

**Kentucky Power Company**  
**KPSC Case No. 2017-00179 General Rate Adjustment**  
**Attorney General's Second Re-Hearing Set of Data Requests**  
**Dated May 9, 2018**

**DATA REQUEST**

AG\_RH2\_001           Reference KPCo's response to AG Rehearing DR 1-9, the last paragraph, regarding the Decommissioning Rider. When KPCo files its update to the Decommissioning Rider rates in August 2018, will the rates reflect the changes to the federal corporate income tax rates effective to January 1, 2018?

                          a. If not, why not?

                          b. If not, confirm that KPCo will be receiving a rate increase to which it is not entitled.

**RESPONSE**

Yes, the Decommissioning Rider update to be filed in August of 2018 will reflect the lower marginal federal income tax rate of 21%. The updated Decommissioning Rider rates will not reflect the amortization of excess ADIT because the amortization is being accounted for in this proceeding.

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Witness:           Alex E. Vaughan

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AG\_RH2\_002                      Reference the response to AG Rehearing DR1-10. Confirm that the FERC settlement agreement discussed therein has now been approved.

**RESPONSE**

Denied. The non-unanimous settlement in docket number EL-17-13 has not been approved yet by the FERC.

Witness:                      Alex E. Vaughan

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**DATA REQUEST**

AG\_RH2\_003            Confirm that the issue of the Company's PJM Transmission Owner revenue credit was raised in KPCo's Response to Kentucky Industrial Utility Customers ("KIUC")'s Petition for Rehearing and not in KPCo's Petition for Rehearing.

**RESPONSE**

Confirmed.

Witness:            Ranie K. Wohnhas

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**DATA REQUEST**

AG\_RH2\_004            Confirm that KPCo's PJM Transmission Owner revenue credit is not included in the calculation of Tariff P.P.A.

**RESPONSE**

The statement cannot be confirmed. PJM Transmission Owner revenues are excluded from the calculation of the annual purchase power adjustment factor under Tariff P.P.A. with one exception. The difference in approved FERC ROE and KY retail approved ROE embedded in the Company's PJM Transmission Owner revenues is flowed back to customers in the calculation of the annual purchase power adjustment factor under Tariff PPA. Please see the "Retail vs TO" tab of the Company's Tariff P.P.A. filing forms for information on how this flow back will be calculated.

Witness:            Alex E. Vaughan

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AG\_RH2\_005                      Confirm that, absent the Tax Cuts and Jobs Act (“TCJA”), had KPCo’s PJM Transmission Owner revenue credit increased between the effective date of new rates in this matter and the effective date of new rates in its next rate case, 100% of any increase would have inured to the benefit of KPCo. Said differently, confirm that KPCo’s PJM Transmission Owner revenue credit is part of base rates and KPCo bears 100% of the risk, up or down, of any change in the level of credit as compared to the amount included in base rates.

**RESPONSE**

The statement cannot be confirmed. Please refer to the Company's response to AG RH2-004. The request to increase Kentucky Power’s annual revenue requirement to reflect the decrease in transmission owner revenue was contingent upon the Commission granting KIUC’s motion for rehearing and decreasing the Company’s annual revenue requirement to reflect the claimed reduction in the Company’s Rockport Unit Power Agreement expense as a result of the Tax Cut and Jobs Act. Any change in test year amounts to reflect the Tax Cut and Jobs Act must be applied even handedly and without regard to whether the effect is to reduce the Company’s expenses or the Company’s revenues. Adjusting test year expenses only would be arbitrary, unjust, and unreasonable, and threatens the Company's ability to continue to agree to the stay out.

Witness:                      Alex E. Vaughan

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AG\_RH2\_006            Confirm that, as opposed to KPCo's PJM Transmission Owner revenue credit, KPCo's PJM OATT LSE charges are tracked, and 80% of any incremental increase over the amount in base rates is recovered by KPCo through Tariff P.P.A.

**RESPONSE**

The statement cannot be confirmed. With the exception of the fact that the Company flows back to customers the difference in approved FERC ROE and KY retail approved ROE embedded in the Company's PJM Transmission Owner revenues, the Company confirms that 80% of any incremental increase over, or decrease below, the amount of PJM LSE OATT charges in base rates will be a part of the calculation of the annual purchase power adjustment factor under Tariff P.P.A.

Witness:            Alex E. Vaughan

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**DATA REQUEST**

AG\_RH2\_007            Was the Non-Unanimous Rehearing Settlement Agreement filed into the record on April 27, 2018 provided in advance to any other party in this matter, except KIUC, for consideration?

                          a. If not, why not?

                          b. If so, provide the parties it was provided to and the counsel for those parties with whom KPCo communicated.

**RESPONSE**

No.

a. The settlement agreement was limited to the issues raised by the motions for rehearing filed by KIUC and Kentucky Power on February 7, 2018. "No other party filed a motion for rehearing. In addition, no party, other than the Attorney General, filed a response to either motion for rehearing." Kentucky Power further notes that the Attorney General and Kentucky Commercial Utility Customers, Inc. declined to enter into the November 22, 2018 settlement agreement in this case. Kentucky Power would welcome the Attorney General and any other party joining the April 25, 2018 settlement agreement.

A telephonic informal conference to discuss settlement was conducted on April 17, 2018. Representatives of all parties participated. Without violating the confidentiality of those discussions, Kentucky Power states that it acted in accordance with those discussions.

b. Not applicable.

Witness:            Ranie K. Wohnhas

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AG\_RH2\_008

Refer to the Rehearing Settlement Testimony of Ranie K. Wohnhas (“Wohnhas Rehearing Settlement Testimony”), pages 5-6.

- a. Explain the use of “must” in the provision presented on page 5 that, “KIUC and Kentucky Power agree that the Company’s Commission-adjusted annual revenue requirement must be increased by \$765,030.”
- b. Does KPCo believe that the non-unanimous settlement agreement between only two parties can bind the Commission as to what it must do, or does KPCo believe the Commission has the power and authority to make a determination other than that provided for in the settlement agreement?
- c. Identify where in the record KPCo, by motion, requested “to increase its annual revenue requirement by the net amount of \$3,360,907 to reflect the decreases Transmission Owner revenue to be received by the Company as a result of the Tax Act?”

**RESPONSE**

a. “Must” is used in Company Witness Wohnhas’ testimony as an auxiliary verb modifying the balance of the verbal phrase “must be increased” to denote something that logically follows. *See* WEBSTER’S NINTH NEW COLLEGIATE DICTIONARY 783 (1983) (defining “must” to mean “to be logically inferred or supposed to”). The sentence recognizes that the Commission’s calculation of the effect of the Tax Cuts and Jobs Act on Kentucky Power’s annual revenue requirement understates the correctly calculated increase in the Company’s annual revenue requirement by \$765,030.

b. The Commission is not a party of the settlement agreement and is not bound by it. The Settlement Agreement reflects the agreement between Kentucky Power and Kentucky Industrial Utility Customers, Inc. concerning their agreed resolution of the issues raised by each in their respective motion for rehearing.

c. Please refer to pages 6-7 of Kentucky Power’s February 14, 2018 response in opposition to Kentucky Industrial Utility Customers, Inc.’s motion for rehearing.

Witness:           Ranie K. Wohnhas

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AG\_RH2\_009            Is it KPCo's position that the Commission's calculation of current Federal Income Tax Expense is unreasonable?

- a. If so, explain KPCo's basis for such a belief.
- b. If KPCo does not believe the Commission's calculation is "unreasonable," is it accurate to describe KPCo's position that its own calculation is "more appropriate" than the Commission's, as noted on page 3 of the Rehearing Settlement Testimony of Alex E. Vaughan?
- c. If the Commission accepts the Non-Unanimous Rehearing Settlement Agreement, including the proposal to increase base rates by \$765,030, provide the percentage by which the average residential customer's base rates will increase.

**RESPONSE**

Yes. The Company's position is that it is unreasonable to calculate the tax expense reduction utilizing a method that is inconsistent with the manner the Company calculated its tax expense in the case. The unreasonableness of using an inconsistent calculation methodology is exacerbated by the rate case stay out agreed to by the Company.

- a. See above answer.
- b. Not applicable. The Company's calculation is consistent with the method the Company used to calculate income tax expense in this case and is, therefore, reasonable and appropriate.
- c. Residential rates would increase by 0.2% or about \$0.29 per month for an average customer using 1,245 kWh.

Witness:            Alex E. Vaughan

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**DATA REQUEST**

AG\_RH2\_010

Refer to the Non-Unanimous Rehearing Settlement Stipulation, attached to the Wohnhas Rehearing Settlement Testimony as Exhibit RKW-S1, page 5 of 10, paragraph (c).

- a. Explain whether the Commission's Final Order dated Jan. 18, 2018 allocated the base rate increase in the same manner as provided in the "Settlement Base Rate Increase" Column (Column a) of Exhibit 1 to the November 22, 2017 Non-Unanimous Settlement Agreement.
- b. If not, explain why it is reasonable for the Non-Unanimous Rehearing Settlement Agreement to utilize an allocation of the proposed base rate revenue increase that differs from the manner in which the

Commission allocated the base rate increase in its Final Order dated Jan. 18, 2018.

**RESPONSE**

a. The Commission did not provide a revenue allocation schedule with its January 18, 2018 Order in this case and thus the Company cannot respond with complete certitude. However, the rates provided in Appendix C of the order produce a class by class revenue increase (on a percentage basis) that is very similar to what was proposed in the November 22, 2017 settlement agreement. The residential class increase produced by the rates in Order Appendix C is within roughly 1% of the proposed revenue allocation from the November 22, 2017 non-unanimous settlement agreement.

b. Not applicable. See the Company's response to AG\_RH2\_010(a).

Witness:            Alex E. Vaughan



