COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance 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	**)))))))))**	**Case No. 2017-00179**

KENTUCKY POWER RESPONSES TO

COMMISSION STAFF'S

THIRD SET OF DATA REQUESTS

September 20, 2017

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 forgoing 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)
) 2017-00179
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 14th day of September 2017.

NOTARIAL SEAL
STATE OF OHIO

HEIDI M HINTON
Notary Public, State of Ohio
My Commission Expires 04-29-18

Heidi M Hinton
Notary Public

My Commission Expires: 4/29/18

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)
) Case No. 2017-00179
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 14th day of September 2017.

Cheryl L. Strawser
Notary Public, State of Ohio
My Commission Expires 10-01-2021

Notary Public

My Commission Expires: October 1st 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)
) 2017-00179
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 14th day of September 2017.

Notary Public

SARAH SMITHHISLER - NOTARY PUBLIC
MY COMMISSION EXPIRES 04-29-19
STATE OF OHIO

Notary ID Number: 2014-RE-488323

My Commission Expires: 04/29/19

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

Amy J. Elliott

COMMONWEALTH OF KENTUCKY	)	
	)	Case No. 2017-00179
COUNTY OF FRANKLIN	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this 18th day of September 2017.

Judy K Rosquist

Notary Public

Notary ID Number: 571144

My Commission Expires: January 23, 2021

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 forgoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Adrien M .McKenzie

STATE OF TEXAS	)	
	)	Case No. 2017-00179
COUNTY OF TRAVIS	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Adrien M .McKenzie this 15th day of September 2017.

Notary Public

My Commission Expires: 9/13/2021

WILL LOCKE
NOTARY PUBLIC STATE OF TEXAS
MY COMM. EXP. 9/13/2021
NOTARY ID 12512896-7

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	)	
	)	CASE NO. 2017-00179
COUNTY OF FRANKLIN	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John M. McManus, this the 14 day of September 2017.

NOTARIAL SEAL STATE OF OHIO

Princess M. Brown
Notary Public, State of Ohio
My Commission Expires 04-19-2020

Notary Public

My Commission Expires: 4/19/2020

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

Debra L Osborne

Debra L. Osborne

STATE OF WEST VIRGINIA)
) Case No. 2017-00179
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 15th day of September 2017.

Dorothy E. Philyaw

Notary Public

My Commission Expires: October 2, 2019

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
DOROTHY E. PHILYAW
APPALACHIAN POWER
PO BOX 1986
CHARLESTON, WV 25327-1986
My commission expires October 2, 2019

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 responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Everett G. Phillips

Everett G. Phillips

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2017-00179
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 14 day of September, 2017.

Trisha M. Young Blum

Notary Public

Notary ID: 530202

My Commission Expires: 3-18-19

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

VERIFICATION

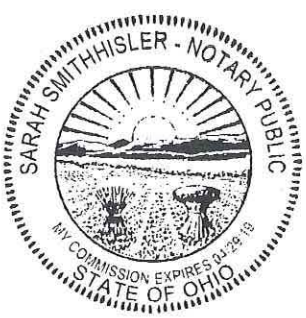
The undersigned, Tyler H Ross being duly sworn, deposes and says he is the Director Regulatory Accounting Services for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein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

Tyler H Ross

Tyler H Ross

STATE OF OHIO)
) Case No. 2017-00179
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 14th day of September 2017.



S Smithhisler

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	)	
	)	2017-00179
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 18th day of September 2017.

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 forgoing 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)
) Case No. 2017-00179
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 14 day of September 2017.

NOTARIAL SEAL STATE OF OHIO

Princess M. Brown
Notary Public, State of Ohio
My Commission Expires 04-19-2020

Notary Public

My Commission Expires: 4/19/2020

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 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

Ranie K. Wohnhas

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY	)	
	)	Case No. 2017-00179
COUNTY OF BOYD	)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 18th day of September 2017.

Judy K Rosquist #571144

Notary Public

My Commission

Expires January 23, 2021

DATA REQUEST

KPSC_3_001 Refer to Kentucky Power's response to Commission Staff's First Request for Information, Item 73. Refer to the Excel file KPCO_R_KPSC_1_73_Attachment72_AEVWP2.xlsx ("Billing Analysis"). Refer to Tabs SGS and SGS-NM. Explain why Kentucky Power proposes to change its kilowatt-hour ("kWh") threshold from "First 500 kWh" and "Over 500 kWh" to "First 4,450 kWh" and "Over 4,450 kWh."

RESPONSE

The change in kilowatt-hour threshold is a function of the proposed consolidation of Tariffs S.G.S. and M.G.S. into a new Tariff G.S. Please refer to the direct testimony of Company Witness Vaughan at page 21 line 10 through page 22 line 9 for additional information.

Witness: Alex E. Vaughan

DATA REQUEST

KPSC_3_002 Refer to the Billing Analysis, Tab MGS-SEC. Explain why Kentucky Power proposes to change its kWh threshold from "First 200 kWh" and "Over 200 kWh" to "First 4,450 kWh" and "Over 4,450 kWh."

RESPONSE

The change in kilowatt-hour threshold is a function of the proposed consolidation of Tariffs S.G.S. and M.G.S. into a new Tariff G.S. Please refer to the direct testimony of Company Witness Vaughan at page 21 line 10 through page 22 line 9 for additional information.

Witness: Alex E. Vaughan

DATA REQUEST

KPSC_3_003 Refer to the Billing Analysis, Tabs MGS-PRI and MGS-SUB. The proposed kilowatt ("kW") billing units do not reflect the inclusion of the current Mining Minimum kW billing units. Explain whether the Mining Minimum kW should be included in the proposed billing units. If they are not to be included, explain why. If they are already included, explain where they are included.

RESPONSE

Mining Minimum kW billing units are not included in the proposed billing analysis because the mining minimum billing provision was eliminated in the Company's proposed Tariff G.S.

Witness: Alex E. Vaughan

DATA REQUEST

KPSC_3_004 Refer to Kentucky Power's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 4.c. Indicate whether Kentucky Power would revise its tariff language to indicate that customers with satisfactory payment histories who request that their deposit be recalculated in accordance with 807 KAR 5:006, Section 8(1)(d)(3) will not be charged the additional deposit unless their payment history became unsatisfactory.

RESPONSE

The Company would be willing to revise its tariff language as described in this request.

Witness: Stephen L. Sharp

DATA REQUEST

KPSC_3_005 Refer to Kentucky Power's response to Commission Staff's Second Request, Item 4.j. Kentucky Power's Customer Bill of Rights 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." Kentucky Power's proposed tariff states "The Company reserves the right to refuse service to any customer if the customer or any member of the customer's household, is indebted to the Company for any service theretofore rendered at any location." Kentucky Power's proposed tariff seems to imply that any outstanding indebtedness of a member of a customer's household could be used as a reason to deny service, no matter where the indebtedness was incurred. Explain how this complies with bullet point one of the Customer Bill of Rights.

RESPONSE

The referenced proposed change to Denial and Discontinuation of Service section of the Company's Terms and Conditions relates only to the provision of new service. The proposed change is designed to prevent customers who owe outstanding debts to the Company from utilizing another member of their household to obtain new service at a new locationwithout payment of debt. For example, Customer A calls to apply for service at a new location and is required to pay an old debt. Not wanting to pay that old debt, Customer A's spouse attempts to call in to put the service in his or her name to avoid Customer A's old debt. Under the proposed change, the Company would be able to refuse service until such time as the debt is repaid, even though it was incurred at a different location. The Company believes the tariff language comports with the customer bill of rights.

Witness: Stephen L. Sharp

DATA REQUEST

KPSC_3_006 Refer to Kentucky Power's response to Staff's Second Request, Item 6. a. Explain the fluctuations in the number of Kentucky Power's employees from 2011 through 2016. b. State the reason(s) why the number of Kentucky Power's employees increased from 411 in 2011 to 640 in 2014. c. Identify the types of positions that Kentucky Power added when it increased from 411 employees in 2011 to 558 employees at the end of the test year, and explain why they were necessary.

RESPONSE

a. The primary reason for the fluctuations in Kentucky Power Company headcount between 2011 and 2016 was the acquisition of the Mitchell Plant by Kentucky Power Company. This was partially offset by the shifting of Transmission employees from Kentucky Power Company to AEPSC, and the headcount reductions associated with the coal to gas conversion of the Big Sandy Plant, and the decommissioning of the Kammer Plant. The major changes in employment include:

- 285 Generation employees were transferred from Ohio Power Company to Kentucky Power Company during 2013. The transferred employees comprised 236 Mitchell Plant employees, 38 Kammer Plant employees, and 11 support personnel in 2013.
- 14 Transmission employees were transferred from Kentucky Power Company to American Electric Power Service Company ("AEPSC") during 2013.
- An additional 35 transmission employees were transferred from Kentucky Power Company to AEPSC during 2014.
- During 2015 13 employees were severed from Kammer Plant and 15 from Big Sandy Plant due to coal-fired unit shutdowns
- During 2016 an additional 12 employees were severed from the Big Sandy Plant and 1 from the Kammer Plant.

Although only 50% of the Mitchell Plant is owned by Kentucky Power Company, all Mitchell Plant employees are employees of Kentucky Power Company. This was done for administrative and efficiency reasons. Employment by more than one entity would increase employee taxation and would be administratively burdensome and inefficient. This employment arrangement does not result in inappropriate expenses being charged to Kentucky Power Company. Mitchell Plant expenses are allocated between Wheeling Power Company and Kentucky Power Company in accordance with each Company's ownership.

Also for efficiency reasons, employees assigned to the Kammer Plant, which is adjacent to the Mitchell Plant, were managed as part of the Mitchell Plant staff and were also Kentucky Power Company employees. However, the employee expense associated with the Kammer Plant was charged to the Kammer Plant owner, not to Kentucky Power Company.

b. The increase in the number of Kentucky Power Company employees from 2011 to 2014, was due to the acquisition of the Mitchell Plant, which resulted in an increase of approximately 285 employees during this period. This increase was offset by a reduction of 49 Transmission employees who were transferred from Kentucky Power Company to AEPSC during 2013 and 2014.

All headcount increases and job postings require high level Kentucky Power Company management approval. Furthermore, headcount increases are constrained by cost center budgets.

Please see the Company's response to subpart (a) for an explanation of the assignment of costs related to increase in employee headcount.

c. Due to a compensation redesign that occurred during this period that resulted in changes to many job titles, job title comparisons are less meaningful. However, in general, the types of positions added to Kentucky Power Company's roster during this period were primarily generation employees and related staff that resulted from the acquisition of the Mitchell Plant. In addition, Kentucky Power added four utility foresters and a reliability manager.

Please see the Company's response to subpart (a) for an explanation of the assignment of costs related to increase in employee headcount.

Witness: Ranie K. Wohnhas

DATA REQUEST

KPSC_3_007 Refer to Kentucky Power's response to Staff's Second Request, Item 21.
a. Explain whether the Clinch River units were converted from coal to natural gas.
b. Explain why there is no depreciable life for the Clinch River units listed in the table.
c. Provide the depreciable lives for the Clinch River units, if known.
d. Explain whether the Clinch River units are the most comparable of those listed to Big Sandy Unit 1.

RESPONSE

a. Yes. Clinch River Units 1 and 2 were converted from coal-fired to natural gas-fired steam production.

b. The depreciable life for the Clinch River units as gas-fired units has not yet been established. The current Clinch River depreciation rates were established prior to the units' conversion to natural gas. These rates were established in Case No. PUE 2014-00026 in Virginia and Case No. 14-1151-E-D in West Virginia.

c. Please refer to the response to KPSC 3-007(b) for an explanation of the current depreciable lives for the Clinch River units. The expected retirement date for the gas-fired Clinch River units is 2025.

d. The Clinch River units are the most comparable of the the units identified in the Company's response to KPSC 2-021. Similar to Big Sandy Unit 1, the Clinch River units consisted of coal-fired boilers that were modified to accommodate the combustion of natural gas to produce steam. The other units listed were either originally constructed as combined cycle systems or natural gas combustion turbines. Also, similar to Big Sandy, the Clinch River conversion included the construction of a natural gas pipeline lateral and the installation of fuel handling facilities.

Witness: Debra L. Osborne
Jason A. Cash

DATA REQUEST

KPSC_3_008 Refer to Kentucky Power's response to Staff's Second Request, Item 24, and Excel File KPCO_R_KPSC_2_24_Attachment1.xlsx.
a. Confirm that Rockport's monthly weighted average cost of capital rate for February 2017 should be 0.71 percent.
b. Explain how the Non-FGD weighted average cost of capital of 9.5291 percent was determined. Provide the supporting calculations.

RESPONSE

a. The Company cannot confirm this statement. The Rockport monthly weighted average cost of capital (WACC) for February 2017 was 0.74% as reflected on ES Form 3.20 in the revised environmental surcharge calculation filed on March 28, 2017.

b. Please refer to tab "3.15" within KPCO_R_KPSC_1_73_SupplementalAttachment87_FGD_Rev_Costs_Adjustments for the requested calculation. The WACC used in the response to KPSC 2-24 is the same WACC that was used in the ES calculations for the Company's August 7, 2017 filing reflecting the impact of the June 2017 financing activities.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_009 Refer to Kentucky Power's response to Staff's Second Request, Items 24 and 25, and Exhibit AJE-4 to the Elliott Testimony. Provide an expanded Exhibit AJE-4 that shows the components that make up the costs shown in the columns for Mitchell Non-FGD Costs, Rockport Environmental Costs and Gains on Sale of Allowances. The breakdown should clearly show amounts reported on the monthly environmental surcharge report, the calculated return on consumables, the adjustments as identified in environmental surcharge reviews, and any other items included in the base environmental cost calculation.

RESPONSE

Please refer to KPCO_R_KPSC_3_9_Attachment1.xlsx for the requested information. The amounts reconcile to AJE-1S which reflects the necessary updates for the Company's June 2017 Financing Activity.

The monthly values in KPCO_R_KPSC_3_9_Attachment1.xlsx will not directly match the amounts in the Company's monthly environmental surcharge reports (ES Forms 3.13 and 3.20) because the values in Exhibit AJE-4 utilize the weighted average cost of capital proposed in this case.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_010 Refer to Kentucky Power's response to Staff's Second Request, Item 26.

a. In its response to Staff's Second Request, Item 26.b., Kentucky Power confirmed it has not previously applied a gross-up factor to its monthly environmental costs. Explain why Kentucky Power has not previously applied a gross-up factor to its monthly environmental expenses.

b. Provide revised ES forms that reflect the application of a gross-up factor to Rockport's monthly environmental costs.

RESPONSE

a. The Company continually reviews its cost recovery mechanisms to ensure recovery of all costs. The lack of a gross-up factor for the environmental surcharge mechanism is an item that the Company has recently identified as a necessary change in its recovery mechanisms.

b. Please refer to KPCO_R_KPSC_3_10_Attachment1.xls for the requested information.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_011 Refer to Kentucky Power's response to Staff's Second Request, Item 28. Provide the actual 2017 property tax information when it becomes available.

RESPONSE

The Company will provide the 2017 property tax information when it becomes available. The valuation of Kentucky Power has not been completed yet by the Department of Revenue-Public Service Branch. Tax payments will not be complete until third quarter 2018 or later.

Witness: Mark A. Pyle

DATA REQUEST

KPSC_3_012 Refer to Kentucky Power's response to Staff's Second Request, Item 42. Provide an updated response regarding the Clean Power Plan when it becomes available.

RESPONSE

Please refer to KPCO_R_KPSC_3_12_Attachment1.pdf for the Clean Power Plan status report filed by the EPA on September 7, 2017.

Witness: John M. McManus

ORAL ARGUMENT HELD SEPTEMBER 27, 2016

**IN THE UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT**

STATE OF WEST VIRGINIA, ET AL., Petitioners, v. UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, ET AL., Respondents.	No. 15-1363 (and consolidated cases)

EPA STATUS REPORT

Pursuant to this Court's order of August 8, 2017, Respondents United States Environmental Protection Agency, et al. ("EPA"), hereby provide the Court with their scheduled 30-day status report.

1. These cases involve numerous consolidated petitions for review of an EPA rule entitled "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units" ("the Rule"). 80 Fed. Reg. 64,662 (Oct. 23, 2015). The Supreme Court granted applications for a stay of the Rule pending judicial review on February 9, 2016. Order, West Virginia v. EPA, No. 15A773. Following full merits briefing, oral argument was held before this Court, sitting en banc, on September 27, 2016.

2. On March 28, 2017, the President of the United States issued an Executive Order establishing the policy of the United States that executive departments and agencies "immediately review existing regulations that potentially burden the development or use of domestically produced energy resources and appropriately suspend, revise, or rescind those that unduly burden the development of domestic energy resources beyond the degree necessary to protect the public interest or otherwise comply with the law." Executive Order, "Promoting Energy Independence and Economic Growth," § 1(c), 82 Fed. Reg. 16,093 (Mar. 28, 2017). With respect to the Rule in particular, the Executive Order directs the Administrator of EPA to "immediately take all steps necessary" to review it for consistency with these and other policies set forth in the Order. Id. § 4. The Executive Order further instructs the agency to "if appropriate [and] as soon as practicable . . . publish for notice and comment proposed rules suspending, revising, or rescinding" the Rule. Id.

3. In accordance with the Executive Order and his authority under the Clean Air Act, the EPA Administrator signed a Federal Register notice on March 28, 2017, announcing EPA's review of the Rule and noting that if EPA's review "concludes that suspension, revision or rescission of this Rule may be appropriate, EPA's review will be followed by a rulemaking process that will be transparent, follow proper administrative procedures, include appropriate engagement with the public, employ sound science, and be firmly grounded in the law." "Review of the Clean Power Plan," 82 Fed. Reg. 16,329, 16,329 (Apr. 4, 2017).

4. Based on these significant developments, EPA filed a motion on March 28, 2017, to hold these cases in abeyance pending completion of EPA's review and any resulting forthcoming rulemaking. ECF No. 1668274. By order dated April 28, 2017, this Court held the cases in abeyance for 60 days and directed EPA to file status reports at 30-day intervals from the date of the order. Id. The Court further directed the parties to file supplemental briefs by May 15, 2017, addressing "whether these consolidated cases should be remanded to the agency rather than held in abeyance." ECF No. 1673071. EPA timely submitted its supplemental brief and advocated continuing to hold these cases in abeyance for the reasons explained therein. ECF No. 1675243. EPA filed its most recent status report with the Court on July 31, 2017. By order dated August 8, 2017, the Court held the cases in abeyance for an additional 60 days and directed EPA to continue to file status reports at 30-day intervals beginning 30 days from the date of the order.

5. As previously reported to the Court in EPA's July 31, 2017 status report, EPA has begun the interagency review process of a proposed regulatory action resulting from its review of the Rule. EPA has transmitted a draft proposed rule to the Office of Management and Budget's Office of Information and Regulatory Affairs ("OIRA"), consistent with the review procedures that are set forth in Executive Order 12866, 58 Fed. Reg. 190 (Oct. 4, 1993).

6. After the interagency review conducted by OIRA is complete, and after EPA makes any appropriate revisions based on the interagency review, the

Administrator will sign the proposed rule and EPA will send it to the Office of the Federal Register for publication to initiate the public comment period. At this time, EPA expects that the Administrator will sign the proposed rule in the fall of 2017.

7. In the most recent OIRA "Current Unified Agenda of Regulatory and Deregulatory Actions" ("Unified Agenda"), issued on July 21, 2017, the entry "Review of the Clean Power Plan"[1] was inadvertently classified as a "long term action," which is the classification for "items under development but for which the agency does not expect to have a regulatory action within the 12 months after publication of this edition of the Agenda."[2] This classification of EPA's review of the Clean Power Plan was incorrect. Because EPA expects to sign a proposed rule with respect to the Clean Power Plan in the fall of 2017, EPA's review of the Clean Power Plan should have been classified within OIRA's Unified Agenda as being in the "Proposed Rule Stage," which is the classification for "actions for which agencies plan to publish a Notice of Proposed Rulemaking as the next step in their rulemaking process."[3] EPA intends to

[1] Available at: https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201704&RIN=2060-AT55.

[2] "Introduction to the Unified Agenda of Federal Regulatory and Deregulatory Actions," available at: https://reginfo.gov/public/jsp/eAgenda/StaticContent/201704/Preamble_8888.html

[3] Id.

correct the classification of the Clean Power Plan review in its next submission for the Unified Agenda.

8. For the reasons set forth in EPA's March 28, 2017 Motion to Hold Cases in Abeyance (ECF No. 1668274) and May 15, 2017 Supplemental Brief in Support of Abeyance (ECF No. 1675243), these cases should remain in abeyance pending the conclusion of the expected forthcoming rulemaking.

Respectfully submitted,

ERIC GRANT
Deputy Assistant Attorney General

DATED: September 7, 2017 BY: */s/ Chloe H. Kolman*

ERIC G. HOSTETLER
NORMAN L. RAVE, JR.
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Of Counsel:

Lorie Schmidt
Elliott Zenick
Scott J. Jordan
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Protection Agency
Office of General Counsel
1200 Pennsylvania Ave., N.W.
Washington, D.C. 20460

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Status Report have been served through the Court's CM/ECF system on all registered counsel this 7th day of September, 2017.

/s/ *Chloe H. Kolman*
Counsel for Respondent

DATA REQUEST

KPSC_3_013 Refer to Kentucky Power's response to Staff's Second Request, Item 45. Provide the non-fuel, non-labor generation operation and maintenance expense for Mitchell, broken down by account number, for a five-year period ending with February 2017.

RESPONSE

Please refer to KPCO_R_KPSC_3_013_Attachment1.xlsx for the Mitchell O&M expense for the five-year period ending February 2017. Please note that the expenses in years prior to December 31, 2013 represent 50% of the total expense for Mitchell and are provided to permit comparison; post-December 31, 2013 amounts are Kentucky Power's costs in connection with its 50% undivided interest in the Mitchell generating station.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_014 Refer to Kentucky Power's response to Staff's Second Request, Item 45.c.
a. Provide a five-year history of the non-plant expenses, broken down by location and account number, for the five-year period ending in February 2017.
b. Provide a five-year history of the non-plant expenses, broken down by location and account number, for the five-year period ending in February 2017.

RESPONSE

a. The non-plant expenses did not increase from 2015 to 2016. The Company's response to Staff's Second request Item 45 c mistakenly provided non-plant steam maintenance and total company expenses for 2015 and 2016, respectively. The total non-plant expenses were:

- $3,391,746 for year ended February 2015
- $2,143,941 for year ended February 2016.

b. Please refer to KPCO_R_KPSC_3_014_Attachment1.xlsx for the five-year history of Kentucky Power non-plant expenses. This information does not include Mitchell non-plant expense prior to Kentucky Power's acquisition on December 31, 2013.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_015 Refer to Kentucky Power's response to Staff's Second Request, Item 45.j. and k.
a. Provide the cost of the Mitchell Unit 1 generator overhaul in 2015, broken down by account number.
b. Explain why Mitchell Unit 2 has not had a generator overhaul since 2004, although the recommended cycle for generator overhaul is ten years.

RESPONSE

a. The cost for the 2015 Mitchell Unit 1 generator overhaul, referred to as a Field Out Inspection, was $437,727. By account number:

- 5000000 Oper Supervision & Engineering - $630
- 5130000 Maintenance of Electric Plant - $437,097

b. The overhaul cycles represent an approximation of the period between generator overhauls. Overhaul cycles for generators are recommended by AEPSC Engineering based on past practices, capacity factor, history, and design of the generator. It is not uncommon for Engineering to review inspection results and generator condition and recommend that an overhaul be deferred.

Prior to 2014, Ohio Power evaluated the condition of the Mitchell Unit 2 generator – including history of operational issues and past inspections – and concluded that the Field Out (FO) inspection (or overhaul) could be deferred. To minimize risk, if any, of deferring the overhaul, an in-place inspection was performed on the generator in 2015. It confirmed the generator was in good condition and that a major overhaul could be deferred. Please refer to KPCO_R_KPSC_2_045_Attachment6_Redacted.pdf for the projected year of the Unit 2 generator overhaul.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_016 Refer to Kentucky Power's response to Staff's Second Request, Item 45.m. Provide a breakdown of the cost of the generator overhaul by year through 2025.

RESPONSE

Please refer to KPCO_R_KPSC_3_016_Attachment1_Redacted.xls for the breakdown of generator overhaul costs by year through 2025.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_017 Refer to Kentucky Power's response to Staff's Second Request, Item 45.n. The answer regarding the Mitchell Units is not responsive. Provide the year and cost of the most recent turbine overhauls at the Mitchell Units.

RESPONSE

The Company apologizes for the oversight. The requested information is provided below:

- **Mitchell Unit 1**:
- HP/1RH Turbine - 2011; $934,607
- LPA Turbine - 2013; $718,914
- 2RH Turbine and LPB Turbine - 2017; $3,568,864
- **Mitchell Unit 2**:
- HP/1RH Turbine and 2RH Turbine - 2015; $2,361,692
- LPA Turbine and LPB Turbine - 2012; $1,907,111

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_018 Refer to Kentucky Power’s response to Staff’s Second Request, Item 45.q. Provide a breakdown of the cost of the turbine overhaul by year through 2025.

RESPONSE

Please refer to KPCO_R_KPSC_3_018_Attachment1_Redacted.xls for the breakdown of turbine overhaul costs by year through 2026.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_019 Refer to Kentucky Power's response to Staff's Second Request, Item 55.a. Identify the aviation costs, if any, that have been removed for ratemaking purposes.

RESPONSE

No adjustments were made to aviation costs allocated to Kentucky Power during the test year ended February 28, 2017.

Witness: Tyler H. Ross

DATA REQUEST

KPSC_3_020 Refer to Kentucky Power's response to Staff's Second Request, Item 78, and KPCO_R_KPSC_2_78_Attachment1.pdf, pages 34 through 56.
a. Explain why only Kentucky Power representatives are identified in the minutes as attending the Community Advisory Panel meetings for February and March 2017.
b. Identify the non-Kentucky Power Community Advisory Panel members attending each meeting who were not identified in the minutes.
c. Explain how non-Kentucky Power Community Advisory Panel members are selected.

RESPONSE

a. -b. Kentucky Power did not take attendance at the Community Advisory Panel meetings. Based on a review of the meeting minutes the following CAP members were in attendance. Other CAP members may have been present but were not noted in the meeting minutes.

Ashland CAP

1. February 22, 2017: Chuck Charles, Sheila Fraley.
2. March 27, 2017: Kathryn Lamp, Sheila Fraley, Paul Seasor, Steve Towler, Neil Wilson, John Osborne, Geri Willis, Norma Meek.

Hazard CAP

1. February 22, 2017: Beth Caudill, Trish Adams
2. March 20, 2017: No CAP members mentioned in minutes.

Pikeville CAP

1. February 21, 2017: Burton Webb
2. March 20, 2017: Patti Beatty, Suzanne Stumbo, Doug Tackett

c. Kentucky Power created the Community Advisory Panels (CAPs) to bring together a cross-section of community leaders from a variety backgrounds, including education, healthcare, emergency responders, community volunteers, agriculture, business, clergy, retirees, and elected officials in each of the Company's three service districts – Ashland, Hazard and Pikeville. The Company sent letters to prospective members inviting them to attend an organizational meeting in each city in August 2016. At this meeting, the CAP program was outlined. Those invitees that elected to participate became members of the CAPs

Witness: Stephen L. Sharp

DATA REQUEST

KPSC_3_021 Refer to Kentucky Power's response to Staff's Second Request, Item 82. Confirm that Kentucky Power's cost of the bill conversion project is not included in the revenue requirements for Case No. 2017-00179.

RESPONSE

Confirmed.

Witness: Stephen L. Sharp

DATA REQUEST

KPSC_3_022 Refer to Kentucky Power's response to Staff's Second request, Item 85.c.
a. Explain the fluctuations in the number of American Electric Power Service Corporation ("AEPSC") employees from February 2011 through February 2017.
b. Explain the reason(s) why the number of AEPSC personnel decreased from 5,120 in February 2011 to 4,684 in February 2013.
c. Identify the types of positions that AEPSC has added from the 5,120 employees in February 2011 to 5,812 employees at the end of the test year, and explain why they were necessary.

RESPONSE

a. AEPSC experienced a great many headcount changes between 2011 and 2017 of different types and magnitudes, but the Transmission organization was the primary driver of fluctuations in AEPSC headcount during this period. This was due to the shifting of a large number of Transmission employees from Appalachian Power, Kentucky Power, and Ohio Power to AEPSC. AEPSC has also added additional employees in Transmission to support increased capital investment both within AEP's existing system and elsewhere. As a result, the total number of AEPSC Transmission employees increased by 1,195, from 789 to 1,984 during the period in question.

Also, between February 2011 and February 2013 American Electric Power Service Company ("AEPSC") had 264 employee separations from AEPSC as a result of ongoing reorganization and right-sizing programs.

During the period in question, AEPSC constrained replacement hiring in many areas to further improve efficiency. There were 459 employees that left AEPSC for various reasons during this period and only 394 employees were hired, resulting in a net reduction of 65 employees.

At the end of 2011, 25 employees were moved from AEPSC to Appalachian Power in preparation for the startup of the Dresden Plant. At the same time, 79 employees were moved from AEPSC to Ohio Power as part of the Ohio Power / Columbus Southern merger.

There were also reductions in engineering, regional plant maintenance, and support staff associated with the sale of competitive power plants in Ohio and competitive barge operations.

b. Transmission service employees were moved to AEPSC for efficiency reasons. There was an increased need for these employees to work on transmission assets that were not owned by the AEP operating company by which they were employed at the time. It is AEP's long-standing practice for employees who serve more than one legal entity to be employed by AEPSC.

All AEPSC employee time and expense is charged to the projects and entities that benefit from the services provided. In many cases, such as AEPSC employees who work exclusively on transmission for other operating companies, no cost is allocated to Kentucky Power Company and such staffing changes are not relevant to this case.

The reductions in AEPSC staffing due to ongoing reorganization and right-sizing programs as well as those due to constrained hiring were made for efficiency reasons. The reduction in staffing due to the startup of the Dresden Plant was to staff this new plant.

The reduction in staffing due to the Ohio Power / Columbus Southern merger was made in keeping with AEP's practice of employing staff by the entity for which they work, unless they work for more than one entity, in which case they are employed by AEPSC.

The changes in AEPSC staff related to competitive businesses were due to the sale of the businesses these employees served. The AEPSC employee time and expense associated with competitive businesses are not charged to Kentucky Power Company.These headcount changes are not relevant to this case.

All AEPSC headcount increases and job postings require the approval of high level functional management and are further constrained by cost center budgets.

c. Due to a compensation redesign that occurred during this period that resulted in changes to many job titles, job title comparisons are less meaningful. However, in general, the primary types of positions added to the AEPSC roster during this period were transmission service employees. Transmission services employees were moved to AEPSC for efficiency reasons because of the increased need for these employees to work on transmission assets that were not owned by the AEP operating company by which they were employed at the time. It is AEP's long-standing practice for employees who serve more than one legal entity to be employed by AEPSC.

All AEPSC employee time and expense is charged to the projects and entities that benefit from the services provided. In many cases, such as AEPSC employees who work exclusively on transmission for other operating companies, no cost is allocated to Kentucky Power Company and such staffing changes are not relevant to this case.

Witness: Andrew R. Carlin

DATA REQUEST

KPSC_3_023 Refer to the Attorney General's Initial Data Requests, Item 3. Explain why the cost per mile of Task 3 work increased from $9,845 per mile in 2015 to $13,365 per mile in 2017.

RESPONSE

Two sets of factors contributed to the $3,520 difference between the estimate in Case No. 2014-00396 of the cost per mile of Task 3 work, and the 2017 estimate in this case of the cost per mile of Task 3 work.

First, the 2014 estimate of the cost of Task 2 work, upon which the Company premised its estimate of the Cost of Task 3 work, proved too low. At the time the Company provided its estimate in Case No. 2014-00396 of the cost of Task 2 and Task 3 work, Kentucky Power had not undertaken Task 2 or Task 3 cyclical work in the Company's service territory. In fact, Task 2 and Task 3 cyclical work was first authorized by the Commission's June 22, 2015 Order in Case No. 2014-00396. Based upon industry experience available to Kentucky Power concerning the relationship between the cost of Task 1 work (initial clearing) and Task 2 work (cyclical re-clearing following the initial clearing provided by Task 1 work), Kentucky Power estimated it could complete Task 2 work at approximately 60% of the then-current cost of Task 1 work ($17,783 per mile). Kentucky Power also believed that through efficiencies following ramp-up and completion of a complete cycle of Task 2 work, the per mile cost of the first cycle of Task 3 work could further be reduced by an amount equal to approximately 4.64% of the 2014 cost of Task 1 work to $9,845.

Kentucky Power's experience in performing 20 months of Task 2 work from July 2015 through February 28, 2017 varied from both assumptions. First, Kentucky Power's experience demonstrated that Task 2 work cost approximately 72% (not the estimated 60%) of the 2014 per mile cost of Task 1 work. The reduced savings principally are attributable to the fact that the 60% of Task 1 cost assumption was premised upon industry experience in performing Task 2 work within four years of the initial re-clear. Under the modified plan approved by the Commission in Case No. 2014-00396, the Company agreed to perform both Task 2 and Task 3 work on a five-year cycle. The increase in the cycle span by 25% from four years to five years increased the cost of re-clearing and resulted in Task 2 work costing approximately 72% of the 2014 cost of Task 1 work and not the 60% previously estimated. Kentucky Power did not anticipate the full extent to which the additional growth resulting from increasing the length of the re-clearing cycle would affect the savings. In addition, the efficiencies from increased experience with Task 2 work did not continue to compound annually as the Company initially forecast. Thus, while the efficiencies served to limit the additional costs as a result of the lengthened re-clearing cycle, most have been achieved and are unavailable to reduce Task 3 costs.

The second set of factors comprise developments since the original estimate was prepared. These include inflation, the expansion of the Company's contractor complement to include additional companies to enable the timely completion of scheduled work, changes in costs, and increased customer requirements for clean-up of vegetation management debris, particularly in unmaintained areas. See also, the testimony of Company Witness Phillips at pages 40-42.

In sum, Kentucky Power estimates that Task 3 work can be performed at a cost of $13,365 per mile, or approximately 75% of the 2014 cost ($17,783) of Task 1 work.

Witness: Everett G. Phillips

DATA REQUEST

KPSC_3_024 Refer to the Application, Section III, Volume 2, Exhibit AJE-3, page 9 of 17. Confirm that the gross-up factor on line 38 will not be applied to the return on the rate base portion of the environmental revenue requirement on line 16.

RESPONSE

Because the gross revenue conversion factor used to calculate the pre-tax WACC and the rate base return includes the PSC maintenance assessment fee and the uncollectible expense, the gross-up factor on Line 38 of ES Form 3.13 will not be applied to the rate base portion of the calculation.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_025 Refer to the application, Section V, Exhibit 2, page 6 of 60. Explain why calendar year 2016 totals were used to calculate the adjustment instead of test-year totals.

RESPONSE

The "Description" column for lines 1 and 2 on Section V, Exhibit 2, page 6 of 60 inadvertenly stated that the values were for calendar year 2016. The values included the "Description" column for lines 1 and 2 on Section V, Exhibit 2, page 6 of 60 were in fact test year amounts.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_026 Refer to the Application, Section III, Volume 2, Exhibit AJE-3, and Kentucky Power's response to Staff's Second Request, Item 11. Confirm that Kentucky Power intends to update its environmental surcharge forms to reflect the updated gross-up factor.

RESPONSE

Kentucky Power will update its environmental surcharge forms to reflect the updated gross-up factor.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_027 Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"), page 14, and the "June 30, 2017 Annual Update to Tariff BS1OR and Tariff Capacity Charge," BS1 Form 4.0.[1]

a. Confirm that the revenue requirement calculation for the Big Sandy 1 Operation Rider does not include a gross-up factor for uncollectible accounts and the PSC maintenance fee, as only net revenues are reported in the calculation.

b. Explain whether Kentucky Power would be willing to use this methodology in the calculation of the environmental revenue requirement.

[1] *Case No. 2014-00396, Application of Kentucky Power Company for: (1) A General Adjustment of Its Base Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief, Post-Case Referenced Correspondence, filed June 18, 2017.*

RESPONSE

a. In accordance with Tariff BS1OR, the Company is grossing up the operating expenses used in the going level revenue requirement to allow for the recovery of the uncollectible expense and the KPSC maintenance assessment fee. Please refer to Line 33 of the Input sheet and Line 19 of BS1 Form 3.0 of the Company's June 18, 2017 annual BS1OR filing for the gross-up factor application.

On BS1 Form 4.0 the gross-up is not necessary because the revenues received through Tariff BS1OR have been grossed down.

b. The Company is proposing to gross up its revenue requirement for the ES in the same manner in which it grosses up its revenue requirement for the BS1OR. More specifically, BS1 Form 3.0 is consistent with ES Forms 3.13 and 3.20.

However, the Company prefers to compute the under or over-recovery on ES Form 3.30 on a gross rather than net basis because the input for the "Surcharge Amount to be Collected" on ES Form 3.30 is the gross revenue requirement from ES Form 1.0 from two months prior.

Either a gross or net approach for calculating the under or over-recovery will ultimately produce the same revenue requirement.

Witness: Amy J. Elliott

DATA REQUEST

KPSC_3_028 Refer to the Elliott Testimony, page 6. Provide the actual expenditures to date and estimated total cost of the selective catalytic reduction system ("SCR") unit for Rockport Unit 1. Provide an update on the current status of the completion of the SCR project.

RESPONSE

Actual expenditures through August 31, 2017 for the SCR project at Rockport Unit 1 were $262.7 million. The estimate at completion total cost is $264.7 million. Construction has been completed and the SCR was placed in service on August 9, 2017. Further testing of the system and punch-list items remain and are reflected in the estimate at completion.

Witness: Debra L. Osborne

DATA REQUEST

KPSC_3_029 Refer to Kentucky Power's response to the Kentucky School Board Association's ("KSBA") First Request for Information ("KSBA's First Request"), Item 13. Provide an itemized list of the costs that sum to the approximately $53,000 in additional costs.

RESPONSE

Please refer to KPCO_R_KPSC_3_29_Attachment1.pdf for the requested information. KPCO_R_KPSC_3_29_Attachment1.pdf is a copy of Exhibit SLS-1S filed with the Commission in support of the Company's July 28, 2017 Motion for Partial Rehearing in Case No. 2017-00231.

Witness: Stephen L. Sharp

EXHIBIT SLS-1S

ESTIMATED ADDITIONAL COSTS

Tasks to Establish KPCO Legacy Billing Format	Hours	Rate	Total
Modify billing software to retain legacy format for Kentucky Power only	100	200	$20,000.00
Programming to display bills in legacy format on Kentucky Power website for customers	40	75	$3,000.00
Exception to display bill backer in legacy format on Company website.	16	75	$1,200.00
Ensure Kentucky Power is removed from the billing conversion and continues on existing printers.	12	75	$900.00
IT and Business Project Management	50	100	$5,000.00
TOTAL to Establish Legacy Billing Format			$30,100.00

Tasks to Eliminate Legacy Billing Format			
Modify billing software to change legacy format to new format for Kentucky Power only.	80	200	$16,000.00
Programming to display bills in new format on Kentucky Power website for customers.	40	75	$3,000.00
Exception to display correct bill backer in new format on the Company website.	10	75	$750.00
Ensure Kentucky Power is converted over to new printers.	12	75	$900.00
IT and Business Project Management	30	100	$3,000.00
TOTAL to Eliminate Legacy Billing Format			$23,650.00

Total Estimated Additional Cost			$53,750.00

DATA REQUEST

KPSC_3_030 Refer to Kentucky Power's response to the KSBA's First Request, Item 14. Provide the order for the bill format change from the Public Utilities Commission of Ohio

RESPONSE

Per Ohio Administrative Code 4901:1-10-22(C), "Any new bill format proposed by an electric utility shall be filed with the commission for approval. If an application for sample bill approval is not acted upon within forty-five calendar days, said sample shall be deemed approved on the forty-sixth day after the filing."

September 15, 2017 was the forty-sixth day following AEP Ohio's application for a revised bill format. Because there was no action by the Public Utility Commission of Ohio, the application is deemed by rule to have been approved. No separate order will issue.

Witness: Stephen L. Sharp

DATA REQUEST

KPSC_3_031 Refer to Kentucky Power's response to the Kentucky League of Cities' First Request for Information, Item 14. Kentucky Power responds that it has not converted any street lights in municipalities to LED Technology.
a. Provide the number of street lights within Kentucky Power's territory that have been converted to LED technology.
b. Explain whether Kentucky Power has considered converting to LED technology in the future as existing street lights reach the end of their useful lives.

RESPONSE

a. No street lights in Kentucky Power's service territory have been converted to LED technology.

b. Yes. Kentucky Power is amenable to discussing the conversion of existing street lights to LED when the existing lights approach the end of their useful life, the technology is deployed in the Company's service territory, and LED lighting is tariffed.

Witness: Everett G. Phillips

DATA REQUEST

KPSC_3_032 Refer to the Application, the Direct Testimony of Zachary C. Miller, page 3, Table 1. The proposed weighted average cost of capital is 7.28 percent. Refer to the Application, KPCO_R_KPSC_1_73_Attachment35_KPCO_COSS_-_DRB_-_FINAL_-_KPSC_DR_1_73-Excel.xls, Tab Proposed, Cell P26, Proposed Rate of Return ("ROR") Percentage. Explain why proposed ROR is 7.26 percent and 7.28 percent.

RESPONSE

As shown on Section V, Schedule 1, 7.28% is the rate of return computed based upon capitalization and 7.26% is the rate of return computed based upon rate base. The Direct Testimony of Zachary C. Miller addresses capitalization, whereas the referenced Excel file is a cost-of-service study which uses rate base.

Witness: Alex E. Vaughan

DATA REQUEST

KPSC_3_033 Refer to Kentucky Power's response to Staff's Second Request, Item 10. Explain why the return on equity for America Electric Power ("AEP") changed from 11.0098 percent to 4.0818 percent between August 2016 and September 2016.

RESPONSE

AEP's twelve-month rolling return on equity (ROE) related to earnings in accordance with Generally Accepted Accounting Principles (GAAP) decreased from 11.0098% in August 2016 to 4.0818% in September 2016 due to a September 2016 pre-tax impairment of $2.2 billion related to AEP's merchant generation fleet.

Witness: Tyler H. Ross

DATA REQUEST

KPSC_3_034 Refer to Kentucky Power's Response to Staff's Second Request, Item 35.
a. Explain why a value line safety rank of 2 is consistent with AEP's safety rank of 1.
b. Considering that AEP's safety ranking is 1, provide an update to Mr. McKenzie's Discounted Cash Flow model using only proxy utilities with a safety rank of 1.
c. Explain why only Emera was included from the "Power Industry" sector, and all other companies from the "Power Industry" sector where not included as a proxy.

RESPONSE

a. Developing a proxy group for purposes of applying various quantitative methods to estimate investors' cost of equity involves a balancing between a variety of considerations, including the inherent inability of any single risk measure to accurately reflect investors' perceptions, the goal of identifying a group of companies generally regarded as being of comparable risk, and the need to ensure that the proxy group is sufficiently large so as to ensure confidence in the veracity of the model results. Considering the inability of any single indicator to exactly replicate investors' risk perceptions, Mr. McKenzie's proxy group criteria adopted a range of 1-2 for Value Line's Safety Rank. This practice is consistent with his reference to a range of credit ratings determined by reference to the A- and Baa2 credit ratings assigned to Kentucky Power by S&P Global and Moody's Investors Service, respectively.

Reference to a range of 1-2 for Value Line's Safety Rank in identifying a proxy group for purposes of estimating the cost of equity for Kentucky Power is warranted for two important reasons. First, the Safety Rank is assigned by Value Line based on its assessment of the overall risks attributable to the publicly traded common stock of AEP. As a result, this risk measure does not correspond directly to the investment risks of Kentucky Power, which is a wholly-owned subsidiary. Rather, it reflects the combined risks of all of AEP's diversified operations in all of the jurisdictions that it operates. As shown in the table below, the long-term credit ratings assigned by Moody's to AEP and its subsidiaries indicate that the investment risks of Kentucky Power generally exceed those of AEP and its other rated subsidiaries:

	Moody's Long-term Rating
American Electric Power Company, Inc.	Baa1
AEP Texas Central Company	Baa1
AEP Texas, Inc.	Baa1
AEP Transmission Company, LLC	A2
Appalachian Power Company	Baa1
Columbus Southern Power Company	A2
Ohio Power Company	A2
Public Service Company of Oklahoma	A3
RGS (AEGCO) Funding Corporation	Baa1
RGS (I&M) Funding Corporation	Baa1
Southwestern Electric Power Company	Baa2
Kentucky Power Company	Baa2

Source: https://www.moodys.com/credit-ratings/American-Electric-Power-Company-Inc-credit-rating-40000 (retrieved Sep. 16, 2017)

As illustrated above, Kentucky Power's Baa2 rating is lower than AEP's Baa1 rating and, with one exception, falls below all of the ratings assigned to AEP's other subsidiaries. Accordingly, expanding the proxy group criteria to include publicly traded utilities with Value Line Safety Ranks of 1 and 2 is required in order to recognize the lack of direct correspondence between the overall risks of AEP and those of Kentucky Power, as well as Kentucky Power's relative risks.

Second, limiting the proxy group to only those utilities with a Safety Rank of 1 would have resulted in a proxy group consisting of just three companies, in addition to AEP. Considering the imprecision inherent in the Discounted Cash Flow model and other approaches used to estimate the cost of equity, using a limited group of companies increases the potential for error. Conceptually, the issue of proxy group size is analogous to the use of sampling in statistical analyses. In statistics, a "true" value is often estimated by reference to sample observations, with the analyst having greater confidence in the applicability of the estimated results as the size of the sample increases. While Value Line's Safety Rank provides an accepted, objective benchmark for investment risks, the inherent limitations of the DCF approach mean that the potential to misjudge investors' required return increases as the size of the proxy group shrinks. Thus, even if AEP's Safety Rank were directly applicable to Kentucky Power, which it is not, a proxy group of four companies is not large enough to serve as the basis for evaluating a fair ROE for Kentucky Power Company. Mr. McKenzie's reliance on a proxy group screening criterion based on a Value Line Safety Rank of 1 and 2 is consistent with these facts.

The implications of a constrained proxy group have been recognized by other regulators.

For example, the Federal Energy Regulatory Commission has previously concluded that using a limited group of companies increases the potential for error. *See, e.g.*, *Williston Basin Interstate Pipeline Co.*, 104 FERC ¶ 61,036, at 14‑15 (July 3, 2003). Although FERC has on occasion accepted proxy groups as small as four companies, FERC has generally recognized that a constrained proxy group "may not be representative of industry conditions." *Enbridge Pipelines (KPC)*, 100 FERC ¶ 61,260 at P 237 (2002) (citing *Transcontinental Gas Pipe Line Corp*., 60 FERC ¶ 63,001, at 65,041 , *aff'd in part, rev'd in part*, 60 FERC ¶ 61,246, at 61,826 (1992), *rev'd and remanded*, *North Carolina Utilities v. FERC*, 42 F.3d 659 (1994), *order on rehearing, Transco*, 71 FERC ¶ 61,305, at 62,195 (1995)). Similarly, in evaluating a fair return on equity for Kentucky Power, witnesses for the Kentucky Office of Attorney General ("AG") and Kentucky Industrial Energy Customers, Inc. ("KIUC") have also adopted comparison groups consisting of utilities with a range of Value Line Safety Rankings. In Case No. 2014-00396, for example, the AG's witness, Dr. J. Randall Woolridge, referenced a proxy group of utilities having a Value Line Safety Rank ranging from 1 to 3, as did KIUC's witness, Richard A. Baudino.

b. The requested analysis is attached as KPCO_R_KPSC_3_034_Attachment1.pdf. The analysis is being provided solely for the purpose of responding to KPSC 3-34 and does not represent Mr. McKenzie's opinion concerning the correct manner of conducting a DCF analysis for purposes of evaluating Kentucky Power's required ROE. Mr. McKenzie did not conduct any quantitative analyses using a proxy group limited to only those utilities with a Safety Rank of 1 in the course of preparing his direct testimony. The results of performing a DCF analysis using a proxy group limited to those companies with a Value Line Safety Rank of 1 would not reflect Kentucky Power's investment risk. Moreover, because of the limited size of the resulting group, the results of the attached analysis do not provide a reliable basis to evaluate investors' cost of equity and would not provide information sufficiently robust to permit an evaluation of a fair ROE for Kentucky Power. Please refer to the response to subpart (a) above for further limitations with respect to the requested analysis and its use in determining the Company's ROE. In providing the analysis the Company and Mr. McKenzie are not endorsing or otherwise suggesting it may appropriately be used for the purposes of determining Kentucky Power's return on equity.

c. Emera, Inc. ("Emera") was the only company from Value Line's "Power Sector" industry group to be included in evaluating a comparable-risk proxy group because Emera is the only firm included in that industry sector that would be considered by investors to be predominantly a regulated electric utility with operations comparable to those of Kentucky Power Company. Please refer to the response to Staff's Second Request, Item 35, subpart (d).

Witness: Adrien M. McKenzie

DCF MODEL - COS. WITH SAFETY RANK OF "1"

DIVIDEND YIELD

		(a)	(b)	
	Company	**Price**	**Dividends**	**Yield**
1	American Elec Pwr	$ 67.84	$ 2.42	3.6%
2	Eversource Energy	$ 59.67	$ 1.90	3.2%
3	Pub Sv Enterprise Grp.	$ 44.13	$ 1.74	3.9%
4	Vectren Corp.	$ 59.30	$ 1.72	2.9%
	Average			**3.4%**

(a) Average of closing prices for 30 trading days ended May 19, 2017.

(b) The Value Line Investment Survey, Summary & Index (May 19, 2017).

DCF MODEL - COS. WITH SAFETY RANK OF "1"

GROWTH RATES

		(a)	(b)	(c)	(d)	(e)	(f)
		Earnings Growth					
	Company	**V Line**	**IBES**	**Zacks**	**Bloomberg**	**S&P Capital IQ**	**br+sv Growth**
1	American Elec Pwr	4.0%	2.4%	5.6%	4.0%	4.1%	4.4%
2	Eversource Energy	6.5%	6.0%	6.3%	6.1%	5.8%	4.2%
3	Pub Sv Enterprise Grp.	2.5%	0.7%	3.0%	3.2%	5.1%	4.6%
4	Vectren Corp.	7.0%	5.5%	5.7%	5.5%	5.7%	6.3%

(a) The Value Line Investment Survey (Mar. 17, Apr. 28, & May 19, 2017).
(b) www.finance.yahoo.com (retrieved Jun. 6, 2017).
(c) www.zacks.com (retrieved Jun. 6, 2017).
(d) Bloomberg L.P. (retrieved Jun. 7, 2017).
(d) SNL Financial (retrieved Jun. 7, 2017).
(e) See Response to Staff No. 34.

DCF MODEL - COS. WITH SAFETY RANK OF "1"

DCF COST OF EQUITY ESTIMATES

		(a)	(a)	(a)	(a)	(a)	(a)
		Earnings Growth					
	Company	**V Line**	**IBES**	**Zacks**	**Bloomberg**	**S&P Capital/IQ**	**br+sv Growth**
1	American Elec Pwr	7.6%	6.0%	9.2%	7.6%	7.7%	7.9%
2	Eversource Energy	9.7%	9.2%	9.5%	9.3%	9.0%	7.4%
3	Pub Sv Enterprise Grp.	6.4%	4.6%	6.9%	7.1%	9.0%	8.5%
4	Vectren Corp.	9.9%	8.4%	8.6%	8.4%	8.6%	9.2%
	Average (b)	**9.1%**	**8.8%**	**9.1%**	**8.1%**	**8.6%**	**8.3%**
	Midpoint (b,c)	**8.7%**	**8.8%**	**9.0%**	**8.2%**	**8.4%**	**8.3%**

(a) Sum of dividend yield (Response to Staff No. 34, p. 1) and respective growth rate (Response to Staff No. 34, p. 2).
(b) Excludes highlighted figures.
(c) Average of low and high values.

DCF MODEL - COS. WITH SAFETY RANK OF "1"

BR+SV GROWTH RATE

		(a)	(a)	(a)			(b)	(c)		(d)	(e)		
			2021				Adjustment				"sv" Factor		
	Company	EPS	DPS	BVPS	b	r	Factor	Adjusted r	br	s	v	sv	br + sv
1	American Elec Pwr	$4.75	$2.90	$43.25	38.9%	11.0%	1.0202	11.2%	4.4%	0.0002	0.3593	0.01%	**4.4%**
2	Eversource Energy	$4.00	$2.30	$41.00	42.5%	9.8%	1.0193	9.9%	4.2%	-	0.3440	0.00%	**4.2%**
3	Pub Sv Enterprise Grp.	$3.50	$2.10	$31.25	40.0%	11.2%	1.0194	11.4%	4.6%	0.0008	0.4048	0.03%	**4.6%**
4	Vectren Corp.	$3.45	$2.00	$27.05	42.0%	12.8%	1.0274	13.1%	5.5%	0.0150	0.5082	0.76%	**6.3%**

DCF MODEL - COS. WITH SAFETY RANK OF "1"

BR+SV GROWTH RATE

		(a)	(a)	(f)	(a)	(a)	(f)	(g)	(a)	(a)		(h)	(a)	(a)	(g)
		2016			2021			Chg	2021 Price				Common Shares		
	Company	Eq Ratio	Tot Cap	Com Eq	Eq Ratio	Tot Cap	Com Eq	Equity	High	Low	Avg.	M/B	2016	2021	Growth
1	American Elec Pwr	50.0%	$34,775	$17,388	47.5%	$44,800	$21,280	4.1%	$75.00	$60.00	$67.50	1.561	491.71	492.00	0.01%
2	Eversource Energy	54.4%	$19,697	$10,715	52.0%	$25,000	$13,000	3.9%	$70.00	$55.00	$62.50	1.524	316.89	316.89	0.00%
3	Pub Sv Enterprise Grp.	54.7%	$24,025	$13,142	51.0%	$31,300	$15,963	4.0%	$60.00	$45.00	$52.50	1.680	504.87	506.00	0.04%
4	Vectren Corp.	52.7%	$3,358	$1,770	52.0%	$4,475	$2,327	5.6%	$65.00	$45.00	$55.00	2.033	82.90	86.00	0.74%

(a) The Value Line Investment Survey (Mar. 17, Apr. 28, & May 19, 2017).
(b) Computed using the formula 2*(1+5-Yr. Change in Equity)/(2+5 Yr. Change in Equity).
(c) Product of average year-end "r" for 2021 and Adjustment Factor.
(d) Product of change in common shares outstanding and M/B Ratio.
(e) Computed as 1 - B/M Ratio.
(f) Product of total capital and equity ratio.
(g) Five-year rate of change in common equity.
(h) Average of High and Low expected market prices divided by 2021 BVPS.

DATA REQUEST

KPSC_3_035 Refer to Kentucky Power's Response to Staff's Second Request, Item 66, and Exhibit AEV 1 of the Application. Provide the class cost to serve per customer for each classification.

RESPONSE

As referenced in Exhibit AEV-1, the Company has computed the total cost to serve on a customer class basis, subject to the Company's proposed subsidy reduction approach to revenue allocation. To the extent the Company has computed per unit or per customer costs, those computations are shown in the Company's Response to KPSC 1-73, specifically KPCO_R_KPSC_1_73_Attachment73_AEVWP3.xlsx.

Witness: Alex E. Vaughan

Kentucky Power Company
KPSC Case No. 2017-00179 General Rate Adjustment
Commission Staff's Third Set of Data Requests
Dated September 8, 2017

DATA REQUEST

KPSC_3_036 Refer to Kentucky Power's response to Kentucky Industrial Utility Customers' ("KIUC") First Request for Information ("KIUC's First Request"), Item 66.

a. Explain whether Kentucky Power has weather normalized other rate classes for past rate cases.

b. Refer to Kentucky Power's response to KIUC's First Request, Item 83. Kentucky Power states that it calculates the effects of temperature on revenues for weather-sensitive classes, which include Residential, Commercial, and Wholesale classes. Reconcile this statement with Item 66, where Kentucky Power states that the residential class is the only customer class whose usage is materially affected by the weather.

RESPONSE

a. The Company has not weather-adjusted customer billing units and retail revenues for non-residential customers in rate cases going back to at least Case No. 2009-00459.

b. The statements do not contradict one another. While the Company calculates the effects of temperature on residential, commercial, and wholesale customers because those classes of customers are weather-sensitive, the Company only makes weather adjustments to the residential class. The Company only makes weather adjustments to the residential class because the wholesale class is not included in the Company's retail jurisdictional revenue requirement and because the effects of weather on the commercial tariff class are not material.

Witness: Alex E. Vaughan

DATA REQUEST

KPSC_3_037 Refer to Kentucky Power's response to Kentucky Commercial Utility Customers' First Request for information, Item 17.
a. Explain whether a customer must initiate the movement from the Tariff S.G.S. (Small General Service) up to the Tariff M.G.S. (Medium General Service), or whether Kentucky Power initiates the change. If Kentucky Power initiates the change, explain how the customer is notified.
b. Explain whether a customer must initiate the movement from the Tariff M.G.S. down to the Tariff S.G.S. or whether Kentucky Power initiates the change. If Kentucky Power initiates the change, explain how the customer is notified.

RESPONSE

a.-b. Movement between tariffs can be initiated in two ways. First, customers may request a review of their billing history to determine if movement to a different tariff is possible and advantageous. Second, the Company may, based on a review of a customer's usage history, determine that a customer is no longer eligible for service under the current tariff.

In both situations, the Company must manually change the tariff under which a customer receives service. If the change in tariff arises from a Company review of the customer's usage history, the Company informs the customer of the change by letter or phone call. Notices of changes in tariff provided by mail are accompanied by the customer's 12 month usage history, a copy of the new tariff under which they will take service, and the contact information for their account representative. If notice is provided by phone, a customer service representative will describe the new tariff under which the customer will take service and discuss the bases for the change in tariff.

Witness: Stephen L. Sharp