DATA REQUEST

KPSC 1_1 Identify any provisions in Kentucky Power's current tariffs that would allow it to offer relief by extinguishing delinquent bills as proposed in this matter.

RESPONSE

Please refer the Tariff Sheet 2-5 of Kentucky Power Company's terms and conditions of service. It provides in pertinent part:

> C. All Payments.
>
> The tariffs of the Company are met if the account of the Customer is paid within the time limit specified in the tariff applicable to the Customer's service. To discourage delinquency and encourage prompt payment within the specified time limit, certain tariffs contain a delayed payment charge, which may be added in accordance with the tariff under which the service is provided. *Any one delayed payment charge billed against the Customer for non-payment of bill may be remitted, provided the Customer's previous accounts are paid in full and provided no delayed payment charge or forfeited discount has been remitted under this clause during the previous six months*. (emphasis supplied).

This provision authorizes Kentucky Power to extinguish delayed payment charges and forfeited discounts subject to the limitations contained in the final sentence of the paragraph quoted. Delayed payment charges and forfeited discounts comprise a portion of the delinquencies to be extinguished if the Commission grants the Company's application. This tariff provision thus allows the Company "to offer relief by extinguishing a delayed payment charge or forfeited discount which is a part of delinquent bills" but does not authorize the full relief sought in this proceeding.

Kentucky Power is not relying on this provision to support its Application. The Company also has not calculated the portion of the approximate $10.8 million in requested relief that otherwise would be available under this provision.

Witness: Brian K. West

DATA REQUEST

KPSC 1_2 State whether Kentucky Power contends that its proposal in this matter is consistent with the requirements of KRS 278.160(2), and explain each basis of Kentucky Power’s contention.

RESPONSE

Kentucky Power’s proposal is “consistent with the requirements of KRS 278.160(2).”

Subsection (2) of KRS 278.160 provides:

> No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater than or less than that prescribed in such schedules.

The provision now codified at KRS 278.160(2) first was enacted in 1934 as part of legislation creating the Public Service Commission. *See* 1934 KY. ACTS ch. 145 § 5(d). What is now KRS 278.160(2) first was codified as CARROLL’S KY. STATUTES § 3952-31 (1934).

Enacted as part of the same legislation, and in fact it comprised the following subsection of the bill, was the provision now codified as KRS 278.170(2). *See* 1934 KY. ACTS ch. 145 § 5(e). It provides in pertinent part:

> Any utility may grant free or reduced rate service to the United States, to charitable and eleemosynary institutions, and to persons engaged in charitable and eleemosynary work, *and may grant free or reduced rate service for the purpose of providing relief in the case of flood, epidemic, pestilence, or other calamity*.

(emphasis supplied). KRS 278.170(2) initially was codified as CARROLL’S KY. STATUTES § 3952-32 (1934). As such, it was codified immediately following what is now KRS 278.160(2).

Kentucky law provides that a statute "be construed as a whole, for all of its parts to have meaning, *and for it to harmonize with related statutes*." *Spencer v. Estate of Spencer*, 313 S.W.3d 534, 541 (Ky. 2010) (emphasis supplied). Statutes, such as KRS 278.160(2) and KRS 278.170(2) that are enacted as part of the same act, *Lambert v. Bd. of Tr.*, 152 S.W. 802 (Ky. 1913), or even enacted at the same session of the General Assembly, *DeStock No. 14 v. Logsdon*, 993 S.W.2d 952, 959 (Ky. 1999), must be construed to give effect to both.

KRS 278.160(2) requires that Kentucky Power "charge, demand, collect, … [and] receive" from its customers the rates established by its Commission-approved tariffs. It also provides that customers must pay the tariffed rate. But the next subsection of the legislative act enacting what is now codified as KRS 278.160(2) carved out an exception to the general rule of KRS 278.160(2). That subsection, now codified at KRS 278.170(2), authorizes utilities to provide "free or reduced rate service" in the case of a "flood, epidemic, pestilence, or other calamity." Nothing in KRS 278.170(2) requires that the "free or reduced rate service" first be published as part of a Commission-approved tariff in conformity with KRS 278.160. To the contrary, KRS 278.170(2) authorizes a utility to provide "free or reduced rate service" on notice to, and agreement by, the Commission. *Id*. ("Notice must be given to the commission and its agreement obtained….") Indeed, in the case of an emergency, a utility is authorized to provide "free or reduced rate service" without first providing notice or obtaining Commission authorization so long as notice is provided "at least five days after the service is rendered." *Id*.

Reading KRS 278.160(2) and KRS 278.170(2) together to give effect to the plain language of both as required by Kentucky law, the Commission is authorized under KRS 278.170(2) to approve the Company's application this case notwithstanding the more general requirements of KRS 278.160(2). The predicate to the Commission acting under KRS 278.170(2) in the absence of specific tariff language is a finding by the Commission that Kentucky Power's proposal to provide "free or reduced rate service" is for "the purpose of providing relief in the case of flood, epidemic, pestilence, or other calamity."

The Coronavirus Disease 2019 ("COVID-19") pandemic in Kentucky, and the resulting economic dislocation, constitute an "epidemic, pestilence, or other calamity" as contemplated by KRS 278.170(2). The Company's proposal in this case is designed[1] to provide measured, meaningful, and necessary relief to the Company's customers suffering the effects of the COVID-19 pandemic and resulting economic dislocation by accelerating the amortization of a portion (approximately ten percent) of the unprotected accumulated deferred federal income tax balance that otherwise would be returned to customers over the next 15.5 years.

The United States Secretary of the Department of the Health and Human Services on January 31, 2020 declared a public health emergency as of January 27, 2020 throughout the United States. The Governor of the Commonwealth on March 6, 2020 declared a state of emergency existed in Kentucky as a result of COVID-19 and

> order[ed] and direct[ed] the issuance of appropriate state active duty orders for the necessary officers, troops, personnel, equipment, including the resources of the Kentucky National Guard and other logistical support necessary for an immediate response to the … COVID-19 emergency in the Commonwealth.[2]

On March 12, 2020 the Governor recommended that all schools close at least temporarily.[3] Schools ultimately remained closed for the remainder of the school year.[4] The Governor on March 16, 2020 ordered the closure of child care centers, prohibited on-site restaurant service, and closed state government offices to the public.[5] The Kentucky Cabinet for Health and Family Services on March 17, 2020 ordered that all "public-facing businesses" that were unable to comply with the Centers for Disease Control guidelines close by 5:00 p.m. on March 18, 2020.[6] The Cabinet subsequently on March 19, 2020 banned all "mass gatherings."[7] "Non-essential retailers" were ordered on March 22, 2020 to close.[8] The next day elective medical procedures were banned.[9] On March 25, 2020 evictions were suspended.[10] Out-of-state travel by Kentucky residents was severely limited by executive order on March 30, 2020.[11] The number of persons permitted to enter establishments that remained open under earlier orders was limited on April 8, 2020.[12]

The Kentucky unemployment rate increased by almost 400 percent, from 4.4 percent to 16.6 percent, between February 2020, the month prior to emergence of the pandemic, and April 2020, the final month of usage that is subject to Kentucky Power's proposed relief.[13] Mining and logging employment in Kentucky, both of which previously were foundational industries in Kentucky Power's service territory, decreased by 47.6 percent between April 2019 and April 2020.[14] Over the same period other important components of the economy in Kentucky Power's service territory declined at double digit rates across the Commonwealth: leisure and hospitality (-44.4 percent), manufacturing (-22.0 percent), and trade, transportation, and utilities (-12.8 percent).[15]

The May 2020 preliminary unemployment rates in 19 of the 20 counties in Kentucky Power's service territory exceeded the seasonally adjusted statewide unemployment rate of 11 percent.[16] In nine of the 20 counties in the Company's service territory the estimated May 2020 unemployment rate exceeded 13 percent.[17] The estimated May 2020 unemployment rate in one county served by Kentucky Power, Magoffin County, was 20.5 percent.[18] The Kentucky Office of State Budget Director's control April 30, 2020 forecast estimated that Kentucky wages and salaries would decline 5.8 percent in the fourth quarter of FY 2020 (March to June 2020) and 11.7 percent in the first and second quarters of FY 2021 (June to December 2020)[19] as a result of the measures taken to combat the pandemic. The Budget Director's pessimistic forecast for the same periods indicated declines in wages and salaries of 24.3 percent and 37.4 percent respectively.[20] At least one report has indicated the COVID-19 pandemic and resulting economic dislocation had a greater effect on unemployment in Kentucky than in any other state.[21]

The Commission promptly acted in March 2020 to address the health and economic consequences of the pandemic. It established Case No. 2020-00085 on March 16, 2020 "to address the pressing issue related to utility service arising across the Commonwealth of Kentucky as a result of the novel coronavirus COVID-19."[22] In that same order the Commission directed that "for at least the next 30 days, and until further notice from the Commission, utilities should suspend disconnections due to non-payment and waive the assessment of late payment fees."[23]

The March 16, 2020 suspension of disconnections for nonpayment and late payment fees remains in effect until further order of the Commission.[24] The Commission reemphasized the continuing nature of the suspension, and the importance of continued electric service, in its April 16, 2020 Order:

> It is lamentable that the Commission has to clarify the clear mandates of the March 16, 2020 Order in this proceeding, especially in light of the current state of emergency in which a vast majority of Kentuckians are required to stay at home, and continued utility service is a necessity for many activities, specifically activities for sanitary, disinfection, and health reasons. Disconnection of their utilities for nonpayment unnecessarily perpetuates the existing state of emergency.[25]

Although the Commission also emphasized in its March 16, 2020 Order that "[n]othing in this Order should be conveyed as relieving customers from the obligation to pay for service rendered,"[26] continued electric service will remain an important prerequisite to the ability of many customers to regain employment, rebuild their lives, and to maintain their health after the suspension period is ended. The ability of many customers to continue electric service after the end of the suspension period could be adversely affected by their inability to pay the debt for electric service accumulated during the suspension period (including delinquencies as of May 28, 2020) because of job loss and otherwise. For example, more than 13 percent of all customer accounts were 30 or more days delinquent as of May 28, 2020.[27] The total amount of the Company's accounts receivable more than 30 days delinquent increased by 44 percent from approximately $7.5 million to approximately 10.8 million between April 2, 2020 and May 28, 2020.[28]

For all of these reasons, the Company's proposal is consistent with KRS 278.160(2)'s requirements.

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[1] *See e.g.*, Verified Application, *In the Matter of: Electronic Application of Kentucky Power Company To Amend The Settlement Agreement Approved in Case No 2018-00035 To Provide For The One-Time Amortization Of Unprotected Accumulated Deferred Federal Income Tax In An Amount Sufficient To Eliminate Customer Delinquencies Greater Than 30 Days As Of May 28, 2020*, Case No. 2020-00176 ¶¶ 3-4, 22-23, 27, 30 (Ky. P.S.C. Filed May 29, 2020).

[2] Executive Order 2020-215 at 2 (March 6, 2020).

[3] https://www.kentuckyteacher.org/news/2020/03/gov-beshear-recommends-schools-close-to-limit-spread-of-covid-19/

[4] https://www.courier-journal.com/story/news/2020/04/20/kentucky-schools-closed-remainder-school-year-beshear-says/5114849002/

[5] https://kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=94

[6] https://governor.ky.gov/attachments/20200317_Order_Public-Facing-Businesses.pdf

[7] https://governor.ky.gov/attachments/20200319_Order_Mass-Gatherings.pdf

[8] https://kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=101

[9] https://governor.ky.gov/attachments/20200323_Directive_Elective-Procedures.pdf

[10] Executive Order 2020-257 at 4-5 (March 25, 2020). Executive 2020-257 also continued certain earlier orders and directives.

[11] Executive Order 2020-258 at 1-2 (March 25, 2020). The executive order was expanded on April 2, 2020 to include persons traveling into the Commonwealth. Executive Order 2020-266 at 1-2 (April 2, 2020).

[12] Executive Order 2020-275 at 1-2 (April 8, 2020).

[13] https://www.bls.gov/eag/eag.ky.htm

[14] *Id*.

[15] *Id*.

[16] https://twitter.com/kystats/status/1276156410531852298/photo/1 The reported rates for Morgan County and Knott County were 8.5 percent and 10.8 percent respectively.

[17] *Id.*

[18] Id.

[19] https://osbd.ky.gov/Publications/Quarterly%20Economic%20and%20Revenue%20Reports%20%20Fiscal%2016/20-3rdQrtRevenue.pdf

[20] *Id*.

[21] https://www.kentucky.com/news/coronavirus/article242598516.html

[22] Order, *In the Matter of: Electronic Emergency Docket Related To The Novel Coronavirus COVID-19*, Case No. 2020-00085 at 1 (Ky. P.S.C. March 16, 2020).

[23] *Id*. at 3.

[24] *Id*. at 3, 8 (Ordering ¶¶ 1, 2).

[25] Order, *In the Matter of: Electronic Emergency Docket Related To The Novel Coronavirus COVID-19*, Case No. 2020-00085 at 2 (Ky. P.S.C. April 16, 2020).

[26] Order, *In the Matter of: Electronic Emergency Docket Related To The Novel Coronavirus COVID-19*, Case No. 2020-00085 at 5 (Ky. P.S.C. March 16, 2020).

[27] Verified Application, *In the Matter of: Electronic Application of Kentucky Power Company To Amend The Settlement Agreement Approved in Case No 2018-00035 To Provide For The One-Time Amortization Of Unprotected Accumulated Deferred Federal Income Tax In An Amount Sufficient To Eliminate Customer Delinquencies Greater Than 30 Days As Of May 28, 2020*, Case No. 2020-00176 ¶ 19 (Ky. P.S.C. Filed May 29, 2020).

[28] *Id*.

Prepared by counsel

DATA REQUEST

KPSC 1 _3 Explain Kentucky Power's position regarding the period within which notice must be provided to the Commission if a utility offers free or reduced service in the event of an emergency, pursuant to KRS 278.170(2), and explain Kentucky Power's position regarding the effect of failing to provide such notice, if any.

RESPONSE

The notice provision of KRS 278.170(2) provides:

> Notice must be given to the Commission and its agreement obtained for such reduced rate service, except in the case of an emergency, in which case the Commission shall be notified at least five days after the service is rendered.

The second part of the notice provision, dealing with emergencies and about which this data request inquires, requires that notice be given within five days "after the service is rendered." This provision allows a utility to provide free or reduced service by waiving or reducing its rates in the case of an emergency prior to notifying the Commission of its action. Such an emergency might include a situation where but for the waiver or reduction utility service would be terminated during life-threatening conditions because of past due debts and there is not time to seek and receive Commission approval. In those limited emergency situations, the statute directs the utility to notify the Commission of its earlier waiver or reduction of its rates during the emergency within five days of rendering the service.

The emergency clause of the notice provision of KRS 278.170(2), which is not applicable to the Company's application, does not prescribe the effect of failing to provide notice within the statutory period. Although a creature of statute, the Commission also enjoys such powers as are conferred "'by necessity or fair implication.'"[1] One such necessary or fairly implied power is the right to determine the effect a failure to provide notice within the period prescribed in the statute.

The first part of the notice provision of KRS 278.170(2), which is the part applicable to the Company's application, is broader and is not limited to those emergency instances where the utility is required to waive or reduce its rates prior to notifying the Commission of its intent to do so. The first part of the notice provision, although requiring notice and Commission approval, does not specify "the period within which notice must be provided to the Commission if a utility offers free or reduced service in the event of any emergency." Where a statute or other legal instrument does not specify a time period for taking an action, the courts will construe the statute or instrument to require that the action be taken within a reasonable period. *See Brown v. Rose*, 26 S.W.2d 503, 505 (Ky. 1930) (Where statute does not prescribe period for qualifying for vacant office the courts will require that qualification occur within a reasonable period); *Gabbard v. Sheffield*, 200 S.W. 940, 943 (Ky. 1918) (grantor required to remove standing timber from land conveyed where deed conveying land but reserving right to remove timber does not specify period for doing so). What constitutes a reasonable period must be determined based on the facts of the case. *Coleman v. Owens*, 254 S.W2d 341, 342 (Ky. 1953).

Kentucky Power provided the Commission with notice of its proposal at the earliest practicable date consistent with the nature of the relief being sought.[2] The Company filed its application the day following the end of the period for which delinquencies were, with Commission approval, to be waived. In fact, providing notice of the Company's intention to waive delinquencies as of some future date would give rise to the very "moral hazard" of "incent[ing] customers to forego payment of future bills based on the possibility that the Commission" would grant the requested relief with respect to future delinquencies that is addressed in the Company's response to KPSC 1-11.

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[1] *Pub. Serv. Com'n of Ky. v. Commonwealth*, 320 S.W.3d 660, 665 (Ky. 2010) quoting *Boone Cnty. Water and Sewer Dist v. Pub. Serv. Com'n*, 949 S.W.2d 588, 591 (Ky. 1991)

[2] In addition, the Company informally provided earlier notice to Commission Staff, the Attorney General, and Kentucky Industrial Utility Customers, Inc., the counterparty to the April 25, 2018 settlement agreement in Case No. 2018-00035, of its proposal.

Prepared by counsel

Kentucky Power Company
KPSC Case No. 2020-00176
Commission Staff's 1st Set of Data Requests
Dated June 23, 2020

DATA REQUEST

KPSC 1 _4 Identify the total monetary amount of bills that Kentucky Power has written off as uncollectible in each of its last five fiscal years, and provide a breakdown of that amount by residential, commercial, and industrial classes in each such year.

RESPONSE

See KPCO_R_KPSC_1_4_Attachment1 for the monetary amount of Kentucky Power customer receivables that were charged-off as uncollectible in each of the last five fiscal years by AEP Credit, Inc. (AEP Credit).

There is no provision for bad debts related to customer receivables directly established on Kentucky Power Company's (Kentucky Power) books since Kentucky Power continues to participate in a sale of receivables arrangement with AEP Credit. Under this sale of receivables arrangement, Kentucky Power sells, without recourse, certain of its customer accounts receivable and accrued unbilled revenue balances to AEP Credit and is charged a fee based on AEP Credit's financing costs, administrative costs and collection experience for Kentucky Power's receivables. Kentucky Power maintains management and servicing of its customer accounts receivable, which are sold to AEP Credit. Based on the sale of receivables arrangement with AEP Credit and in accordance with FERC, Kentucky Power expense related to its most recent 12-month accounts receivable collection experience is calculated monthly and recorded to Account 4265010 (Factoring Expense-Bad Debt). The expense recorded to Account 4265010 (Factoring Expense-Bad Debt) is included as a cost in Kentucky Power's base rates authorized in Case No. 2017-00179, as described in the response to KPSC 1-5. See KPCO_R_KPSC_1_4_Attachment2 for monthly amounts recorded to Account 4265010 for each of the last five fiscal years.

Witness: Brian K. West

KENTUCKY POWER

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL
Year	Net Charge-Off	Net Charge-Off	Net Charge-Off
2015	$1,535,144.56	$77,333.37	$34,049.25
2016	$1,412,917.54	$104,088.19	$90,460.82
2017	$1,875,219.58	$110,696.12	($488.85)*
2018	$2,071,727.59	$125,887.99	$84,868.78
2019	$1,829,264.84	$138,854.53	$793,004.14

* Reinstatements exceeded charge off amounts resulting in a negative amount for the year.

ACCOUNT 4265010					
Accounting Period	**2015**	**2016**	**2017**	**2018**	**2019**
1	210,685	153,039	153,536	226,544	230,799
2	187,400	171,720	125,258	179,730	192,612
3	218,656	152,860	164,673	150,970	176,456
4	173,474	129,431	123,260	159,817	161,996
5	127,871	119,666	135,198	153,264	174,227
6	198,168	147,917	139,734	159,797	165,850
7	192,526	133,392	144,075	166,239	209,039
8	186,098	149,634	170,582	166,308	198,428
9	181,560	148,628	145,694	139,803	174,200
10	182,478	115,662	150,853	171,953	193,996
11	125,289	112,200	151,647	159,463	161,635
12	164,153	148,407	158,313	163,114	220,134
Total	**2,148,359**	**1,682,555**	**1,762,823**	**1,997,003**	**2,259,373**

Kentucky Power Company
KPSC Case No. 2020-00176
Commission Staff's 1st Set of Data Requests
Dated June 23, 2020

DATA REQUEST

KPSC 1_5 Identify the total monetary amount of uncollectible bills that Kentucky Power included as a cost in base rates in Case No. 2017-00179 and identify where Kentucky Power obtained that information from the record in that case.

RESPONSE

The total monetary amount of uncollectible bills that Kentucky Power included as a cost in base rates in Case No. 2017-00179 was $1,636,590. It was recorded in Account 4265010 and filed in Case No. 2017-00179 with the Company Application in Section V - Exhibit 1, Schedule 4, Line No. 489.

Witness: Brian K. West

DATA REQUEST

KPSC 1_6 If the Commission were to approve Kentucky Power's application, explain how Kentucky Power would handle accounts that were delinquent as of May 28, 2020, in which the delinquency that existed as of that date was paid, in whole or in part, prior to the account being credited as proposed in this matter; how it would handle accounts that were delinquent as of May 28, 2020, for which service was voluntarily discontinued prior to the account being credited; and how it would handle accounts that were delinquent as of May 28, 2020, for which the delinquency increased prior to the account being credited.

RESPONSE

a) "Accounts that were delinquent as of May 28, 2020, in which the delinquency that existed as of that date was paid, in whole or in part, prior to the account being credited."

In this scenario, the Company would apply the credit as it was recorded as of May 28, 2020. A payment in whole or in part, of the May 28, 2020 delinquency amount by the customer prior to the application of the excess unprotected ADFIT would reduce the customer's total current balance, at the time the credit is applied, by the amount of delinquency as of May 28, 2020.

b) "How it would handle accounts that were delinquent as of May 28, 2020, for which service was voluntarily discontinued prior to the account being credited."

The customer's voluntary termination of service by itself does not eliminate the delinquency. In this scenario, the Company would follow its normal procedures and attempt to locate the same customer if they had moved to another premise in the Company's service territory and apply the credit as it was recorded as of May 28, 2020 to that customer's new account. If the customer finaled their account and moved outside of the Company's service territory, the Company would apply the credit as it was recorded as of May 28, 2020 to the finaled account for reducing the amount of the final bill that remained owed, and /or refunding the remaining portion of the credit to the customer.

c) “How it would handle accounts that were delinquent as of May 28, 2020, for which the delinquency increased prior to the account being credited.”

In this scenario, the Company would apply the credit as it was recorded as of May 28, 2020. The application of the credit would be against the customer’s total current balance, at the time the credit is applied, which could include any delinquency that has occurred after May 28, 2020. Any delinquency that occurred after May 28, 2020 that was not eliminated by the credit is the responsibility of the customer to pay.

Witness: Brian K. West

DATA REQUEST

KPSC 1_7 If the Commission were to approve Kentucky Power's application, explain whether Kentucky Power would propose to continue amortizing the remaining excess unprotected ADIT balance at approximately the same annual rate as if the entire ADIT balance were being amortized over the same 18 years established in Case No. 2018-00035, which would reduce the number of years over which the total balance would be amortized; or whether Kentucky Power would propose to continue amortizing the remaining excess unprotected ADIT balance over the same 18 years established in Case No. 2018-00035, which would reduce the annual rate at which excess unprotected ADIT would be amortized.

RESPONSE

On June 29, 2020, in Case No. 2020-00174, the Company filed a base rate case and, among other things, proposed to maintain the current rate for Tariff F.T.C. through 2021. Please see the testimony of Company Witness West at page 8 and Company Witness Vaughan at page 33. The Company also proposed shortening the 18-year amortization period for Tariff F.T.C. and maintain the 2020 rates shown on Tariff F.T.C., subject to the outcome of this case and Case No. 2020-00174, until the remaining excess ADFIT balance has been returned to customers through the tariff. The combined effect of the Company's proposals in the instant case and Case No. 2020-00174 if approved will shorten the current 18-year amortization period and return to customers the unprotected excess ADFIT balance more quickly than agreed to in Case No. 2018-00035.

Witness: Brian K. West

DATA REQUEST

KPSC 1_8 Explain why Kentucky Power contends that it would be reasonable to fund the entirety of its proposed forgiveness of delinquent bills with excess unprotected ADIT, which represents a liability it has to its customers, given that Kentucky Power’s base rates already include a cost for uncollectible bills that is paid by customers, and explain why Kentucky Power’s proposal would not result in customers paying the cost for uncollectible bills, or a portion thereof, twice.

RESPONSE

The Company incurs uncollectible accounts expense every year and 2020 will be no exception. The Company's proposal was intended to target increased delinquencies related to the COVID-19 pandemic and resulting economic dislocation and limit any incremental increase in uncollectible accounts expense that would eventually be included in base rates and recovered from all customers.

Witness: Brian K. West

DATA REQUEST

KPSC 1_9 State whether Kentucky Power contends that it would be unreasonable for the Commission to require Kentucky Power to fund its proposed forgiveness of delinquent bills up to the cost of uncollectible bills that was included in base rates, or some portion thereof, with the remainder to be funded with a one-time amortization of excess unprotected ADIT as proposed, and explain each basis for Kentucky Power's response.

RESPONSE

Yes, it would be unreasonable for the Commission to require Kentucky Power to fund the proposed forgiveness of delinquent accounts "up to the cost of uncollectible bills included in base rates." Doing so would deny Kentucky Power the ability to recover in 2020 (or the year the requirement is imposed) a well-recognized ongoing expense.

The amount of uncollectible bill expense included in base rates, and the amount the Company proposes to include as part of the rates proposed in Case No. 2020-00174, represent a normal level of uncollectible expense. Between April 2, 2020 and May 28, 2020 the amount of accounts 30 or more days delinquent, an indicator of uncollectible account expense, increased 44 percent from approximately $7.5 million to approximately $10.8 million. The Company will continue to incur uncollectible account expense in 2020 even if its application is granted without amendment. The Company's proposal is designed to limit the amount of incremental delinquencies and ultimately, uncollectible accounts expense, arising from the COVID-19 pandemic and resulting economic dislocation. The Company's proposal to use a portion of the excess unprotected ADFIT, a regulatory liability to be credited back to customers through Tariff F.T.C., is reasonable and should be approved. Refer to the Company's response to KPSC 1_5 for the amount of uncollectible accounts expenses included in the Company's base rates. Also, see the Company's response to KPSC 1_8.

Witness: Brian K. West

DATA REQUEST

KPSC 1_10 State whether Kentucky Power contends that customers who do not receive the relief on their bills proposed in this matter would benefit from other customers being provided the relief, and, if so, explain in detail how customers that do not receive relief on their bills would benefit and quantify that benefit to the extent possible.

RESPONSE

Yes. Customers who do not receive relief through the Company's application would benefit from Kentucky Power's proposal. Some level of uncollectible accounts expense, as approved by the Commission, is included in base rates and all customers pay for these expenses. The Company's proposal is intended to limit the incremental amount of uncollectible accounts expense. Without this, uncollectible accounts expense would increase significantly and all customers would pay for that increase. Additionally, reducing uncollectible accounts expense improves the Company's financial position, which potentially could lower its cost of borrowing. Lower financing costs would flow through to all customers in lower rates. Please see the Company's response to Staff 1_5 and 1_8.

Witness: Brian K. West

DATA REQUEST

KPSC 1_11 State whether Kentucky Power contends that granting its application will not incent customers to forego payment of future bills based on the possibility that the Commission may offer similar relief in the future, and, if so, explain why. Also, explain whether there is any way to quantify that risk.

RESPONSE

Granting Kentucky Power's application ***will not*** "incent customers to forego payment of future bills based on the possibility that the Commission may offer similar relief in the future." The COVID-19 pandemic and the resulting economic dislocation are unique in at least the last 90 years of Kentucky history.[1] Indeed, most persons currently alive in Kentucky have never experienced a pandemic, and certainly not one of the scope of the current COVID-19 outbreak. Nor have persons currently alive seen the restrictions on daily personal and economic activity that developed following the Governor's March 6, 2020 declaration of a state of emergency in the Commonwealth. It is not reasonable to assume that customers who are otherwise able to pay their utility bills will forgo doing so, and risk disconnection of utility service, which as the Commission explained "is a necessity for many activities, specifically activities for sanitary, disinfection, and health reasons,"[2] in the anticipation that some future pandemic and catastrophic economic and societal upheaval will lead the Commission to offer similar relief in the future. Most importantly, Kentucky Power acted to curtail the risk that customers will forgo paying their electric bills because delinquencies would be forgiven by limiting the requested relief to those delinquencies that were 30 or more days past due as of the day before it made its proposal public by filing its application.

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[1] *See e.g.* https://www.kentucky.com/news/politics-government/article242354906.html (Lexington unemployment exceeds the levels of the Great Depression); https://klccitylimit.com/news/2020/05/unemployment-rate-highest-since-great-depression/ (national unemployment rate exceeds the maximum rate experienced during the Great Depression).

[2] Order, *In the Matter of: Electronic Emergency Docket Related To The Novel Coronavirus COVID-19*, Case No. 2020-00085 at 2 (Ky. P.S.C. April 16, 2020).

Witness: Brian K. West

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and states he is the Director of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing responses, and that the information contained therein is true correct to the best of his information, knowledge, and belief.

Brian K. West

State of Indiana)
) ss Case No. 2020-00176
County of Allen)

Subscribed and sworn to before me, a Notary Public, in and for said County and State, Brian K. West this 30th day of June, 2020.

Regiana M. Sistevaris

Digitally signed by Regiana M. Sistevaris
Date: 2020.06.30 12:59:56 -04'00'

Regiana M. Sistevaris, Notary Public

My Commission Expires: January 7, 2023