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 RIDERS; (4) AN ORDER APPROVING ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND (5) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF

KENTUCKY POWER COMPANY RESPONSES TO COMMISSION’S STAFF SECOND SET OF DATA REQUESTS

August 28, 2017
VERIFICATION

The undersigned, Matthew J Satterwhite, being duly sworn, deposes and says he is the President and Chief Operating Officer for Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

[Signature]
Matthew J Satterwhite

COMMONWEALTH OF KENTUCKY   )
COUNTY OF FRANKLIN         )

Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Matthew J. Satterwhite, this the 28th day of August 2017.

[Signature]
Judy K Loyd
Notary Public

Notary ID: 5471414
My Commission Expires: January 23, 2021
VERIFICATION

The undersigned, Douglas R. Buck, being duly sworn, deposes and says he is Senior Regulatory Consultant for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Douglas R. Buck

STATE OF OHIO
County of FRANKLIN

) ) Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Douglas R. Buck, this the 2nd day of August 2017.

Princess M. Brown
Notary Public

My Commission Expires: 4/19/2020
VERIFICATION

The undersigned, Andrew R. Carlin, being duly sworn, deposes and says he is the Director, Compensation and Executive Benefits for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.

Andrew R. Carlin

STATE OF OHIO
COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Andrew R. Carlin, this the 15th day of August 2017.

Cheryl Strawser
Notary Public
My Commission Expires: October 1, 2021
VERIFICATION

The undersigned, Jason A Cash, being duly sworn, deposes and says he is employed by American Electric Power as Accountant Policy and Research Staff that he has personal knowledge of the matters set forth in the forgoing data requests and the information contained therein is true and correct to the best of his information, knowledge and belief.

Jason A Cash

STATE OF OHIO

COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jason A Cash, this the 22nd day of August 2017.

Notary ID Number: 2014-RE-488323

My Commission Expires: 04/29/19
VERIFICATION

The undersigned, Curt Cooper, being duly sworn, deposes and says he is the Director of Employee Benefits for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

Curt Cooper

STATE OF OHIO
COUNTY OF FRANKLIN

Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Curt Cooper, this the 21st day of August 2017.

Cheryl L. Strawser
Notary Public

My Commission Expires: October 1, 2021
VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant Principal for Kentucky Power Company, that she has personal knowledge of the matters set forth in the forgoing data responses and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Amy J. Elliott

COMMONWEALTH OF KENTUCKY)
COUNTY OF FRANKLIN)

Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this 27th day of August 2017.

Notary Public

Notary ID Number: 571144

My Commission Expires: January 23, 2021
VERIFICATION

The undersigned, Brad N Hall being duly sworn, deposes and says he is the External Affairs Manager, for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

Brad N Hall

COMMONWEALTH OF KENTUCKY
COUNTY OF BOYD

Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brad N Hall, this the 21 day of August 2017.

Trisha M. Young Bloom
Notary Public

Notary ID: 530202
My Commission Expires: 3-18-19
VERIFICATION

Adrien M. McKenzie being duly sworn deposes and says he is the President of FINCAP, Inc., and that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

STATE OF TEXAS
COUNTY OF TRAVIS

Adrien M. McKenzie

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Adrien M. McKenzie this 22nd day of August 2017.

Chelsea B. Notary Public

My Commission Expires: 07/30/2019
VERIFICATION

The undersigned, John M. McManus, being duly sworn, deposes and says he is Vice President Environmental Services for American Electric Power Service Corporation, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

John M. McManus

STATE OF OHIO
COUNTY OF FRANKLIN

CASE NO. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John M. McManus, this the 28th day of August 2017.

Notary Public

My Commission Expires: December 31, 2019
VERIFICATION

The undersigned, Zachary C Miller, being duly sworn, deposes and says he is a Corporate Finance Analyst Principal for American Electric Power that he has personal knowledge of the matters set forth in the foregoing data requests and the information contained therein is true and correct to the best of his information, knowledge and belief.

Zachary C Miller

STATE OF OHIO
COUNTY OF FRANKLIN
CASE NO. 2017-00179

Subscribed and sworn to before a Notary Public in and before said County and State, by Zachary C Miller, this the 21st day of August 2017.

Notary Public

My Commission Expires: Sec. 147.03 R.C.
VERIFICATION

The undersigned, Debra L Osborne, being duly sworn, deposes and says she is Vice President Generating Assets APCO/KY, that she has personal knowledge of the matters set forth in the data responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief.

STATE OF WEST VIRGINIA
COUNTY OF KANAWHA

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Debra L. Osborne, this the 24th day of August 2017.

Notary Public

My Commission Expires: October 2, 2018
VERIFICATION

The undersigned Everett G. Phillips, being duly sworn, deposes and says he is the Managing Director, Distribution Region Operations for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing data requests and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Everett G Phillips

COMMONWEALTH OF KENTUCKY
COUNTY OF BOYD

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Everett G. Phillips, this the 21 day of August 2017.

Trisha M. Young-Plum
Notary Public

Notary ID # 530202
My Commission Expires: 3-18-19
VERIFICATION

The undersigned, Mark A Pyle, being duly sworn, deposes and says he is the Tax Administrator for American Electric Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Mark A Pyle

STATE OF OHIO
COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Mark A Pyle, this the 25th day of August 2017.

Heidi M Hinton
Notary Public

My Commission Expires: 4/29/18
VERIFICATION

The undersigned, Tyler H. Ross being duly sworn, deposes and says he is the Director, Regulatory Accounting Services for American Electric Power, that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief.

[Signature]

Tyler H. Ross

STATE OF OHIO
COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Tyler H. Ross, this the 23rd day of August 2017.

[Signature]
Notary Public

My Commission Expires: 04/29/19
VERIFICATION

The undersigned, Stephen L. Sharp, being duly sworn, deposes and says he is a Regulatory Consultant, for Kentucky Power Company and that he has personal knowledge of the matters set forth in the data responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Stephen L. Sharp

COMMONWEALTH OF KENTUCKY
COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Stephen L. Sharp, this the 25th day of August 2017.

Judy K. August
Notary Public

Notary ID Number: 571144
My Commission Expires: January 23, 2021
VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Manager, Regulatory Pricing and Analysis that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Alex E. Vaughan

STATE OF OHIO
COUNTY OF FRANKLIN

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Alex E. Vaughan, this the 24th day of August 2017.
VERIFICATION

The undersigned, Katharine I. Walsh, being duly sworn, deposes and says she is a Regulatory Consultant Principal for American Electric Power that she has personal knowledge of the matters set forth in the forgoing data requests and the information contained therein is true and correct to the best of his information, knowledge and belief

Katharine I Walsh

STATE OF OHIO
COUNTY OF FRANKLIN

CASE NO. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Katharine I Walsh, this the 22nd day of August 2017.

Cheryl L. Strawser
Notary Public
My Commission Expires: October 1, 2021
VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY )
COUNTY OF BOYD )

Case No. 2017-00179

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 22 day of August 2017.

TRISHA M. YOUNG
NOTARY ID 530202
COMMISSION EXPIRES 3-18-19
DATA REQUEST
KPSC_2_001

Refer to the Application, Exhibit D, page 5 of 169.

a. State the methods Kentucky Power will use to promote the new tariff to its customers.

b. State whether Kentucky Power will explain the pros and cons of the new tariff to potentially interested customers.

c. Explain whether there is minimum time period a customer must remain on the new tariff. For example, if a customer takes service under tariff R.S.D. for a month and no longer wishes to be served under tariff, can the customer switch back to tariff R.S. the following month?

d. State whether Kentucky Power intends for this to be a permanent program that is limited to 1,000 customers, or whether it will be evaluated and potentially expanded in the future.

e. State whether customers choosing to participate in the tariff will need a demand-reading meter installed, or any other equipment not otherwise already installed, to participate.

RESPONSE

a. Kentucky Power posts all tariffs on its website, www.kentuckypower.com. In addition, the new tariff will be shared with media, including local and regional newspapers and TV stations, via electronic news release. A bill insert also will be created to promote the program’s availability to residential customers.

b. Yes.

c. Per Section 13 of the Company's current Terms and Conditions of Service, a customer would be required to stay on the tariff for a minimum of 12 months.

d. Kentucky Power intends this to be an optional tariff for customers. Like all Kentucky Power tariffs, the Company may evaluate the tariff in the future, to see if any modifications would be warranted.

e. The Company would install, at no additional cost to customers electing to take service under Tariff R.S.D., a demand meter.

WITNESS: Stephen L. Sharp/ Alex E Vaughan
DATA REQUEST


a. State whether Kentucky Power intends to extend that date, and if not, explain to what tariff or tariffs customers currently taking service under Tariff C.S.-Coal will be moved.

RESPONSE

Kentucky Power is not presently contemplating extending the tariff past its Commission-approved December 31, 2017 expiration. Customers taking service under the tariff and any resulting contract at the time of the tariff’s expiration will continue to take service in accordance with the terms of the resulting contract. Unless the tariff is extended, customers not taking service under the tariff and resulting contract would be ineligible to take service under the tariff.

Kentucky Power is open to addressing the issue of modifying the current December 31, 2017 expiration of Tariff C.S.-Coal. Any such modification of the existing tariff would require Commission approval. Further, customers may seek to enter into special contracts with the Company subject to Company agreement and Commission approval.

Witness: Matthew J. Satterwhite
DATA REQUEST

KPSC_2_003 Refer to the Application, Exhibit D, page 113, and to the customer notice. State whether the rate for tariff K.E.D.S. is $.025 per month per account, or $.25 per month per account.

RESPONSE

The proposed rate for tariff K.E.D.S. is $0.25 per month per account.

Witness: Stephen L. Sharp
DATA REQUEST

Refer to the Application, Exhibit E

a. Refer to the Application, Section 1, page 5.

(1) Also refer to the Direct Testimony of Stephen L. Sharp, Jr. (“Sharp Testimony”), page 8, lines 12–13. State whether Kentucky Power has a standard customer application for service. If so, provide a copy of the application of service.

(2) Also refer to the Sharp Testimony, page 8, lines 15–17. State the type(s) of verification Kentucky Power requires to verify a customer’s identity and legal occupancy, and indicate the safeguards in place to protect potentially sensitive information.

b. Refer to page 7 of 205, Criteria for Waiver of Deposit Requirement. Explain whether the tariff changes made at paragraph 2 under this heading mean that customers with good credit will no longer qualify for a waiver of the deposit.

c. Refer to page 7 of 205, Section 4, Deposits, D. 807 KAR 5:006, Section 8(3)(c), states that “[a]n additional or subsequent deposit shall not be required of a residential customer whose payment record is satisfactory, unless the customer’s classification of service changes, except as established in subsection (1)(d)(3).” Confirm that Kentucky Power does not require an additional or subsequent deposit from a residential customer with a satisfactory payment history unless the customer’s classification changes or the customer requests a recalculation of their deposit under 807 KAR 5:006, Section 8(1)(d)(3).

d. Refer to page 7 of 205, Section 4, Deposits, D.1. State whether Kentucky Power intended to change the term “meter diversion” in this section to “energy diversion,” as proposed in Section B.1. on this page. If not, explain.

e. Refer to page 8 of 205, Section 5, Payments, A., last line of the first paragraph. State why the phrase “in any month” is not included as strikethrough text.

f. Refer to page 8 of 205, Section 5, Payments, B., Average Monthly Payment Plan (Amp), first paragraph. (1) State why “S.G.S.” is not included as strikethrough text.
(2) Explain why “S.G.S.-T.O.D.” is being deleted from this section.
g. Refer to page 9 of 205, Section 5, Payments, C., All Payments. Also refer to Sharp Testimony, page 14, line 23, and page 15, line 1. State why Kentucky Power no longer offers the option of paying at the Kentucky Power’s local offices and indicate how long it has been since Kentucky Power stopped accepting payments at its local offices.

h. Refer to page 9 of 205, Section 6, Payment Arrangements. Also refer to the Sharp Testimony, pages 15–18.

(1) Confirm that partial payment plans that extend for a period longer than 30 days will be in writing or electronically recorded, and state the date and the amount of payment due.

(2) Confirm that any written partial payment plans will be dated and signed by both parties, and will advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan.

(3) Confirm that the medical certificate referenced in Section 6, Payment Arrangements, number 8, and the Sharp Testimony, page 16, lines 7–9 is the same as the medical certificate referenced in 807 KAR 5:006, Section 15(2)(c).

(4) Confirm that the Certification referenced in Section 6, Payment Arrangements, number 9, and the Sharp Testimony, page 16, lines 10–13 is the same as the certification referenced in 807 KAR 5:006, Section 15(3).

i. Refer to page 11 of 205, Section 9, Customer’s Liability. Kentucky Power has added language regarding charges that may be assessed “based on electrical usage and damages to all Company equipment.” Explain what types of charges may be based on electrical usage and what types of charges may be assessed for damages to company equipment.

j. Refer to page 14 of 205, Section 18, Denial or Discontinuance of Service. Also refer to the Sharp testimony, page 19, lines 10–20 and page 20, lines 1–2. Explain how the revisions to this section comply with the Customer Bill of Rights.

k. Refer to page 18 of 205, Section 21, Alerts and Subscriptions,
General. Indicate the applicable state laws that govern the terms and conditions of Kentucky Power’s Mobile Alert Service.

1. Refer to page 19 of 205, Section 21, Alerts and Subscriptions, Additional Terms and Conditions for E-mail Alerts. Indicate what other types of information Kentucky Power foresees sending to customers that sign up for E-mail Alerts.

m. Refer to page 43 of 205. Kentucky Power includes PJM billing line item 2210 in the calculation of its Fuel Adjustment Clause (“FAC”). Explain whether PJM billing line items 2211 and 2215 have replaced billing line item 2210.

n. Refer to pages 67–69 of 205. State why the following clauses were not included as strikethrough text: Big Sandy Retirement Rider, Big Sandy 1 Operation Rider, Purchase Power Adjustment, Environmental Surcharge, Capacity Charge, and Kentucky Economic Development Surcharge. Also state why the delayed payment charge language is not included in this rate schedule.

o. Refer to page 123 of 205. Explain whether Kentucky Power will continue to submit its System Sales Clause filing monthly at the same time it files its FAC, or if it will only file annually.

p. Refer to page 183 of 205, Rider R.P.O., Availability of Service, second paragraph. Confirm that the phrase “Option A” is new language.

q. Refer to page 190 of 205. Explain why this adjustment is not included in the adjustment clauses to the applicable rate schedules throughout the tariff.

r. Refer to page 191 of 205, Section 1.a. Provide a detailed breakdown of the $79,076,785 annual amount of purchase power costs.

s. Refer to the delayed payment charge language in the Kentucky Power’s rate schedules. Confirm that the delayed payment charge is only assessed on the unpaid current month’s portion of a customer’s bill and that additional delayed payment charges are not assessed on unpaid delayed payment charges.
RESPONSE

a. (1) Kentucky Power does not have a standard customer application form. Typically, a customer will contact our Customer Operations Center when they wish to request service. A Customer Operations Agent will ask the customer standard questions (i.e. full legal name, social security number, phone number, mailing address, etc.) to complete the application process.

(2). The process used to verify the identity or legal occupancy of a prospective customer will depend on the situation. The Company may require copies of a government issued identification card or copies of documents confirming legal occupancy such as a deed or lease. The Company does not provide customer information to third parties and will seek the protection afforded by confidential treatment under 807 KAR 5:001, Section 13(2) if such information is required to be provided in a Commission proceeding. For example, the Company is seeking confidential treatment for customer specific information provided in response to KSBA 1-1 in this case. Additionally, the Company requires that a customer complete a verification process prior to the release of any information to that customer regarding his or her account.

b. Customers with good credit will still have the opportunity to have a deposit waived if they provide a satisfactory letter of credit from another utility, have a satisfactory payment history with Kentucky Power, or another Kentucky Power customer with satisfactory payment history is willing to sign as a guarantor. The proposed change merely eliminates credit bureau scores from the criteria for waiving a deposit. National credit bureau reports do not necessarily provide the Company with sufficient information to evaluate a prospective customer’s payment history because not all instances that would counsel against waiving a deposit are reflected in credit reports. For example, Kentucky Power does not notify national credit bureaus of payment issues with a customer unless that customer closes his or her utility account without paying the final balance.

c. Confirmed in part. Kentucky Power may require an additional or subsequent deposit from a residential customer per the regulations in 807 KAR 5:006, Section 8(1)(d)(3). However, if a customer with a satisfactory payment history requests the Company to recalculate their deposit and the recalculation demonstrates that the customer should have a larger deposit than they currently do, Kentucky Power would not charge the customer the difference unless their payment history became unsatisfactory.

d. Yes. Kentucky Power intended to change the term in this section to energy diversion.

e. The phrase "in any month" should have been included as strikethrough text prior to the italicized "April through December".
f. (1) S.G.S should have been included as strikethrough text under the Average Monthly Payment Plan. (2) S.G.S. and S.G.S.-T.O.D. are being deleted from this section as the Average Monthly Payment Plan will be for residential customers only.

g. Kentucky Power has not accepted payments at its local offices in 20 years. Customers have the option of making payments at authorized payment locations, over the phone, by mail, or having payments automatically withdrawn from their checking account.

h. (1-4) Confirmed.

i. In the event that a customer has tampered with Company equipment, the customer would be responsible to pay for damages to the equipment (i.e., meter, meter seal, etc.). If the Company can determine how much electric usage a customer should have been billed during the time of tampering, then the customer would be required to pay that amount as well.

j. The proposed changes are meant to comply with bullet point one of the Customer Bill of Rights that states, "You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility."

k. The Company objects to this data request to the extent it calls for legal analysis, or a legal opinion, which are not the appropriate subject of discovery. Without waiving this objection, the Company states as follows:

The communications with Kentucky Power Company’s customers made through the Mobile Alert Service are generally governed by KRS 278.030(2), and the terms and conditions of service described in the Company’s tariffs filed with the Commission.

l. The Company is considering using the Mobile/Email alerts system to inform customers when planned outages are scheduled in the area, adverse weather conditions are approaching, and when conditions exist that could result in high bills (i.e., when extreme hot or cold weather hits that could impact bills).

m. Yes, beginning June 1, 2017 BLIs 2211, 2215 and 2415 (day ahead transmission congestion credit, balancing transmission congestion credit, and balancing transmission congestion credit load reconciliation, respectively) replaced BLI 2210.
n. The Adjustment Clauses should have been referenced as strikethrough text in Exhibit E with the addition of the new Adjustment Clause language. In addition, the delayed payment charge language should have appeared in the strikethrough tariffs. The delayed payment charge language does appear in the clean tariffs (Exhibit D).

o. If approved by the Commission, the Company would file an annual System Sales Clause rate update.

p. Confirmed. The phrase, "Option A" is new language.

q. At the request of the Commission, the Company can include the KY Sales Tax in the Adjustment Clause list when the Company files its new tariffs following this proceeding.

r. Please refer to KPCO_R_KPSC_2_4_Attachment1.xlsx for the breakdown of the PPA costs. As described in detail in the Company’s response to KPSC 2-77, the Company determined that two of the PJM OATT LSE items had been inadvertently excluded from the calculation of the $79,076,785 annual amount of purchased power costs included in base rates. Those items are PJM point to point transmission service credits (test year credit of $535,143.05) and RTO formation cost recovery charges (test year charge of $196,296.08). Including these two items in the annual amount of purchased power costs included in base rates revises the amount to $78,737,938, which is a reduction of $338,847. This update does not change the Company's filed base rate revenue requirement in this proceeding. Although the PJM point to point transmission service credits and RTO formation cost recovery charges were included in the test year KY retail cost of service, they inadvertently were omitted from the calculation of the Tariff PPA basing point. The only value that changes in the Company's filing is the base pricing point in proposed Tariff P.P.A. After this revision it is $78,737,938.

s. Confirmed.

Witness: Stephen L. Sharp/
Alex E. Vaughan
DATA REQUEST

KPSC_2_005

Refer to the application, Section II, Exhibit F.
a. Refer to Kentucky Power’s response to the July 6, 2017 Deficiency Notice, Exhibit 1. Confirm that Kentucky Power charged its customers the current tariffed rates for the following rate classes whose rates were revised:
   (1) Storage Water Heating Provision, Tariff Code 012.

b. Refer to the application, Section II, Exhibit J.
   (1) Confirm that the Residential Service, Tariff Code 054, which is listed in Exhibit J but not in the notice, has no customers during the test year.
   (2) Confirm that the following rate classes which were listed in the notice but not Exhibit J have no customers during the test year.

RESPONSE

a.(1-5) Confirmed.

b. (1) Section II, Exhibit J Page 4 of 35 should have referenced Tariff 024 and not 054. The Company confirms there were no customers on Tariff 024 during the test year.

(2) Confirmed.

Witness: Ranie K. Wohnhas
          Alex E. Vaughan
DATA REQUEST

KPSC_2_006 Refer to the Direct Testimony of Matthew J. Satterwhite (“Satterwhite Testimony”), pages 3 through 5.

   a. Provide the number of Kentucky Power employees from 2011 through 2016 by year.

   b. Provide the number of Kentucky Power employees at the beginning and end of the test year.

   c. Explain why five additional personnel are needed when Kentucky Power’s customer count has declined by 2,300 since September 2014.

RESPONSE

a. Please refer to KPCO_KPSC_R_2_6a_Attachment1.xlsx for the requested information.

b. Please refer to KPCO_KPSC_R_2_6b_Attachment1.xlsx for the requested information.

c. Please refer to the Direct Testimony of Company Witness Satterwhite at 19-20 and Company Witness Wohnhas at pages 19-22 for the requested information. Further, Kentucky Power’s obligation to provide, and commitment to providing, safe and reliable service requires that it plan for the retirement of its aging workforce and the training of replacements. In addition, the need for the five positions being added is not directly related to the number of customers. For example, the need for the two Distribution System Inspectors and support person principally is related to the size of the Company’s distribution system and the number of independent contractors retained by the Company.

Witness: Ranie K. Wohnhas
          Matthew J. Satterwhite
          Andrew R. Carlin
DATA REQUEST

KPSC_2_007

Refer to the Satterwhite Testimony, page 5, regarding the Braidy Industries Inc. announcement to locate an aluminum mill in South Shore, Kentucky.

a. When is the construction of the aluminum mill expected to be started?

b. What impact will the proposed aluminum mill have on Kentucky Power’s load when it becomes operational?

RESPONSE

Kentucky Power objects to this data request on the ground that it seeks irrelevant information that is not reasonably calculated to lead to the discovery of admissible evidence. The test year employed by Kentucky Power is the twelve months ended February 28, 2017. The Braidy Industries facility was not announced until April 26, 2017. The Company is not seeking to recover in this application the future incremental costs associated with providing service to Braidy Industries when its facility begins operation. Further, Kentucky Power is negotiating the terms of the special contract with Braidy Industries and no agreement has been reached. Following its negotiation and execution, Kentucky Power will file the special contract with the Commission for approval. Notwithstanding these objections,

a. Kentucky Power’s application is based on a test year ending February 28, 2017. The Greenup County facility was publicly announced on April 26, 2017 and thus is not reflected in the Company’s annual revenue requirement. Based on information available to the Company from the Governor’s Office and Braidy Industries websites, construction is slated to begin in the first quarter of 2018. [http://kentucky.gov/Pages/Activity-stream.aspx?n=KentuckyGovernor&prId=340](http://kentucky.gov/Pages/Activity-stream.aspx?n=KentuckyGovernor&prId=340); [http://www.braidyindustries.com/jobs/](http://www.braidyindustries.com/jobs/)

b. The Company's understanding is that the preliminary estimated load for the proposed aluminum mill is 55 MW when it becomes fully operational in 2020. This is a preliminary estimate and subject to change as the project progresses.

Witness: Matthew J. Satterwhite
DATA REQUEST

KPSC_2_008 Refer to Satterwhite Testimony, pages 8–9, regarding past and future Community Advisory Panel meetings.

a. Identify the members of the Ashland, Pikeville, and Hazard panels.

b. State how many community meetings have been held with each panel.

c. State the dates for future community meetings with each panel. If future meetings have not been scheduled, provide the expected frequency of future meetings.

d. Describe how the panels were selected.

e. Describe how notice was provided to inform Kentucky Power’s customers about the panels and the community meetings.

RESPONSE

a. The members of the Community Advisory Panels are as follows;

Ashland CAP members:

1. Linda S. Calhoun, Ashland Independent Schools, Grayson
2. Bob Carpenter, Greenup County Judge Executive, Greenup
3. Chuck Charles, Our Lady of Bellefonte Hospital, Ashland
4. Sue Dowdy, Ashland Area Convention and Visitors Bureau, Ashland
5. Sheila Fraley, Marathon Petroleum, Ashland
6. Tim Gibbs, Ashland Alliance, Ashland
7. Lowell Gullett Jr., City Council, Flatwoods
8. Joanna King, Red Cross, Ashland
9. Kathryn Lamp, Foundation for the Tri-State, Ashland
10. Leon Mattingly, Liebert Corp., Big Brothers/Big Sisters, Ashland
11. Norma Meek, Paramount Arts Center, Ashland
12. Rev. Isaac Nicholson, First Christian Church, Ashland
13. John Osborne, Lawrence County Judge Executive, Louisa
14. Laura Patrick, Kings Daughters Hospital, Ashland
15. Matthew Perkins, Second Hand Rose, City Commission, Ashland
16. Paul Seasor, Ashland Community & Technical College, Ashland
Kentucky Power Company
Case No. 2017-00179 General Rate Adjustment
Commission Staff’s Second Set of Data Requests
Dated August 14, 2017
Page 2 of 3

17. Cheryl Spriggs, Rotary District Governor, Ashland
18. Steve Towler, Boyd County Judge Executive, Ashland
19. Geri Willis, Ashland Family Resource Center, Ashland

Hazard CAP members:

1. Trish Adams, E. Kentucky Concentrated Employment Program, Hazard
2. Scott Alexander, Perry County Judge Executive, Hazard
3. Sally Benton, retiree, Hazard
4. Janice Brafford-King, Community Trust Bank, Hazard
5. Beth Caudill, Perry County Senior Center, Hazard
6. Betsy Clemons, Hazard-Perry Chamber of Commerce, Hazard
7. Jarron Clemons, TransAmerica, Hazard
8. Peggy Conway, Perry County Soil Conservation, Hazard
9. Roger Friley, Jackson Fire Department, Jackson
10. Jan Gibson, Perry County 4-H, Extension Office, Hazard
11. Tonita Goodwin, Perry Economic Development Corp., Hazard
12. John Hoppe, Pathfinders of Perry County, Hazard
14. Larry Melton, Perry County Schools, Hazard
15. Roy Pulliam, retiree, Hazard
16. Diana Patula, McDonald’s, Hazard
17. Onzie Sizemore, Leslie Co. Economic Development Director, Hyden
18. Janet Smith, Kentucky Farm Bureau Insurance, Hazard
19. Emerson Varney, Red Cross, Hazard
20. Zach Weinberg, Knott County Fiscal Court, Hindman

Pikeville CAP members:

1. Patty Beatty, United Way, Pikeville
2. Kelly Callaham, Martin County Fiscal Court Judge Executive, Inez
3. Ben Hale, Floyd County Fiscal Court, Prestonsburg
4. Rev. Fred Klatka, Church of Christ, Raccoon
5. Darrell Maynard, Eastern Telephone & Technologies, Pikeville
6. Paul Maynard, City of Pikeville Public Safety, Pikeville
7. Randy Risner, Logan Corp, Salyersville
8. Charles “Monk” Sanders, retiree, Phelps
9. Suzanne Stumbo, Pike County Extension, Pikeville
10. Danny Scott, Thankful Hearts Food Pantry, Raccoon
11. Trissia Scott, Thankful Hearts Food Pantry, Raccoon
12. Doug Tackett, Pike County Emergency Management, Pikeville
13. Emerson Varney, Red Cross, Pikeville
14. Burton Webb, University of Pikeville, Pikeville

b. Each CAP met five times in 2016, once a month from August to December. For 2017 to date, the CAPs each met once a month from February through May. The panels elected to recess for the summer.

c. The CAPs are set to resume monthly meetings in August/September 2017. The Pikeville CAP met on August 22. The Ashland CAP will meet on August 28 and Hazard will meet during the first week of September.

d. The Community Advisory Panels (CAPs) were created with assistance from a customer-focus consultant. The criteria used in identifying prospective members was to bring together a cross-section of community leaders from a variety of backgrounds, including education, healthcare, emergency responders, community volunteers, agriculture, business, clergy, retirees, and elected officials, to form panels in each of the three service districts of Kentucky Power – Ashland, Hazard and Pikeville. Suggestions also were gathered from Kentucky Power employees in each community. The consultant then visited each community, interviewed potential members and identified other potential members not included on the initial list. Invitational letters were sent to prospective members to attend an organizational meeting in each city in August 2016.

e. Refer to the Company’s response to subpart d. The panels serve as focus groups and include a cross-section of customers to provide input from different perspectives. The customers considered for membership were provided notice through the third party consultant process. Meeting dates and locations are agreed upon by the panels.

Witness: Matthew J. Satterwhite
DATA REQUEST

KPSC_2_009

Refer to Satterwhite Testimony, page 10, which states that Kentucky Power provided over $2 million toward economic development efforts since 2014.

a. State the amount of the $2 million that came from the Kentucky Power Economic Growth Grant program, which is funded through an economic development surcharge paid by ratepayers and matching shareholder contribution.

b. State the amount of the $2 million that came from the Kentucky Economic Advancement Program, which focuses on economic development support for Lawrence County, Kentucky, and Kentucky counties contiguous to Lawrence County pursuant to 2012-00578.

RESPONSE

a. The Company distributed $831,200 (50% of which was contributed by the Company’s shareholder) through the K-Pegg program. Additional information regarding the K-Pegg grants issued by the Company are provided in the direct testimony of Company Witness Hall, Exhibit BNH-2.

b. The Company contributed $931,150 through the KEAP program (100% of which was contributed by the Company’s shareholder) in the form of economic development grants including contributions to Ashland and Big Sandy Community and Technical Colleges. Additional information regarding the issued KEAP grants is provided in the direct testimony of Company Witness Hall, Exhibit BNH-3.

The remaining funding identified by Company Witness Satterwhite was provided by the AEP Economic and Business Development Group. Please refer to the Company’s response to AG 1-360 for further details concerning the use of the funding.

Witness: Matthew J. Satterwhite
DATA REQUEST


RESPONSE

Please refer to the Company's response to KPSC 2-40 for the information requested.

Witness: Matthew J. Satterwhite
DATA REQUEST

KPSC_2_011

Refer to the Direct Testimony of Jeffrey B. Bartsch (“Bartsch Testimony”) page 3, regarding the Commission assessment and Section V, Workpaper S-2, page 2, line 3, where the Kentucky Public Service Commission Maintenance Fee (“KPSC Maintenance Fee”) is listed at 0.19 percent. On June 1, 2017, the Kentucky Department of Revenue provided the new assessment rate of .1996 percent for state government’s 2017–2018 fiscal year to the Commission.

a. Provide a revised Gross Revenue Conversion Factor (“GRCF”) calculation using the new assessment rate.

b. Provide updates required to any schedule to reflect the proper KPSC Maintenance Fee and GRCF.

RESPONSE

a. Please refer to KPCO_R_KPSC_2_11_Attachment1.xlsx for an updated Gross Revenue Conversion Factor.

b. The Company received the update to the annual PSC maintenance assessment fee after it had completed its rate case schedules. The Company estimates that the change in overall cost of service for the updated PSC maintenance assessment fee would be approximately less than a $10,000 increase.

To perform the requested calculation, the Company would be required to review its entire cost of service study and the corresponding adjustments. The Company is unable to perform the requested calculation due to the insufficient amount of time allowed to prepare the response.

Witness:
Amy J. Elliott
Mark A. Pyle
DATA REQUEST

KPSC_2_012 Refer to the Direct Testimony of Douglas R. Buck (“Buck Testimony”). Explain any fundamental differences between the filed cost-of-service study (“COSS”) and the COSS from Kentucky Power’s last rate case.

RESPONSE

The Class Cost-of-Service model used in this case is fundamentally the same model as filed and used in the Company's last rate case. Input from the Jurisdictional study has been updated, and allocation factors have been updated with current data. Input from the adjustments made in the Jurisdictional Study was reviewed and the appropriate allocator applied. The allocation factors for each line item were reviewed and where appropriate, updates were made.

Witness: Douglas R. Buck
DATA REQUEST

KPSC_2_013 Refer to the Buck Testimony, page 16. Explain in detail the weights in the meter reading requirements.

RESPONSE

The allocation factors used to allocate costs in account 902, Meter Reading, to the various customer classes is weighted taking into consideration the difficulty in reading the meters of each respective class. This weighting is needed due to more costs being associated with meters that are difficult to read. Please see Attachment KPCO_R_KPSC_1_73_Attachment 32_CCOS_Support_Workpapers.xls, the "DIR902" tab. The weighting by reading difficulty and location applied to this allocator are found at the bottom of that spreadsheet.

Witness: Douglas R. Buck
DATA REQUEST

KPSC_2_014  Refer to the Buck Testimony, Exhibit DRB-2, page 3 of 3. Explain why Kentucky Power believes a 5 percent decrease of the class subsidization is considered to be in line with the principle of gradualism.

RESPONSE

A key objective of ratemaking is to equalize the rates of return for all tariff classes; however, doing so instantaneously would result in sudden cost shifts and rate impacts among classes. The restrained approach to reducing the class subsidies moves the classes gradually toward equalized rates of return while not resulting in a significant bill impact for any customer class over a short period of time. Continuation of this gradual progress toward cost alignment is a reasonable approach, and is illustrated by a 5 percent decrease of the class subsidization.

Witness: Douglas R. Buck
DATA REQUEST

KPSC_2_015 Refer to KPCO_R_1_73_Attachment 35-KPCO_CCOS_-_Test_Year_2017_-_DRB_-_FINAL_-_KPSC_DR_1-73_Excel.xls. Refer to the Allocators tab. Provide the source for the directly inputted allocators in Column C, between rows 223 and 260.

RESPONSE

Please see Attachment KPCO_R_KPSC_1_73_Attachment 34_Distribution_Plant_Study.xls.

Witness: Douglas R. Buck
DATA REQUEST

KPSC_2_016 Refer to the Direct Testimony of Andrew R. Carlin ("Carlin Testimony"), page 6. Provide the annual rate of turnover or retention rate for years 2012–2016

RESPONSE

Please refer to KPCO_R_KPSC_2_016_Attachment1.xlsx for this information.

Witness: Andrew R. Carlin
DATA REQUEST

KPSC_2_017 Refer to the Carlin Testimony, beginning at page 7.
   a. Provide copies of any salary surveys or analysis of prevailing wage and salary amounts, and any other information or documents utilized in the process of determining the amount of compensation for wage and salaried employees.
   b. Provide the total amount of Kentucky Power salaries reflected in the proposed test-year level of expenses broken down by department, base pay, and by each and any incentive pay program in effect along with any stock option plans during the test year.

RESPONSE

a. Please refer to the Company's response to KPSC 1-61. In addition, please refer to:

   - Exhibits ARC-4 and ARC-5 to the Carlin Testimony for analysis of Kentucky Power Company pay levels relative to market compensation surveys.
   - KPCO_R_KPSC_2_017_Redacted_Attachment1.xlsx and KPCO_R_KPSC_2_017_Redacted_Attachment2.xlsx for specific information for the KPCO President and COO position.
   - KPCO_R_KPSC_2_017_Attachment3.xlsx for a market compensation analysis for physical and craft positions.

b. Please refer to KPCO_R_KPSC_2_017_Attachment4.xlsx for the requested information.

Witness: Tyler H. Ross
           Andrew R. Carlin
DATA REQUEST

KPSC_2_018 Refer to the Carlin Testimony, page 18. Provide the Company’s 2017 base salary increases.

RESPONSE

The parameters of the Company’s 2017 base pay increases were the same as 2016, which was a 3.0% merit budget for all salaried positions and a 0.5% promotion and equity adjustment budget for nonexempt salaried and exempt employees. For executive positions, promotions and equity adjustments are determined by the HR Committee of the Board of Directors (HR Committee) on a case by case basis.

Witness: Andrew R. Carlin
DATA REQUEST

KPSC_2_019 Refer to the Carlin Testimony, page 11. Provide a list of other Kentucky utilities and American Electric Power ("AEP") subsidiaries that use an incentive compensation program.

RESPONSE

The Company has not compiled a list of other Kentucky utilities that utilize incentive compensation. However, the nearly universal prevalence of incentive compensation among other energy industry companies and U.S. industry in general is clear in market survey data, which shows that incentive compensation is provided at all percentiles and data cuts for many positions. Please also refer to Company Witness Carlin's testimony at Exhibits ARC 4, 5 and 6, which show that incentive compensation is part of market median employee compensation for all Kentucky Power positions included in these analysis.

All the subsidiaries of American Electric Power Company, Inc. ("AEP") that have employees currently use incentive compensation as part of their employees' compensation. The following AEP subsidiaries have employees:

AEP Generating Company
AEP Generation Resources Inc.
AEP OnSite Partners, LLC
AEP Energy Partners Inc.
AEP Energy Inc.
AEP Texas Inc.
American Electric Power Service Corporation
Appalachian Power Company
Dolet Hills Lignite Company, LLC
Indiana Michigan Power Company
Kentucky Power Company
Kingsport Power Company
Ohio Power Company
Public Service Company Of Oklahoma
Southwestern Electric Power Company
Wheeling Power Company

Witness: Andrew R. Carlin
DATA REQUEST
KPSC_2_020  Refer to the Carlin Testimony, page 36, which states that AEP, Kentucky Power’s parent, performs annual reviews of the reasonableness of AEP benefit plan costs. Describe the benefit plan review process, and provide the names and job titles of those persons who conduct the review. If a third party performs the annual review, identify who in AEP makes the final decision regarding benefit plans and provide the names and job titles of those persons who evaluate the third party’s report and make recommendations regarding the decision.

RESPONSE

Annually, HR reviews the survey reports provided to the Company by several nationally recognized third-party providers to evaluate the value, competitiveness, and efficiency of AEP benefits plan offerings and costs. Generally speaking, these surveys have indicated that AEP employee benefit plans provide a level of employee value that is at or near the mid-range of value, making them both reasonable and competitive with other businesses such that Kentucky Power can attract and retain qualified and competent employees.

Curt D. Cooper, Director of Benefits for American Electric Power Service Corporation (AEPSC) and Brian Healy, Managing Director Total Rewards for AEPSC are the primary report reviewers along with other members of the AEPSC benefits staff. They evaluate the reports and make recommendations about potential changes to Tracy Elich Vice President Human Resources for AEPSC. Depending on the magnitude of the changes under consideration, Lana Hillebrand, Chief Administrative Officer for AEPSC and members of the senior executive staff may also be involved.

Witness: Curt D. Cooper
Andrew R. Carlin
DATA REQUEST
KPSC_2_021 Refer to the Direct Testimony of Jason A. Cash, Depreciation Study Report, page 5.
a. Confirm that based on a 5.78 percent depreciation rate, the estimated life of Big Sandy Unit 1 is 17.3 years.
b. Refer to Case No. 2013-00430, the Direct Testimony of Robert L. Walton, page 11, where it states that “[i]n addition, AEPSC [American Electric Power Service Corporation, or AEP Service Corporation] has recent experience completing both combined cycle and simple cycle gas turbine projects that include similar gas delivery activities to what will be included in the Big Sandy Unit 1 Project.” Identify all such projects, as well as any others that have occurred since, the type of unit, the depreciable life, and the authority for the depreciable life.

RESPONSE
a. The Company cannot confirm this statement. The estimated life of Big Sandy Unit 1 as a gas unit is 15 years (2016-2031). The current depreciation study considered the electric utility plant values at December 31, 2016, a factor for net salvage, and the average remaining life of the plant to calculate the proposed depreciation rates for Big Sandy Unit 1.

b. Please see KPCO_R_KPSC_2_21_Attachment1.xls for list of plants, the plant type, the depreciable life, and the authority for the depreciable life.

Witness: Debra L. Osborne
Jason A. Cash
DATA REQUEST
KPSC_2_022  Refer to the Direct Testimony of Amy J. Elliott (“Elliott Testimony”), pages 8 and 9.

a. For the Project 20 consumables that Kentucky Power currently uses, explain whether the consumable is recorded as an inventory item on the books of Kentucky Power, or is expensed as received.

b. Identify the inventory accounts by account number and account description on which Kentucky Power currently recovers a return through general rates.

c. For the test year, provide a schedule that shows the monthly balances of the consumable inventories on which Kentucky Power earned a return through general rates, and provide a calculation of the return that Kentucky Power now proposes to recover through the environmental surcharge. Provide the calculation in Excel spreadsheet format with the formulas intact and unprotected.

d. Explain whether any consumables currently recovered through the environmental surcharge that are recorded in an inventory account are also consumed for non-environmental purposes. If so, explain how Kentucky Power proposes to separate the inventory by environmental and non-environmental consumption in order to calculate a return on the environmental portion of the inventory.

RESPONSE

a. The Mitchell Power Plant currently uses five consumables on a monthly basis: limestone, urea, hydrated lime, polymer, and trona. For limestone and urea, an inventory is maintained. For trona, hydrated lime and polymer, it is expensed as received.

The Rockport Power Plant currently uses three consumables on a monthly basis: activated carbon, sodium bicarbonate, and ammonia. For each of these consumables, an inventory is maintained.

b. The Company currently earns a return on limestone (1540006), urea (1540012), and urea in-transit (1540023) through base rates.

c. Please refer to KPCO_R_KPSC_2_24_Attachment1.xlsx for the requested information.

d. The consumables currently used are only used for environmental purposes.

Witness: Amy J. Elliott
Kentucky Power Company  
Case No. 2017-00179 General Rate Adjustment  
Commission Staff’s Second Set of Data Requests  
Dated August 14, 2017

DATA REQUEST

KPSC_2_023  Refer to the Elliot Testimony, page 9, lines 12–16.
a. Provide any other AEP operating companies that recover through a rider the costs and a rate of return on consumables inventory.
b. Provide any other Kentucky utilities that recover through a rider the costs and a rate of return on consumables inventory.

RESPONSE

a. Indiana Michigan Power Company, SWEPCO, and Public Service Company of Oklahoma recover the costs associated with the consumption of consumables through a rider. Those companies recover the rate of return on consumables inventory through base rates.

b. Big Rivers Electric Cooperative and East Kentucky Power Cooperative recover both a return on consumable inventories and the costs associated with the consumption of consumables through their respective environmental surcharge mechanisms. Both Kentucky Utilities and Louisville Gas and Electric appear to be recovering consumable expenses through the environmental surcharge mechanism.

Witness:   Amy J. Elliott
DATA REQUEST
KPSC_2_024 Refer to the Elliott Testimony, page 10, lines 12 through 18, and Exhibit AJE-4. Provide the calculations of the return on consumable inventories that are included in the proposed Mitchell and Rockport monthly environmental costs.

RESPONSE

Please refer to KPCO_R_KPSC_2_24_Attachment1.xlsx for the requested information. The amounts included in this attachment are the amounts that will be included in the pre-allocated base revenue requirement.

Witness: Amy J. Elliott
DATA REQUEST

KPSC_2_025 Refer to the Elliott Testimony, page 12, lines 1 through 12. Also refer to Section V of the Application, Exhibit 2, Adjustment W03. Explain why the amounts shown on Adjustment W03 as Total Mitchell FGD Operating Expenses for the months of March 2016 through September 2016, and February 2017 do not agree with the amounts shown on ES Form 3.13, as filed in the monthly environmental surcharge reports for the same months.

RESPONSE

During the periodic reviews of the Company's Environmental Surcharge calculation as described in the testimony of Company Witness Elliott in Case No. 2016-00336 and 2017-00072, the Company described certain necessary adjustments to its monthly Environmental Surcharge calculations. For example, in February 2017, the Company credited an over-recovery of consumable expenses for the September 2016 expense months. The amounts included in Section V of the Application, Exhibit 2, Adjustment W03 reflect those adjustments.

Witness: Amy J. Elliott
Kentucky Power Company  
Case No. 2017-00179 General Rate Adjustment  
Commission Staff’s Second Set of Data Requests  
Dated August 14, 2017

**DATA REQUEST**

KPSC_2_026  Refer to the Elliott Testimony, page 14, lines 3 through 19.

a. Explain the rationale for Kentucky Power’s proposal to apply a gross-up factor to Mitchell’s monthly environmental costs (ES Form 3.13) and why it is appropriate to apply a gross-up factor to environmental expenses.

b. Confirm that Kentucky Power has not previously applied a gross-up factor to its monthly environmental costs.

c. Identify those costs that Kentucky Power is incurring to operate approved environmental projects that it is not currently recovering.

d. Explain why Kentucky Power is not proposing to gross-up Rockport’s environmental costs on ES Form 3.20, as it is proposing to do so for the Mitchell plant.

e. Refer to the monthly environmental surcharge reports for the test year. Provide a schedule comparing the monthly environmental expenses as filed, grossed-up as proposed in the Elliott Testimony, with the environmental expenses as filed in the monthly reports. Provide the schedule in Excel spreadsheet format with the formulas intact and unprotected.

**RESPONSE**

a&c. For the Company to fully recover the operating expenses of its approved environmental equipment, it must include in its recovery mechanism a method for recovering dollars that it either will not receive (uncollectible expenses) or must be paid because it receives revenues (PSC maintenance assessment fee). If there is no recovery mechanism in place for amounts that the Company knows it will not receive or amounts that will be due because it receives revenue, the Company is under-collecting.

b. Confirmed.

d. The Company's proposal is to gross-up all environmental operating expenses, including the Rockport operating expenses. ES Form 3.20 will also need to be revised to include Project 20 for the return on consumables and the addition of anhydrous ammonia. Likewise, ES Form 1.10 will need to be revised to comply with the Commission's Order in this proceeding. During the course of this proceeding, the Company intends to request an informal conference with the Commission to discuss all future filing forms.

e. Please refer to KPCO_R_2_26_Attachment1.xlsx for the requested information.

Witness: Amy J. Elliott
DATA REQUEST

KPSC_2_027  Refer to the Elliott Testimony, page 15, lines 9 through 21, and page 16, lines 1 through 8. Also refer to Section V of the application, Exhibit 2, Adjustment W05.

a. Confirm that the reference to Calendar Year 2016 on Lines 1 and 2 of adjustment W05 should be to the test year.

b. Adjustment W05 shows an amount on Line 1 of $48,498,047. Provide the calculation that results in this amount in Excel spreadsheet format with the formulas intact and unprotected.

c. Adjustment W05 shows an amount on Line 3 of $46,217,722. Provide the calculation that results in this amount in Excel spreadsheet format with the formulas intact and unprotected.

d. Provide an explanation of the nature of each of the listed deferrals with a calculation showing how the amounts were determined.

RESPONSE

a. Confirmed.

b. Please refer to KPCO_R_KPSC_2_27_Attachment1.xlsx for the requested information. Please also refer to the Company's supplemental response to KPSC 1-73 and KPCO_SR_KPSC_1_73_SupplementalAttachment87_FGD_Rev_Costs_Adjustments.xlsx for the amount updated to reflect the Company's June 2017 financing activities.

c. The Company uses deferral accounting to record the difference in revenues and expenses incurred. The environmental expenses relate to the environmental surcharge amounts for depreciation, air emission fees, property taxes, consumables used in conjunction with approved Environmental Compliance projects, Rockport environmental costs, and Mitchell environmental O&M accounts. The amounts listed were obtained directly from Kentucky Power's general ledger for the test year end.

Witness: Amy J. Elliott
DATA REQUEST

KPSC_2_028  
Refer to the Elliott Testimony, page 16 and 17, regarding the property tax annualization adjustment, and Worksheet 57.

a. Provide a comparison of the actual property taxes paid on Kentucky Power’s transmission and distribution operating property based on the assessments for calendar years 2016 and 2017.

b. Provide a comparison of the property taxes paid on generation assets based on calendar year 2016 and 2017 assessments.

c. Provide a reconciliation showing how Kentucky Power’s test-year total property tax expenses were allocated among base rates and riders.

d. Provide copies of the work papers utilized in developing Worksheet 57.

e. Provide copies of the Kentucky Department of Revenue Public Service Company Assessment (“DORPSC Assessment”) for 2015, 2016, and 2017.

f. Has Kentucky Power’s 2017 DORPSC Assessment been finalized?

RESPONSE

a. Kentucky Power cannot provide the requested comparison because it has not yet received its assessment for 2017.

b. Kentucky Power cannot provide the requested comparison because it has not yet paid taxes for 2017.

c. The Company's Kentucky jurisdictional test year property tax was $13,384,817 as reflected in Section V, Exhibit 1, Schedule 4, line 465. The jurisdictional test year property tax amount excludes $60,539 of property tax associated with the CARRS site and includes $341,289 of property tax formerly recovered through the BS1OR. The property tax amount that will not be recovered through base rates going forward is the property tax amount associated with the Mitchell FGD that will be collected through the environmental surcharge. During the test year, the Mitchell FGD property tax amount was $204,188.

d. Please refer to KPCO_R_KPSC_1_28_Attachment1.xlsx for the requested information.

e. Please refer to KPCO_R_KPSC_1_28_Attachment2.pdf for the requested information for years 2015 and 2016. The Company has not yet received its assessment for 2017.

f. No.

Witness:  Amy J. Elliott / Mark A. Pyle
DATA REQUEST
KPSC_2_029  Refer to the Direct Testimony of Brad N. Hall ("Hall Testimony"), page 12, regarding the creation of approximately 830 full-time jobs in Kentucky Power’s service territory. Of the 830 jobs, provide the number of jobs that exist as of the date of this data request and the number of jobs that will be created in the future.

RESPONSE

The job count included on page 12 of the Direct Testimony of Company Witness Hall is the anticipated job count for the described projects. The projects mentioned on page 12 are in different stages of construction and development. Currently, these projects have produced 100 full time jobs. The remaining jobs will be created in the future.

Witness: Brad N. Hall
DATA REQUEST

KPSC_2_030 Refer to the Hall Testimony, page 17, lines 16–20. Confirm if Kentucky Power Economic Growth Grants (“K-PEGG”) funds to local economic development organizations are used for administrative purposes or salaries.

RESPONSE

The majority of grants issued under the K-PEGG program fund specific projects proposed by communities and non-profit economic development agencies within the service territory and are not used for administrative purposes or payroll. However, the Company has issued six grants (three in 2016 and three in 2017) to provide budgetary support to three economic development agencies that did not exist prior to the date the Company restarted its economic development efforts, including: SOAR (Shaping Our Appalachian Region), One East Kentucky, and the Perry County Economic Development Alliance. Grants issued to these nascent organizations are part of the organizations’ general investment funds and can be used in their day-to-day operations. Additional information regarding the grants issued under the K-PEGG program, including the six grants described above, is provided in Exhibit BNH-2.

Witness: Brad N. Hall
DATA REQUEST

KPSC_2_031  Refer to the Hall Testimony, page 21, lines 1–12. Confirm that the $233,000 in funds for Kentucky Power Economic Advancement Program ("KEAP") are from shareholders and not customers.

RESPONSE

Confirmed.

Witness:  Brad N. Hall
DATA REQUEST

KPSC_2_032 Refer to the Hall Testimony, page 25, lines 8–19. After the closure of the KEAP program in 2018, explain why the annual funds of $233,000 will not be directed into the K-PEGG program.

RESPONSE

The Company created the KEAP program to implement the economic development obligations included in the Stipulation and Settlement Agreement approved with modifications by the Commission in Case No. 2012-00578. Under the Stipulation and Settlement Agreement, the Company is required to contribute a total of $233,000 per year for five years to economic development efforts in Lawrence and the contiguous Kentucky counties. The Company’s five year obligation under the Stipulation and Settlement Agreement expires in 2018. The end of the KEAP program and the Company’s proposed expansion of its K-PEGG program are unrelated.

Witness: Brad N. Hall
DATA REQUEST

KPSC_2_033 Explain whether the proposed increase in the Kentucky Economic Development Surcharge (“KEDS”) from $0.15 per meter per month to $0.25 per meter per month is related to the termination of KEAP after calendar year 2018.

RESPONSE

The proposed expansion of the K-PEGG program and the conclusion of the KEAP program are not related. The KEAP program will continue through 2018 and will conclude at the end of the five year period required by the Stipulation and Settlement Agreement in Case No. 2012-00578. The final year of the KEAP program will overlap with the expanded K-PEGG program if approved. Going forward, the Company will focus its community economic development efforts through the K-PEGG program which serves the entire service territory. Entities who are eligible to participate in the KEAP program are also eligible to participate in the K-PEGG program and will continue to be able to do so.

Witness: Brad N. Hall
DATA REQUEST

KPSC_2_034  Refer to the Direct testimony of Adrien M. McKenzie, CFA (“McKenzie Testimony”). Provide all exhibits in Excel spreadsheet format with all formulas accessible.

RESPONSE

Please refer to KPCO_R_KPSC_2_34_Attachment1.xls for the requested information.

Witness: Adrien M. McKenzie
Kentucky Power Company  
Case No. 2017-00179 General Rate Adjustment  
Commission Staff’s Second Set of Data Requests  
Dated August 14, 2017  
Page 1 of 3

**DATA REQUEST**

KPSC_2_035 Refer to the McKenzie Testimony, page 24, lines 5–16 and Exhibit AMM-5.

a. Confirm that a criterion to be included in the proxy group of utilities is a credit rating from S&P and Moody’s corresponding to one notch above and below Kentucky Power’s current ratings.

(1) Provide the corporate credit ratings for each proxy utility.  
(2) If the corporate credit rating is not within one notch above or below current ratings, explain why the utility was included.

b. Confirm that a criterion to be included in the proxy group of utilities is a Value Line Investment Survey (“Value Line”) safety rank of 1, consistent with AEP’s rank of 1.

(1) Provide the safety ranks of each proxy utility.  
(2) If the safety rank is not 1, explain why the utility was included.

c. Confirm that criteria to be included in the proxy group are no cuts in dividend payments during the past six months and no announcement of a dividend cut since that time.

(1) Provide the dividends for the past six months for each proxy utility.  
(2) If the dividend has been cut, explain why the utility was included.

d. Explain why Emera Inc. and NextEra Energy, Inc. are included in the proxy group of utilities, since these two companies are not part of the Value Line electric utility industry category.

e. Explain why Pinnacle West was excluded from the proxy utility group.

**RESPONSE**

a. Confirmed

(1) Please refer to tab “Utility Group Criteria” in KPCO_R_KPSC_2_34_Attachment1.xls provided in response to KSPC 2-34 for the requested information.
(2) All utilities included in the proxy group had corporate credit ratings within one notch of Kentucky Power’s ratings at the time Mr. McKenzie performed his analyses.

b. The statement cannot be confirmed. All utilities included in the proxy group had a Value Line Safety Rank of 1 or 2. There is a typographical error in Mr. McKenzie’s testimony at page 24, line 13, which should be corrected as follows:

A Value Line Safety Rank of 1 or 2, consistent with AEP’s rank of 1.

(1) Please refer to tab “Utility Group Criteria” in the Excel file provided in response to KPSC 2-34

(2) Please refer to the Company’s response to KPSC 2-35(b).

c. Confirmed.

(1) Please refer to KPCO_R_KPSC_1_73_Attachment67.pdf pages 268-289 and 307-323 for the requested information.

(2) Not applicable.

d. NextEra Energy, Inc. is included in Value Line’s electric utility industry group. Emera is also covered by Value Line, and is currently included in the “Power Industry” sector. Headquartered in Halifax, Nova Scotia, Canada, Emera is primarily engaged in electricity generation, transmission, and distribution; gas transmission and distribution; and utility energy services, and serves approximately 2.4 million customers. Emera completed its acquisition of TECO Energy, Inc. on July 1, 2016. As Value Line concluded:

Emera completed a transformational year. Among the highlights was its $8.4 billion acquisition of TECO Energy, which closed on July 1, 2016. The move broadened the Nova Scotia-based energy and services company’s geographic exposure by adding operations in Florida and New Mexico, which are faster-growing markets. Also, the percentage of profits coming from regulated business rises to more than 90%, providing added stability. The Value Line Investment Survey (Mar. 23, 2017) at 1218.

Emera’s credit ratings fall within one notch of those applicable to Kentucky Power, and Emera meets the other screening criteria discussed in Mr. McKenzie’s testimony. Thus, investors would regard Emera as a comparable investment alternative that is relevant to an evaluation of the required rate of return for Kentucky Power. Please refer to KPCO_R_KPSC_2_35_Attachment1.pdf for a copy of the Value Line report for Emera, Inc.
e. Please refer to tab “Utility Group Criteria” in the Excel file provided in response to KPSC 2-34. Pinnacle West Capital Corporation is rated A3 by Moody’s Investors Service, which is two notches higher than Kentucky Power’s Baa2 rating and falls outside the screening criterion range.

Witness: Adrien M. McKenzie
DATA REQUEST

KPSC_2_036  Refer to the McKenzie Testimony, page 58, and Exhibit AMM-9.

a. State whether triple-B utility bond yields were used in the Risk Premium analysis, as stated on page 58, lines 11–12, or whether Baa utility bond yields were used as indicated in Exhibit AMM-9, pages 1 and 2.

b. Refer to Exhibit AMM-9, page 1. Provide an update to the Risk premium cost of equity using the average bond yield on public utility bonds and Baa subset for the most current three months.

RESPONSE

a. McKenzie Testimony at page 58, lines 11-12 indicates that the adjusted equity risk premium was added to the average yield on triple-B public utility bonds projected for 2018-2022. In Mr. McKenzie’s testimony, the term “triple-B” refers to bonds with a rating of Baa from Moody’s Investors Service. Thus, there is no inconsistency between Mr. McKenzie’s testimony and Exhibit AMM-9.

b. Please refer to KPCO_R_KPSC_2_36_Attachment1.pdf.

Witness: Adrien M. McKenzie
DATA REQUEST

KPSC_2_037 If necessary, provide any revisions to Mr. McKenzie’s analysis on ROE that are a result of this request for information.

RESPONSE

No revisions to Mr. McKenzie’s analyses are necessary as a result of this request for information.

Witness: Adrien M. McKenzie
DATA REQUEST

KPSC_2_038 Provide the most current ROE awarded by each respective regulatory agency and the date of the award for the proxy group of electric utilities or for the utility subsidiary if the proxy group member is a holding company.

RESPONSE

The allowed ROEs reported to investors by the Value Line Investment Survey for each of the electric utilities included in the proxy group are shown in column Z of tab “Electric Utility Data” in the Excel file provided in response to KPSC 2-34. Please refer to KPCO_R_KPSC_1_73_Attachment67.pdf pages 307-323 for the source documents. Company witness McKenzie did not undertake an independent research study to identify the most current ROE awarded by each respective regulatory agency and the date of the award for the proxy group of electric utilities or for the utility subsidiary if the proxy group member is a holding company. Information concerning the requested data may be publicly available from the SEC Form 10-K reports, which can be obtained at https://www.sec.gov/edgar/searchedgar/legacy/companysearch.html.

Witness: Adrien M. McKenzie
DATA REQUEST

KPSC_2_039  Provide the regulatory Commission approved ROE and the date of the approval for each AEP subsidiary.

RESPONSE

Please refer to KPCO_R_KPSC_2_39_Attachment1.xls for the requested information.

Witness:  Ranie K. Wohnhas
DATA REQUEST

KPSC_2_040  Provide the monthly ROE for AEP and for Kentucky Power for January 2016 to the most current month available. This should be considered an ongoing request.

RESPONSE

Please refer to KPCO_R_KPSC_2_40_Attachment1.xlsx for the calculations of monthly rates of return on common equity for Kentucky Power Company and American Electric Power Company. The calculations of rolling monthly rates of return on common equity are based on twelve-month rolling earnings applicable to common shareholder(s) divided by current month equity. Earnings and equity balances are based on Generally Accepted Accounting Principles (GAAP).

Witness: Tyler H. Ross
DATA REQUEST

KPSC_2_041 Refer to the Direct Testimony of John M. McManus (“McManus Testimony”), page 7, lines 19 through 23, and page 8, lines 1 through 6.

a. Clarify what is meant by a reduction of ozone season NOx budgets for states covered by Cross State Air Pollution Rule resulting from the Environmental Protection Agency’s September 7, 2016 final rule.
b. Explain how this reduction of ozone season NOx budgets will impact Kentucky Power’s use of emission allowances and the cost incurred for allowances.

RESPONSE

a. The 2011 Cross State Air Pollution Rule (“CSAPR”) was finalized, in part, to reduce the interstate transport of NOx emissions and to help states achieve the 1997 ozone National Ambient Air Quality Standards (“NAAQS”). U.S. EPA established more stringent ozone NAAQS in 2008. The purpose of the 2016 CSAPR Update is to establish more stringent ozone season NOx budgets to help states achieve the more stringent 2008 revised ozone NAAQS.
b. The reduction of ozone season NOx budgets from the 2016 CSAPR Update will neither impact Kentucky Power’s use of emission allowances, nor the cost incurred, as Kentucky Power has sufficient allowances to cover its projected ozone season NOx emissions.

Witness: John M. McManus
DATA REQUEST

KPSC_2_042 Refer to the McManus Testimony, page 12. Provide an update on the U.S. Court of Appeals for the District of Columbia Circuit’s April 28, 2017 stay of the Clean Power Plan litigation and Order directing parties to file briefs addressing future litigation.

RESPONSE

On August 8, 2017, the U.S. Court of Appeals for the District of Columbia Circuit ordered that the abeyance of the Clean Power Plan litigation continue for 60 additional days. U.S EPA is required to provide a status report every 30 days to report on further activities associated with its rulemaking.

Witness: John M. McManus
DATA REQUEST

KPSC_2_043 Refer to the Direct Testimony of Zachary C. Miller (“Miller Testimony”), page 6, lines 20–22. Provide an update to Table 1 on page 3 of Mr. Miller’s Testimony using the rates of the refinancing of the $325,000,000 6 percent Senior Note, Series E, and the $65,000,000 WVEDA Mitchell Project, Series 2014A Variable Rate Demand Note, in June 2017.

RESPONSE

Please refer to page 5 of the August 7, 2017 Supplemental Direct Testimony of Zachary C. Miller for the requested updated Table 1.

Witness: Zachary C. Miller
DATA REQUEST

KPSC_2_044 Refer to the Direct Testimony of Debra L. Osborne ("Osborne Testimony"), page 7, regarding the decommissioning and demolition of Big Sandy Unit 2.

a. Was Commission authorization required to change the plan for the demolition of Big Sandy Unit 2?
b. Identify and explain any cost impacts resulting from Kentucky Power’s change to its demolition plan.

RESPONSE

a. The Company does not believe Commission authorization was required to change the plan for the demolition of Big Sandy Unit 2.

b. The Big Sandy Retirement Rider (BSRR) recovers through 2040 the costs of the decommissioning and demolition of Big Sandy Unit 2. Expenses are amortized on a levelized basis over the period remaining between the year they are incorporated into the BSRR and 2040. Thus, earlier than anticipated expenditures are amortized over a longer period than they otherwise would be, and have a lesser effect on the Company’s customers by reducing annual amount recovered through the BSRR.

Witness: Ranie K. Wohnhas
DATA REQUEST

KPSC_2_045

Refer to the Osborne Testimony, pages 8 and 9, regarding Kentucky Power’s non-fuel, non-labor generation operating and maintenance expense (“O&M expense”). Also refer the Direct Testimony of Ranie K. Wohnhas (“Wohnhas Testimony”) beginning at page 16 and the Application, Section V, Exhibit 2, page 42, Worksheet 41.

a. Explain the difference in the test-year steam maintenance expense in the Osborne Testimony, page 9, in the amount of $12,276,224, and the steam maintenance expense in Worksheet 41 of $11,581,535.

b. Confirm that Kentucky Power proposes no change to its non-plant and steam operations expense in the test year.

c. Provide the non-plant and steam operation expenses for the years ended February 2015 and February 2016.

d. Explain further and provide the accounting accruals that gave rise to the negative balance in the steam maintenance expense, non-plant category.

e. Provide the monthly O&M expense for Big Sandy, broken down by account number and steam maintenance and steam operations expense, from June 2016 through the present, and consider this an ongoing request throughout this proceeding.

f. Provide the monthly O&M expense for Mitchell, broken down by account number and steam maintenance and steam operations, from the date of acquisition through the present, and consider this an ongoing request throughout this proceeding.

g. Provide a history of the planned maintenance outages for Big Sandy and Mitchell.

h. Provide a schedule of the future planned maintenance outages for Big Sandy and the Mitchell units.

i. Provide a history of forced outages for Big Sandy (after conversion to natural gas) and the Mitchell units.

j. Provide the years in which the most recent generator overhauls were
performed on the Mitchell units.

k. Provide the existing cycles for generator overhauls for Big Sandy and the Mitchell units.

l. State in what year(s) generator overhauls will be planned for Big Sandy and the Mitchell units.

m. Provide the projected cost of the overhaul of each unit.

n. Provide the year(s) in which the most recent turbine overhauls were performed at each unit.

o. Provide the existing cycles for turbine overhauls for each unit.

p. State in what year(s) turbine overhauls will be planned for each unit.

q. Provide the projected cost of the turbine overhaul at each unit.

RESPONSE

a. The $12,276,224 amount in Table 2 of the Osborne testimony is the adjusted steam maintenance amount for Mitchell, as explained on page 10 of the testimony. The $11,581,535 amount in Worksheet 41 is the Feb 2017 12-month actual amount for Mitchell Steam Maintenance.

b. Kentucky Power confirms that it proposes no change to its non-plant and steam operations expense in the test year.

c. The non-plant and steam operations expenses for 2015 and 2016 are:

- Mitchell: 2015 = $9,081,718; 2016 = $15,802,150
- Big Sandy: 2015 = $10,718,084; 2016 = $11,502,667
- Non-Plant: 2015 = $546,634; 2016 = $27,505,560

d. KPCo uses an accrual-based accounting system rather than a cash-based one. In an accrual-based system, revenues and expenses are accounted for in the month that they actually occur, rather than when they are received or paid (as in a cash-based accounting system). To deal with an expense over $25,000 where services or materials are received by the Company but not paid, departments accrue at the end of that month what will be paid – this allows KPCo to match expenses to revenues consistent with required and good accounting practices. To preclude
double counting an expense paid in the next month, KPCo accounting reverses the accrual entry around the 10th day of each month.

Over a twelve month period, the accruals made each month are offset by the accrual reversal in the next month, and net to zero except for the first month’s reversal and the last month’s accrual, which are offset by the month before or after. Since the amount of non-plant expenses (not directly charged to a given power plant) are minimal (about 10% of steam maintenance O&M), KPCo’s accrual-reversal process could have a significant effect when providing totals across twelve months. In this case, the accrual reversal in March 2016 was negative $337,361, while the accrual in February 2017 was $36,460, added to other non-plant expenses, resulting in a negative $218,529 for the test year.

e. Please refer to KPCO_R_KPSC_2_45_Attachment1.xlsx for non-labor O&M expense for Big Sandy from June 2016 through the present.

f. Please refer to KPCO_R_KPSC_2_45_Attachment2.xlsx for non-labor O&M expense for Mitchell from January 2014 through the present.

g. Please refer to KPCO_R_KPSC_2_45_Attachment3.xls for the historical planned maintenance outages for Big Sandy and Mitchell from March 2014 through June 2017.

h. Please refer to KPCO_R_KPSC_2_45_Attachment4_Redacted.pdf for the future planned maintenance outages for Big Sandy and Mitchell.

i. Please refer to KPCO_R_KPSC_2_45_Attachment5.xls for the historical forced outages for Big Sandy from June 2016 through June 2017, and for Mitchell from March 2014 through June 2017.

j. The generator at Mitchell Unit 1 was last overhauled in 2015. The generator at Mitchell Unit 2 was last overhauled in 2004.

k. The existing recommended cycles for generator overhauls is 10 years for both Mitchell and Big Sandy. Detailed in-place inspections of the generator occur on a five-year cycle between overhauls.

l. Please refer to the first tab of KPCO_R_KPSC_2_45_Attachment6_Redacted.pdf for the years the generators are projected to be overhauled at each unit.
m. The following are the total projected cost through 2025 of the generator overhaul and refurbishment at each unit:

- Big Sandy: $4,062,260
- Mitchell Unit 1: $1,475,950
- Mitchell Unit 2: $312,000

n. The following are the turbines and the year they were last overhauled (or replaced) at each unit:

- Mitchell Unit 1: HP/1RH Turbine- 2022; 2RH Turbine – 2028; LPA Turbine – 2022; and LPB Turbine 2028
- Mitchell Unit 2: HP/1RH Turbine- 2024; 2RH Turbine – 2024; LPA Turbine – 2021; and LPB Turbine 2021

o. The existing cycles for turbine overhauls is 10 years for both Mitchell and Big Sandy.

p. Please refer to the second tab of KPCO_R_KPSC_2_45_Attachment6_Redacted.pdf for the turbines and the years they are projected to be overhauled at each unit.

q. The following are the total projected cost through 2025 of the turbine overhauls and refurbishments at each unit:

- Big Sandy: $5,558,638
- Mitchell Unit 1: $4,203,892
- Mitchell Unit 2: $7,467,134

Witness: Debra L. Osborne
DATA REQUEST

KPSC_2_046 Refer to the Osborne Testimony, page 13, regarding capital and O&M costs of the Rockport Unit 1 selective catalytic converter (“SCR”).

a. Identify the amount of annual capital and O&M expense projected for the Rockport Unit 1 SCR.

b. Explain how such costs are to be recovered and if such recovery is different than the methodology currently in place.

c. Explain how current environmental costs related to Rockport Unit 1 are recovered.

RESPONSE

a. Please refer to KPCO_R_KPSC_2_46_Attachment1.xls for annual capital and O&M expense projected for the Selective Catalytic Reduction (SCR) technology on Rockport Unit 1.

b. Because there were no costs associated with the Rockport Unit 1 SCR incurred during the test year, all costs associated with it will be recovered through the Environmental Surcharge.

c. Environmental costs related to Rockport Unit 1 are recovered through a combination of base rates and the Environmental Surcharge.

Witness: Debra L. Osborne
Amy J. Elliott
DATA REQUEST

KPSC_2_047 Refer to the Osborne Testimony, page 15, regarding the Indiana Commission’s Order in the Rockport Unit 1 CPCN case. Provide a copy of the Order or the web site address where it may be accessed.

RESPONSE

Please refer to KPCO_R_KPSC_2_047_Attachment1.pdf for the Indiana Commission’s Order in the Rockport Unit 1 CPCN case.

Witness: Debra L. Osborne
DATA REQUEST

KPSC_2_048 Refer to the Osborne Testimony, page 11, lines 18 through 21. Describe in detail the catalyst used in the SCR technology, including its useful life.

RESPONSE

Rockport Unit 1 burns an 87% Powder River Basin (PRB) and 13% East Bituminous blend coal which has low halogen contents. The SCR catalyst is supplied by the Mitsubishi Hitachi Power Systems. It is a plate type catalyst. It has formulation to enhance the oxidation of the elemental mercury in the flue gas generated by burning the low halogen content coals.

Rockport Unit 1 uses activated carbon injection for mercury emission control. This special formulated SCR catalyst enhances the oxidation of the elemental mercury in the flue gas, which results in positive influence on the effectiveness of activated carbon injection for mercury emission control.

Two layers of SCR catalyst were installed in the SCR reactors. The useful life of the catalyst is expected to be four years for the first layer and six years for the second layer.

Witness: Debra L. Osborne
DATA REQUEST

KPSC_2_049  Provide a copy of the April 14, 2017 order issued by the United States Court of Appeals for the Sixth Circuit that ruled AEP must pay for the installation of SCR equipment at the Rockport Generating Station Unit 2.

RESPONSE

The decision of the United States Court of Appeals for the Sixth Circuit (“Sixth Circuit”) did not reference the Consent Decree requirement to install SCR equipment at Rockport Unit 2. Rather, it discussed the separate Consent Decree requirement to “Retrofit, Retire, Re-power, or Refuel” Rockport Unit 2, with “Retrofit” meaning the installation and operation of an FGD or “scrubber.”

Further, the referenced April 14, 2017 decision was superseded by a June 8, 2017 “Amended Opinion.” The June 8, 2017 Amended Opinion made no liability determination and remanded the case to the district court for further proceedings. Both decisions are publicly available on the docket of the Sixth Circuit, Case No. 16-3496. For reference, the June 8, 2017 Amended Opinion is attached as “KPCO_R_KPSC_2_049_Attachment1.pdf.”

Witness: Matthew J. Satterwhite
DATA REQUEST

KPSC_2_050

Refer to the Direct Testimony of Everett G. Phillips, page 46, regarding the amount of Kentucky Power’s distribution Vegetation Management Plan O&M spending of $21,465,163 in the test year. Also refer to the final Order in Case No. 2014-00396, page 76 where it states that “[b]eginning July 1, 2019, Kentucky Power projects implementing a five-year maintenance clearing cycle, at which time it will reduce Vegetation Management Plan expenditures to approximately $16 million.” Explain in detail why Kentucky Power’s test-year expenditures for its Vegetation Management Plan are almost $5.5 million more than projected in Kentucky Power’s prior rate case.

RESPONSE

Test Year vegetation management expenditures reflected the costs of performing 1,040 miles of Task 1 work and 736 miles of Task 2 work during the test year. The approximately $16 million in projected annual vegetation management O&M expense referenced in the Commission’s June 22, 2015 Order in Case No. 2014-00396 reflects the estimated O&M expense of performing only Task 3 work beginning July 1, 2019. Task 3 work is less expensive than Task 1 work because it involves maintenance of more recently cleared circuits.

The $21,465,163 included in Kentucky Power’s annual revenue requirement reflects the projected three-year average vegetation management plan O&M expenditures for the years 2018-2020. Please refer to the Direct Testimony of Company Witness Phillips and Exhibit EGP-5.

Company Witness Phillips describes at pages 40-42 of his direct testimony the factors that resulted in the increase in the project cost of Task 3 work above that originally projected in Case No. 2014-00396. Notwithstanding these increases, Kentucky Power’s modified vegetation management plan reduces the amount of vegetation management expenditures included in base rates 18 months earlier than provided for by 2015 vegetation management plan approved in Case No. 2014-00396.

Witness: Everett G. Phillips
DATA REQUEST

KPSC_2_051 Refer to the Direct Testimony of John A. Rogness (“Rogness Testimony”), page 11, Table 1. For each AEP subsidiary in PJM, list the PJM billing line items recovered by each through the FAC.

RESPONSE

Please refer to KPCO_R_KPSC_2_051_Attachment1.xls for the requested information for each AEP subsidiary in PJM, where PJM billing line items are recovered through the fuel adjustment clause.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_052 Refer to the Rogness Testimony, page 23, Table 2.
  a. Provide a similar table comparing the fuel rates including the as filed
     monthly fuel rates, the billing line items (“BLI”) currently recovered by
     East Kentucky Power Cooperative, Inc., and the difference between the
     two monthly fuel rates.
  b. Provide a similar table comparing the fuel rates including as filed
     monthly fuel rates, the BLI currently recovered by Duke Kentucky
     Energy, Inc., and the difference between the two monthly fuel rates.

RESPONSE

  a. & b. Please refer to KPCO_R_KPSC_2_052_Attachment1.xlsx for the requested
         information.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_053  Refer to the Rogness Testimony, page 27, lines 8–13. Using the test-year gains and losses from incidental sales of natural gas, provide the calculation of the annual purchase power adjustment factor.

RESPONSE

The Company’s proposed Tariff PPA adjustment factor is 0 because all test year proposed Tariff PPA cost of service items have been included in base rates.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_054  Refer to the Rogness Testimony, page 26, regarding gains and losses from incidental gas sales.

a. In Case No. 2014-00078, the Commission approved the accounting treatment for the sale of natural gas sold at a loss based upon the circumstances that existed in the case. Provide the similarities and differences that Kentucky Power’s situation has in relation to that case.
b. Provide any cases that Kentucky Power is aware of that have been decided by the Federal Energy Regulatory Commission or state public utility commission regarding the treatment of gains or losses on the sale of natural gas not used for combustion since the 2014 polar vortex.

RESPONSE

a. The only practical difference in circumstance between Duke Energy’s situation in Case No. 2014-00078 and Kentucky Power’s proposal to recover gains and losses from incidental gas sales through Tariff P.P.A. is that Duke Energy’s situation arose out of a significant one-time event, the January 2014 Polar Vortex. The underlying premise behind Duke Energy’s situation and Kentucky Power’s proposal is the same – that the utilities should be able to recover from or credit to customers gains or losses from incidental gas sales incurred during the prudent operation of natural gas generation facilities in PJM.

Kentucky Power prudently purchases natural gas in the day ahead natural gas market as part of nominating Big Sandy Unit 1 into the PJM day ahead electric power market. The Company purchases natural gas in the day ahead market to protect customers from price uncertainty in the natural gas spot market in the event Big Sandy Unit 1 is called upon to operate. Kentucky Power only purchases natural gas in the day ahead market when it anticipates, based on market conditions, that Big Sandy Unit 1 will be called upon to operate.

In the event Big Sandy Unit 1 is not called upon to operate, Kentucky Power may store the purchased natural gas on the Columbia Gas pipeline provided there is sufficient capacity. If there is insufficient capacity on the pipeline to store Kentucky Power’s purchased natural gas, the Company must sell that gas.

The Company is proposing to track annually the net gains and losses from incidental gas sales for recovery through Tariff P.P.A. because the magnitude of these gains and losses is volatile, driven by market forces (including weather) beyond the Company’s control, and can be material. Tracking these volatile costs in the proposed manner ensures that the Company recovers from its
customers no more or no less than these prudently incurred costs. During the test period, the incidental gas sales resulted in a credit to customers.

c. The Company has not researched and is unaware of any FERC or state regulatory cases addressing the treatment of gains or losses on the sale of natural gas not used for combustion since the 2014 polar vortex.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_055

Refer to the Rogness Testimony, page 5, regarding the Annualization of Lease Costs.

a. Provide for each month of the test year the dollar amount associated with any aviation costs (ownership, lease, or rental costs directly assigned or allocated to Kentucky Power) reflected in the test-year level of costs, along with the purpose of the flight and with the names of persons on the flight.

b. Provide supporting information for lease costs during the test year. Include the beginning and ending dates of each lease, cost per lease, and nature of lease.

RESPONSE

a. Please see KPCO_R_KPSC_2_55_Attachment1.xls for the requested information. The information in the attachment shows the Pre-Allocated cost during the test year, as accounting does not break out how much each specific flight will be allocated to Kentucky Power. Of the total Pre-Allocated cost shown in KPCO_R_KPSC_2_55_Attachment1.xls, $400,750 was allocated to Kentucky Power as described in the Company’s response to AG 1-153 and in KPCO_R_AG_1_153_Attachment1.xls.

b. Please see KPCO_R_KPSC_2_55_Attachment2.xls for the requested information.

Witness: Tyler H. Ross
DATA REQUEST

KPSC_2_056  Refer to the Direct Testimony of Tyler H. Ross, beginning at page 12, regarding payroll and benefit adjustments. Also refer to Kentucky Power’s response to Commission Staff’s First Request, (Staff’s First Request”), Item 69.

a. With respect to the payroll services provided to Wheeling Power Company and AEP Generation Resources, Inc., does Kentucky Power receive compensation for its payroll services?

b. If the answer to a. above is affirmative, explain how the compensation is determined and the amount Kentucky Power received for its payroll services in the test year.

c. If the answer to a. above is negative, explain why Kentucky Power is not recovering its costs for the payroll services and provide the amount that it should be recovering.

d. Refer to pages 12 and 13 regarding employee group benefits. Provide the jurisdictional medical insurance adjustment assuming the following: Total Healthcare/Medical Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium. Continue to assume that the employee would pay 21 percent of the total cost for single coverage and 32 percent of the total cost for all other types of coverage, compared to the amount of healthcare/medical insurance expense incurred during the test year.

e. Refer to pages 12 and 13 regarding employee benefits. Provide the jurisdictional dental insurance adjustment in the test year, assuming employees would pay 60 percent of the total cost of coverage. Calculate the amount as follows: Total Dental Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium.

f. Refer to pages 12 and 13 regarding employee benefits. Provide a schedule that identifies the jurisdictional cost for providing long-term disability insurance.

g. Refer to pages 12 and 13 regarding employee benefits. Provide a schedule that identifies the costs for providing group life insurance coverage over $50,000.
Kentucky Power Company  
Case No. 2017-00179 General Rate Adjustment  
Commission Staff’s Second Set of Data Requests  
Dated August 14, 2017  
Page 2 of 3

h. Refer to page 15 regarding savings plan expense and the response to Staff’s First Request, Item 72. For employees who participate in a defined benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any AEP 401(k) retirement savings account.

i. Provide the information requested in items d. through h. that are passed through from AEPSC or other affiliated companies.

RESPONSE

a. Kentucky Power does not provide payroll services to either Wheeling Power Company or AEP Generation Resources, Inc. AEPSC provides payroll services to each AEP operating company and allocates the costs for these payroll services among the AEP operating companies based on employee headcount.

b. Not applicable. See answer a. above.

c. Not applicable. See answer a. above.

d. Using the assumptions requested, the jurisdictional medical insurance adjustment would be $171,983 instead of $560,719 as filed. Please refer to KPCO_R_KPSC_2_056_Attachment1.xlsx for details.

e. Using the assumptions requested, the jurisdictional dental insurance adjustment would be $(45,525) instead of $7,317 as filed. Please refer to KPCO_R_KPSC_2_056_Attachment2.xlsx for details.

f. Please refer to KPCO_R_KPSC_2_056_Attachment3.xlsx for the requested information.

g. The costs of providing group life insurance for coverage over $50,000 is not separately identified in the costs included in Kentucky Power's cost of service. Assuming insurance rates remained unchanged for a plan change, refer to KPCO_R_KPSC_2_056_Attachment4.xlsx for a calculation of the costs with coverage limited to $50,000 per employee compared to the amount of coverage included in Kentucky Power's cost of service.

h. Kentucky Power's total and jurisdictional amount of test year pro forma savings plan expense for matching contributions made on behalf of Kentucky Power employees who also participate in the AEP 401(k) retirement savings account is $1,111,388 and $1,102,496, respectively.
d. Using the assumptions requested, the jurisdictional medical insurance adjustment for AEPSC would be $(65,966). Please refer to KPCO_R_KPSC_2_056_Attachment5.xlsx for details.

Using the assumptions requested, the jurisdictional dental insurance adjustment for AEPSC would be $(18,553). Please refer to KPCO_R_KPSC_2_056_Attachment6.xlsx for details.

Please refer to KPCO_R_KPSC_2_056_Attachment7.xlsx for the requested information for AEPSC long-term disability insurance.

The costs of providing group life insurance for coverage over $50,000 is not separately identified in the costs billed from AEPSC and included in Kentucky Power’s cost of service. Assuming insurance rates remained unchanged for a plan change, refer to KPCO_R_KPSC_2_56_Attachment8.xlsx for a calculation of the AEPSC costs billed to Kentucky Power with coverage limited to $50,000 per employee compared to the amount of coverage included in Kentucky Power’s cost of service.

Kentucky Power’s total and jurisdictional amounts for Kentucky Power’s share of AEPSC test year savings plan expense for matching contributions made on behalf of AEPSC employees who also participate in the AEP 401(k) retirement savings account is $564,999 and $560,479, respectively.

Witness: Tyler H. Ross
        Curt D. Cooper
DATA REQUEST
KPSC_2_057 Refer to the Direct Testimony of Sharp Testimony, page 4, lines 3-4. Confirm that Kentucky Power will match the increased and current funding on a dollar-for-dollar basis.

RESPONSE
Confirmed. Kentucky Power supports the matching proposal to continue the existing relationship of matching customer payments through Tariff K.E.D.S. and increasing the benefit to customers and the region as identified on page 4 of Company Witness Sharp’s testimony.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_058  Refer to the Sharp Testimony, page 4, lines 11–12. Confirm that Kentucky Power will match the current funding and the increased funding on a dollar-for-dollar basis.

RESPONSE

Confirmed. Kentucky Power supports the matching proposal to continue the existing relationship of matching customer payments to the HEAP program and increasing the benefit to customers and the region as identified on page 4 of Company Witness Sharp’s testimony.

Witness:    Stephen L. Sharp
DATA REQUEST

KPSC_2_059 Refer to the Sharp Testimony, page 9 lines 20–22. Provide who will pay for the state inspection.

RESPONSE

Completing a state inspection, including payment of any fees, is the responsibility of the customer whose service was disconnected due to tampering or theft of service.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_060 Refer to the Sharp Testimony, page 13, lines 17–22. A. Explain why Kentucky Power offers two similar budget plan programs. b. Explain whether Kentucky Power has considered consolidating into one budget plan program.

RESPONSE

a. While the Budget Payment Plan and the Average Monthly Payment Plan share similarities, there are key differences. The Average Monthly Payment Plan allows customers to pay their twelve-month bill average each month. On the 12th month, or settle up month, any balance or credit that has accumulated would be divided up over the customer’s next twelve bills to be paid in addition with their current charges. The Budget Payment Plan allows customers to pay equal monthly amounts for eleven months and settle up on the twelfth month. In addition, 807 KAR 5:006 Section 14(2)(a) requires utilities to offer a partial payment plan with an annual settle-up month like the Budget Payment Plan.

b. Kentucky Power has considered moving to one monthly payment plan, however, the Company would prefer to keep both options available at this time. First, because 807 KAR 5:006 Section 14(2)(a) requires a plan similar to the Budget Payment Plan any consolidation would require keeping a settle up month. The Company, however, recommends the Average Monthly Plan for customers who wish to avoid the potential of having a dramatic settle up month amount keeping both plans allows the Company provide multiple budget plan options to best meet the needs of its customers.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_061 Refer to the Sharp Testimony, page 18, lines 18–21.
   a. Provide the average length of time between the date of the customer’s last billing period and the date of termination.
b. Provide an example of applicable charges and the charge amounts.

RESPONSE

a. The Company cannot provide an average length of time as it would vary depending on why the customer’s service was disconnected (i.e., non-payment, tampering, or fraud). In situations where a customer’s service is disconnected for tampering or fraud, the Company would terminate service as soon as it is able to verify the tampering or fraud.

b. If a customer’s service is terminated due to non-payment, the customer would be charged the applicable non-recurring charge listed on Sheet 2-10 of Kentucky Power’s current Commission approved Terms and Conditions. In cases when a customer’s service has been terminated due to tampering, a customer would be charged based on the damage to the Company’s equipment. For example, if a customer has damaged the lock on the meter, the customer would be charged $18.00 for the lock.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_062 Refer to the Sharp Testimony, page 20, lines 10–12. Provide the annual and test year cost of the mobile alert service.

RESPONSE

During the test year, the cost of the Company’s Mobile Alert Service (Text and Email) was $5,114.91.

During calendar year 2016, the cost of the Company’s Mobile Alert Service (Text and Email) was $4,942.13.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_063  Refer to the Sharp Testimony, page 25, lines 17–23. State whether there has been any instance when the operator failed to remove their equipment after being notified by Kentucky Power and provide the outcome.

RESPONSE

Kentucky Power has experienced multiple instances where operators have failed to remove their equipment after being notified by Kentucky Power to do so. In the most recent instance, the Company directed a cable operator to remove its equipment due to non-payment. When the cable operator refused to do so, or to cure its non-payment, the Company filed suit to force the operator to remove the equipment.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_064 Refer to the Sharp Testimony, Exhibit SLS-1, pages 1–2 of 6.
a. The sample residential bill provided in Exhibit SLS-1 indicates that the delayed payment charge is assessed if the bill is not paid by the due date. Kentucky Power’s tariff indicates that the delayed payment charge is assessed to residential customers if payment is not made by the next billing date. State when the late payment charge is assessed to residential customers who do not make their payments by the due date.
b. The sample residential bill provided in Exhibit SLS-1 includes a billing line item for State Sales Tax. KRS 139.470(8)(b)1 exempts all gross receipts derived from sales classified as residential by a utility company. Confirm that Kentucky Power residential customers are not billed for state sales tax.

RESPONSE

a. The late payment charge is assessed to residential customers on their next bill date only if the full amount of their bill is not paid by the next billing date.

b. Confirmed.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_065  Refer to the Sharp Testimony beginning at page 24, regarding cable television pole attachment charges, and Exhibit SLS-2. Also refer to Worksheet 46. Provide copies of these documents in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible.

RESPONSE

Please refer to KPCO_R_KPSC_2_65_Attachment1.xlsx for the requested information.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_066 Refer to the Direct Testimony of Katharine I. Walsh In a table, provide each class’s fixed cost of service, the current customer charge, and the proposed customer charge.

RESPONSE

For each class’s fixed cost of service, please see the total of lines H, J, K and L on Exhibit AEV 1, included in the direct testimony of Company Witness Vaughan.

For the current and proposed customer charges for each tariff class, please see the respective tariff tabs included in the Company’s response to KPSC 1-73, specifically KPCO_R_KPSC_1_73_Attachment72_AEVWP2.xlsx

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_067  Refer to the Vaughan Testimony, page 14, lines 3–5. Expand on the principle of gradualism and support how a 59 percent increase in the customer charge supports the principle of gradualism.

RESPONSE

Gradualism in rate design is taking multiple measured steps over time to move a rate or rate component from its current level or state to future level or state. In this specific instance, the current residential service charge is $11 per customer per month and full cost is approximately $38-$39 per customer per month. The Company’s proposed measured step to $17.50 per customer per month is in the spirit of gradualism as the proposed residential service charge is still less than half of full cost and represents an increase from approximately 29% of full cost to approximately 46% of full cost.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_068  Refer to the Vaughan Testimony, page 14, lines 21–23.
a. Provide the study from which the fixed distribution plant allocation factors originate.
   (1) Provide who performed this study.
b. Explain if this study was used in prior rates cases and if so, if it was updated for the instant case.

RESPONSE

a. Please refer to Exhibit AEV 2 and the Company’s response to Staff 1-73, specifically KPCO_R_KPSC_1_73_Attachment76_AEVWP6.xlsx.

(1). Company Witness Vaughan performed the study.

b. Yes the study was also used in Case No. 2014-00396. The underlying embedded components of the Company’s distribution system included in the study were not updated for this rate case because they do not change materially in two years’ time. The test year residential revenue requirements included in Exhibit AEV 2 were updated to produce the full cost service charge of $38 per customer per month. This figure was then validated by the marginal customer connection study ($39 per customer per month full cost service charge) which is included in this case as Exhibit AEV 3 and in the Company’s response to KPSC 1-73 as KPCO_R_KPSC_1_73_Attachment77_AEVWP7.xlsx.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_069 Refer to the Vaughan Testimony, page 15 lines 16–18. Provide the appropriate levelized carrying charge.

RESPONSE

11.56%. Please see Exhibit AEV 3.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_070 Refer to the Vaughan Testimony, page 19, lines 1–12.

a. Explain whether the Optional Residential Demand-Metered Electric Service Tariff is offered by any AEP subsidiary.
b. If the answer to a. Above is affirmative, provide any studies of the results of the success or failure of the tariff.
c. Given that this class has a demand charge, explain why the customer charge is changed so to include only the fixed costs associated with consumer related expenses.

RESPONSE

a. The exact residential demand tariff proposed by the Company is not offered by other AEP operating companies; however, other AEP operating companies offer an optional residential rate schedule that includes a demand charge.

b. No studies exist.

c. The proposed service charge in Tariff RS-D was not changed from the proposed RS service charge of $17.50 per customer per month because it does not collect the full cost of customer related costs. The demand charge in proposed Tariff RS-D ($4.44/kW) is designed to collect distribution demand related costs and the balance of customer related costs not recovered through the proposed $17.50 service charge.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_071  Refer to the Vaughan Testimony, page 21, lines 14–20. Provide bill impacts at the existing rates and proposed rates for current SGS and MGS rate classes at 100 kWh increments up to the largest load for each class.

RESPONSE

Please see KPCP_R_KPSC_2_71_Attachment1.xlsx for a SGS and MGS typical bill analysis at current and proposed rates. The SGS comparison stops at 4,450 kWh which is the proposed block differential. Above this level SGS customers would begin to incur a demand charge and there were no kW demand billing units over 10kW in the test year from the SGS class. The MGS analysis begins at 4,500 kWh and increases in 100 kWh increments until 100kW billing demands are reached at the average load factor for each voltage level, which is the hypothetical largest customer possible on MGS before they would be moved to the Company’s LGS Tariff.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_072  Refer to the Vaughan Testimony, page 23, lines 11–19. The COSS results for the public schools still indicate that the public schools are contributing to the current and proposed Rate Of Return and are subsidizing other classes. Explain why Kentucky Power states that the public schools have a low return and do not reflect the true cost of service.

RESPONSE

Please see Company Witness Vaughan’s Testimony, page 23 at line 11 to page 24 at line 9. The Company is not stating that the public schools class has a “low” rate of return. Rather the Company is stating that the public schools tariff class has a lower rate of return than does the LGS class that these customers otherwise belong in. The class cost of service study indicates that the public school tariff class is producing a lower rate of return than the LGS class that they would otherwise belong in. The comparison is relative in nature because the public school customers were given a discount to the LGS tariff in Case No. 2014-00396 because it was believed that these customers possessed better load characteristics than did the rest of the LGS class on average. After the Company conducted its analysis that is described on pages 22-24 of Company Witness Vaughan’s testimony, it discovered that the load characteristics of the public schools customers did not support the discount provided in the public schools tariff.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_073  Refer to the Vaughan Testimony, page 25, lines 13–14. Explain why if the clause is “antiquated,” Kentucky Power is just now requesting its removal and did not remove it in prior rate cases.

RESPONSE

PJM has been billing transmission congestion charges since 2007 and is, therefore, no longer necessary. The clause was overlooked by the Company in prior cases.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_074 Refer to the Vaughan Testimony, page 26–29. Using the test year, provide the monthly PJM LSE OATT charges and credits

RESPONSE

Please see KPCO_R_KPSC_2_74_Attachment1.xlsx for the requested information.

Witness: Alex E. Vaughan
Kentucky Power Company
Case No. 2017-00179 General Rate Adjustment
Commission Staff’s Second Set of Data Requests
Dated August 14, 2017

DATA REQUEST

KPSC_2_075   Refer to the Vaughan Testimony. Provide a table listing the fixed costs, distribution costs, and energy costs to serve based on the COSS for all rate classes.

RESPONSE

Please see Exhibit AEV 1 included in Company Witness Vaughan’s testimony. Fixed costs are the non-energy costs.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_2_076  Refer to the Wohnhas Testimony, pages 13 and 14, regarding the normalization expense for major storm expense. Also refer to the Application, Section V, Exhibit 2, Worksheet 17, footnote 1. State whether the actual major storm expense for the 12 months ended February 29, 2016, includes the $316,894 that was denied as a regulatory asset in Case No. 2016-00180.

RESPONSE

Yes. The actual storm damage expense of $6,002,539 for 12 months ended February 29, 2016 as shown on footnote 1 of Section V, Exhibit 2, Worksheet W17 includes the $316,894 for which the Commission denied Kentucky Power accounting authority to defer and include in the regulatory asset to be established in Case No. 2016-00180. The denial of accounting authority is wholly unrelated to whether the expenses were prudently incurred or appropriately used in developing an accurate three-year average level of storm damage expense.

Witness: Ranie K. Wohnhas
DATA REQUEST

KPSC_2_077 Refer to the Wohnhas Testimony, page 25, regarding the case review.
a. Other than the refinancing mentioned in the Wohnhas Testimony, page 12, is Kentucky Power still confident that the current application is an accurate representation of the facts?
b. In the answer to a. above is negative, identify any problems in the application and provide corrections as necessary.

RESPONSE

a-b. Kentucky Power used due care in preparing and reviewing its application prior to its filing on June 28, 2017. The Company further supplemented and amended its application on July 12, 2017 in response to the July 6, 2017 deficiency notice.

The testimony of Company Witness Wohnhas and Company Witness Miller filed with and in support of the application disclosed the June 2017 post-test year refinancing and the fact that Kentucky Power would be filing supplemental information reflecting the effect of the refinancing. The Company filed the supplemental information on August 7, 2017. The Company respectfully suggests that the refinancing described by Company Witness Wohnhas at page 9 of his testimony did not render the Company’s application inaccurate.

Other than certain typographical errors that the Company identified and corrected in the process of responding to data requests, Kentucky Power has identified two corrections to its application. They are:

(i) In responding to KIUC 1-67 the Company determined that two of the PJM OATT LSE items had been inadvertently excluded from the calculation of the $79,076,785 annual amount of purchased power costs included in base rates. Those items are PJM point to point transmission service credits (test year credit of $535,143.05) and RTO formation cost recovery charges (test year charge of $196,296.08). Including these two items in the annual amount of purchased power costs included in base rates revises the amount to $78,737,938, which is a reduction of $338,847. This update does not change the Company's filed base rate revenue requirement in this proceeding. Although the PJM point to point transmission service credits and RTO formation cost recovery charges were included in the test year KY retail cost of service, they inadvertently were omitted from the calculation of the Tariff PPA basing point. The only value that changes in the Company's filing is the base pricing point in proposed Tariff P.P.A. After this revision it is $78,737,938.
(ii) In responding to AG 1-309 the Company determined that Company Witness Hall’s statement on page 26 of his testimony that the funds provided to Kentucky Power by the AEP Economic and Business Development Group were wholly shareholder funds is incorrect. These funds, which average approximately $54,000 per year, are included in the Company’s cost of service.

Witness: Ranie K. Wohnhas
DATA REQUEST

KPSC_2_078 Refer to the application filed in Case No. 2017-00231, which was consolidated into this proceeding.
a. Refer to page 2, paragraph 5. Identify the AEP operating companies that participated in the review of their billing correspondence. Explain what prompted AEP and Kentucky Power to undertake this review.
b. Refer to page 2, paragraph 6. Provide the following information related to the customer meetings referenced in this paragraph: dates; times; locations; agenda; presentations; handouts; number of company attendees; and number of customer attendees.
c. Refer to page 3, paragraph 8. Confirm that Kentucky Power is able to redesign the billing format to make it more understandable without combining billing line items.
d. Refer to page 4, paragraph 11. Provide documentation supporting the statements that customers “indicated that the number of billing line items was unhelpful” and that customers requested that Kentucky Power “simplify the presentation of charges on the Company's bills.”
e. Refer to page 5, paragraph 17. Explain why Kentucky Power is proposing to combine the Purchase Power Adjustment with other billing line items given that 807 KAR 5:006, Section 7(1)(a)(9), requires that bills for utility service issued show “adjustments, if applicable.”

RESPONSE

a. Appalachian Power, AEP Ohio, Indiana Michigan Power, Kentucky Power, Southwestern Electric Power, and Public Service Company of Oklahoma participated in the review of the billing correspondence. AEP and Kentucky Power were prompted to undertake review of its billing correspondence based on results from J.D. Power and Associates Electric Utility Residential Customer Satisfaction Survey that showed that customer satisfaction with the Company's billing correspondence was below the industry average.

b. Please refer to KPCO_R_KPSC_2_78_Attachment1.pdf for this response. Page 60 of this document is a screen capture of a video that was embedded in a PowerPoint presentation.

c. Kentucky Power is able to redesign the billing format without combining the billing line items. However, the Company's proposal to combine billing line items comes from discussions with our customers during our Community Advisory Panels and customer outreach workshops. During these meetings, customers advised the Company they would like to see a simplified bill.

d. Please refer to KPCO_R_KPSC_2_78_Attachment1.pdf pages 13 to 56 for this response.
e. Kentucky Power understands the term “adjustments” as used in 807 KAR 5:006, Section 7(a)(9) generally to refer to rate items that are prescribed or governed by specific statutes or regulations. Other rate items may be combined upon Order of the Commission. For example, Kentucky Power currently combines the monthly charges or credits for its fuel adjustment clause and its system sales clause. The net amount of the two rate items appears on customers’ bills under the fuel adjustment clause billing line. Consistent with this understanding, Kentucky Power is proposing to itemize on its bill the fuel adjustment clause, the environmental surcharge, and the demand-side management charge, along with certain other rate items.

To the extent Kentucky Power’s understanding of 807 KAR 5:006, Section 7(a)(9) is incorrect, the Company requests leave pursuant to 807 KAR 5:006, Section 28 to deviate from the requirements of 807 KAR 5:006, Section 7(a)(9).

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_079  Refer to the Sharp Testimony and Exhibit SLS-1 filed in Case No. 2017-00231 which was consolidated into this proceeding.

a. Refer to Exhibit SLS-1. Explain the columns labelled Midsize Segment Midwest Midsize Region and Lincoln Electric System.
b. Explain the entries on the blue shaded lines in each column.
c. Identify the other AEP operating companies participating in the same survey, and provide the survey results for each company.

RESPONSE

a. Exhibit SLS-1 is a summary from the 2014 J.D. Power Electric Utility Residential Customer Satisfaction Study. This syndicated annual study includes the largest Investor Owned, Municipal and Cooperative utilities in the US. Those utilities are divided up both by size and geographic location. Those utilities with 100,000 to 499,999 residential electric customers are classified as Midsize. Those with 500,000 or more residential customers are classified as Large. Within each of those two size categories there are four geographic regions: East, Midwest, South and West. Beginning with the 2016 study the Cooperatives were split out as their own category due to their unique nature, thus resulting in a total of nine segments. In addition to Kentucky Power data, the Midwest Midsize region data are shown as that is the segment that Kentucky Power is grouped in. Lincoln Electric was selected for comparison because they were the highest performing Midwest Midsize utility in 2014 for the key outcome metric, the Customer Satisfaction Index (CSI).

b. The J.D. Power model for Residential Customer Satisfaction Study has a key outcome metric, the Customer Satisfaction Index (CSI). The CSI is not a specific question but rather a weighted average of six individual factor scores. The CSI and each of those six factors are highlighted in blue shading. The weight of each factor on the CSI is indicated (e.g., the Price Index in the 2014 study is 22%) and reflects the factor’s relative importance/contribution to the CSI. Each factor is calculated based on several questions related to that topic and those contributing questions are displayed directly under blue highlighted factor row with the weight of each of those contributing questions also shown. The overall satisfaction question asked for each factor is also shown but is not included in weighting of the other factor items.

c. AEP Ohio, Appalachian Power, Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma and Southwestern Electric Power Company all are included in the J.D. Power Electric Utility Residential Customer Satisfaction Study every study year. Only AEP Texas is not included as J.D. Power excludes all wires only utilities in this national syndicated
study. The most current (the 2017 Electric Utility Residential Customer Satisfaction Study) results for each of the six AEP operating companies is KPCO_R_KPSC_2_79_Attachment1.pdf.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_080 Refer to page 3 of the Sharp Testimony filed in Case No. 2017-00231, which was consolidated into this proceeding.

a. Provide the details of the advisory panels and outreach workshops that Kentucky Power hosted to discuss customer concerns with bill formats. Include the dates, locations, agenda, presentations, handouts, number of company attendees, number of customer attendees, and documentation of customer complaints.

b. Lines 8 and 9 on page 3 state that the most frequent complaint was the number of line items on the bill. Identify other customer complaints and the number of each separate type of complaint.

RESPONSE

a. The Company created the Community Advisory Panels to bring together a cross-section of community leaders from a variety of backgrounds, including education, healthcare, emergency responders, community volunteers, agriculture, business, clergy, retirees, and elected officials, to form panels in each of the three service districts of Kentucky Power – Ashland, Hazard and Pikeville. The panels serve as standing focus groups and reflect the communities they represent. The Company hosted Customer Outreach workshops across Kentucky Power's service territory to provide customers the opportunity to discuss any issues or concerns they may have with the Company’s service. The Company set up stations at each location for customers to discuss issues relating to Regulatory, Forestry, Reliability, Customer Service, Billing and Energy Efficiency. Please refer to KPCO_R_KPSC_2_78_Attachment1.pdf and KPCO_R_KPSC_2_80_Attachment1.pdf for additional information on these meetings.

b. Listed below are other complaints, besides the number of billing line items, that were discussed at the Company's meetings:

- Assisting seniors and low income customers on fixed incomes.
- Paying fees when making payments over the phone or at authorized payment locations.
- High bills (especially during the winter months).

The Company did not record the number of each separate type of complaint.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_081  Refer to page 6 of the Sharp Testimony filed in Case No. 2017-00231, which was consolidated into this proceeding.

a. Describe the general availability or difficulty of internet access for Kentucky Power customers who may have a need to access the calculation spreadsheet on the Kentucky Power’s website.

b. Describe any additional training or qualifications for customer service representatives necessary to answer customer’s questions about the proposed combing of line items on customer’s bills.

RESPONSE

a. Kentucky Power is unaware of the general availability or difficulty of internet access within the Company's service territory. However, the bill calculation spreadsheet is just one method through which a customer can receive a breakdown of their charges. A customer can contact our Customer Operations Center twenty four hours a day. If customer questions remain, a local Customer Service Representative can visit their home to discuss the charges further.

b. No additional training or qualifications would be required for customer service representatives.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_082  Refer to the Supplemental Testimony of Stephen L Sharp, Jr. filed in Case No. 2017-00231 which was consolidated into this proceeding.

a. Identify all of the AEP operating companies that are included in the proposed system-wide bill format conversion project.
b. Provide the total project cost of the proposed conversion of the bill formats, and Kentucky Power’s portion assuming Commission approval of the bill format change.

RESPONSE

b. The total estimated project cost is $827,957. Kentucky Power would be allocated $33,000 of that cost.

Witness: Stephen L. Sharp
DATA REQUEST

KPSC_2_083 Refer to the response to Staff’s First Request, Item 31, regarding expenses for professional services. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following information as it relates to consulting services either directly incurred and assigned or allocated to Kentucky Power:

a. The name of the company providing the consulting service.

b. The type of consulting service provided.

c. When the consulting service began and when it is expected to be completed.

d. The dollar amount reflected in the test-year level of expenses associated with the consulting service, along with the total expected cost of the consulting service project.

e. If allocated to Kentucky Power, provide the organization which allocated the cost to Kentucky Power, the methodology used in the allocation, and the total cost of the consulting service.

f. The last date that this type of consulting service was performed for Kentucky Power or the allocating organization.

RESPONSE

a. through f.: 

Kentucky Power does not track consulting services provided to the Company in its accounting records. The Company does track the financial impact of professional services provided.

Please refer to KPCO_R_KPSC_2_83_Attachment1.xls for a list of vendors who provided professional services during the test year that were billed to AEP Service Corporation and a portion of which were billed to Kentucky Power.

Please refer to KPCO_R_KPSC_1_31_Attachment1.xls for a list of vendors who provided professional services during the test year that were billed to Kentucky Power directly.
Although Kentucky Power does not separately track consulting services provided to the Company, the following entities have been identified as providing consulting services during the test year:

Consulting Vendors who Provided Services to Kentucky Power during the Test Year:
Ernst & Young
REPASS
Geosyntee Consultants

Consulting Vendors who Provided Services to Kentucky Power which were Intercompany Billed from AEP Service Corporation during the Test Year:
AON Consulting
Davies Consulting
Global Health Consultants
Price Waterhouse Coopers Advisory Service
Regulated Capital Consultants
Synergy Consultants
Valud Consulting
Ernst & Young
Murli Consulting
Cap Gemini
IBM
Tricon Power Group

Consulting Vendors who Provided Services to Kentucky Power which were Intercompany Billed from Other Affiliated Companies during the Test Year:
Murli Consulting
Accenture
Ann Green Communications
Capital Results
AECOM Technical Services
Civil & Environmental Consultants, Inc
P&RO SOLUTIONS INC
Pace Analytical Services, LLC
Revey Associates Inc
Rule Of Thumb Services
URS Corporation
Williams Creek Consulting Inc

Witness: Tyler H. Ross
KENTUCKY POWER COMPANY
Case No. 2017-00179 General Rate Adjustment
Commission Staff’s Second Set of Data Requests
Dated August 14, 2017

DATA REQUEST

KPSC_2_084
Refer to the response to Staff’s First Request, Item 33. For the test year, provide the following information at it relates to lobbying activities:

a. The names of each of the Kentucky Power’s Kentucky lobbyists registered in Kentucky.

b. For each of the registered lobbyists, the dollar amount and percentage of the lobbyist’s salary, fringe benefits, any incentive pay, expense reports recorded below the line, and any lobbying activities costs reflected in Kentucky Power’s proposed cost of service.

c. The dollar amount of any lobbying activity allocated to Kentucky Power from AEP or any of its subsidiaries, along with a statement in which these costs are recorded and account numbers where these costs are recorded (above or below the line).

RESPONSE

a. Brad Hall and Jacob Colley are Kentucky Power's only registered lobbyists in Kentucky.

b. Please refer to KPSC 1-33 for the requested information regarding salary and expenses. The Company does not record fringe benefits or incentive pay associated with lobbying activities on an individual basis. Instead, the Company records these amounts on the department level based on the same percentages of lobbying activities as described in the Company’s response to KPSC 1-33. None of the Company’s lobbying costs are included in the proposed cost of service. Any direct base labor in a given month charged to lobbying expense has the corresponding levels of accrued incentives and fringes for that month that are also recorded to lobbying expense.

c. Please refer to KPSC 1-33. Kentucky Power does not receive a lobbying statement from AEP concerning the allocated lobbying costs.

Witness: Tyler R. Ross
DATA REQUEST

KPSC_2_085

Refer to the response to Staff’s First Request, Item 42. Provide the following information for any of the AEP Service Corporation and other affiliated entities’ costs directly assigned or allocated to Kentucky Power, as well as other requested information.

a. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following as it relates to salaries either directly assigned or allocated to Kentucky Power by another AEP entity.

(1) By AEP Service Corporation by Department, the total salary amount along with the number of hours associated with the salary cost and associated incentive pay broken down by each incentive pay program, including any stock option plans in effect during any month of the test year.

(2) By any other AEP subsidiary, provide the name of the subsidiary and the department along with the total salary amount and associated incentive pay, including any stock option plans, along with the number of hours associated with the salary, incentive pay and any stock option plans costs.

b. The AEP Service Corporation Charge billed to Kentucky Power for each 12 months ended February 2012 through February 2017.

c. The number of AEP Service Corporation employees for each 12-month period from February 2012 through February 2017.

d. Kentucky Power’s peak demand (date and time) for each 12-month period from February 2012 through February 2017.

e. Kentucky Power’s kWh sales (by customer class residential, commercial, and industrial) for each 12-month period from February 2012, through February 2017.

f. The level of Kentucky Power employees for each 12-month period from February 2012 through February 2017.

g. Whether the costs are allocated based on the number of Kentucky Power employees, Kentucky Power kWh sales, or Kentucky Power’s peak demand. If so, identify each.

h. Whether Kentucky Power has made an adjustment to the test-year
level of AEP Service Corporation costs to reflect the most recent three-, five-, or ten-year trend in the number of employees, the kWh sales, and Kentucky Power’s peak demand. If so, identify each adjustment.

i. If the answer to h. Above is no, provide a complete explanation as to why no test-year adjustment was made in Kentucky Power’s proposed test-year level of AEP Service Corporation costs.

RESPONSE

a.(1) See KPSC_R_2_085_Attachment1.xls for the AEPSC labor, annual incentive, and long term incentive expenses billed to Kentucky Power for the 12 months ended February 28, 2017.

a.(2) See KPSC_R_2_085_Attachment2.xlsx for the Other Affiliate labor, annual incentive, and long term incentive expenses billed to Kentucky Power for the 12 months ended February 28, 2017.

b. See KPSC_R_2_085_Attachment3.xls for the AEP Service Corporation charges billed to Kentucky Power for each 12 months ended February 28, 2012 through February 28, 2017.

c. See KPSC_R_2_085_Attachment4.xlsx for AEPSC employees.

d. See KPSC_R_2_085_Attachment5.xls for Peak demand.

e. See KPSC_R_2_085_Attachment6.xls for kWh sales.

f. See KPSC_R_2_085_Attachment7.xlsx for Kentucky Power employees.

g. Please refer to Section II, Exhibits U and V for costs allocated by AEPSC to Kentucky Power. The test year charges with an allocation factor #09 are allocated based on number of employees; test year charges with allocation factor #43 are allocated based on kWh sales; and test year charges with allocation factor #64 are allocated based on peak load.

h. No adjustments to test-year level of AEP Service Corporation costs were made to reflect the most recent three, five, or ten year trend in the number of employees, the kWh sales, or Kentucky Power’s peak demand.
i. AEPSC billings to Kentucky Power are considered to be billings for outside services. Those services vary from year to year depending upon the needs of Kentucky Power Company. This is consistent with most of our O&M expenses, such that they vary year to year depending upon the needs of the Company. Therefore, the Company did not make any test year cost of service adjustments.

Witness: Ranie K. Wohnhas
Tyler H. Ross
DATA REQUEST

KPSC_2_086 Refer to the response to Staff’s First Request, Item 46, regarding executive salaries and other compensation and provide:

a. The account numbers to which the executives and/or officers’ salaries and other compensation were charged.

b. An explanation of the amount and percentage of each of these employees’ salaries and associated expenses which were recorded below the line for ratemaking purposes, along with how the methodology for doing so was determined.

RESPONSE

a. Please see attachment KPCO_R_KPSC_2_086_Attachment1.xls which provides the AEPSC executive salaries and other compensation (for the employees referred to in Staff’s First Request, Item 46) billed to Kentucky Power for the test year ended February 28, 2017 by FERC account (net of Kentucky Power billings to Wheeling Power for Mitchell Plant). All salaries and other compensation for Kentucky Power executive employees were charged to FERC account 9200.

b. See part a. for the portion recorded below the line, specifically FERC Accounts 4264 and 4265. All employees complete timesheets and charge allowable FERC accounts based upon the job function being performed.

Witness: Tyler H. Ross