

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
ATTORNEY GENERAL'S
SECOND SET OF SUPPLEMENTAL DATA REQUESTS

September 25, 2017

VERIFICATION

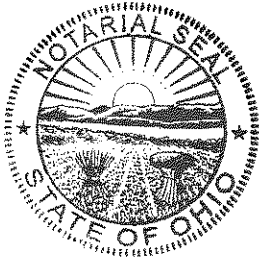
The undersigned, Mark A Pyle, being duly sworn, deposes and says he is the Tax Administrator for American Electric Power that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge 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 21st day of September 2017.



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



Notary Public

My Commission Expires: 4/29/18

VERIFICATION

The undersigned, Tyler H Ross being duly sworn, deposes and says he is the Director Regulatory Accounting Services for American Electric Power, that he has personal knowledge of the matters set forth in the 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

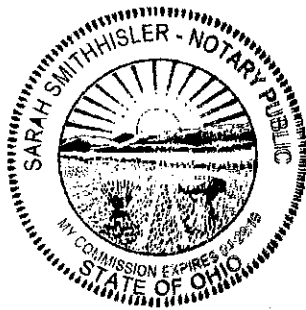
COUNTY OF FRANKLIN

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Subscribed and sworn to before me, a Notary Public in and before said County and State, by Tyler H Ross, this the 21st day of September 2017.

S. Smith

Notary Public

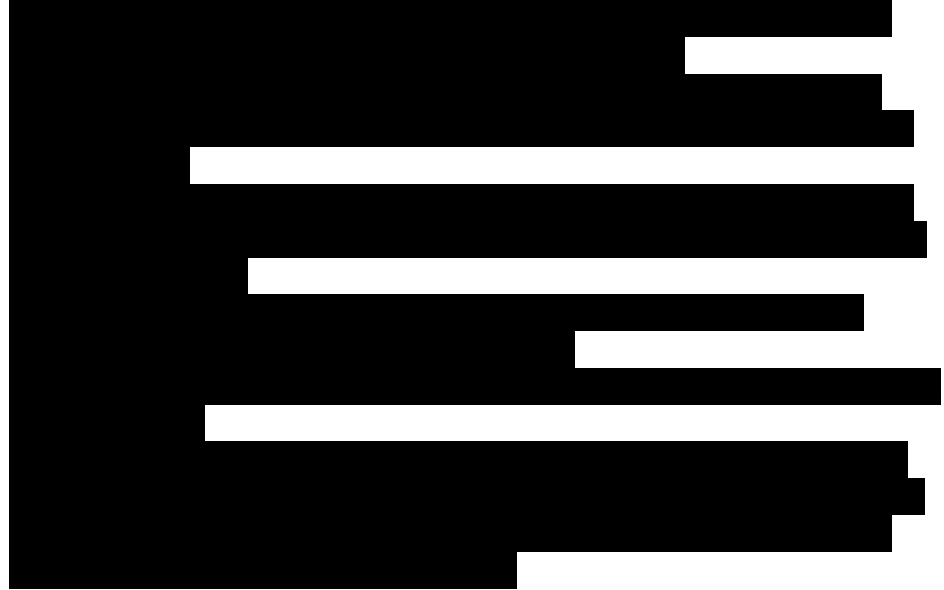


My Commission Expires: 04/29/19

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DATA REQUEST

AG_D_WP_1



RESPONSE

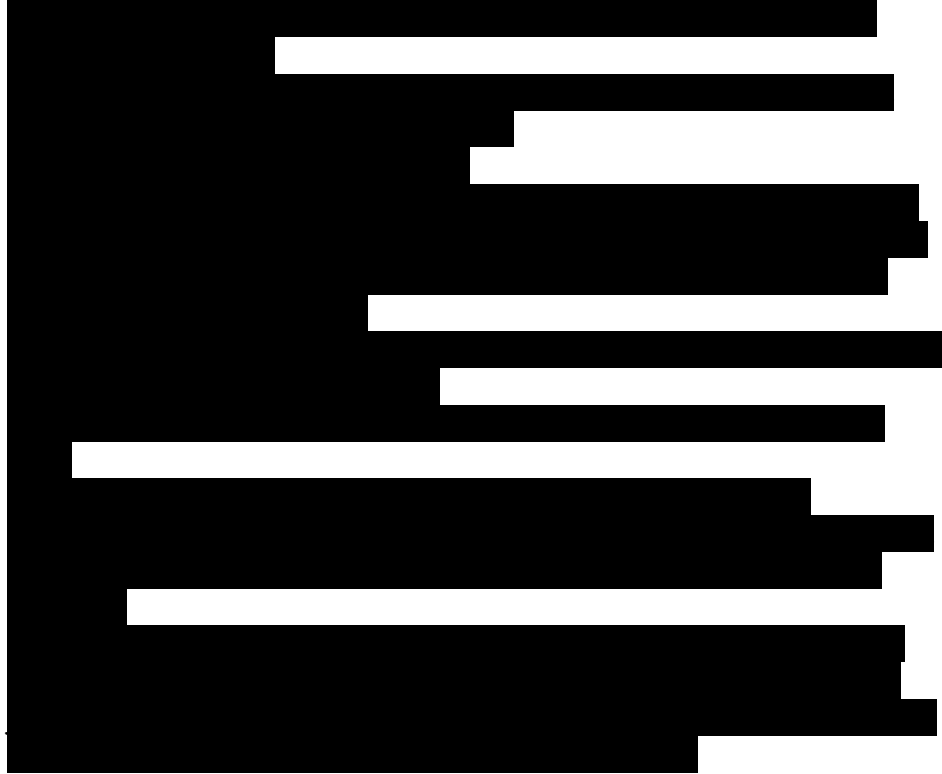
- a. AEP changed its accounting policy with regards to investment tax credits ("ITC") to align the ITC accounting policy of non-regulated qualifying renewable energy projects with the existing accounting policy used by the regulated utilities. This change had no impact on Kentucky Power as it follows the Commission prescribed method of deferral accounting for ITC.
- b. Please refer to KPCO_CR_AG_D_WP_1Attachment1.pdf for the requested information.
- c. This change had no impact on Kentucky Power.
- d. See response to c. above.
- e. Kentucky Power had no new ITC's in 2017.
- f. None.
- g. There were no new ITC's generated by KPCO in 2016 or in the first two months of 2017.

Witness: Mark A. Pyle

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DATA REQUEST

AG_D_WP_2



RESPONSE

a. through j. - Stouts Bottom and the Carrs Site are the same property. Accordingly, the land sale recorded related to the Stouts Bottom is the same transaction as the land sale for the Carrs Site. Please refer to the Company's response to AG-D-WP-7.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_3



RESPONSE

- a. Kentucky Power retired Big Sandy Unit 2, and the Big Sandy SCR, in May of 2015, prior to the start of the test year. No depreciation or amortization was recorded for the retired Big Sandy Unit 2 SCR during the test year.

- b. Please refer to attachments KPCO_CR_AG_D_WP_3_Attachment1.pdf and KPCO_CR_AG_D_WP_3_Attachment2.pdf for the requested information.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_4



RESPONSE

Kentucky Power retired the coal-related assets of the Big Sandy Plant, including Big Sandy Unit 2 and the related SCR investment, in May 2015. Consistent with the Commission's orders in Case Nos. 2012-00578 and 2014-00396, the Company included the net book value of the coal-related net assets of the Big Sandy Plant, including Big Sandy Unit 2 and the Big Sandy Unit 2 SCR, in the Big Sandy Retirement Rider net regulatory asset balance. This value is not separately identified on Kentucky Power's general ledger. As of the date of retirement of the coal-related assets of Big Sandy Plant, the net book value of the Big Sandy Unit 2 SCR was \$1,854,094. This value was recorded as a regulatory asset in February 2016. Please see the Company's response to AG D-WP-3.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_5



RESPONSE

No.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_6



RESPONSE

a. No

b. - c. Please refer to KPCO_CR_AG_D_WP_6_Attachment1.xlsx for the requested information.

d. No

Witness: Tyler H. Ross
Amy J. Elliott

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DATA REQUEST

AG_D_WP_7



RESPONSE

- a. Please refer to attachment KPCO_CR_AG_D_WP_7_Attachment1.xls for the requested information.
- b. Please refer to the company's response to AG 1-151. The Company took advantage of a market condition to sell a portion of land purchased originally for a future plant site to realize a gain.
- c. Please refer to the company's response to AG 1-151.

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- d. Please refer to the company's response to AG 1-151.
- e. The Carrs Site has not been in rate base since 1984.
- f. Please refer to the company's response to AG 1-151.
- g. Please refer to the company's response to AG 1-151.
- h. Please refer to the company's response to AG 1-151.
- i. Yes.
- j. Property tax expense of \$8,434 related to the Carrs Site was included in the test year and recorded to Account 4081005. There were no maintenance expenses in the test year related to the Carrs Site.
- k. Yes.
- l. Yes, the entry consisted of the original cost of the land (approximately \$1.1 million), cost of the sale (approximately \$120 thousand), and gain on the sale (approximately \$997 thousand) in accordance with Kentucky Power's accounting practice described in response to question AG-D-WP-8.
- m. Yes. Please see response to l. above
- n. Yes, please refer to attachment KPCO_CR_AG_D_WP_7_Attachment2.pdf, KPCO_CR_AG_D_WP_7_Attachment3.pdf, KPCO_CR_AG_D_WP_7_Attachment4.pdf for the requested information.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_8



RESPONSE

a and b.

Kentucky Power records retirement costs of removal and salvage in work orders that post to subaccount 1080005 Retirement Work In Progress in accordance with FERC instructions under “Balance Sheet Accounts, Account 108 Accumulated provision for depreciation of electric utility plant (Major Only)”, paragraph B which states:

B. At the time of retirement of depreciable electric utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance. *When retirement, costs of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder.* (emphasis added) Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph. . . .

FERC does not provide a separate subaccount to accumulate land removal and salvage amounts. Kentucky Power temporarily accumulates the net gain on the sale of land (proceeds less original cost, land removal costs, salvage value) in work orders that post to account 1080005 and clears account 1080005 to zero when the sale is completed. For the sale of the Carrs Site, Kentucky Power then recorded the gain to Account 411.6.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_9



RESPONSE

Yes. Following the Kentucky Public Service Commission's and the Federal Energy Regulatory Commission's approvals of Kentucky Power's acquisition of an undivided 50% interest in Mitchell Plant, Kentucky Power assumed the liabilities for 50% of Mitchell Plant AROs as of the date of the transfer, December 31, 2013.

Four ponds are located at the combined Mitchell and Kammer Plants. These ponds are identified on the map included as KPCO_R_AG_D_WP_09_Attachment 1.pdf. Kentucky Power assumed 50% of Mitchell Plant's ARO liabilities related to pond closures for the following ponds:

1. The Mitchell Bottom Ash Pond – The Mitchell Bottom Ash pond was used exclusively to store bottom ash from the Mitchell Plant. No Kammer Plant bottom ash was stored in the pond. Kentucky Power's liability is limited to its ownership percentage of the Mitchell Plant.
2. The Conner Run Impoundment – The Conner Run Impoundment was a fly ash pond that accepted fly ash from both Mitchell and Kammer Plants. Kentucky Power's share of the ARO is limited to the Mitchell Plant's use of the impoundment. Kentucky Power has no liability for fly ash deposited by the Kammer Plant. The remaining liability lies with AEP Generation Resources Inc. and third party Murray Energy.
3. The Wastewater Pond - The Mitchell Plant Wastewater Pond serves as a wastewater settling basin that historically served both the Kammer and Mitchell Plants. The facility is not an ash disposal pond. The facility is periodically dredged and has no separately identifiable waste from the Kammer Plant, which was retired

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in 2015. Fifty percent of the ARO liabilities with respect to the facility were assumed by Kentucky Power.

The Kammer Bottom Ash Pond was used exclusively by the Kammer Plant and Kentucky Power assumed no ARO liabilities associated with the Kammer Bottom Ash Pond.

Please refer to the Company's response to AG 1-236 and KPCO_R_AG_1_236_Attachment1.xls for ARO liability balances. The ponds described above correspond to the values in KPCO_R_AG_1_236_Attachment1.xls as follows:

Mitchell Bottom Ash Pond – ASH#1 Mitchell Ash Pond – KPCo

Conner Run Impoundment – ASH#1 Connor Run – KPCo Mitchell

Wastewater Pond – ASH#3 Mitchell Ash Pond – KPCo

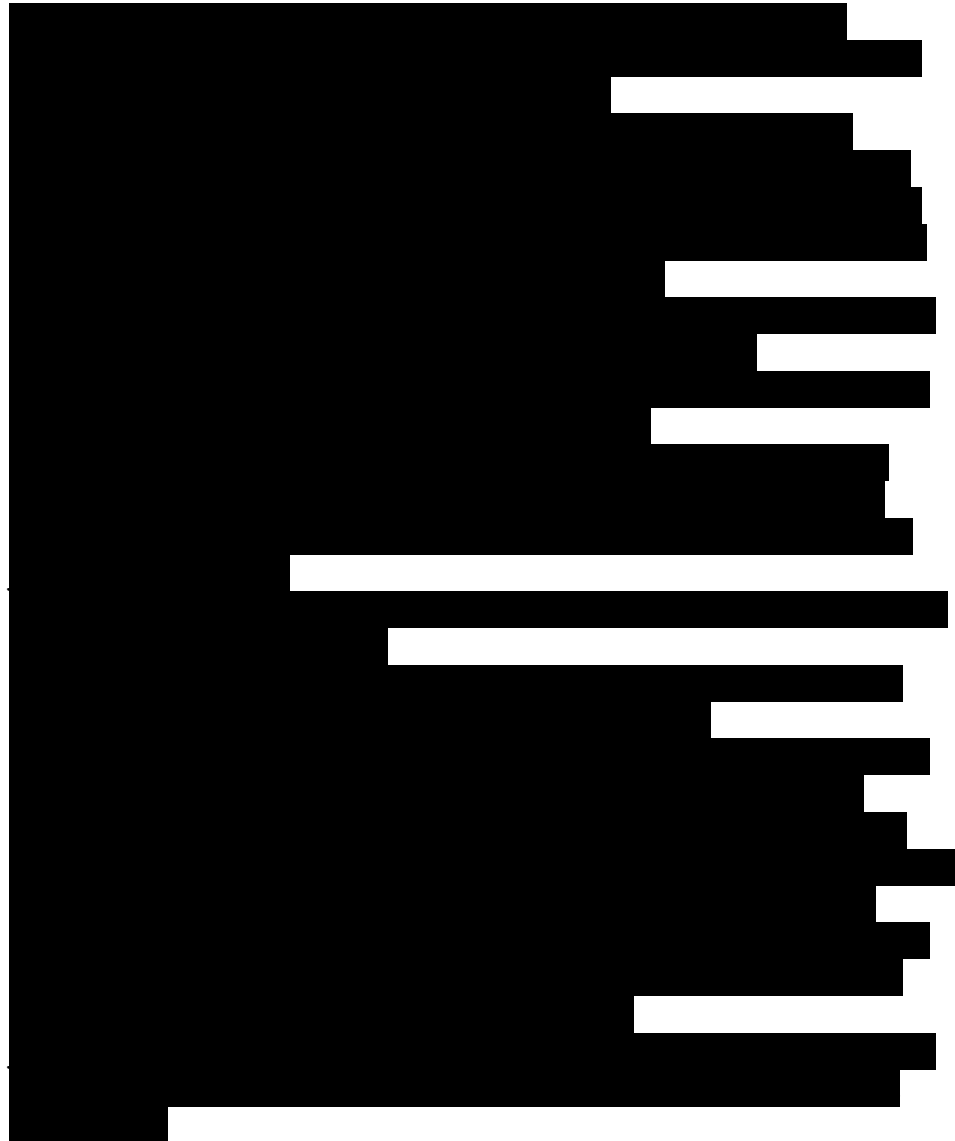
Witness: Debra L. Osborne
 Tyler H. Ross

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DATA REQUEST

AG_D_WP_10



RESPONSE

- a. Please refer to the Company's response to AG D-WP-9.
- b. Please refer to the Company's responses to AG D-WP-9 and AG 1-236.
- c. Please refer to KPCO_CR_AG_D_WP_10_Attachment1.pdf for the location of the ponds. Please refer to KPCO_CR_AG_D_WP_10_Attachment2.pdf for the July 2015 joint use

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agreement between Kentucky Power and Consolidated Coal Company for Conner Run Impoundment.

Please refer to KPCO_CR_AG_D_WP_10_Attachment3.pdf for estimated historical ash volumes from Kammer and Mitchell Plants. This is an estimate of the relative contributions to the Conner Run Impoundment from Kammer, Mitchell, and McElroy (also referred to as Consolidation Coal Company), as of the end of 2015, when all contributions from the AEP facilities ceased. At that time, the estimated contribution percentages were approximately: 8% Kammer Plant, 51% Mitchell Plant and 41% McElroy/CCC (currently Murray Energy). The current owner continues to dispose of fine coal refuse in the Conner Run Impoundment, so the relative percentage of material in the impoundment from Kammer and Mitchell will continue to decline over time as more fine coal refuse is placed in the impoundment.

Kentucky Power's obligation for Conner Run Impoundment is dependent on the timing of the closure of the impoundment and decreases each year until June 1, 2027 when the maximum contribution for AEP's obligation would be \$5 million. The \$5 million total AEP obligation would be shared as follows:

Kammer Plant - 13.5% (8% Kammer/59% Total Kammer/Mitchell) = \$675,000

Mitchell Plant - 86.5% - Kentucky Power's 50% share = \$2,162,500

Mitchell Plant - 86.5% - AEP Generation Resource's 50% share = \$2,162,500

d. Prior to December 31, 2013, Ohio Power Company owned 100% of Kammer Plant. On December 31, 2013, OPCo transferred its 100% ownership of Kammer Plant to AEP Generation Resources, Inc. In May 2015, Kammer Plant was retired.

Please refer to the first tab of KPCO_CR_AG_D_WP_10_Attachment4.xlsx for tons of coal burned at the Kammer Plant 2007-2015.

e. Prior to December 31, 2013, Ohio Power Company owned 100% of Mitchell Plant. On December 31, 2013, OPCo transferred its 100% ownership of Mitchell Plant to AEP Generation Resources, Inc. On December 31, 2013, AEP Generation Resources transferred 50% of its ownership interest in Mitchell Plant to Kentucky Power. On January 31, 2015, AEP Generation Resources transferred its remaining 50% ownership interest in Mitchell Plant to Wheeling Power Company.

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Please refer to the second tab of KPCO_CR_AG_D_WP_10_Attachment4.xlsx for tons of coal burned at the Mitchell Plant 2007-2016.

f. No. Please refer to the Company's response to AG D-WP-10 subsection c. for estimated ash volumes.

g. No.

h. Mitchell Plant was owned by Ohio Power Company from 1971 through December 31, 2013 (approximately 42 years).

i. The accounting model for AROs was the same during the years when a 50% interest in Mitchell Plant was owned by AEP Generation Resources Inc. (AGR) as when it was owned by Wheeling Power Company.

j. Please refer to KPCO_R_KPSC_1_54_Attachment2.xls for the requested information.

Witness: Debra L. Osborne
 Tyler H. Ross

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DATA REQUEST

AG_D_WP_11



RESPONSE

a. Yes. Accounting for rate-regulated entities involves consideration of whether a regulatory asset can be recorded instead of recording a charge to accumulated other comprehensive income.

b. Yes. During the period January 2014 through January 2015, Kentucky Power billed the following costs, by account, to AEP Generation Resources (AGR) for AGR's 50% share of pension and OPEB costs related to Mitchell Plant:

Account 107 - \$31,832

Account 108 - \$5,908

Account 152 - \$85,171

Account 163 - \$16,237

Account 926 - \$393,522

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Total - \$532,670

Witness: Tyler H. Ross

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AG_D_WP_12



RESPONSE

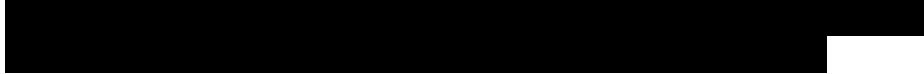
- a. No.
- b. Not applicable.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_13



RESPONSE

In accordance with Generally Accepted Accounting Principles (GAAP), the Company does not depreciate assets held for sale.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_14



RESPONSE

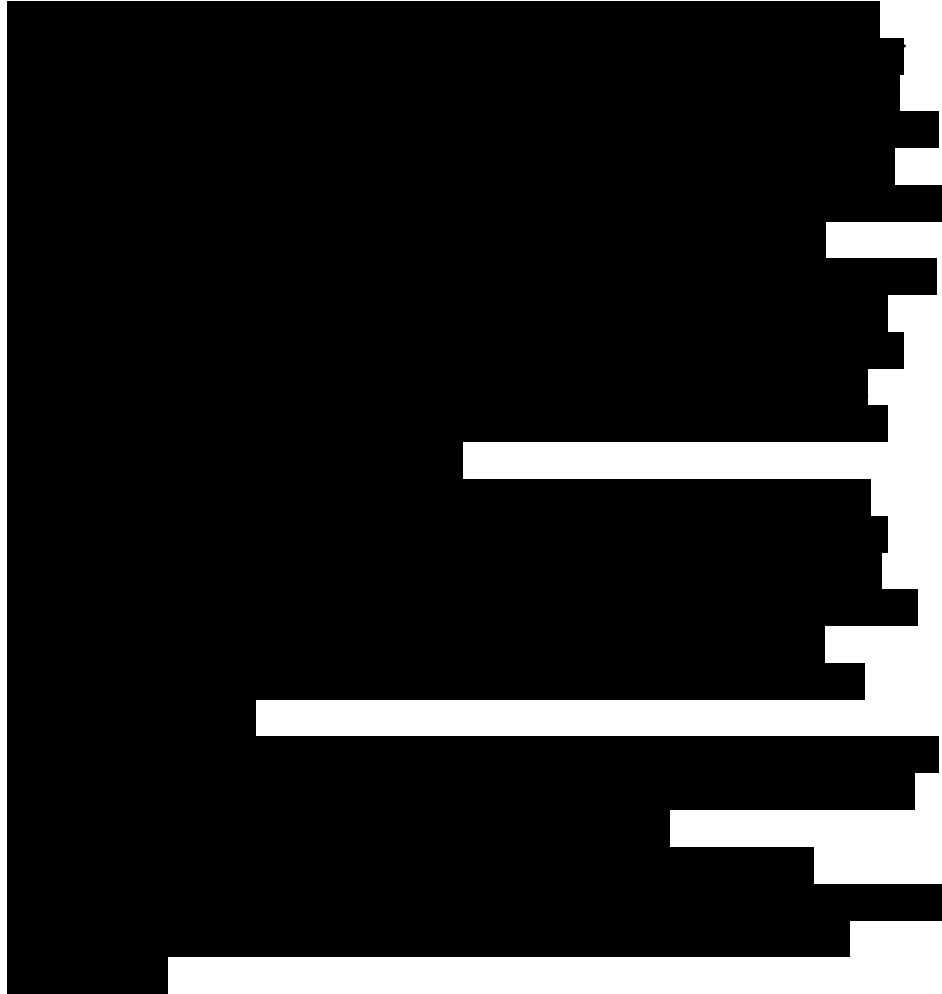
a. No. There were no subsequent events similar to the instance noted in the Deloitte workpaper.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_15



RESPONSE

- a. Please refer to KPCO_CR_AG_D_WP_15_Attachment1.xls for retirement entries by function.
- b. There was no impact on the current proceeding.
- c. Property Accounting ensures that a retirement entry is recorded once the vintage is attained, generally five years. This applies to all capital software projects whether a project is under a general capital software depreciation group or under a depreciation group specific to that project. Beginning in 2016, Property Accounting records vintage retirements in the third month of each

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quarter to ensure that vintage retirements of capital software are recorded in compliance with the respective amortization period. To support the quarterly retirement journal entries, Property Accounting reviews all capital software assets in the property records by vintage as of the last day of the second month of each quarter to ensure that proper retirements will be made.

d. Please refer to KPCO_CR_AG_D_WP_15_Attachment2.xls and KPCO_CR_AG_D_WP_15_Attachment3.xls for the requested information.

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_16



RESPONSE

- a. Please refer to KPCO_CR_AG_D_WP_16_Attachment1.pdf for the requested information.
- b. The regulatory disallowance was Schedule M'd for income tax purposes, therefore there was no current state income tax expense to record. Since Kentucky Power does not record deferred state income tax expense for ratemaking purposes, consistent with past Commission precedent, the required deferred state tax Journal Entry was to debit SFAS 109 Accumulated Deferred State Income Tax and to credit SFAS 109 State Regulatory Asset.
- c. The correcting Journal Entry has no impact on the Company's filing in the current proceeding.

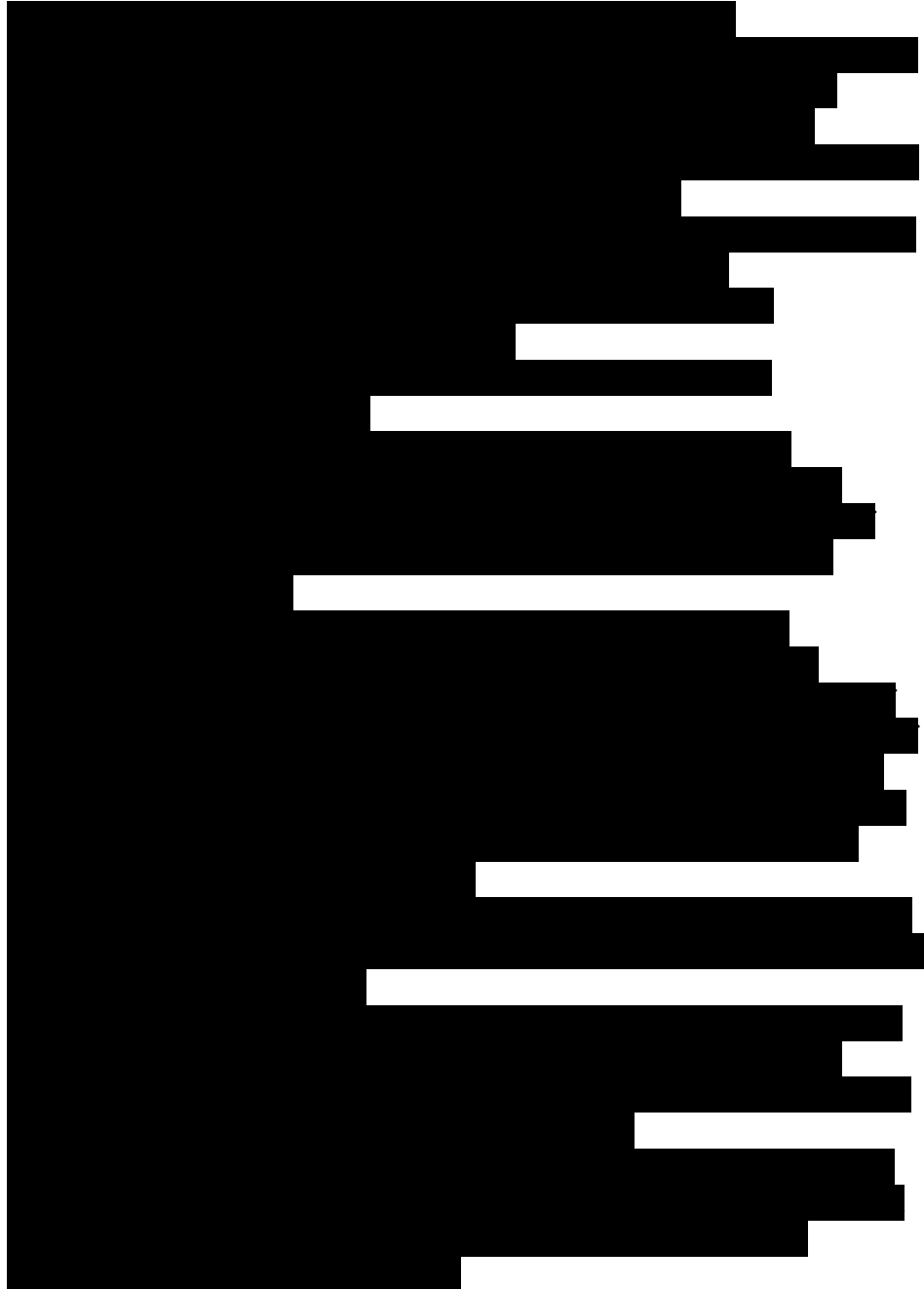
Witness:

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DATA REQUEST

AG_D_WP_17



RESPONSE

a. Yes.

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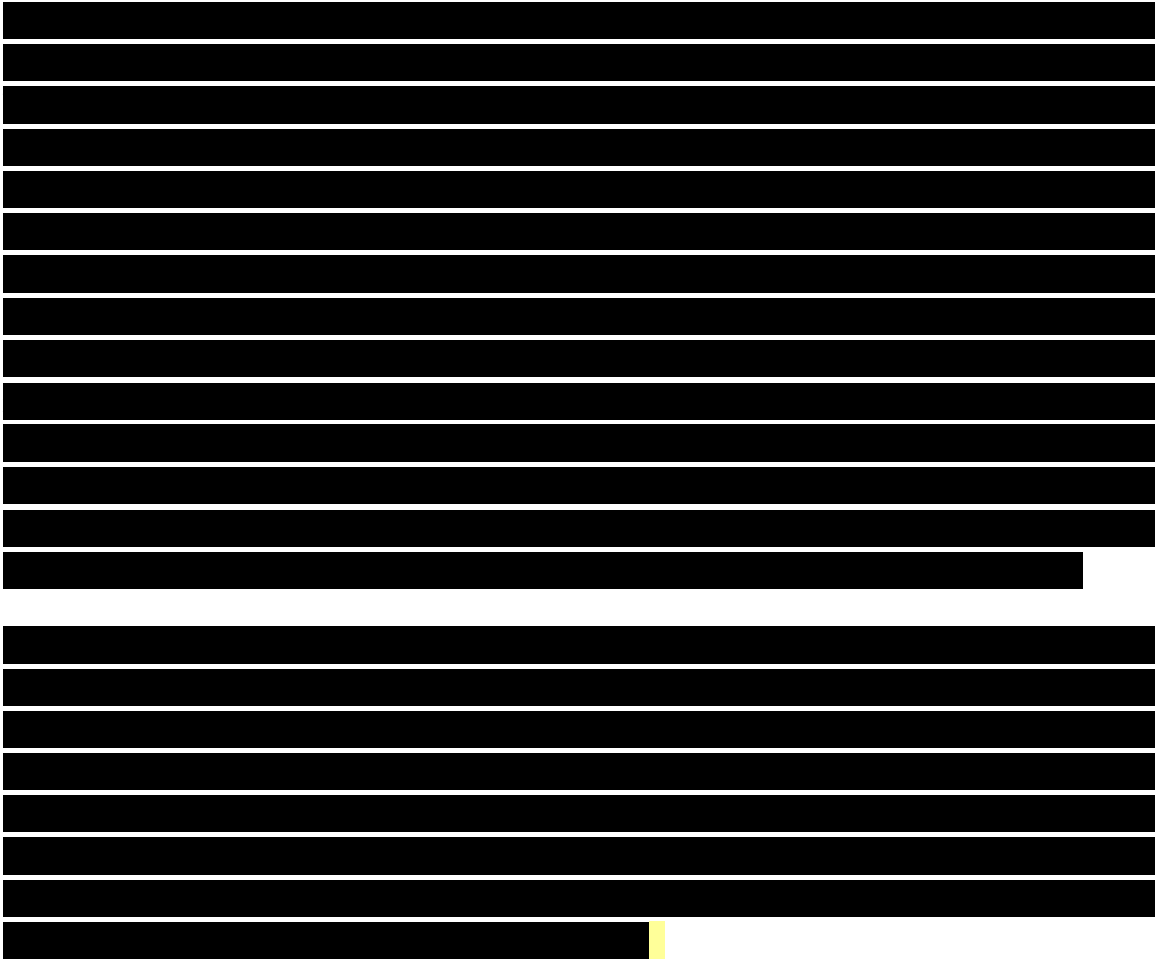
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- f. Yes. It is American Electric Power's (and Kentucky Power's) policy to correct all SAB108 type journal entries in the next reporting period. SAB108 journal entries are posted to the ACTUALS ledger either with a manual journal entry or through a system generated journal entry. Unvouchered liability journal entries are self-corrected in the next period through a system generated journal entry process within American Electric Power's accounts payable system.

- g. Yes. It is American Electric Power's (and Kentucky Power's) policy to correct all SAB108 type journal entries in the next reporting period. SAB108 journal entries are posted to the ACTUALS ledger either with a manual journal entry or through a system generated journal entry. Unvouchered liability journal entries are self-corrected in the next period through a system generated journal entry process within American Electric Power's accounts payable system.

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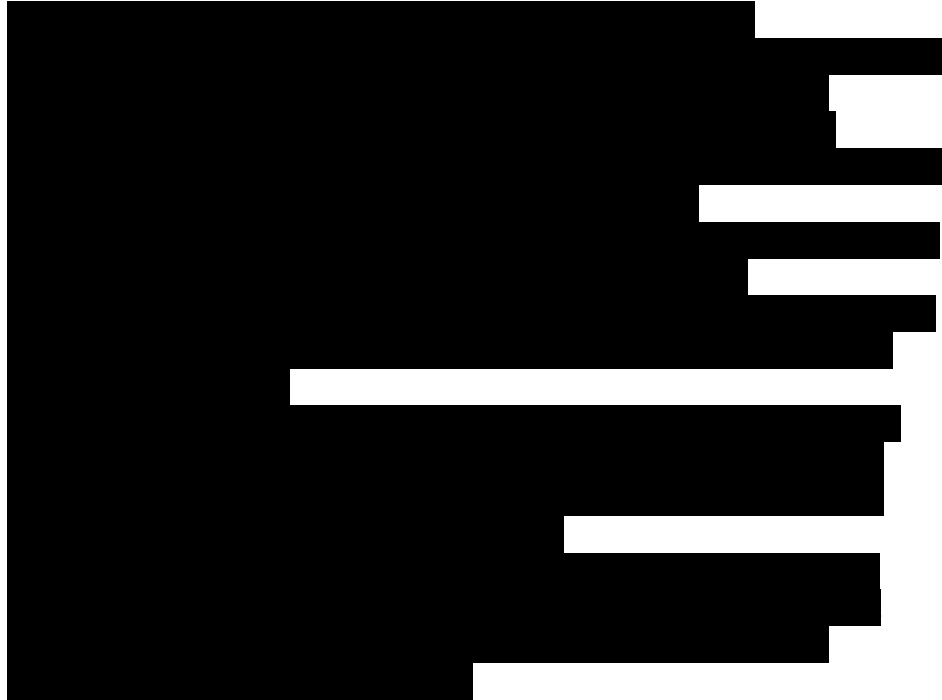
- h. There is no impact on the test year since the correcting entries were recorded prior to the test year.
- i. Not applicable

Witness: Tyler H. Ross

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DATA REQUEST

AG_D_WP_18



RESPONSE

- a. Yes.
- b. Yes. It is American Electric Power's (and Kentucky Power's) policy to correct all SAB108 type journal entries in the next reporting period. SAB108 journal entries are posted to the actuals ledger either with a manual journal entry or through a system generated journal entry. Unvouchered liability journal entries are self-corrected in the next period through a system generated journal entry process within the accounts payable system.
- c. Journal entries correcting all SAB 108 items related to the calendar year ended December 31, 2016 were recorded in January 2017 and thus were included in Kentucky Power's test year ended February 28, 2017. Please refer to KPCO_CR_AG_D_WP_18_Attachment1_Redacted.xls and KPCO_CR_AG_D_WP_18_Attachment2_Redacted.xls for the requested information.
- d. Not applicable.

Witness: Tyler H. Ross