Kentucky Power Company offers these supplemental comments concerning the one-page demonstrative tendered by Company representative Alex Vaughan at the November 13, 2019 public comment hearing in these proceedings. The Commission placed the one-page demonstrative of record on November 14, 2019. These supplemental comments provide a narrative explanation of the information presented in the demonstrative.

The pie chart at the top of the demonstrative illustrates the relative percentages of Kentucky Power’s total cost of service to all customers represented by the Company’s generation, transmission, and distribution functions. The detailed cost of service information supporting the pie chart data was developed from the Company’s sworn filings in its 2017 base rate case. The pie chart demonstrates that the distribution and transmission functions together comprise 35 percent of Kentucky Power’s total cost of service to all customers.

Not all customers make use of the Company’s distribution facilities, however. Some of the Company’s largest customers take service at transmission voltages and thus are not required under accepted ratemaking principles to pay for the cost of the distribution facilities they do not use. Such costs instead are allocated to the customers who use the distribution facilities. As a result, the costs associated with the transmission and distribution functions for customers who

use the distribution facilities, such as residential customers, comprise a greater percentage of the overall cost of service to such customers than they do for all customers as a whole.

The result is that, as the demonstrative Mr. Vaughan presented indicates, although transmission and distribution functions constitute only 35 percent of the Company’s total cost of service to all customers, they comprise 45 percent of the cost of service to those customers, such as residential customers, who use distributions facilities to receive their electric service.

Respectfully submitted,

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477
Facsimile: (502) 779-8349
moverstreet@stites.com

COUNSEL FOR KENTUCKY POWER COMPANY