

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the matter of:

Electronic Application Of Kentucky Power)
Company For A Certificate Of Public Convenience)
And Necessity To Construct A 138 kV) Case No. 2018-00209
Transmission Line And Associated Facilities)
In Pike And Floyd Counties (Enterprise Park)
Economic and Area Improvements Project))

**KENTUCKY POWER COMPANY
RESPONSES TO
COMMISSION STAFF'S FIRST SET OF DATA REQUEST**

October 2018

KENTUCKY POWER
CASE NO. 2018-00209
COMMISSION STAFF'S FIRST SET OF DATA REQUESTS
ORDER DATED SEPTEMBER 18, 2018

REQUEST

Staff 1-1 Describe how notice was provided to each property owner required to receive notice pursuant to Commission regulations ; state specifically whether notice was sent to addresses listed in the Property Valuation Administrator (PVA) records for each county. If notice for any such property was not sent to the address listed in the PVA records, explain how and why it was determined that notice should be sent to a different address for each such property.

RESPONSE

The identity of landowners to whom notice was to be provided as required by the Commission's regulations, and their contact information, initially was gathered from the records of the Floyd County Property Valuation Administrator and the Pike County Property Valuation Administrator. This information was amended or verified to the extent possible through subsequent investigation involving direct contact with individual landowners, field research, and review of the documents of record on file with the respective county court clerks. Notice was provided by mailings to the property owners of record in the offices of the two property valuation administrators, except where subsequent investigation revealed the records were incomplete or erroneous.

Please see the following page for information regarding the address to which the required notice was mailed. The absence of an entry in the "notes" column indicates that the indicated address to which the notice was mailed was obtained from the records of the appropriate property valuation administrator. An entry in the "notes" column indicates that the indicated address to which the notice was mailed was based on further investigation.

**KENTUCKY POWER
CASE NO. 2018-00209
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ORDER DATED SEPTEMBER 18, 2018**

KPSC_1_1 (Cont'd)

PSC FILING ID	PARCEL ID	COUNTY	NAME 1	NAME 2	Address To Which Filing Notice Was Mailed	CITY	WITHIN ROW	WITHIN FILING CORRIDOR	ROW EASEMENT OBTAINED	NOTES
1	109-00-00-044.00	FLOYD	KEATHLEY LARRY		1195 BURNING FORK ROAD	PIKEVILLE KY 41501	X	X		
2	109-00-00-022.00	FLOYD	ROBERTS LYDIA M		727 KEATHLEY BR	HAROLD KY 41635	X	X		
2	109-00-00-022.04	FLOYD	ADKINS PATRICIA		PO BOX 376	NETSY LANE, KY 41605	X	X		OWN S PART OF THE PROPERTY THAT LYDIA ROBERTS OWNS. PARCELS LINES NOT SUBDIVIDED
3	109-00-00-012.00	FLOYD	KEATHLEY ISAAC	C/O KELLY KEATHLEY	987 KEATHLEY BR	HAROLD KY 41635		X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
4	109-00-00-015.00	FLOYD	ROGERS ZELLIA	C/O RONALD ROGERS	9716 HARRISON RD	WAKEMAN OH 44889		X		
5	109-00-00-016.01	FLOYD	ROGERS UDELL		1277 KEATHLEY BRANCH	HAROLD KY 41635	X	X		
6	109-00-00-016.00	FLOYD	JOHNSON C C HEIRS-	ATTN: EVA B FOSTER	46 BOOMDECKER CT	ELKTON MD 21921	X	X		
7	109-00-00-018.00	FLOYD	ROGERS ZELLIA		9716 HARRISON RD	WAKEMAN OH 44889		X		
8	109-00-00-019.00	FLOYD	KEATHLEY ISAAC	C/O KELLY KEATHLEY	987 KEATHLEY BR	HAROLD KY 41635	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
9	109-00-00-020.00	FLOYD	YOUNG OPAL		P O BOX 071	GRETHEL KY 41631	X	X		
10	109-00-00-021.00	FLOYD	ATTN: EVA B FOSTER	ATTN: EVA B FOSTER C/O ELEANOR REBER	46 BOOMDECKER CT	ELKTON MD 21921		X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
11	110-00-00-019.07	FLOYD	BURKE WANDA & FREDDIE CONN JR		3921 KY RT 40 W	STAFFORDSVILLE, KY 41256	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
12	110-00-00-023.06	FLOYD	HALL TIMMY DOUGLAS & RHONDA	ATTN: TIM HALL	65 BERT T. HALL BRANCH	GALVESTON, KY 41635	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
13	110-00-00-025.00	FLOYD	HALL GENE & GARNETT	C/O WINNIE VANDERPOOL, ETAL.	PO BOX 1032	ALLEN, KY 41601	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
14	110-00-00-026.00	FLOYD	HALL EARL & MICHAEL SLONE	C/O MICHAEL HALL	271 PIGEON ROOST	HAROLD KY 41635	X	X		
15	110-00-00-027.00	FLOYD	SPEARS LOUISE		22 G B SPEARS DR	GALVESTON KY 41635	X	X		
16	034-00-00-041.00	PIKE	CSTL LLC	C/O WESTERN POCAHONTAS PROPERTIES	5280 IRWIN RD	HUNTINGTON WV 25705	X	X		
17	035-00-00-003.00	PIKE	RATLIFF THOMAS B TRUST	C/O CHRIS RATLIFF	P O BOX 460	SHELBIANA, KY 41562		X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
18	WITHIN 035-00-00-003.00	PIKE	CEMETERY	CEMETERY	CEMETERY			X		
19	034-00-00-045.00	PIKE	FIELDS BRUCE		4074 LEFT FORK OF ISLAND Ck	PIKEVILLE KY 41501		X		
20	034-00-00-041.01	PIKE	LEONARD BRICKS		3882 LEFT FORK ISLAND CREEK	PIKEVILLE KY 41501		X		
21	034-00-00-045.01	PIKE	FIELDS BRUCE MICHAEL & JOSEPH M FIELDS		3909 LEFT FORK ISLAND CREEK	PIKEVILLE KY 41501		X		
22	035-00-00-001.01	PIKE	RATLIFF THOMAS B TRUST	C/O CHRIS RATLIFF	P O BOX 460	SHELBIANA, KY 41562	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
23	034-00-00-042.00	PIKE	RATLIFF THOMAS B TRUST	C/O CHRIS RATLIFF	P O BOX 460	SHELBIANA, KY 41562	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
24	034-00-00-050.00	PIKE	SENDELBACH FAMILY TRUST	C/O MARY SENDELBACH	8205 ST RT 61 SOUTH	PLYMOUTH OH 44865		X		
25	035-00-00-019.00	PIKE	PINSON ROBERT DOTSON (DECEASED)	C/O ANNA PINSON	PO BOX 948	PIKEVILLE KY 41502	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
26	035-00-00-014.08	PIKE	SLONE LAUREN & KENNETH HALL		17040 ASHBURTON DRIVE	LOUISVILLE KY 40245	X	X		
27	035-00-00-019.00	PIKE	PINSON ROBERT DOTSON (DECEASED)	C/O ANNA PINSON	PO BOX 948	PIKEVILLE KY 41502	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
28	035-00-00-014.05	PIKE	RATLIFF THOMAS B TRUST	C/O CHRIS RATLIFF	P O BOX 460	SHELBIANA, KY 41562	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
29	052-00-00-036.01	PIKE	RAY RICHARD E & ANNETTE		PO BOX 2593	PIKEVILLE KY 41502	X	X		
30	052-00-00-035.00	PIKE	RILEY HALL COAL		PO BOX 2497	PIKEVILLE, KY 41502		X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
31	052-00-00-036.00	PIKE	CLINE JOHN S SR ESTATE	C/O JOHN M JOHNSON	PO BOX 489	PIKEVILLE KY 41502	X	X		
32	052-00-00-036.01	PIKE	RAY RICHARD E & ANNETTE		PO BOX 2593	PIKEVILLE KY 41502	X	X		
33	052-00-00-032.00	PIKE	RICHARD RAY & ANNETTE		PO BOX 2593	PIKEVILLE KY 41502	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
34	052-00-00-056.01	PIKE	APPALACHIAN LAND COMPANY	C/O JOHN HARRIS	164 MAIN STR., STE 200	PIKEVILLE, KY 41501	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
35	052-00-00-023.00	PIKE	FORSYTH DAN DEVELOPMENT CO	C/O DAN H. FORSYTH	2775 OKAWANA COURT	MARIETTA, GA 30068	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
36	052-00-00-028.01	PIKE	WEST GROVER & DOWNY GENE	C/O REBECCA HALL	669 ROAD FORK RD	PIKEVILLE KY 41501		X		
37	052-00-00-055.01	PIKE	POTTER JOSH & PHILLIP		91 ELDER LANE	PIKEVILLE KY 41501		X		
38	052-00-00-026.02	PIKE	FORSYTH DAN DEVELOPMENT CO	C/O DAN H. FORSYTH	2775 OKAWANA COURT	MARIETTA, GA 30068	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
39	052-00-00-054.00	PIKE	APPALACHIAN LAND COMPANY	C/O JOHN HARRIS	164 MAIN STR., STE 200	PIKEVILLE, KY 41501	X	X		UPDATED FROM PVA DATA BASED ON LANDOWNER CONTACT OR ADDITIONAL RESEARCH
40	052-00-00-026.03	PIKE	DAMRON LLOYD HAROLD & WANDA S		1203 ROAD FORK RD	PIKEVILLE KY 41501		X		
41	067-00-00-078.13	PIKE	COLEMAN ELLIS & SELENA		836 COLLINS HIGHWAY	PIKEVILLE KY 41501		X		
42	067-00-00-116.00	PIKE	CITY OF PIKEVILLE		118 COLLEGE STREET	PIKEVILLE, KY 41501	X	X		
43	NO MAP #	PIKE	LIES NEAR 067-00-00-116.00 CITY OF PIKEVILLE		118 COLLEGE STREET	PIKEVILLE, KY 41501		X		
44	052-00-00-021.00	PIKE	CITY OF PIKEVILLE		118 COLLEGE STREET	PIKEVILLE, KY 41501		X		
45	NO MAP #	PIKE	KENT AND VIVIAN SNOODGRASS	SNOODGRASS PARCEL	13370 ROSEDALE BLVD	CARLETON, MI 48117	X	X		SNOODGRASS PARCEL TO BE PURCHASED FOR SUBSTATION. OWNER INFO FROM AGE ENGINEERING SERVICES, INC. SURVEY PLAT.

Witness: Ranie K. Wohnhas

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REQUEST

Staff 1-2 Refer to the Application, paragraph 6, regarding the announced tenants at the Kentucky Enterprise Industrial Park. Provide the estimated peak load for Silverliner.

RESPONSE

The current estimated peak load for Silverliner is 350-400kW.

Witness: Ranie K. Wohnhas

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REQUEST

- Staff 1-3
- Refer to the Application, paragraph 21, which provides estimated costs to construct the proposed transmission line and related infrastructure (Project). Provide a schedule that details the following costs , and include each amount by electric plant account:
- a. \$19.9 million for transmission line work including right-of-way acquisition;
 - b. \$12.5 million for improvements to be made by Kentucky Power at the new substation;
 - c. \$0.7 million for the retirement of the Fords Branch 46 kV Substation;
 - d. \$0.5 million of the Cedar Creek 138/69/46 kV Substation upgrade.
 - e. Identify and explain any changes in the above costs due to the changes outlined in the Supplemental Testimony of Michael G. Lasslo (Lasslo Supplemental Testimony).

RESPONSE

- a. Please see KPCO_R_KPSC_1_3a_Attachment 1.pdf for the requested information.
- b. Please see KPCO_R_KPSC_1_3b_Attachment 1.pdf for the requested information.
- c. Please see KPCO_R_KPSC_1_3c_Attachment 1.pdf for the requested information.
- d. Please see KPCO_R_KPSC_1_3d_Attachment 1.pdf for the requested information.
- e. The Company does not anticipate an increase in the cost estimate, which includes a contingency, as a result of the minor re-route described in the supplemental testimony of Mr. Lasslo. The route was modified to avoid geotechnical issues that were discovered during surveys and that would have increased the cost of the transmission line. The additional assets needed for the minor re-route can be absorbed through contingencies contained in the original estimate.

Witness: Michael G. Lasslo
 Ranie K. Wohnhas

Transmission line work including right-of-way acquisition

Category	Estimated Cost
Labor	\$250,000
Outside Services	\$12,200,000
Material	\$2,530,000
Fleet	\$20,000
Contingency	\$2,500,000
Grants and Easements	\$2,400,000
Total	\$19,900,000

FERC Account / Plant	Description	Estimated Cost
355	Poles and Fixtures	\$800,000
356	Overhead Conductors and Devices	\$4,300,000
354	Towers and Fixtures	\$11,500,000
350	Land and Land Rights	\$3,200,000
357	Underground Conduit	\$90,000
358	Underground Conductors and Devices	\$10,000
Total		\$19,900,000

Improvements to be made by KPCo at the New Station

Category	Estimated Cost
Labor	\$460,000
Outside Services	\$5,800,000
Material	\$5,100,000
Fleet	\$40,000
Contingency	\$1,000,000
Land and Access	\$100,000
Total	\$12,500,000

FERC Account / Plant	Description	Estimated Cost
361	Structures and Improvements	\$4,000,000
362	Station Equipment	\$8,300,000
360	Land and Land Rights	\$120,000
357	Underground Conduit	\$60,000
356	Overhead Conductors and Devices	\$10,000
358	Underground Conductors and Devices	\$1,000
397	Communication Equipment	\$9,000
Total		\$12,500,000

Retirement of the Fords Branch 46 kV Substation

<u>Category</u>	<u>Estimated Cost</u>
Labor	\$30,000
Outside Services	\$567,000
Fleet	\$3,000
Contingency	\$100,000
Total	\$700,000

<u>FERC Account / Plant</u>	<u>Description</u>	<u>Estimated Cost</u>
361	Structures and Improvements	\$250,000
362	Station Equipment	\$450,000
Total		\$700,000

Cedar Creek 138/69/46 kV Substation Upgrade

Category	Estimated Cost
Labor	\$60,000
Outside Services	\$300,000
Material	\$105,000
Fleet	\$5,000
Contingency	\$30,000
Total	\$500,000

FERC Account / Plant	Description	Estimated Cost
353	Station Equipment	\$500,000
Total		\$500,000

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REQUEST

Staff 1-4 Provide the manner through which Kentucky Power will finance the construction of this project.

RESPONSE

Kentucky Power will construct, own, and finance 100 percent of the Project except for the six 138 kV circuit breakers (3000A 40 kA) arranged in a ring bus configuration in the Kewanee 138 kV Substation that will be owned 100 percent by Kentucky Transco. The Company anticipates that with Kentucky Transco assuming 100 percent economic responsibility for the six 138 kV Kewanee Substation circuit breakers, Kentucky Power will be able to fund through its normal operating cash flow and other internally generated funds the cost of the Project components of which it will own 100 percent . The cost associated with the Project components to be owned 100 percent by Kentucky Power does not involve sufficient capital outlay to affect the existing financial condition of Kentucky Power. Please also see the direct testimony of Mr. Wohnhas on page 20 and paragraph 21 of the application.

Witness: Ranie K. Wohnhas

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REQUEST

Staff 1-5 Provide the net book value , by electric plant account, for the Fords
Branch 46 kV Substation and other plant that is to be retired as a result of
the Project.

RESPONSE

Please see KPCO_R_KPSC_1_5_Attachment1.pdf for requested information.

Witness: Ranie K. Wohnhas

Multiple Net Book Value Report

As of: AUG 2018

Dated September 18, 2018

Item No. 5

Attachment 1

Page 1 of 1

American Electric Power

Company				
	Major Location			
	Asset Location			
	GL Account			
	Utility Account	Accum Cost	Alloc Reserve	Net Value
Kentucky Power - Distr				
Distribution Substations-KY, KEP				
Fords Branch 46KV Substation : KEP : 4130				
1010001 Plant In Service				
	36000 - Land	\$20,209.00	\$0.00	\$20,209.00
	36100 - Structures and Improvements	\$57,436.00	\$28,321.84	\$29,114.16
	36200 - Station Equipment	\$1,566,119.12	\$533,911.79	\$1,032,207.33
	GL Account Subtotal:	\$1,643,764.12	\$562,233.64	\$1,081,530.48
1060001 Completd Constr not Classif				
	36200 - Station Equipment	\$181,778.03	\$5,363.81	\$176,414.22
	GL Account Subtotal:	\$181,778.03	\$5,363.81	\$176,414.22
	Asset Location Subtotal:	\$1,825,542.15	\$567,597.45	\$1,257,944.70
	Major Location Subtotal:	\$1,825,542.15	\$567,597.45	\$1,257,944.70
	CompanyTotal:	\$1,825,542.15	\$567,597.45	\$1,257,944.70
	Grand Total:	\$1,825,542.15	\$567,597.45	\$1,257,944.70

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REQUEST

- Staff 1-6 Refer to the Application, paragraph 22, which provides the annual operating cost of \$16,000 and the projected annual additional ad valorem tax of \$229,000 resulting from the Project.
- a. Provide a breakdown of the operating cost by electric plant expense account.
 - b. Provide a schedule showing the calculation of the \$229,000 in projected annual additional ad valorem tax resulting from the Project.
 - c. Identify and explain any changes in the above costs due to the changes outlined in the Lasslo Supplemental Testimony.

RESPONSE

The Company inadvertently provided annual operating and ad valorem tax costs from another filing in its initial filing for Enterprise Park. Paragraph 22 of the application and page 20 of Mr. Wohnhas' testimony should reflect the correct estimated annual operating cost of \$12,500 and the correct estimated additional ad valorem tax of \$359,200. The answers below reflect the corrected estimates.

- a. The estimated annual operating cost will be captured in account 571.
- b. Please see KPCO_R_KPSC_1_6b_Attachment 1.pdf. for the requested information.
- c. The Company does not anticipate any changes to the estimated annual operating cost or the additional ad valorem tax resulting from the changes outlined in Mr. Lasslo's supplemental testimony.

Witness: Ranie K. Wohnhas

Transmission Project Tax Estimate: Enterprise Park 9/28/2018

New Substation Investment:	
Total Investment: Kenawee Sub	12,500,000 (Manuf Mach)
Total Investment: Cedar Creek Sub	500,000 (Manuf Mach)
Retirement: Ford's Branch*	(1,236,424) (Manuf Mach)
Total Invest	11,763,576

Estimated Tax:	
State of KY	17,645

New Transmission Line Investment:	
Total Investment: Trans Line	16,400,000 (Tangible)
Total Investment: Trans Line ROW	3,500,000 (Real)
	19,900,000

Estimated Tax:	
State of KY	78,070
Pike County	73,113
Floyd County	19,463
Pike County Common SD	123,559
Floyd County Common SD	41,312
City of Pikeville	-
Toler Creek FD	1,990
Mud Creek FD	3,980
Total	341,487

Total Tax for Entire Project Investment	
State of KY	95,715
Pike County	73,113
Floyd County	19,463
Pike County Common SD	123,559
Floyd County Common SD	41,312
City of Pikeville	-
Toler Creek FD	1,990
Mud Creek FD	3,980
Total	359,133

Line Allocation:	
Pike County-Common SD	70% (Kenawee, Fords Branch Subs)
Floyd County-Common SD-Mud Creek FD	20%
Floyd County-Common SD-Toler Creek FD	10%
Pike County-Common SD-Pikeville	(Cedar Creek Sub)
Total	100%

Line Miles (approx):	
Pike County-Common SD	3.50
Floyd County-Common SD-Mud Creek FD	1.00
Floyd County-Common SD-Toler Creek FD	0.50
Pike County-Common SD-Pikeville	5.00
Total	10.00

Property Tax Rates (TY2017):			
	Tangible	Real	Manuf Mach
State of KY	0.004500	0.001220	0.001500
Pike County	0.005482	0.004157	-
Floyd County	0.003330	0.002931	-
Pike County Common SD	0.008870	0.008870	-
Floyd County Common SD	0.006920	0.006920	-
City of Pikeville	0.001500	0.001500	-
Toler Creek FD	0.001000	0.001000	-
Mud Creek FD	0.001000	0.001000	-

Final Property Tax Estimate:			
	Add'l Tax:	Less Tax:	Net Tax Increase
Taxing Authority	New Investment	Retirement	
State of KY	97,570	(1,855)	95,700
Pike County	73,113		73,100
Floyd County	19,463		19,500
Pike County Common SD	123,559		123,600
Floyd County Common SD	41,312		41,300
City of Pikeville	-		-
Toler Creek FD	1,990		2,000
Mud Creek FD	3,980		4,000
Total	360,987	(1,855)	359,200

*Retirement of Ford's Branch: \$1,236,424 represents the 2018 reported NBV of the substation prior to retirement. This represents the taxable value that would be eliminated post-retirement. While this substation is located in Pikeville, the city would see negligible tax impact as substation equipment is considered "manufacturing machinery" and is only taxed at the state level.

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REQUEST

Staff 1-7

Refer to the Direct Testimony of Ranie K. Wohnhas, page 6, regarding the AEP Transmission Company, Inc.'s (Kentucky Transco) partial ownership of the Kewanee 138 kV Substation.

- a. Provide the value of the estimated ownership share that Kentucky Transco will have in the project.
- b. Provide the amount of financing that Kentucky Transco will contribute to the project.
- c. Confirm that this is the first project in which Kentucky Power and Kentucky Transco have shared ownership of a project. If this cannot be confirmed, provide a list of all shared-ownership projects between Kentucky Power and Kentucky Transco.
- d. Explain why it is beneficial to share ownership of the Kewanee 138 kV Substation.
- e. Provide a cost-benefit analysis resulting from shared ownership of a project.

RESPONSE

a. There will be no joint ownership by Kentucky Transco and Kentucky Power of the individual components of the Kewanee 138 kV Substation. Kentucky Transco will own 100 percent of the six 138 kV circuit breakers (3000A 40 kA) arranged in a ring bus configuration at the Kewanee 138 kV Substation. Kentucky Power will have no ownership of, or investment in, the six 138 kV Kewanee Substation circuit breakers to be owned by Kentucky Transco.

The Kentucky Transco's investment in the six 138 kV circuit breakers (3000A 40 kA) arranged in a ring bus configuration at the Kewanee 138 kV Substation will be reflected only on Kentucky Transco's books.

The remaining components comprising the Kewanee 138 KV Substation, as well as the remainder of the Project itself, including the transmission line, transmission line structures, associated work in connection with the Cedar Creek 138/69/46 kV Substation upgrade and the retirement of the Fords Branch 46 kV Substation, will be owned 100 percent by Kentucky Power.

Please see KPCO_R_KPSC_1_7a_Attachment 1.pdf for the costs associated with Kentucky Transco's 100 percent ownership of the six 138 kV Kewanee Substation circuit breakers and Kentucky Power's 100 percent ownership of the remaining Project components.

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KPSC_1_7 (Cont'd)

b. See the Company's response to KPSC 1-7(a). There is no joint ownership by Kentucky Transco and Kentucky Power of any Kewanee 138 kV Station component or of the remainder of the Project, including the transmission line and structures. Kentucky Transco will bear 100 percent of the cost of the six 138 kV Kewanee Substation circuit breakers to be financed and owned by Kentucky Transco. Kentucky Transco will not provide Kentucky Power Company with any financing of, or investment in, the remaining portions of the Project, all of which will be financed and owned 100 percent by Kentucky Power.

c. The statement cannot be confirmed. Please see the Company's response to KPSC 1-7(a). There is no joint ownership by Kentucky Transco and Kentucky Power of any Kewanee 138 kV Station component, or of the remainder of the Project, including the transmission line and structures.

Information regarding the projects where Kentucky Power and Kentucky Transco separately and independently have owned 100 percent of individual project assets is attached as KPCO_R_KPSC_1_7c_Attachment 1pdf.

d. Please see the Company's response to KPSC 1-7(a). There is no joint ownership by Kentucky Transco and Kentucky Power of any Kewanee 138 kV Station component, or of the remainder of the Project, including the transmission line and structures.

Kentucky Power is facing increasing capital investment demands. Currently, it has pending before this Commission three applications for certificates of public convenience and necessity, including this proceeding, to construct transmission facilities. These projects are required to meet PJM Baseline Project requirements as well as to provide the electric infrastructure needed to support critical economic development projects including Braidy Industries, Inc. and Ener-Blu. In addition, Kentucky Power anticipates seeking authority to construct additional transmission projects, including an anticipated filing during the first quarter of 2019 for Phase 2 of the EastPark 138 kV transmission line project. These capital projects, as well as other common capital projects, will place increased demand on Kentucky Power's free cash flow.

Moody's Investors Service on March 21, 2018 issued a report maintaining the Company's Baa2 credit rating, but revising its credit outlook for the Company from stable to negative. The Moody's website indicates that a negative outlook indicates a higher likelihood of a credit rating change over the medium term.^[1] Moody's website also indicates that historically, approximately one-third of issuers assigned a negative outlook have been downgraded within 18 months of the assignment of a negative outlook. The recent assignment of a negative outlook by Moody's underscores the importance of maintaining, or preferably improving, Kentucky Power's credit metrics, particularly its ratio of cash flow from operations (excluding changes in working capital) to the Company's debt.

Kentucky Transco was formed to help mitigate the adverse effect of heavy transmission investment demands on the Company's credit metrics by assuming legal and economic

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KPSC_1_7 (Cont'd)

responsibility for transmission-related projects, or, as is the case here, with 100 percent ownership of discrete portions of transmission projects. Doing so will not only relieve the “stress” such capital spending places on Kentucky Power’s credit metrics, it frees up additional borrowing capacity for non-transmission projects.

In evaluating the Company’s capital investment program prior to filing its application in this case, Kentucky Power determined that Kentucky Transco’s 100 percent ownership of the six 138 kV circuit breakers (3000A 40 kA) arranged in a ring bus configuration in the Kewanee 138 kV Substation, and its assumption of economic responsibility for the associated \$3.5M cost, will aid the Company’s cash flow and credit metrics.

e. Please see the Company’s response to KPSC 1-7(a). There is no joint ownership by Kentucky Transco and Kentucky Power of any Kewanee 138 kV Station component, or of the remainder of the Project, including the transmission line and structures. Kentucky Power has not performed a formal cost-benefit analysis. The reasons for, and benefits accruing from, Kentucky Transco’s ownership of 100 percent of the six 138 kV circuit breakers (3000A 40 kA) arranged in a ring bus configuration in the Kewanee 138 kV Substation are provided in the Company’s response to subsection d. above.

[1] See https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004

Witness: Ranie K. Wohnhas

Kentucky Power Company
 Enterprise Park Estimated Transmission Investment
 (\$M)

	Kentucky Power Transmission <u>Investment</u>	Kentucky Transco <u>Investment</u>	Total <u>Investment</u>	Kentucky Power % of Total <u>Investment</u>	Kentucky Transco % of Total <u>Investment</u>
Transmission Line Work incl. ROW	\$ 19.9	\$ -	\$ 19.9	100%	0
New Kewanee Substation	\$ 12.5	\$ 3.3	\$ 15.8	79%	21%
Retirement of Fords Branch Substation	\$ 0.7	\$ -	\$ 0.7	100%	0
Upgrade to Cedar Creek Substation	\$ 0.5	\$ -	\$ 0.5	100%	0
Total	<u>\$ 33.6</u>	<u>\$ 3.3</u>	<u>\$ 36.9</u>	91%	9%

Kentucky Power Company Transmission/Kentucky Transco

Projects

<u>Project Description</u>	<u>In-Service Date</u>	<u>Est. In-Service Date</u>
Baker 765/345 kV Transformer Addition	06/24/2016	
Baker 765 kV Shunt Reactor Replacement	10/02/2015	
Baker 345/138kV Transformer Replacement		11/20/2018
Baker 765 kV PK Breaker Replacement		11/20/2018
Bellefonte 138/69 kV Transformer Addition	12-18-2017	
Cedar Creek 138 kV Circuit Breaker Installations	04/19/2016	
Ashland Area Improvements Project	06/07/2017	
Dorton 138 kV Circuit Breaker Additions	06/21/2015	
Stanville Area Improvements Project		11/15/2018
Enterprise Park Economic and Area Improvements Project		12/09/2019

VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director of Regulatory & Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.



Ranie K. Wohnhas

Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2018-00209

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this 26 day of September, 2018.


Notary Public

My Commission Expires 3-18-19



VERIFICATION

The undersigned, Michael G. Lasslo, being duly sworn, deposes and says he is the Reliability Manager for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.



Michael G. Lasslo

Commonwealth of Kentucky)
)
County of Perry) Case No. 2018-00209

Subscribed and sworn before me, a Notary Public, by Michael G. Lasslo this 27th day of September, 2018.



Notary Public

My Commission Expires Aug 14 2021