

Kentucky Power Company
KPSC Case No. 2020-00062
Commission Staff's First Set of Data Requests on Rehearing
Dated February 26, 2021
Page 1 of 2

DATA REQUEST

- RH-1** Refer to the Supplemental Testimony of Brian K. West (West Supplemental), page S2, lines 11–22.
- a. Explain the legal basis and the accounting guidelines for Kentucky Power recovering its investments in transmission related assets or facilities necessary to implement PJM Baseline projects through FERC formula transmission rates.
 - b. Explain the legal basis and the accounting guidelines for Kentucky Power recovering its investments in transmission related assets or facilities necessary to implement PJM Baseline projects through base rates.
 - c. Confirm that ownership of the asset is the only criteria used in determining whether PJM Baseline projects are recovered through FERC formula transmission rates or through base rates.
 - d. If not confirmed, provide all additional criteria used and an explanation of how each criterion affects the determination.

RESPONSE

- a. The Company recovers its costs associated with transmission-related assets and with transmission facilities necessary to implement all transmission projects, including those classified as Baseline or Supplemental, through FERC formula transmission rates pursuant to its FERC-approved formula rate protocols.
- b. The Company does not recover costs associated with transmission assets and with transmission facilities necessary to implement PJM Baseline projects through base rates directly. Base rates recover transmission-related costs incurred by Kentucky Power as a load serving entity ("LSE"). Only a small fraction of the costs recovered by Kentucky Power through its formula rate are subsequently reflected in the costs incurred by Kentucky Power as an LSE, only about 6% of which correspond to costs related to Kentucky Power's upgrades to its transmission system.

Kentucky Power Company
KPSC Case No. 2020-00062
Commission Staff's First Set of Data Requests on Rehearing
Dated February 26, 2021
Page 2 of 2

c. Subsection "c." cannot be confirmed as stated. Pursuant to AEP's Project Selection Guidelines, AEP Kentucky Transmission Company, Inc. ("KY Transco") may only own transmission-function assets. Therefore, all costs incurred by KY Transco in connection with PJM Baseline and Supplemental projects are recovered solely through the FERC formula rates.

For assets owned by Kentucky Power, cost recovery mechanisms depend on the classification of the line or station within which an asset is located as distribution or transmission. Classification of a line or station as transmission or distribution is based on the line or station's function in the Kentucky Power electric system. Costs of assets owned by Kentucky Power which are classified as transmission are recovered through FERC-approved transmission formula rates. Costs of assets owned by Kentucky Power which are classified as distribution are recovered through Commission-approved retail rates. From Kentucky Power's point of view, ownership of its assets is not a criteria used in determining whether distribution or transmission components associated with PJM Baseline or Supplemental transmission projects are recovered through FERC formula transmission rates or through Commission-approved retail rates.

d. Please refer to the Company's responses to subsections "a", "b", and "c".

Witness: Brian K. West
Nicolas C. Koehler

Kentucky Power Company
KPSC Case No. 2020-00062
Commission Staff's First Set of Data Requests on Rehearing
Dated February 26, 2021
Page 1 of 2

DATA REQUEST

- RH-2** Refer to West Supplemental, Exhibit BKW-S1.
- a. Explain why Kentucky Power characterizes the Kewanee 138 kV Substation as a distribution asset when the new line and substation are transmission voltage, the substation is necessary to alleviate transmission system faults, and therefore the primary use of the substation is transmission related.
 - b. Explain what role Kentucky Power's decision to replace and upgrade the aging Fords Branch 46 kV Substation as part of this transmission project has in Kentucky Power choosing to consider the Kewanee 138 kV Substation a distribution asset and therefore recover construction costs through base rates.
 - c. Confirm that in previous PJM Baseline projects Kentucky Power has recovered the costs for project components through base rates that could have been recovered through FERC formula transmission rates.

RESPONSE

a. The Kewanee substation is a distribution asset because the primary use of the substation as a whole is to serve a distribution function. While the transmission equipment in the substation is necessary to provide discrete transmission functions within the substation, this in-station transmission equipment is ancillary to the whole substation's primary purpose, which is to provide distribution of electricity to the Kentucky Power retail customers served from that substation through Kentucky Power's electric distribution network.

The Company also notes that the transmission lines connecting to the substation are distinguishable from the substation itself. The transmission lines connecting to the substation are distinct transmission assets with a primary transmission function.

b. None. The costs associated with Kentucky Power's replacement of the Fords Branch Substation are distribution function costs regardless of whether they are necessitated or done in conjunction with upgrades to Kentucky Power's transmission assets in the area. The decision to replace the aging Fords Branch 46 kV Substation as part of this project is based solely on the needs the project addresses in the context of Kentucky Power's long-term obligation to provide electric service to its customers.

Kentucky Power Company
KPSC Case No. 2020-00062
Commission Staff's First Set of Data Requests on Rehearing
Dated February 26, 2021
Page 2 of 2

c. The statement in subsection "c" is incorrect. The costs incurred by Kentucky Power for project components that could be recovered through FERC formula transmission rates have been recovered through those rates. Any costs associated with PJM baseline projects that Kentucky Power has recovered through base rates correspond to assets classified as distribution-function asset for cost recovery purposes, and which could not have been recovered through FERC formula rates.

Witness: Brian K. West
Nicolas C. Koehler

Kentucky Power Company
KPSC Case No. 2020-00062
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Dated February 26, 2021

DATA REQUEST

RH-3 Refer to the Supplemental Testimony of Nicolas C. Koehler (Koehler Supplemental), page S6, lines 1–8. Provide an explanation of the guideline referred to as "predominant use accounting" and explain the role of predominant use accounting in deciding whether to recover the cost of a component in a new or rebuilt substation through FERC approved formula transmission rates or to recover such costs through base rates.

RESPONSE

Please see the Company's response to Staff's First Set of Data Requests on Rehearing, Item 2 above. Kentucky Power's recovery of the costs of components within a substation is driven by the classification of the station as distribution or transmission under KPCO_R_KPSC_RH_1_3_Attachment1.

Witness: Nicolas C. Koehler

AEP SYSTEM ACCOUNTING BULLETIN No. 12

Revised May 1, 1972

**CLASSIFICATION OF STATIONS AND LINES
AS BETWEEN TRANSMISSION AND DISTRIBUTION PLANT**

I. PURPOSE

The purpose of this Accounting Bulletin is to establish a uniform System policy in the segregation of stations and lines as between transmission or distribution plant. This will facilitate the preparation of Improvement Requisitions and assure comparable reporting by all companies.

II. BASIS FOR DETERMINING CLASSIFICATION

A. Lines

1. Transmission - all lines of 23 kv and above, except those indicated in 2b below.
2. Distribution
 - a. all lines below 23 kv
 - b. lines 23 kv and above whose primary function is to distribute electricity directly to line transformers* (Note: The Operating Company T&D Manager or Superintendent shall designate such lines 23 kv and above as distribution.

B. Stations

1. Transmission - all stations transforming voltage from lines classified as transmission to voltage for lines classified as transmission even though they may have some distribution functions.
2. Distribution - all stations transforming voltage from lines classified as transmission to voltage for lines classified as distribution only.

* Refer to Accounting Bulletin No. 19 for a definition of a line transformer.


R. O. Whitman

ROW/sn

Kentucky Power Company
KPSC Case No. 2020-00062
Commission Staff's First Set of Data Request on Rehearing
Dated February 26, 2021

DATA REQUEST

- RH-4** Refer to the Koehler Supplemental, page S3, lines 12–19.
- a. Confirm that the purpose, function, operation, and use of the circuit breakers and capacitor bank as presented in Kentucky Power's September 3, 2020 application has not changed. If not confirmed, provide an updated explanation of the purpose, function, operation, and use of the circuit breakers and capacitor bank.
 - b. Confirm that the only thing that has changed regarding the circuit breakers and capacitor bank is the construction, ownership, and maintenance of the facilities. If not confirmed, provide an updated list of changes regarding the circuit breakers and capacitor bank.

RESPONSE

- a. Confirmed.
- b. Confirmed.

Witness: Nicolas C. Koehler

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is Vice President, Regulatory & Finance for Kentucky Power Company 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 after reasonable inquiry.



Brian K. West

State of Indiana)
) ss Case No. 2020-00062
County of Allen)

Subscribed and sworn to before me, a Notary Public, in and for said County and State, Brian K. West this 17th day of March, 2021.

Regiana M.)
Sistevaris) Digitally signed by Regiana M.
) Sistevaris
) Date: 2021.03.17 13:14:06
) -04'00'

Regiana M. Sistevaris, Notary Public

My Commission Expires: January 7, 2023



Koehler Verification.docx

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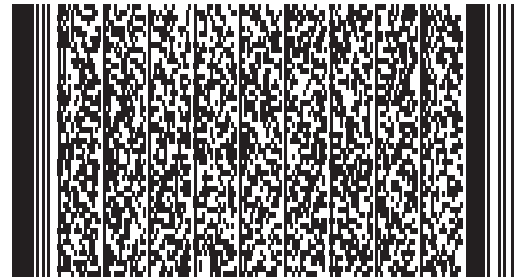
E-Signature Summary

E-Signature 1: Nicolas C Koehler (NCK)

March 18, 2021 10:03:44 -8:00 [649B2F73C2BF] [167.239.2.87]
nckoehler@aep.com (Principal) (Personally Known)

E-Signature Notary: Brenda Williamson (BW)

March 18, 2021 10:03:44 -8:00 [8CBB17E3551D] [167.239.2.88]
bgwilliamson@aep.com
I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION


The undersigned, Nicolas C. Koehler, being duly sworn, deposes and says he is the Director of Transmission Planning, American Electric Power Service Corporation, 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 after reasonable inquiry.


Signed on 2021/03/18 10:03:44 -8:00
Nicolas C. Koehler

STATE OF OHIO)
) ss Case No. 2020-00062
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public, in and for said County and State, Nicolas C. Koehler this ____ day of March, 2021.
03/18/2021


Signed on 2021/03/18 10:03:44 -8:00
Notary Public


Brenda G. Williamson
Commission # 2016-RE-579446
Electronic Notary Public
State of Ohio
My Comm Exp. Apr 25, 2021
Notary Stamp 2021/03/18 10:03:44 PST 8CBB1E3551D

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