VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant for Kentucky Power Company and that she has personal knowledge of the matters set forth in the forgoing responses for which she is identified as the witness and 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. 2017-00327
COUNTY OF FRANKLIN)

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

Linda A. Smith

Notary Public

My Commission Expires: April 4, 2019

Kentucky Power Company
KPSC Case No. 2017-00327
Commission Staff's First Set of Data Requests
Dated August 31, 2017

DATA REQUEST

1-001 Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing period. Use ES Form 1.00 as a model for this summary. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included in the billing period under review. Include a calculation of any additional over- or under-recovery amount Kentucky Power believes needs to be recognized for the two-year review. Include all supporting calculations and documentation for any such additional over- or under-recovery. Provide the schedule and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

RESPONSE

Please refer to KPCO_R_KPSC_1_1_Attachment1.xls for the requested information.

WITNESS: Amy J. Elliott

Kentucky Power Company
KPSC Case No. 2017-00327
Commission Staff's First Set of Data Requests
Dated August 31, 2017

DATA REQUEST

1-002 The net gain or loss from sulfur dioxide and nitrogen oxide emission allowance sales is reported on ES Form 3.00, Calculation of Current Period Revenue Requirement, Third Component. For the last six expense months of the billing period under review, provide an explanation of how the gain or loss reported in the expense month was calculated and describe the transaction(s) that was the source of the gain or loss.

RESPONSE

Please refer to KPCO_R_KPSC_1_2_Attachment1.xlsx for the requested information.

WITNESS: Amy J. Elliott

DATA REQUEST

1-003 In Case No. 1996-00489, the Commission ordered that Kentucky Power's rate of return on common equity for the environmental surcharge would be reviewed for reasonableness during the two-year review case. Currently, the rate of return on common equity is 10.25 percent approved in Case No. 2014-00396. Does Kentucky Power believe that the 10.25 percent rate of return on common equity for the environmental surcharge is reasonable? Explain the response, and include any analyses or evaluations supporting its conclusions. If not, what rate of return on common equity does Kentucky Power propose for its environmental surcharge? Provide a detailed analysis and testimony supporting Kentucky Power's position.

RESPONSE

Yes. A return on equity of 10.25 is reasonable. Kentucky Power currently has a combined Environmental Compliance Plan and general rate case pending before the Commission in Case No. 2017-00179. In that case, the Company filed testimony supporting a 10.31 percent return on equity.

At page 72 of its June 22, 2015 Order in Case No. 2014-00396 the Commission directed that "[t]he WACC and GRCF should remain constant until such time as the Commission sets base rates in Kentucky Power's next base-rate proceeding." The WACC and GRCF both employ a 10.25 percent return on equity. Consistent with the Commission's order in Case No. 2014-00396, Kentucky Power proposes to maintain its WACC and GRCF until the Commission's order in Case No. 2017-00179.

WITNESS: Amy J. Elliott

DATA REQUEST

1-004 KRS 278.183(3) provides that, during the two-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility. Does Kentucky Power believe any additional surcharge amounts need to be incorporated into its base rates in conjunction with this two-year review? If so, provide the additional surcharge amount that Kentucky Power believes should be incorporated into its existing base rates. Explain how the surcharge amount should be incorporated into the base rates. Include all supporting calculations, work papers, and assumptions as well as any analysis that Kentucky Power believes support its position.

RESPONSE

The Company is not proposing to incorporate any additional surcharge amounts into its base rates in conjunction with this two-year review. In its 2017 Environmental Compliance Plan pending before the Commission in Case No. 2017-00179, the Company has proposed a new environmental base revenue requirement that incorporates non-Mitchell FGD test year environmental surcharge amounts.

WITNESS: Amy J. Elliott

DATA REQUEST

1-005 Refer to ES Form 3.13, Mitchell Environmental Costs for the expense months November 2016 through April2017. Explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 1 0 percent for each of the following operating and maintenance costs listed: **a. Line 14 Monthly Disposal (501 0000) b. Line 15 Monthly Urea Expense (5020002) c. Line 16 Monthly Trona Expense (5020003) d. Line 17 Monthly Lime Stone Expense (5020004) e. Line 18 Monthly Polymer Expense (5020005) f. Line 19 Monthly Lime Hydrate Expense (5020007) g. Line 20 Monthly WV Air Emission Fee h. Line 26 Monthly FGD Maintenance Expense i. Line 27 Monthly Non-FGD Maintenance Expense**

RESPONSE

a. Monthly Disposal. Monthly Disposal expense is offset by revenues derived from sales of gypsum to the neighboring wallboard plant. The variations in net disposal costs during the review period reflect monthly changes in the wallboard plant's demand for gypsum from the Mitchell generating station.

b & d. Urea and Limestone. Usage of urea and limestone at Mitchell also varies directionally (but not necessarily directly in order of magnitude) with changes in the level of plant operation including variations resulting from outages and deratings. For example, a forced outage during the months of January and February 2017, and a planned outage during the months of March 2017 and April 2017 at Mitchell Unit 1, resulted in reduced urea consumption for those months as compared to the months of November and December 2016.

c & f. Trona and Lime Hydrate. Trona and lime hydrate are expensed upon delivery to the plant. The monthly variations in trona and lime hydrate expense reflect the monthly variations in the deliveries of those two consumables to the plant.

e. Polymer. There were no polymer expenses booked to account 5020005 during the previous six-month review period. During November 2016, a correcting journal entry was made to properly record the polymer expenses for prior periods to account 5020005.

g. Air Emission Fees. No month-to-month variance.

h&i. Maintenance Expense. The monthly variations in maintenance expense result primarily from variability in maintenance requirements and activities at the plant. Plant management makes maintenance decisions to ensure the safe, reliable, and compliant operation of the Mitchell generating station.

More specifically, maintenance events during the review period that led to monthly variability included:

Expense Month	FGD Maintenance Activity	Amount (approx.)
December 2016	Maintenance of ID fans and feed pump	$88,000
January 2017	Maintenance on ID fans and slurry pumps	$58,000
March 2017	Maintenance of ID fans	$28,000

Similarly, for non-FGD Maintenance expenses, variability in expense was a result of variability in maintenance activity. Maintenance events during the review period that led to monthly variability included:

Expense Month	Non-FGD Maintenance Activity	Amount (approx.)
November 2016	Precipitator Maintenance	$56,000
December 2016	Precipitator Maintenance	$43,000
February 2017	Precipitator Maintenance	$45,000

WITNESS: Amy J. Elliott

<u>DATA REQUEST</u>

1-006 Refer to ES Form 3.20, Rockport Environmental Costs for the expense months November 2016 through April 2017. Explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent for each of the following operating and maintenance costs listed: **a. Line 10 Monthly Brominated Sodium Bicarbonate (5020028) b. Line 11 Monthly Activated Carbon (5020008) c. Line 12 Monthly IN Air Emission Fee d. Line 15 Monthly Maintenance Expense**

<u>RESPONSE</u>

a&b. <u>Consumables</u>. Consumable usage generally varies directionally (but not necessarily directly in order of magnitude) with changes in the level of plant operation, including variations resulting from outages and deratings. There is more variation in the activated carbon consumption than the sodium bicarbonate consumption because the DSI requires a steady injection of sodium bicarbonate during unit operation, whereas the activated carbon consumption varies more directly with unit output. For example, reduced sodium bicarbonate and activated carbon consumption during March and April can be attributed to maintenance outage on Rockport Unit 1. Likewise, there was planned outage on Rockport Unit 1 during January 2017 .

c. <u>Air Emission Fees</u>. There was no variance in monthly air emission fees paid during the review period.

d. <u>Maintenance Expense</u>. The monthly variations in maintenance expense result primarily from variability in maintenance activities at the plant. Plant management makes maintenance decisions to ensure the safe, reliable, and compliant operation of the Rockport Plant.

More specifically, maintenance events during the review period that led to increased monthly variability included:

Expense Month	Maintenance Activity	Amount (approx.)
December 2016	DSI air compressor	$60,000
January 2017	Precipitator maintenance	$50,000
March 2017	Precipitator maintenance	$64,000

WITNESS: Amy J. Elliott

Kentucky Power Company
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DATA REQUEST

1-007 Reference ES Form 3.11 for the months in this review period. **a. For each month in the two-year review period, provide the calculation that supports the total cost of allowances consumed that is then carried to ES Form 3.10 for the May 2015 through July 2015 expense months, and ES Form 3.13 for the August 2015 through April 2017 expense months. b. Provide an explanation and the reasons for the fluctuations in the monthly average cost of allowances determined in 10.a.**

RESPONSE

a. Please refer to KPCO_R_KPSC_1_7_Attachment1.xlsx for the requested information.

b. The Company assumes the intended reference is to 7a and is providing explanations for fluctuations in monthly average allowance costs during the review period in the attachment to subpart a above.

WITNESS: Amy J. Elliott

Kentucky Power Company
KPSC Case No. 2017-00327
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DATA REQUEST

1-008 Provide the actual average residential customer's monthly usage as of April 2017. Based on this usage amount, provide the dollar impact any over- or under-recovery will have on the average residential customer's bill for the requested recovery period. Provide all supporting calculations in Excel spreadsheet format with all formulas intact and unprotected and all rows and columns accessible.

RESPONSE

Please refer to KPCO_R_KPSC_1_8_Attachment1.xls for the requested information.

WITNESS: Amy J. Elliott

Kentucky Power Company
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Commission Staff's First Set of Data Requests
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DATA REQUEST

1-009 Refer to ES Form 3.21 for the months in the review period. Provide a schedule of the effective tax rate for "Indiana Adjusted Gross Income" during the review period, compared to the Indiana Adjusted Gross Income actually filed on Form 3.21 .

RESPONSE

Please refer to KPCO_R_KPSC_1_9_Attachment1.xls for the requested information.

WITNESS: Amy J. Elliott