

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
KIUC'S
SECOND SET OF DATA REQUESTS

September 20, 2017

VERIFICATION

The undersigned, Karl R. Bletzacker, being duly sworn, deposes and says he is the Director, Fundamentals Analysis 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

Karl R. Bletzacker

Karl R. Bletzacker

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 (Insert Name), this the 14 day of September 2017.

Princess M. Brown

Notary Public



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

My Commission Expires: 4/19/2020

VERIFICATION

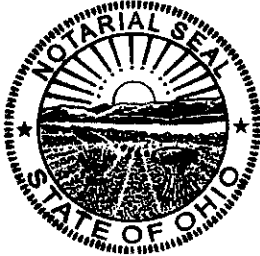
The undersigned, Douglas R. Buck, being duly sworn, deposes and says he is Senior Regulatory Consultant for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the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



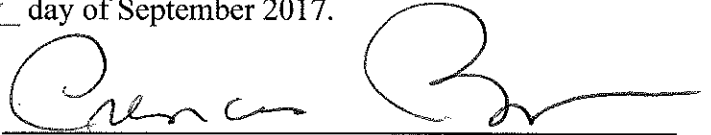
Douglas R. Buck

STATE OF OHIO)
) Case No. 2017-00179
County of FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Douglas R. Buck, this the 14 day of September 2017.



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

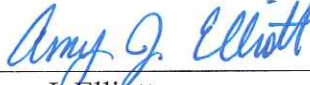


Notary Public

My Commission Expires: 4/19/2020

VERIFICATION

The undersigned, 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)

) 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.



Notary Public

Notary ID Number: 571144

My Commission Expires: January 23, 2021

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.

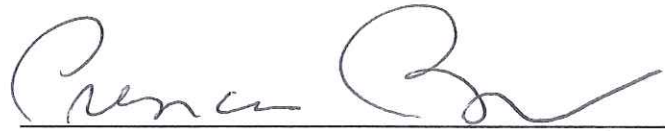

 Alex E. Vaughan

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.



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

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.



Notary Public

My Commission

Expires January 23, 2021

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

DATA REQUEST

KIUC_2_001 Refer to Appendix I to the AEP Transmission Agreement provided in response to KIUC 1-18. a. Provide the monthly coincident peaks for each AEP Operating Company and the calculation of the 12 CP for the 12 months ending October 2014, October 2015, and October 2016. b. Provide the monthly coincident peaks for each AEP Operating Company for November 2016 through the most recent month for which actual data is available.

RESPONSE

Please refer to KPCO_R_KIUC_2_001_Attachment1.xls through KPCO_R_KIUC_2_001_Attachment4.xls for the requested information.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_002 Refer to the response to KIUC 1-81 Attachment 1. There is a significant increase in the February 2017 Trans Enhance Total AEP EAST LSE compared to the prior 11 months (approximately double). Explain this apparent anomaly. In addition, indicate whether there should be a proforma adjustment to reduce the test year expense to remove this anomaly. If so, then provide a quantification of the proforma adjustment, including all assumptions, data, calculations, and electronic spreadsheets in live format with all formulas intact. If not, then explain why not.

RESPONSE

The increase was due to a resettlement of transmission enhancement charges by PJM from July 15, 2016 to January 17, 2017. The resettlement caused approximately \$11 million to be charged to the total AEP East LSE, the Company's share of which was approximately \$650,000. No adjustment is required because the Company's proposed adjustment W28 "Adjust PJM LSE OATT Expense to Going Level" first calculates the 2017 level of PJM LSE OATT expense based on 2017 billing units and approved PJM LSE OATT rates and then adjusts the test year amount to equal the calculated 2017 amount. Because the resettlement amount was included in the test year amount of PJM LSE OATT expense, it was accounted for in the calculation of the W28 adjustment amount. If the resettlement amount were removed from the test year PJM LSE OATT expense, the W28 adjustment amount would have increased by a corresponding amount to adjust test year PJM LSE OATT expense to the known and measurable 2017 level.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_003

Refer to the trial balance provided in response to KIUC 1-22. Indicate whether the return on the SO2 allowance inventory recorded in account 158.1003 is included in the base revenue requirement or the environmental surcharge revenue requirement. If the latter, explain why the Company did not make a pro forma adjustment on Section V Workpaper S-3 to reduce capitalization by this amount given that Tariff E.S. includes a return on Title IV and CSAPR SO2 allowance inventories.

RESPONSE

The return on SO2 allowance inventory has been identified as part of the environmental surcharge revenue requirement which is a subset of the base revenue requirement. Because the return on SO2 allowance inventory is included in the base revenue requirement, no pro forma adjustment is necessary.

Witness: Amy J. Elliott

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

DATA REQUEST

KIUC_2_004 Refer to the trial balance provided in response to KIUC 1-22. Indicate whether the return on the Curr Unreal Gains NonAffil recorded in account 175.0001 and on the Long-Term Unreal Gns – Non Aff recorded in account 175.0002 are included in the base revenue requirement. If so, explain why the return is included and why the Company did not make a proforma adjustment on Section V workpaper S-3 to reduce capitalization by this amount.

RESPONSE

Neither account 175.0001 nor 175.0002 are included in rate base and thus the returns on these accounts are not included in the base revenue requirement. Please refer to the Company's August 28, 2017 supplemental response attachment KPCO_SR_KPSC_1_73_Attachment101_Exhibit_L.xlsx, the Balance Sheet Detail tab which indicates that the accounts are not included in rate base.

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_005 Refer to the trial balance provided in response to KIUC 1-22 and the net DSM and EE regulatory assets for the program costs and recoveries recorded in the following accounts: 182.3009 DSM Incentives 182.3010 Energy Efficiency Recovery 182.3011 DSM Lost Revenues 182.3012 DSM Program Costs Indicate whether the returns on these accounts are included in the base revenue requirement. If so, explain why the return is included and why the Company did not make a proforma adjustment on Section V workpaper S-3 to reduce capitalization by the net amount in these accounts.

RESPONSE

None of the accounts listed in the request are included in rate base and thus the returns on these accounts are not included in the base revenue requirement. Please refer to the Company's August 28, 2017 supplemental response attachment KPCO_SR_KPSC_1_73_Attachment101_Exhibit_L.xlsx, the Balance Sheet Detail tab which indicates that the accounts are not included in rate base.

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_006 Refer to the trial balance provided in response to KIUC 1-22. Indicate whether the return on the CCS Feed Study Costs recorded in account 182.3306 is included in the base revenue requirement. If so, explain why the return is included and why the Company did not make a proforma adjustment on Section V workpaper S-3 to reduce capitalization by the net amount in this account.

RESPONSE

Account 182.3306 is not included in rate base and thus is not included in the base revenue requirement. Please refer to the Company's August 28, 2017 supplemental response attachment KPCO_SR_KPSC_1_73_Attachment101_Exhibit_L.xlsx, the Balance Sheet Detail tab which indicates that the account is not included in rate base.

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_007 Refer to the trial balance provided in response to KIUC 1-22. Indicate whether the return on the IGCC Pre-Construction Costs recorded in account 182.3515 is included in the base revenue requirement. If so, explain why the return is included and why the Company did not make a proforma adjustment on Section V workpaper S-3 to reduce capitalization by the net amount in this account.

RESPONSE

Account 182.3515 is not included in rate base and thus the return on the IGCC Pre-Construction Costs recorded in the account is not included in the base revenue requirement. Please refer to the Company's August 28, 2017 supplemental response attachment KPCO_SR_KPSC_1_73_Attachment101_Exhibit_L.xlsx, the Balance Sheet Detail tab which indicates that the account is not included in rate base.

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_008 Refer to the trial balance provided in response to KIUC 1-22. Indicate whether the return on the amounts in the following accounts are included in the base revenue requirement. If so, for each account, explain why the return is included and why the Company did not make a proforma adjustment on Section V workpaper S-3 to reduce capitalization by the amounts in these accounts. 1823519 Unrecovered Purch Power-PPA 1823520 Deferred Dep - Environmental 1823521 Carrying Charge - Environmenta 1823522 CC - Environmental Unrec Equit 1823523 Deferred O&M - Environmental 1823524 Deferred Consumable Exp - Envi 1823525 Deferred Property Tax - Enviro

RESPONSE

None of the accounts listed in the request are included in rate base and thus the returns on these accounts are not included in the base revenue requirement. Please refer to the Company's August 28, 2017 supplemental response attachment KPCO_SR_KPSC_1_73_Attachment101_Exhibit_L.xlsx, the Balance Sheet Detail tab which indicates that the accounts are not included in rate base.

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_009 Refer to the response to KIUC 1-76 Attachment 1. Please indicate the number of months of actual costs that are included in the 2017 column for both AEP in total and KPCo.

RESPONSE

Seven months of actual costs are included for 2017.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_010 Refer to the response to KPSC 1-73 Attachment 84_AEVWP14. Please describe the source of the 2017 "approved rates" summing to total zonal costs of \$1.477 billion in this workpaper and provide copies of support from PJM or other for the 2017 "approved rates."

RESPONSE

The source of the "approved rates" revenue requirement amounts in KPSC 1-73 Attachment 84_AEVWP14 are FERC Docket Nos. ER17-406 and ER17-405.

The supporting calculations and workpapers behind the \$1.477 billion are publicly available at <http://www.aep.com/about/codeofconduct/OASIS/TariffFilings/>. Specifically reference the "ATRR Summary" documents under the respective FERC case (ER17-405 and ER17-406) headings.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_011 Please provide a copy of the most recent AEPSC Fundamentals Forecast. Include available excel spreadsheets that contain the AEP zone PJM on and off-peak energy prices and AEP generation hub capacity prices. Also include both nominal and real dollar versions of the forecasts, as well as the forecast of inflation applicable to the energy and capacity price forecasts. Also include both base case forecasts, lower band, upper band and no carbon scenarios developed.

RESPONSE

The AEPSC Long-Term North American Energy Market Forecast ("Fundamentals Forecast") consists of the attached cases.

2016H2 Base Case - See KPCO_R_KIUC_2_011_Attachment1.xlsx

2016H2 Low Case - See KPCO_R_KIUC_2_011_Attachment2.xlsx

2016H2 High Case - See KPCO_R_KIUC_2_011_Attachment3.xlsx

2016H2 No Carbon - See KPCO_R_KIUC_2_011_Attachment4.xlsx

Witness: Karl R. Bletzacker

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

DATA REQUEST

KIUC_2_012

To the extent that the forecast provided in response to the previous question reflects the October 2016 Fundamental Forecast, please also provide the same information for any update of the October 2016 forecast when it is available.

RESPONSE

No Fundamentals Forecast has been undertaken subsequent to October 2016. The Company will seasonably update this response if such a forecast is completed during the pendency of this proceeding.

Witness: Karl R. Bletzacker

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

DATA REQUEST

KIUC_2_013

Please provide a revised version of the Company's rate class revenue allocation using the KPCO proposed 5% subsidy reduction methodology, reflecting the Company's revised base revenue increase in this case of \$60.397 million. Also include an updated version of the supporting Excel workbook, provided in response to KPSC Staff 1-73, Attachment 35 showing all calculations for the revenue allocation.

RESPONSE

Please refer to KPCO_SR_KPSC_1_73_Attachment97.xlsx for the requested information.

Witness: Douglas R. Buck

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

DATA REQUEST

KIUC_2_014

Refer to the Mr. Sharp's Direct Testimony at 20 and Mr. Satterwhite's Direct Testimony at 15 wherein they address the Company's intent to eliminate the employee discount on residential electric service. a. Indicate where in the Company's proforma adjustments the reduction in the employee discount and/or the increase in revenues is reflected. b. If the reduction in the employee discount and/or the increase in revenues is not reflected in the proforma adjustments, then provide a quantification of the annual effect on revenues and provide all calculations, including electronic workpapers in live format with all formulas intact.

RESPONSE

- a. The employee discount was eliminated in the rate design process. The cost savings would be realized in the residential class.
- b. Refer to the "RS" tab of KPCO_R_KPSC_1_73_Attachment72_AEVWP2, provided in the Company's response to KPSC 1-73.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_015 Provide a schedule that shows the amortization expense related to each deferred asset included in the base revenue requirement. For each expense, provide a citation to the relevant Commission Order authorizing recovery of the deferred asset, if any.

RESPONSE

Please refer to KPCO_R_KIUC_2_15_Attachment1.xls for the requested information.

Witness: Tyler H. Ross

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

DATA REQUEST

KIUC_2_016 Refer to the responses to KIUC 1-83, 1-84, and 1-85. Provide the Company's calculation of the weather normalized base revenues and the difference in weather normalized base revenues compared to actual unadjusted base revenues developed for internal management and external reporting purposes by customer class and in total for all classes for each month January 2015 through February 2017. Provide these calculations in live electronic spreadsheet format with all formulas intact.

RESPONSE

See KPCO_R_KIUC_2_016_Attachment1.xls for the actual unadjusted nonfuel revenues, weather normalized non-fuel revenues, and the Company's computed weather impact that was developed and reported for internal management and external reporting purposes by customer class and in total for the months requested. The actual computations are performed in the SAS software and not in a spreadsheet. The Company does not have a spreadsheet that replicates the weather normalization calculations as specifically requested.

Witness: Alex E. Vaughan

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

DATA REQUEST

KIUC_2_017

Refer to Mr. Sharp's Direct Testimony at 10-11 wherein he states: "The Company will no longer consider an applicant's credit history with national credit bureaus as a reason to waive a deposit." a. Confirm that this new approach will result in a reduction in expenses, including, but not limited to, the cost to access credit information from the national credit bureaus. b. Provide a quantification of the expenses incurred during the test year, including, but not limited to, the cost to access credit information from the national credit bureaus, that the Company no longer will incur under this new approach. c. Provide a copy of all studies, reports, analyses, and calculations developed by or on behalf of the Company to assess the cost or savings resulting from this new approach.

RESPONSE

- a. Kentucky Power confirms that this proposed change will result in a small reduction in expenses.
- b. During the test year, the Company incurred a total of \$6,376 in costs to access credit information from national credit bureaus.
- c. No such documents exist. The Company is not proposing this change as a measure to reduce expenses. Instead, the Company has proposed this change because national credit bureau reports do not necessarily provide the Company with sufficient information to evaluate a prospective customer's payment history. Not all evidence 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 account without paying the final balance.

Witness: Stephen L. Sharp

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

DATA REQUEST

KIUC_2_018

Refer to the response to KIUC 1-46. a. Describe the facilities used for the corporate headquarters in Ashland. Indicate whether these are new (to AEP and/or the Company) facilities that resulted in incremental costs to the Company. b. Provide a copy of all studies, analyses, and quantifications of costs and savings that address the move of the headquarters from Frankfort to Ashland. c. If the facilities were previously owned or leased by AEP or the Company, then describe all modifications to the facilities that were made to accommodate the relocation, if any. d. Provide the incremental annual cost of the corporate headquarters in Ashland, including, but not limited to, the rate base investment, if any, and expenses, such as lease expense, utilities expense, and other expenses, if any.

RESPONSE

a. The Company is leasing the 2nd Floor of the Citizens Bank Building at 855 Central Ave. This is a new facility for Kentucky Power with incremental costs shown in part d.

b. The Company did not prepare any studies or analyses that addressed costs and savings associated with the move of the corporate headquarters from Frankfort to Ashland in Kentucky Power's service territory. Please refer to the testimony of Company Witness Satterwhite at page 4 for the reasons underlying the move of the corporate headquarters.

c. N/A. See response to a. above.

d. The annual O&M cost for the Ashland headquarters are \$44,580 (Lease \$37,200, Custodial \$7,380). The Capital costs to prepare and furnish equipment for the Ashland headquarters was \$297,687 (IT Infrastructure \$114,434, Remodeling \$45,767, Security System \$9,965, Furniture and Carpeting \$127,521).

Witness: Ranie K. Wohnhas

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

DATA REQUEST

KIUC_2_019 Refer to the response to KIUC 1-31, which quantifies the PSI and RSU incentive compensation expense. Refer to the response to KIUC 1-32 wherein it states: Note that, due to time of the long-term incentive award grant, no awards were outstanding or accrued during the test year for the 2017-2019 performance unit period or for 2017 RSUs. Explain what this statement means given that the response to KIUC 1-31 quantifies \$0.049 million in RSU expense.

RESPONSE

RSU incentive compensation (shares) is issued annually to certain Kentucky Power employees. These awards vest annually over three years in one-third increments. The Company accrues RSU incentive compensation expense equally over the three-year period. The calculation of the 2017 RSU award was not completed until March 2017. Therefore, the first quarter 2017 accrual for the 2017 RSU award was recorded in March 2017.

Accruals of RSU expense for Kentucky Power employees related to awards issued in 2014, 2015 and 2016 were included in Kentucky Power's test year ended February 28, 2017. As reflected in Company Witness Ross' incentive cost of service adjustment (Section V, Exhibit 2 W32), the Company included a going-level of RSU expense for Kentucky Power employees in the rate-adjusted test year for a total of \$0.049 million in 2017 RSU expense related to RSUs originally issued in 2015, 2016 and 2017.

Witness: Tyler H. Ross