the procedure that led up to the Consent Decree's filing in 2007, the Consent Decree played an important role in the decisions to close Big Sandy Unit 2 and to transfer a 50% undivided interest in the Mitchell

² Case No. 2012-00578, McManus direct testimony, p. 4.

³ KPCo Response to AG_2_045, Case No. 2017-00179.

QUESTION No. 12
PAGE 2 of 3

Facility to KPCo.⁴ It is obvious from the Application in the Mitchell transfer case that one of the “selling points” of having KPCo acquire a 50% interest in the Mitchell plant was that the “units are environmentally controlled.”⁵ In fact, the Application in the Mitchell transfer case sets forth at least nine (9) references to the 2007 AEP consent decree, including it being one of the “primary drivers for more stringent emission limits at . . . Big Sandy. . .”- the cost of which the Company used as the basis for its Application.⁶

The initial impact on KPCo customers of Big Sandy’s inclusion in the Consent Decree was to shutter their own Kentucky in-state generation, which had provided significant economic benefits to the service territory and the state as a whole. Despite the fact that neither Big Sandy nor Rockport were identified in the initial EPA pleadings that ultimately led to the Consent Decree, these impacts from AEP business decisions have been, are, and will continue to be major on KPCo and its ratepayers.⁷ As stated in KPCo's response to AG_2_045:

"The allegations in the original complaints focused on a limited number of units, and did not include the Rockport Plant or the Big Sandy Plant. During the course of the litigation, discovery was conducted concerning AEP plants not named in the original complaints, including the Rockport Plant and the Big Sandy Plant. The first pleading involving the Rockport Plant and the Big Sandy Plant was the Consent Decree lodged with the Court by the parties in October 2007."

If the Commission is interested in finding amounts to remove from recovery from KPCo's customers, it can consider disallowing all or a portion of the costs KPCo is currently recovering through the Big Sandy (Unit 2) Retirement Rider. The sums that KPCo’s customers pay under this rider each year are in addition to the sums that KPCo customers pay for the replacement generation, i.e., for KPCo’s 50% ownership of the Mitchell Plant. But for the AEP Consent Decree, the retirement of Big Sandy Unit 2 and the purchase of the 50 percent undivided interest in the Mitchell Plant by KPCo

⁴ See Case No. 2012-00578, McDermott direct testimony p. 14, wherein McDermott provides support that shutting down Big Sandy 2 and replacing it with a purchase of 50% of Mitchell is the least-cost approach. Therein, Mr. McDermott states that Mitchell has the environmental controls necessary to meet the Company’s obligations under the Consent Decree and that making similar environmental investments in Big Sandy 2 “is not as cost effective as transferring a share of Mitchell.”

⁵ Case No. 2012-00578, Application, pp. 23-24; McManus direct testimony p. 3; Weaver direct testimony, pp. 11-13; Pauley direct testimony, p. 10; McDermott direct testimony pp. 3-5, 14.

⁶ See Case No. 2012-00578, McDermott direct testimony p. 14.

⁷ Case No. 2017-00179, KPCo Response to AG_2_045.

QUESTION No. 12
PAGE 3 of 3

might not have been necessary -- a fact supported by Kentucky Power's previous testimony.

b. Confirmed.

c. This is not confirmed.

d. This is not confirmed.

WITNESS/RESPONDENT RESPONSIBLE:
Counsel

QUESTION No. 13
Page 1 of 1

Please confirm that the Attorney General is authorized under the rules of the Federal Energy Regulatory Commission ("FERC") to challenge the return on equity established in the FERC-approved Rockport Unit Power Agreement.

RESPONSE: Objection. KPCo has not designated a witness who filed direct testimony in this proceeding to respond to this question. Without waiving this objection, see the response to the PSC Staff's question no. 7 (c) addressed to the Attorney General.

WITNESS/RESPONDENT RESPONSIBLE:

Ralph C. Smith

QUESTION No. 14

Page 1 of 1

Please refer to page 70, lines 9-14, of the testimony of Mr. Smith. Confirm that Mr. Smith's testimony described therein is based solely on advice of counsel.

- a. If there exist independent bases to support Mr. Smith's testimony set forth on page 70, lines 9-14, please identify those bases.
- b. If there exist independent bases to support Mr. Smith's testimony set forth on page 70, lines 9-14, please provide all supporting documentation in support of those independent bases.

RESPONSE:

- a. – b. Objection. The question seeks information that is or may be subject to work-product and/or the attorney-client privilege(s). Without waiving this objection, Mr. Smith states that based on his review of the evidence presented in this proceeding, KPCo has not demonstrated a compelling reason to have these PJM Open Access Transmission Tariff (OATT)-related transmission costs tracked and recovered through its Purchase Power Adjustment clause, Tariff PPA. The Company's proposal would collect PJM transmission expenses automatically through its PPA Tariff. This proposal is objectionable because it would subject customers to potentially large additional cost increases each year, without an adequate review by the Commission which occurs almost exclusively in full base rate cases, in which all costs could be evaluated independently and with respect to other costs. Moreover, as noted by KIUC witness Baron, KPCo's proposal is conceptually similar to the Company's request in its last base rate case (Case No. 2014-00396) in which it requested authority to replace KPSC-determined retail transmission rates with FERC regulated PJM OATT rates, a request which was rejected by the Commission in that case. KPCo's proposal is also objectionable because it would reduce the scope of regulatory authority over KPCo's retail rates and result in a pass through of FERC-approved transmission costs without the potential offsetting adjustments that would otherwise be evaluated in KPCo's base rate cases, thus resulting in a transfer of risk from AEP shareholders to KPCo's ratepayers.

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 15
Page 1 of 1

Please refer to Exhibits DED-4 and DED-6 to Mr. Dismukes' testimony.

- a. Please identify the bases for selecting the peer utility group used in those exhibits.
- b. For each utility identified, please identify the number of customers per distribution line mile and the nature of the terrain (i.e. mountainous, urban, agrarian, etc.) within the utility's service territory.

RESPONSE:

- a. Dr. Dismukes developed his peer group for Exhibits DED-4 and DED-6 on mainly a geographic basis. Specifically, the peer group chosen represents investor owned utilities operating in the Appalachian region with a prior focus on neighboring states in the South Atlantic and East South Central Regions.
- b. Dr. Dismukes has not conducted the requested analysis.

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 16
Page 1 of 1

Please refer to page 20, lines 12-17, of the testimony of Mr. Dismukes. Please confirm that electric substations and line transformers are necessary to provide electric service to customers served by a distribution system.

RESPONSE:

As explained within Dr. Dismukes Direct Testimony at page 20, lines 12-17, electric substations and line transformers are designed, at least in part, to meet the maximum demand requirement of the portion of the overall distribution system with which they are associated. As all active electric distribution systems have at least some demand requirement these systems are designed to meet, such systems are ultimately necessary to provide service to distribution systems. This is distinct from customer-related costs, which are costs associated with directly serving customer accounts, such as metering costs, service drops, and a variety of customer support functions such as billing.

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 17
Page 1 of 1

Please refer to page 20, line 22, and page 21, lines 1-3, of the testimony of Mr. Dismukes.
Please identify all utility regulatory commission decisions that have limited customer charges to the customer-related costs identified therein.

RESPONSE:

Dr. Dismukes does not have a comprehensive list of all states that have limited or capped customer charges to customer-related costs or some sub-set of customer-related costs. However, some examples of commissions that have set their customer charges to customer-related costs, or who have noted that it is appropriate to limit customer charges to no more than customer-related costs, or some sub-set of customer-related costs, include the Washington Utilities and Transportation Commission in its Final Order in Pacific Power & Light Company's 2014 rate case (Docket No. UE-140762) and the Utah Public Service Commission in its Order in Docket No. 99-035-10.

WITNESS/RESPONDENT RESPONSIBLE:

David E. Dismukes, Ph.D.

QUESTION No. 18

Page 1 of 1

Please refer to page 48, lines 13-18, of the testimony of Mr. Dismukes.

- a. Please identify each discount that Mr. Dismukes alleges the Company provides to customers or third party entities through the K-PEGG program.
- b. Please provide all documents or other evidence evidencing the existence of each such alleged discount.

RESPONSE:

Due to a typographical error, Dr. Dismukes incorrectly references "discounts" provided to customers through the K-PEGG program at page 48, line 17 of his Direct Testimony. This was intended to reference "grants" provided to customers through the K-PEGG program. The referenced error will be corrected through an errata filing.

WITNESS/RESPONDENT RESPONSIBLE:
David E. Dismukes, Ph.D.

QUESTION No. 19
Page 1 of 2

Please refer to page 52, lines 1-8, of the testimony of Mr. Dismukes.

a. Please identify each indicator referred in Mr. Dismukes' statement that "there are plenty of indicators that show previous economic hardship mirroring eastern Kentucky has subsided" For each such indicator provide the following:

- (i) the full name of the indicator;
- (ii) the entity or organization publishing or compiling the indicator;
- (iii) the beginning and ending points during which the indicator demonstrated the "previous economic hardship mirroring eastern Kentucky has subsided ..."; and
- (iv) copies of all source documents containing the indicator and used in making the referenced statement.

b. Please identify each indicator referred in Mr. Dismukes' testimony that "there are plenty of indicators ... and that the region may even be seeing some moderate growth potential." For each such indicator provide the following:

- (i) the full name of the indicator;
- (ii) the entity or organization publishing or compiling the indicator;
- (iii) the beginning and ending points during which the indicator demonstrated "the region may even be seeing some moderate growth potential.";
- (iv) copies of all source documents containing the indicator and used in making the referenced statement; and
- (v) The size of the "growth potential" and the period over which it is anticipated to continue.

RESPONSE:

QUESTION No. 19

Page 2 of 2

- a. Please refer to the Direct Testimony of Dr. David Dismukes, page 52, lines 11 through 20, which discuss Company's references to interest from large industrial customers to move to the Company's service territory. At page 53, lines 4 through 11, Dr. Dismukes discusses specifically the announcement by Braidy Industries to construct a 2.5 million square foot aluminum mill near South Shore. Please also refer to page 58, lines 3 through 13, which discusses information provided by AEPSC's Economic Forecasting group based on information provided by Moody's Analytics.
- b. See response to (a) above.