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) APPROVAL OF TARIFFS AND RIDERS; (3) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; (4) APPROVAL OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND (5) ALL OTHER REQUIRED APPROVALS AND RELIEF	)	Case No. 2020-00174

JOINT SUPPLEMENTAL DATA REQUESTS OF KIUC AND THE ATTORNEY GENERAL

Come now the intervenors, Kentucky Industrial Utility Customers ("KIUC") and the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), and submit these Data Requests to Kentucky Power Company (hereinafter "Kentucky Power" or the "Company") to be answered by September 30, 2020 and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.

(2) Identify the witness who will be prepared to answer questions concerning each request.

(3) Repeat the question to which each response is intended to refer.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General and KIUC.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General and KIUC as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words ''document'' or ''documents'' are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters

or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

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Respectfully submitted,

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Certificate of Service and Filing

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on September 16, 2020, an electronic copy of the forgoing was served by e-mail to the following. A physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.

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this 16th day of September, 2020.

Assistant Attorney General

Supplemental Data Requests

Cash Working Capital

1. Provide a copy of all cash working capital ("CWC") studies using the lead/lag approach performed by or on behalf of the Company since 2017, including all supporting calculations of lead/lag days for each revenue and expense line item in the study.

2. Confirm that the Company has the expertise to calculate CWC using the lead/lag approach and has the data to calculate the revenue and expense lead/lag days necessary for that purpose. If denied, then explain how the other AEP operating utilities have such expertise and the necessary data to calculate CWC using the lead/lag approach in other jurisdictions.

3. Confirm that the Company is the only party in this proceeding that has the data necessary to calculate CWC using the lead/lag approach and that the AG, KIUC, and Staff do not have any source for such data, except from the Company.

4. Confirm that the Company's CWC would be negative if it calculated CWC using the lead/lag approach. If denied, provide all support for your response.

5. Confirm that the Company is aware that the Commission set Duke Energy Kentucky's CWC to $0 after the Company refused to perform or provide a CWC study using the lead/lag approach in response to AG discovery in Case No. 2019-00271.

6. Confirm that the Company sells its receivables to an AEP affiliate, which reduces the revenue lag days compared to the revenue lag days if it did not sell its receivables.

7. Identify all other AEP operating utilities that calculate CWC using the lead/lag approach in their respective jurisdictions.

8. Confirm that the CWC using the lead/lag approach is less than the amount using the one-eighth formula approach for all other AEP operating utilities that calculate CWC using the lead/lag approach in their respective jurisdictions.

9. Provide all empirical support for the relative accuracy of the CWC using the one-eight formula approach compared to the lead/lag approach. If none, then so state.

Rate Base versus Capitalization

10. Confirm that the Company considers rate base an accurate and appropriate basis for calculating the "return on" component of the base revenue requirement.

11. Confirm that the Company's riders all use rate base instead of capitalization to calculate the "return on" component of the revenue requirement, to the extent there is such a component in each specific rider.

12. Confirm that the Company is aware that the Commission adopted rate base instead of capitalization to calculate the "return on" component of the electric base revenue requirement for Duke Energy Kentucky in Case No. 2019-00271.

13. Confirm that the Company agrees that a "return on rate base approach provides a transparent and effective way to establish base rates" and that it "is logical, reasonable, and administratively more efficient" than a "return on capitalization" approach, consistent with the direct testimony of Amy Spiller, the CEO of Duke Energy Kentucky, in support of Duke's request to use rate base instead of capitalization in Case No. 2019-00271[1] and consistent with the Commission's decision to approve the use of rate base instead of capitalization in that case. If denied, then provide *all* reasons why the Company believes that a return on capitalization approach is superior to a return on rate base approach.

14. Confirm that the Company agrees that the "use of rate base is a more precise method for measuring the Company's actual investment in facilities and equipment to provide utility service" and that "the rate base methodology is an easier and more conventional way to represent investment in utility plant that is not only accepted by this Commission, but throughout the country," consistent with the direct testimony of William Don Wathen, Jr., Director of Rates and Regulatory Strategy for Ohio and Kentucky, in support of Duke's request to use rate base instead of capitalization in Case No. 2019-00271.[2] If denied, then provide all reasons why the Company believes that a return on capitalization approach is "more precise" than a return on rate base approach and superior to a return on rate base approach.

15. Provide the per books ADIT by FERC account/subaccount related to the prepaid pension asset and prepaid pension contra-asset. Confirm that the ADIT related to the prepaid pension asset is a liability amount, that the ADIT related to the prepaid pension contra-asset is an asset amount, and that the liability ADIT and asset ADIT amounts net to zero, just as the prepaid pension asset and prepaid pension contra-asset net to zero.

16. Refer to the Company's response to Staff 2-11, which provides a detailed reconciliation between rate base and capitalization. Confirm that the Company excluded the prepaid pension contra-asset (account 1650014) and the prepaid OPEB contra-asset (account 1650037) from the rate base amounts shown in the column entitled "Section V Exhibit 1 Schedule 4 Rate Base." Confirm and provide all evidence that the Company also excluded the related asset ADIT amounts from the rate base amounts in that same column. If it did not exclude the related asset ADIT amounts from the rate base amounts in that same column, confirm that the Company agrees that if the Commission allows the two prepaid

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[1] Direct Testimony of Amy Spiller at 25-26 in Case No. 2019-00271.
[2] Direct Testimony of William Don Wathen, Jr. at 11-12 in Case No. 2019-00271.

assets in rate base with no offset for the two related contra-assets, then the asset ADIT related to the two contra-assets also should be excluded from rate base. If denied, then explain why the Commission should exclude the two contra-assets from rate base, which would reduce rate base if included, but should include the related asset ADIT amounts, which increase rate base if not excluded.

17. Refer to the prepaid pension asset and prepaid OPEB asset table that Appalachian Power Company provided in the rebuttal testimony of A. Wayne Allen at 20 in Virginia SCC Case No. PUR-2020-00015.

   a. Provide a table in similar format and level of detail for the Company at December 31, 2019.

   b. Provide a table in similar format and level of detail for the Company at March 31, 2019.

   c. Confirm that the Company did not include the amounts in accounts/subaccounts 1290000, 1290001, 2283016, 1823165, 1823166, 1900010, 1900011, 2190006, and 219007 in its calculation of rate base in this proceeding. If confirmed, provide a detailed explanation as to why each account should not be included in rate base. If denied, then provide a schedule that demonstrates the amounts in the referenced accounts/subaccounts were included in the calculation of rate base in this proceeding.

   d. Confirm that the Company agrees that any amounts in account 1823165 and 1823166 should not be included in rate base because these regulatory assets were not financed; the amounts simply balance the pension/OPEB funding position and the pension/OPEB amounts in accumulated other comprehensive income. If this is not correct, then provide a corrected statement and provide all authoritative support for your corrected statement, including all support for the proposition that the amounts in these accounts were financed specifically with equity and debt, not some other combination of assets and liabilities, such as those shown on the tables provided in response to parts (a) and (b) of this question.

<u>**Incentive Compensation**</u>

18. Refer to the Company's response to AG-KIUC 1-26.

   a. Provide the expense related to the Restricted Stock Units (RSU) for Kentucky Power employees included in the test year by FERC account.

   b. Refer to Attachment 1. Add another column and provide the amounts in each account that were charged to the co-owner of Mitchell. Add yet another column and provide the net AEPSC amounts charged to the Company net of the amounts charged to the co-owner of Mitchell.

Rockport

19. Provide a copy of the Rockport Plant Unit 2 sale/leaseback agreement and all amendments between AEGCo/I&M and the lessor, Wilmington Trust Company.

20. Refer to the AEGCo 2019 Form 1 at 123.44 wherein AEGCo states: "In the first quarter of 2019, in accordance with ASU 2016-02, AEGCo's $21.9 million unamortized gain associated with the sale-and-leaseback of the Plant was recognized as an adjustment to equity. The adjustment to equity was then reclassified to regulatory liabilities in accordance with accounting guidance for "Regulated Operations" as AEGCo and I&M will continue to provide the benefit of the unamortized gain to customers in future periods."

    a. Describe the gain and the related accounting since the origination of the gain upon the sale to the lessor.

    b. Describe the ratemaking treatment of the gain in Kentucky retail rates since the sale to the lessor.

    c. Provide a schedule by month since the sale to the lessor that shows by FERC account and subaccount the total AEGCo and the Kentucky Power Company share of the gain upon the sale to the lessor, per books amortization of the gain, month end unamortized gain, accounting adjustments (including a detailed description of each such accounting adjustment), and the amount included in the rate base (net of ADIT) used to calculate the return on rate based

21. Refer to the AEGCo 2019 Form 1 at page 123.51 which describes its Asset Retirement Obligations ("ARO") and related expense. Refer also to the monthly Rockport invoice copies billed by AEGCo to KPCo provided in response to AG/KIUC 1-7.

    a. Provide the breakdown of ARO's for AEGCo separately for Rockport Unit 1 and Unit 2 by legal obligation at December 31, 2019 and March 31, 2020, including, but not limited to, asbestos remediation and ash pond remediation.

    b. Provide the breakdown of ARO costs billed by AEGCo to KPCo separately for Rockport Unit 1 and Unit 2 during 2019 and for the first three months of 2020. Provide the subaccount number and worksheet tab citations for all separate amounts billed in the December 2019 Rockport invoices to KPCo as an example.

    c. Provide copies of all studies and workpapers that support the balances of ARO's for Rockport Unit 1 and Unit 2 by legal obligation at December 31, 2019.

22. Refer to the monthly Rockport invoice copies billed by AEGCo to KPCo provided in response to AG/KIUC 1-7. The invoices reference ARO depreciation expense in account 403.1 and ARO accretion expense in account 411.10 for Rockport Unit 1 and Unit 2. Describe for each unit the costs included separately in each account and define the ARO costs to which these expense amounts relate. Provide the calculations of each of these amounts by month, including the calculation of the ARO amortization period (startpoint and endpoint), in live Excel spreadsheet format with all formulas intact. In addition, provide a forecast by month through the termination of the Rockport UPA of the ARO depreciation expense in account 403.1 and the ARO accretion expense in account 411.11 by unit, including the calculations of these amounts in live Excel spreadsheet format with all formulas intact.

23. Refer to the Rockport EDIT amortization expense for the twelve months ended March 31, 2020 for AEGCo and the amount allocated to KPCo as reflected in the attachment response to AG/KIUC 1-16.

    a. Provide the protected and unprotected EDIT balances by temporary difference separately for Rockport Unit 1 and Unit 2 as of March 31, 2020 as recorded on the books of AEGCo.

    b. Describe the protected and unprotected EDIT amounts on the books of AEGCo in each of the accounts 281, 282, and 283. If the amounts are distinguished between Rockport Unit 1 and Unit 2, please so state and describe

    c. Provide the monthly protected and unprotected EDIT amortization in the same format for AEGCo and KPCo for each month in the test year and for each subsequent month starting April 2020 for which information is available.

    d. Indicate whether AEGCo was allocated or credited with any EDIT amortization benefits by the lessor on Rockport Unit 2. If so, describe the process whereby AEGCo was allocated such amounts, provide a schedule of such amounts by month (total EDIT by temporary difference beginning and end of month and monthly amortization) starting January 2018 and continuing through the most recent month for which actual information is available and forecast through the termination of the lease agreement, and provide a schedule of amounts used to reduce rate base and to amortize the EDIT to AEGCo and allocate such amounts to the Company.

24. Refer to the AEGCo 2019 Form 1 at page 278 showing a balance of $34,817,144 in account 254 at the end of 2019 for “SFAS-109 Deferred FIT.” Describe the amounts that are included in this account and indicate whether any amounts relate to Rockport Unit 1 and Unit 2 EDIT.

25. Please provide a copy of the Fifth Modification to the December 2007 Consent Decree with EPA, Sierra Club, et. al. regarding the Rockport Plant approved by the Federal District Court for the Southern District of Ohio on July 18, 2019. With respect to the Fifth Modification please provide the following:

    a. Confirm that AEP (I&M and AEP Generating Company) will install enhanced dry sorbent injection (DSI) technology on both Rockport Units that will reduce SO2 emissions by at least 58%.

    b. Confirm the both Rockport Units will have a combined SO2 emissions cap starting in 2021 of 10,000 tons.

    c. Provide all studies, memos or other documents that estimate the cost impact of the Fifth Modification on Kentucky Power.

    d. Confirm that over the three year period 2017-2019, the Rockport Units emitted an average of 37,577,284 tons of SO2 per year.

    e. Provide the estimated capital cost of the DSI system.

    f. Provide the period of time over which the DSI system is proposed to be depreciated for ratemaking purposes in Kentucky.

    g. Provide the estimated variable cost per MWh of the DSI system.

    h. For the estimated variable cost per MWh, break out this cost into variable O&M costs for reagent, variable O&M costs for waste disposal and variable O&M costs for auxiliary power.

    i. With the new DSI system in operation, what is the expected energy cost for Rockport generation (by unit) in 2021 and 2022?

    j. If Kentucky Power can purchase energy from the PJM market cheaper than from Rockport Unit 1 or 2, confirm that Kentucky Power has the ability to back down Rockport Unit 1 or 2 generation to purchase from PJM.

    k. Will the economic dispatch protocol for Rockport change as a result of the DSI investment?

26. Confirm that AEP and its relevant affiliates are currently involved in litigation with the owners of Rockport Unit 2. If so confirmed, provide the style of that litigation including the court and all applicable docket numbers.

a. Explain whether in such litigation, AEP will agree to extend the lease of Rockport Unit 2.

b. Explain whether any potential extension of the Rockport Unit 2 lease could affect KPCo, and if so, how.

c. If AEP does extend the lease with Rockport Unit 2, confirm that KPCo ratepayers will pay less depreciation on new environmental investments.

27. Refer to the copy of the Rockport Unit Power Agreement ("UPA") and all amendments provided in response to AG/KIUC 1-6.

a. Provide a copy of the "Owners' Agreement", dated March 31, 1982, as Amended (referenced at page 2 of 34).

b. Provide a copy of the "operating Agreement" entered into by IMECO, AEGCO and KEPCO in accordance with the "Owners' Agreement" to operate the Rockport Plant (referenced at page 2 of 34).

c. Provide a copy of the IMECO-AEGCO Unit Power Agreement designated AEGCO FERC Rate Schedule No. 1 (referenced at page 6 of 34).

28. Provide the net plant on the books of AEGCO separately for Rockport Units 1 and 2 at December 31, 2019 and for each month thereafter with available information and projected for each month through December 31, 2020.

<u>Transmission Issues</u>

29. Please refer to the Transmission Agreement by and among Appalachian Power, Columbus Southern, I&M, Kentucky Power, Kingsport Power, Ohio Power and Wheeling Power (the "Members" collectively or "Member" individually) issued on August 4, 2010 in FERC Docket ER09-1279-000. Paragraph 1.1 States that "The Transmission System covered by this Agreement shall include all transmission facilities, from time to time, *owned by the Members* that are included in the costs of service used to determine rates for transmission service under the PJM OATT, or successor open access transmission tariff."

a. Explain the legal basis for including the costs of transmission not "*owned by the Members*" but instead owned by AEP Kentucky Transmission Company, AEP Ohio Transmission Company, AEP Appalachian Transmission Company, AEP Indiana Michigan Transmission Company and AEP West Virginia Transmission

Company ("State Transcos") in Appendix 1 to the Transmission Agreement (Allocation of Transmission Related Costs and Revenues).

b. Was the Transmission Agreement amended to include the State Transcos? If yes, provide the FERC Order approving the amendment.

c. If the Transmission Agreement was not amended to include the State Transcos, what is the authority for allocating State Transco costs to the Members pursuant to the Transmission Agreement?

d. Does Kentucky Power agree that the Transmission Agreement is a FERC filed rate that must be followed? Please see Paragraph 9.1 of the Transmission Agreement.

e. Provide all documents in the possession of Kentucky Power which address the legality of Kentucky Power paying for State Transco costs, other than for AEP Kentucky Transmission Company.

30. Please provide a breakdown, as follows, of the AEP East Zone CP demands (the NSPL) for the years 2017, 2018, 2019 and 2020 as used in the development of the NITS formula rate revenue requirement per MW (for example, in the 2020 formula rate the NSPL was 22,499.7 MW):

a. by AEP East Transmission Agreement Operating Company (i.e., KPCo, APCo, I&M, OPCo, WPCo, KNG)

b. by other non-AEP Operating Company loads. Provide this information by state. Also provide a list identifying the name of the utility or LSE associated with each such load, the MW load included in the zonal CP demand, the state in which the LSE is located.

31. For each of the AEP East Operating Companies and each of the non-AEP Operating Company loads that are included in the AEP East Zone NSPL CP demand, please provide the NSPL CP demands for the years 2017, 2018 and 2019.

32. With regard to the Company's response to AG-KIUC 1-45 Attachment 1, please confirm that the following entry ("5650016 PJM NITS Expense – Affiliated/Inc. Transco") represents the portion of the allocated NITS expenses associated with AEP State Transco's. If not, please provide a detailed explanation of this charge.

33. For each of the NITS expenses shown in the response to AG-KIUC Attachment 1, please provide the total AEP East amount and a calculation showing the AEP East 1 CP billing determinant and the NITS rate/MW.

34. Please provide a schedule showing the allocation of the AEP East State Transco NITS charges for 2020 to KPCo. Include the following information in the schedule:

    a. The individual NITS revenue requirements for each State Transco.

    b. The billing determinant used to unitize the total revenue requirement (i.e., 1 CP demand, if the revenue requirement is recovered through a unit rate/kW.

    c. The allocation of the total State Transco revenue requirement to the AEP East Operating Companies, including the allocation factor used.

    d. The allocation of the total State Transco revenue requirement to non-AEP Operating Companies, including a list of each such non-AEP Operating Company LSE receiving an allocation of the State Transco revenue requirements.

    e. The allocation of the AEP East Operating Company share of the State Transco revenue requirement to <u>each</u> Operating Company, including KPCo and the corresponding allocation factor used to allocate these costs.

    f. The legal basis for the allocation of the AEP East Operating Company share of the State Transco revenue requirement to each AEP East Operating Company. Please provide a copy of any relevant tariffs, AEP East Operating Company transmission agreements or FERC orders that address the allocation of these costs.

35. Please provide for each of the AEP East Operating Companies, the 12 CP demands and the 1 CP demands coincident with the AEP East transmission zonal peak (i.e., the Operating Company demands coincident with the AEP East Network Service Peak Load), for 2017, 2018, and 2019.

36. Reference the Commission's final order dated Jan. 18, 2018 in Case No. 2017-00179. p. 54, wherein the Commission stated: "Regarding proposed transmission projects at PJM, the Commission expects Kentucky Power <u>to work through the PJM stakeholder process</u> to protect its customer interests."[3] Explain in detail the measures KPCo has taken to work through the PJM stakeholder process to protect its customers' interests pertaining to PJM transmission projects. Include in your response any instances in which any KPCo action taken to protect its customers' interests differed from actions that any of KPCo's affiliates and/or parent entities may have taken regarding each such action.

    a. Confirm that the adjusted test year Kentucky retail jurisdictional total of net PJM LSE OATT charges and credits included in base rates is $96,896,495, which is an increase of $22.519 million over the amount included in Case No. 2017-00179.

[3] Emphasis added.

b. Of the $22.519 million increase, identify what portion pertains to PJM supplemental transmission projects,[4] and provide a description of each supplemental project.

37. Reference the Vaughan testimony, p. 32, wherein he references the settlement in FERC docket number EL05-121 regarding the cost allocation methodology historically used by PJM to allocate the costs of transmission enhancement projects to the LSEs in PJM's footprint. Provide the total amount of credits KPCo customers have received as a result of the settlement in this FERC docket.

38. Reference FERC docket EL20-58,[5] wherein American Electric Power Service Corp. (AEPSC) on behalf of KPCo, seeks FERC approval for deployment of a 14.4 MWh-rated battery energy storage system ("BESS") at KPCo's Middle Creek Substation near Floyd, Kentucky, as a transmission asset designed to reduce outages on KPCo's 46 kV Falcon-to-Prestonsburg transmission line.

a. Explain whether KPCo seeks to recover costs for all, or any portion of this project in rates, and whether it proposes to recover any portion thereof in the current rate case. If so, identify precisely where in the application the project is identified. If not so confirmed, explain when KPCo will seek to recover those costs.

b. Explain whether the FERC has designated the Middle Creek Substation BESS as a transmission facility.

c. Confirm that project costs will be booked to the appropriate accounts in AEP's wholesale formula rate template, and that accordingly, KPCo's retail customers will become responsible for a portion of the project's costs.

d. Provide a description of the project's different phases, together with estimated in-service dates for all phases.

e. Confirm that KPCo will file applications for certificates of public convenience and necessity with the Kentucky Public Service Commission for approval to construct Phases 1 and 2 of the Middle Creek Project.

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[4] For purposes of this question, the term "supplemental transmission project" is defined as a transmission expansion or enhancement that is not required for compliance with PJM criteria for system reliability, operational performance, or economic criteria, and is not a state public policy project according to the PJM Operating Agreement.

[5] In Re: American Electric Power Service Corp. Petition for Declaratory Order.

f. Confirm that the Middle Creek Project is designated as a Supplemental Project (Project ID S2200.1-.3) under PJM's Attachment M-3 process.

g. Confirm that multiple parties have filed protests in FERC docket EL20-58.

h. Confirm that in the May 4, 2020 PJM Planning Committee meeting, PJM stakeholders adopted the "Storage As a Transmission Asset ("SATA") Issue Charge"[6] and that PJM is currently facilitating a stakeholder process that is evaluating whether existing PJM planning rules provide sufficient clarity regarding if and how storage as a transmission asset should be evaluated and incorporated into the PJM RTEP process. [7]

(i) If so confirmed, confirm further that this stakeholder process may result in: (1) the development of processes that could be used in evaluating storage as a transmission asset to address elements in the RTEP; and (2) enhanced clarity in PJM's evaluation process of storage as a transmission asset to provide more transparency for stakeholders.

(ii) Confirm that AEP/KPCo is moving forward with this project despite the fact this stakeholder process has not been completed.

i. Explain whether the Middle Creek BESS, if built as proposed, would result in a constraint that does not exist today.

AEPSC EDIT

39. Provide a schedule showing the EDIT by temporary difference for AEPSC (total AEPSC and allocation to KPCo) due to the remeasurement of ADIT resulting from the lower federal income tax rate due to the TCJA. If there was no allocation to KPCo, then provide the AEPSC allocation factor used to allocate/charge depreciation expense on AEPSC assets to KPCo.

40. Describe how AEPSC treated the EDIT resulting from the lower federal income tax rate due to the TCJA. Provide copies of the AEPSC accounting entries performed to establish the EDIT balances.

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[6] https://www.pjm.com/-/media/committees-groups/committees/pc/2020/20200512/20200512-item-04c-storage-as-a-transmission-asset-issue-charge-clean.ashx
[7] https://pjm.com/-/media/committees-groups/committees/pc/2020/20200605-special/20200605-item-02a-storage-as-a-transmission-asset-problem-statement-clean.ashx

41. Describe how the AEPSC EDIT is reflected in the KPCo revenue requirement. Provide the amounts reflected in capitalization, rate base, expense, and/or cost of capital by temporary difference and the related effect on the KPCo revenue requirement, if any. Provide all data, assumptions, and calculations, including electronic workpapers with all formulas intact.

Decommissioning Rider

42. Refer to the Direct Testimony of Mr. Vaughan at page 5. Provide a copy of the most recent spreadsheet calculation for the Decommissioning Rider in electronic format with all formulas in place.

Receivables

43. Provide the monthly receivables amounts sold to AEP Credit, Inc. and the applicable discounting interest rate for each month during 2020 with available information. In addition, separate out the interest rate percentage each month between the components associated with the uncollectible accounts and that of the financing costs.

Dues and Membership Fees

44. Regarding organizations to which KPCo pays dues ("Dues Requiring Organizations"), including but not limited to Edison Electric Institute (EEI) and the Electric Power Research Institute (EPRI), explain whether those dues are included for recovery in the proposed revenue requirement. If so:

    a. Identify precisely where in the application they can be found.

    b. Explain whether each such organization the Company identifies in response to this question utilizes all or any portion of the dues KPCo pays for: (i) legislative advocacy; (ii) regulatory advocacy; and/or (iii) public relations [hereinafter jointly referred to as "covered activities"]. Identify the precise amount of the dues used for the covered activities.

    c. Provide a copy of invoices received from each such organization covering the test year in this case.

    d. Provide any documents in the Company's possession depicting how each such Dues Requiring Organization spends the dues it collects, including the percentage that applies to all covered activities.

e. State whether the Company is aware whether any portion of the dues it pays to any Dues Requiring Organization are utilized to pay for any of the following expenditures, and if so, provide complete details:

i. Influencing federal or Kentucky legislation;

ii. Any media advertising campaigns backing the Company's or the organization's position on net metering;

iii. Contributions from EEI, EPRI or other Dues Requiring Organizations to third-party organizations, their affiliates and/or contractors including any of the expenditures identified in subparts i. and ii., above.

45. With regard to the Company's response to the question immediately above:

a. Explain whether the Company pays any dues or membership fees to law firms or trade groups[8] which maintain an affiliate engaged in any covered activities;

b. If KPCo itself does not pay dues to any Dues Requiring Organizations, but a KPCo affiliate does pay such dues and a jurisdictional portion of those dues are charged back to KPCo, explain whether the dues are being recovered in rates, the amounts thereof, and precisely where they can be found in the application.

46. Reference the response to AG-KIUC 1-21. Regarding the Conner Run Impoundment (ASH#1 Connor Run - KPCo Mitchell), confirm that the Mitchell station is responsible for 86.5% of costs, of which KPCo's share of the costs consists of 50%.

a. Confirm that AEP Generation Resources Inc. and Murray Energy are responsible for the remaining 50% of the Mitchell cost responsibility.

b. Provide the cost sharing breakdown between AEP Generation Resources Inc. and Murray Energy.

c. Given that Murray Energy has declared bankruptcy, explain whether it (or any successor entity, or any entity that will assume Murray Energy's performance responsibilities under the subject agreement) will remain responsible for its share of costs. If not, explain how the costs will be allocated. Provide also any analyses KPCo or any affiliate may have conducted regarding the impact of Murray

[8] For purposes of this question, such groups may include, but are not necessarily limited to: North American Transmission Forum, Utility Air Regulatory Group, Utility Water Act Group, Midwest Ozone Group, or Utility Solid Waste Activities Group.

Energy's bankruptcy on the sharing of cost responsibilities pertaining to the Conner Run Impoundment.

d. Reference KPCO_R_KIUC_AG_1_21_Attachment1, the "Test Year Revisions" tab. Confirm that final closure of the Conner Run Impoundment will occur on June 1, 2021.

i. Explain what the phrase "final closure" means (i.e., is it the date remediation begins, or the date that no more ash and other combustion residuals will be placed).

iii. Explain whether the amounts reflected on this tab are the sums for which KPCo would be responsible in the event remediation of Conner Run Impoundment commences June 1, 2021.

iv. Explain whether KPCo would seek recovery of costs for the remediation of Conner Run Impoundment through the environmental surcharge.

47. Reference KPCo's application for a CPCN in Case No. 2020-00062, in which the Company seeks the Commission's approval to construct transmission facilities in Pike and Floyd Counties. Explain whether all or any portion of KPCo's share of the proposed projects' total estimated costs of approximately $35 million are included for recovery in the instant rate case.

<u>Advanced Metering Infrastructure and Grid Modernization Rider</u>

48. Reference the responses to AG-KIUC 1-89, wherein the Company stated that with regard to the proposed AMI project, performing cost-benefit analyses for the proposed AMI project would provide only "limited utility," and to AG-KIUC 1-95, wherein the Company refuses to conduct any cost-benefit analyses.

a. Reference the Final Order issued on April 27, 2020 in Case No. 2019-00277,[9] at pages 14-15, wherein the Commission stated "Using AMI metering for more than just billing purposes is something that not only Duke Kentucky, but all utilities should consider to <u>maximize the benefits</u> of smart meters." [Emphasis added]

i. Confirm that, since KPCo refuses to identify the amount of specific benefits to be derived from the proposed program, KPCo's sole reason for the project is for purposes of billing.

[9] *In Re:* Electronic Application Of Duke Energy Kentucky, Inc. To Amend Its Demand Side Management Programs.

ii. Given KPCo's refusal to conduct any cost-benefit analyses, explain precisely how KPCo will "maximize the benefits" of its proposed AMI program, if at all.

iii. Reference the Supplemental Response to AG-KIUC 1-97, Attachment 5 ("AEP Ohio Revised Phase 3 Full System Feasibility Study Final Report"), p. 4 of 38, wherein it is stated "A common theme among all the objectives identified in Table 1 of the Phase 2 report is to '"maximize customer and company benefits for the technologies proposed.'" Explain why Ohio Power Co. was willing to consider "maximizing the benefits" of its AMI program, but KPCo apparently refuses to do so.

b. Provide the business case for the proposed AMI project.

49. Reference the response to AG-KIUC 1-92 (a). Confirm that the acronym "GMR" refers to the proposed Grid Modernization Rider.

50. Reference the response to AG-KIUC 93 (b). Explain whether cost savings could be achieved by attaching the necessary telecommunications equipment on existing poles owned by telecommunications carriers.

51. Reference the response to AG-KIUC 1-94. Identify precisely where in KPCo's responses that the Company provided:

a. the "detailed explanation of the types of benefits that are and are not quantifiable," asked for in subpart (a) of that question. If not already provided, provide them herein;

b. any "cost-benefit analyses of the types of benefits it believes are quantifiable," as asked for in subpart (b) of that question. If not already provided, provide them herein.

52. Reference the response to AG-KIUC 1-96. Confirm that since KPCo: (i) refuses to conduct any cost-benefit analyses; (ii) has not selected a meter manufacturer / model for use in the KPCo service territory; and (iii) has not identified the manufacturer / models for the communications network and computer backhaul equipment essential for the operation of the AMI system, that the Company has no evidence probative of the purported benefits that the proposed AMI project would bring to KPCo's defined service territory.

53. Explain whether the Company would ever, hypothetically, submit a CPCN for new generation without identifying the manufacturer, costs, nameplate capacity and other important data for the Commission to base its consideration upon.

54. Reference the response to AG-KIUC 1-98, wherein the Company stated that if the Commission should approve the CPCN and the GMR, "the Commission will retain the future ability to review the technical details associated with the Company's AMI system." Explain whether the level of "review" the Commission would then have would enable it to approve or reject: (i) the meter manufacturer / model; and (ii) the manufacturer / models for the communications network and computer backhaul equipment essential for the operation of the AMI system.

    a. Confirm that if the CPCN and GMR are approved, the only level of "review" the Commission would have would be the same type of after-the-fact cost prudency review similar with any other tracking mechanism.

    b. Confirm that if the CPCN and GMR are approved, the Commission would be unable to confirm or revise the proposed ratepayer benefits to be received under the AMI project.

55. Reference the response to AG-KIUC 1-99 and the application generally. Explain whether cost estimates for the AMI project include: (i) any additional costs that AEPSERVCo will apply to KPCo; and (ii) labor costs. If not, include estimates of those costs.

56. Explain where the computer back-haul systems necessary for operation of the proposed AMI would be physically located (i.e., within Kentucky, or at AEP's home offices in Ohio?).

57. Reference the response to AG-KIUC 1-100. Confirm that KPCo is saying that any potential benefits to ratepayers from the proposed AMI project are of secondary importance.

58. Reference the response to AG-KIUC 1-101, wherein the Company states, *inter alia*, that "any future AMI system will have at least the same functionality of the Company's existing AMR meters or better." Confirm that KPCo is now acknowledging that it is possible that its AMI project, as proposed, may have zero benefits to ratepayers. Also reference the response to AG-KIUC 1-106.

    a. If the Commission should approve the proposed AMI project, explain if the Company would be willing to incorporate the Green Button "Connect My Data" in addition to the Green Button "Download My Data" standard. If not, explain why not.

b. Reference the response to subpart b. If the Commission should approve the proposed AMI project, explain if the Company would be willing to transmit the data to willing customers via telephone text message, and/or social media texting platforms.

59. Reference the response to AG-KIUC 1-102, wherein the Company states, "The Commission will have the ability to review the Company's AMI meters' functionality through its annual review of the Grid Modernization Rider." Confirm that the Commission's review of the GMR, if approved, will be limited solely to after-the-fact cost prudency.

60. Reference the response to AG-KIUC 1-110. Explain why the Company could not have included the performance metrics specified therein as the basis for a cost-benefit analysis.

61. Reference the responses to AG-KIUC 1-112 and AG-KIUC 1-113. Discuss the measures KPCo is prepared to take to insure its AMI meters do not become obsolete. Include in your response an explanation of whether the refusal to conduct a cost-benefit analysis increases the risk of obsolescence. Explain in complete detail.