

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) CASE NO. 2017-00179
RIDERS; (4) AN ORDER APPROVING ACCOUNTING)
PRACTICES TO ESTABLISH REGULATORY ASSETS AND)
REGULATORY ASSETS AND LIABILITIES AND (5) AN)
ORDER GRANTING ALL OTHER REQUIRED APPROVALS)
AND RELIEF)

**KENTUCKY COMMERCIAL UTILITY CUSTOMERS, INC.'S
RESPONSES TO THE DATA REQUESTS BY THE ATTORNEY GENERAL**

Kentucky Commercial Utility Customers, Inc., ("KCUC") by counsel, provides the following responses to the Attorney General's Data Requests to Kentucky Commercial Utility Customers. KCUC notes that witness Kevin C. Higgins is responsible for responding to the questions related to the information provided.

Respectfully submitted



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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the October 27, 2017, electronic filing of these Responses is a true and accurate copy of the same document being filed in paper medium; that the electronic filing will be transmitted to the Commission on October 27, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of the Responses and six copies will be delivered to the Commission within two business days.



Attorney for KCUC

1. Have the KCUC customers sponsoring KCUC's intervention in this case specifically approved of the recommendation in witness Kevin C. Higgins' testimony that residential customers should pay a greater rate increase than that recommended by Kentucky Power Company?

Response: Objection: Mr. Higgins is not advocating for approval of Kentucky Power's proposed overall revenue requirement and attendant rate class increases. Notwithstanding this objection, KCUC states as follows:

KCUC sponsored Mr. Higgins' testimony and approves of Mr. Higgins' recommendation. Mr. Higgins presented his revenue allocation proposal using the overall revenue requirement increase recommended by Kentucky Power, which is a standard form of presenting revenue allocation. However, Mr. Higgins has not endorsed the overall level of revenue requirement proposed by Kentucky Power and the magnitude of the final residential rate increase in this case is dependent on the overall revenue requirement approved by the Commission. At a lower overall revenue requirement, the rate increase for residential customers will be reduced under Mr. Higgins' approach. *See* KCUC's response to data request AG 1-2.

2. Based on the KCUC recommended revenue allocation as set forth in Higgins Table KCH-5, provide the percentage of the residential class revenue allocation in the event that KPCo receives the following new revenues:

- a. \$30 million;
- b. \$20 million; and
- c. \$10 million.

Response: Based on total non-fuel revenue apportionment, and constraining the revenue allocation so that no class receives a decrease if the overall revenue requirement increases, Mr. Higgins believes that the following Residential total base percentage increases would be reasonable at the various revenue requirement increases indicated in this request:

- a. 13.66%
- b. 9.24%
- c. 4.64%

3. Provide all workpapers and source documents supporting Mr. Higgins' testimony, exhibits, tables, and figures. Provide the requested documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

Response: Please see KCUC_R_AG_1_3_Attachment1 for the source document for the Residential increase required to reduce the Residential subsidy by 50% under KPCo's 12CP study.

Please see also KCUC_R_AG_1_4_Attachment1, KCUC_R_AG_1_5_Attachment1, KCUC_R_AG_1_5_Attachment2, and the following attachments provided in KCUC's response to Staff data requests:

- KCUC_R_KPSC_1_2_Attachment1
- KCUC_R_KPSC_1_3_Attachment1
- KCUC_R_KPSC_1_4_Attachment1
- KCUC_R_KPSC_1_4_Attachment2
- KCUC_R_KPSC_1_4_Attachment3
- KCUC_R_KPSC_1_4_Attachment4
- KCUC_R_KPSC_1_4_Attachment5

4. Refer to page 7, lines 5 – 17 of the Direct Testimony of Mr. Higgins where he discusses his alternative production demand allocations based on a Winter 3CP and Summer/Winter CP approach.
 - a. Provide all workpapers and source documents used to determine the Winter 3CP and Summer/Winter CP allocations. Provide the requested documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.
 - b. Explain if Mr. Higgins is proposing to also change the Company's allocation of transmission plant from a 12CP allocation to using a 3CP or Summer/Winter CP allocation.
 - c. If the response to b is negative, explain why Mr. Higgins believes it is appropriate to allocate production plant on a more segregated coincident peak allocation method than transmission plant.

Response:

- a. Please see KCUC_R_AG_1_4_Attachment1, the "Tran Peaks" tab, for the source data used to develop the Winter 3CP and Summer/Winter CP allocators. This workpaper is based on the demand data provided in KPCO_R_KPSC_1_73_Attachment54. Please also see KCUC_R_KPSC_1_2_Attachment1 for the COSS utilizing the Winter 3CP method and KCUC_R_KPSC_1_3_Attachment1 for the COSS utilizing the Summer/Winter CP method.
- b. Mr. Higgins is not proposing to change the allocation of transmission plant from a 12CP method in this case.
- c. Although Mr. Higgins presents alternatives to the 12CP Method for allocating production plant and believes these alternatives are informative, he is not proposing to change the allocation of production plant or transmission plant from a 12CP method in this case.

5. Refer to the Table KCH-2 on page 9 of the Direct Testimony of Kevin C. Higgins.
Provide all workpapers and source documents used in the determination of the peak test results shown in Table KCH-2. Provide the requested documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

Response: Please see KCUC_R_KPSC_1_4_Attachment1,
KCUC_R_AG_1_5_Attachment1, and KCUC_R_AG_1_5_Attachment2.

6. Provide an electronic copy in native format of all alternative cost of service studies which use the Winter CP and Summer/Winter CP allocation methods discussed in the Direct Testimony of Kevin C. Higgins. Provide all workpapers and source documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

Response : Please see KCUC_R_KPSC_1_2_Attachment1 for the COSS utilizing the Winter 3CP method and KCUC_R_KPSC_1_3_Attachment1 for the COSS utilizing the Summer/Winter CP method.

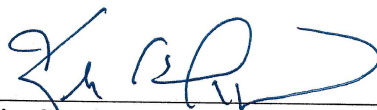
7. Refer to page 15 lines 11-13 of the Direct Testimony of Kevin C. Higgins where he states "I recommend that the current Residential subsidy, according to the Company's 12CP cost-of-service study, be reduced by 50% in this case."
- a. Explain how Mr. Higgins determined that a 50% reduction in the residential subsidy was the most appropriate revenue allocation approach.
 - b. Explain if Mr. Higgins conducted any bill impact analysis to the Residential class regarding his recommended revenue allocation approach.
 - c. If the response to (c), is affirmative, provide a copy of the bill impact analysis.
 - d. Provide all workpapers and source documents in electronic spreadsheet form with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, provide the information in the form that most closely matches what has been requested.

Response:

- a. As discussed by Mr. Higgins in his direct testimony, in determining revenue allocation, it is important to adopt a long-term strategy of moving in the direction of cost causation, and to avoid schemes that result in permanent cross-subsidies from other customers. It can also be appropriate to mitigate the impact of moving immediately to cost-based rates for customer groups that would experience significant rate increases from doing so. In Mr. Higgins' opinion, a reduction of 50% of the residential subsidy reasonably balances the objectives of gradualism and providing service to classes at cost-based rates.
- b. Mr. Higgins did not conduct a bill impact analysis for the Residential class. The overall impact to the Residential class of Mr. Higgins' revenue allocation at KPCo's requested revenue requirement is provided in Table KCH-5. The ultimate impact to residential customers is dependent on the total revenue requirement approved by the Commission in this case and the design of residential rates. See also KCUC's responses to data requests AG 1-1 and AG 1-2.
- c. Not applicable.
- d. No workpapers were developed in support of this response.

AFFIDAVIT

The undersigned, Kevin C. Higgins, being duly sworn, deposes and says that he is a Principal of Energy Strategies L.L.C., and that he has supervised the preparation of the foregoing responses to the Request for Information issued by the Commission Staff, Attorney General, and Kentucky Power, and that the responses are true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry



Kevin C. Higgins, Affiant

NOTARY CERTIFICATE

STATE OF UTAH

COUNTY OF SALT LAKE

Subscribed, acknowledged and sworn to before me by Kevin C. Higgins on this 27th
day of October, 2017.

My commission expires: June 6, 2018.

Millicent Pichardo

NOTARY PUBLIC

