

Kentucky Power Company
KPSC Case No. 2021-00004
Commission Staff's Second Rehearing Data Requests
Dated September 17, 2021
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DATA REQUEST

RH_2_1 Refer to Kentucky Power's motion for rehearing, pages 1 and 5–6 and the Direct Testimony of Brian D. Sherrick, pages 12–13.

- a. Provide a schedule detailing the components of the total expenses related to the proposed Effluent Limitation Guidelines (ELG) compliance project at Mitchell Generating Station (Mitchell) incurred through July 15, 2021.
- b. Provide a schedule detailing the components of Kentucky Power's expenses related to the proposed ELG compliance project at Mitchell incurred through July 15, 2021.
- c. Provide a schedule detailing the components of Kentucky Power's proposed regulatory asset for expenses related to the proposed ELG compliance project at Mitchell incurred through July 15, 2021.
- d. Explain how Kentucky Power's ELG related expenses are currently recorded on Kentucky Power's books.

RESPONSE

a. Please see KPCO_R_KPSC_RH_2_1_Attachment1, columns (K) through (O), for total Mitchell Plant ELG compliance project costs incurred through June 2021. Please see the direct testimony of Company Witness Sherrick starting on page 12, line 8 for a discussion on the scope of the costs. The requested incurred cost information was provided through June 2021, rather than July 15, 2021, because the Company does not perform a mid-month accounting close and the requested July 15, 2021 cutoff information is not available. As described in KPCO_R_KPSC_RH_2_1_Attachment1, Line No. 35, a review of costs, initiated prior to July 2021, identified costs charged to the ELG work order which more properly applied to the CCR work order. An adjusting journal entry (AJE) was posted in late September 2021 to reclassify these costs accordingly. The impact of this AJE on indirect costs, such as clearing costs, will not be known until after the completion of the September 2021 accounting close process. Kentucky Power will supplement this response by October 15th, after September accounting close, with the final impact of the AJE on ELG cost and the Company's requested regulatory asset.

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- b. Please see KPCO_R_KPSC_RH_2_1_Attachment1, columns (A) through (E), for Kentucky Power's Mitchell Plant ELG compliance project costs incurred through June 2021. Also, please refer to explanatory comments provided in response to subpart a. above.
- c. Please see KPCO_R_KPSC_RH_2_1_Attachment1, Line No. 32, for Kentucky Power's proposed regulatory asset for Mitchell Plant ELG compliance project costs incurred through June 2021. Also, please refer to explanatory comments provided in response to subpart a. above. The proposed regulatory asset is approximately \$1.5 million.
- d. Kentucky Power's Mitchell Plant ELG compliance project costs incurred through June 2021 are currently recorded on its books in FERC Account 107, Construction Work in Progress (CWIP). If the Commission does not authorize Kentucky Power to establish a regulatory asset for these prudently incurred costs which meet the Commission's traditional standard (please refer to the Company's response to RH_2_3), Generally Accepted Accounting Principles (GAAP) require that Kentucky Power expense these costs in the financial reporting period that a Commission decision is rendered. Absent authority to establish a regulatory asset, expense treatment would be required under GAAP because the ELG project has not been authorized for construction and, as to Kentucky Power, will not be recorded to plant in service; therefore, ELG project costs are not appropriate to remain in CWIP.

Witness: Brian D. Sherrick

Witness: Heather M. Whitney

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DATA REQUEST

RH_2_2 Refer to Kentucky Power's motion for rehearing, page 5.

- a. Explain whether 2028 represents the actual expected closure date of the Mitchell or only the expected end of Kentucky Power's involvement with Mitchell.
- b. Describe the impact on the net book value of Mitchell if the Commission approves Kentucky Power's proposed depreciation rates, which assume a 2028 retirement, but Mitchell continues to operate past 2028.
- c. Describe the impact on the net book value of Mitchell if the Commission denies Kentucky Power's proposed depreciation rates, which assume a 2028 retirement, and Mitchell is retired in 2028.
- d. Describe the impact on the net book value of the Coal Combustion Residuals Rule (CCR) compliance projects if the Commission approves Kentucky Power's proposed depreciation rates, which assume a 2028 retirement, but Mitchell continues to operate past 2028.
- e. Describe the impact on the net book value of the CCR compliance projects if the Commission denies Kentucky Power's proposed depreciation rates, which assume a 2028 retirement, and Mitchell is retired in 2028.

RESPONSE

- a. December 31, 2028 represents the expected end of Kentucky Power's use of the Mitchell Generating Station.
- b. If the Commission approves Kentucky Power's proposed annual depreciation rate of 20% for the CCR-only investments at Mitchell Plant, Kentucky Power's share of the CCR-only project cost, originally estimated to total \$13 million, would be substantially depreciated as of December 2028. The net book value of the CCR-only project would be approximately \$0, and contribute to no increase in the total remaining net book value of the Mitchell Plant as of December 2028.

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c. As described in the rebuttal testimony of Company Witness Heather Whitney filed on June 22, 2021, page 4 lines 3 – 7, if Kentucky Power is required to use the currently authorized depreciation rate of 2.96% for Mitchell Boiler Plant Equipment to depreciate CCR-only investment instead of the proposed rate of 20%, approximately \$11 million – or nearly 85% - of the originally estimated \$13 million net book value would remain as of December 2028 for future recovery from Kentucky Power customers. The approximate \$11 million remaining net book value of the CCR-only project would increase the total remaining net book value of the Mitchell Plant as of December 2028.

d. Please see the response to subpart b. above.

e. Please see the response to subpart c. above.

Witness: Heather M. Whitney [subparts b-e]

Witness: Deryle B. Mattison [subpart a]

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DATA REQUEST

RH_2_3 Refer to Kentucky Power's motion for rehearing, pages 5–6.

- a. Provide the statutory or administrative directive that required Kentucky Power to incur ELG related expenses.
- b. Explain why the ELG related expenses are extraordinary, nonrecurring expenses that could not have been anticipated or included in Kentucky Power's planning.
- c. Explain the basis for Kentucky Power's request to include carrying charges on the proposed regulatory asset at the full weighted average cost of capital.

RESPONSE

- a. The statutory or administrative directive that required Kentucky Power to incur ELG related expenses is 40 CFR part 423.
- b. The ELG related expenses are both extraordinary and nonrecurring expenses that could not have been anticipated or included in Kentucky Power's planning, and thus appropriate for deferral and establishment of a regulatory asset, because of the short period between the date 40 CFR part 423 Steam Electric Power Generating Effluent Guidelines and Standards was finalized, and the October 13, 2021 date for notifying State permitting agencies of an intent to cease coal fired operations under the ELG Rule became known. The ELG Rules were first adopted in 2015, and were the subject of federal litigation, which led to the proposal of a revised rule in November 2019 and the adoption of a final revised rule in August 2020. The October 13, 2021 deadline for notifying State permitting agencies of an intent to cease coal fired operations under the ELG Rule did not appear in the 2015 ELG rule or the 2019 proposed rules; this new provision allowing a declaration of an intent to cease coal fired operation first appeared in the ELG rule in the August 2020 final rule.

The ELG-related compliance expenses were required for and specific to developing and evaluating ELG rule compliance options. As set forth in the testimony of Company witness Sherrick starting on page 12, line 8, the Mitchell ELG project incurred approximately \$3.0 million in Mitchell plant ELG costs for activities including project initiation, technology feasibility studies, evaluation of risk balanced technical options,

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conceptual engineering, permitting, and site investigations. These project costs were unavoidable prior to regulatory approval as they were necessary to establish the scope, schedule, and budget to inform the regulatory process, conduct options analysis, and to meet environmental compliance deadlines.

c. Kentucky Power's construction project expenditures, including Mitchell Plant ELG compliance project expenditures, are financed through a combination of debt and equity; therefore, a carrying charge at the weighted average cost of capital is appropriate and has been requested.

Witness: Gary O. Spitznogle [subparts a and b]

Witness: Brian D. Sherrick [subparts a and b]

Witness: Heather M. Whitney [subpart c]

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DATA REQUEST

RH_2_4 Refer to Kentucky Power's September 13, 2021 response to the Commission's August 19, 2021 Order, Appendix A, Item 1 (August 19, 2021 Request). Confirm that Kentucky Power will not be charged and will not pay any cost related to the proposed ELG compliance project at Mitchell incurred after the Commission's July 15, 2021 Order in this proceeding.

RESPONSE

Confirmed.

Witness: Deryle B. Mattison

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DATA REQUEST

RH_2_5 State whether Kentucky Power, American Electric Power (AEP), or Wheeling Power Company (Wheeling Power) have pursued or initiated discussion of Wheeling Power, AEP, or another AEP subsidiary acquiring Kentucky Power's 50 percent undivided interest in Mitchell.

RESPONSE

Kentucky Power initiated discussions with Wheeling Power. Wheeling Power indicated it would be premature to make a decision now regarding the future of the Mitchell plant.

The Company has not pursued discussions with AEP or another AEP subsidiary.

Witness: Deryle B. Mattison

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DATA REQUEST

RH_2_6 As a continuing request, provide a copy of any documents filed by Wheeling Power or by the West Virginia Public Service Commission in West Virginia Public Service Commission Case No. 20-1040-E-CN. The documents should be filed as part of the status report filed every ten days pursuant to the Commission's August 19, 2021 Order, Appendix A, Item 1, and include only documents filed in Case No. 20-1040-E-CN by Wheeling Power or the West Virginia Public Service Commission since the last status report.

RESPONSE

The Company interprets the initial request to provide all documents filed in Case No. 20-1040-E-CN by Wheeling Power or the West Virginia Public Service Commission since July 15, 2021.

Please see KPCO_R_KPSC_RH_2_6_Attachment1 for the requested information through October 1, 2021.

Witness: Deryle B. Mattison



Sherrick Verification_Sept 2021.docx

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E-Signature Summary

E-Signature 1: Brian D. Sherrick (BDS)

September 30, 2021 10:05:14 -8:00 [C2918FFF8B6B] [167.239.221.102]
 bdsherrick@aep.com (Principal) (Personally Known)

E-Signature Notary: S. Smithhisler (SRS)

September 30, 2021 10:05:14 -8:00 [EF60222CE14E] [161.235.221.103]
 srsmithhisler@aep.com
 I, S. Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Brian D. Sherrick, being duly sworn, deposes and says he is the Managing Director of Projects for 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.

Brian D. Sherrick

Brian D. Sherrick

STATE OF OHIO

)

) Case No. 2021-00004

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brian

D. Sherrick, on 09/30/2021.



S. Smithhisler

Notary Public

Notary ID Number: 2019-RE-775042





Spitznogle Verification._Sept 2021docx.docx

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E-Signature Summary

E-Signature 1: Gary O. Spitznogle (GOS)

September 30, 2021 11:02:21 -8:00 [E16613C0A645] [65.27.154.195]
gospitznogle@aep.com (Principal) (Personally Known)

E-Signature Notary: S. Smithhisler (SRS)

September 30, 2021 11:02:21 -8:00 [D91982F97D35] [161.235.221.103]
srsmithhisler@aep.com
I, S. Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Gary O. Spitznogle, being duly sworn, deposes and says he is the Vice President - Environmental Services for 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.



Gary O. Spitznogle

STATE OF OHIO

)

) Case No. 2021-00004

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Gary

O. Spitznogle, on 09/30/2021 _____.



Notary Public

Notary ID Number: 2019-RE-775042

867D0972-68F4-4B57-8491-58690C362E49 --- 2021/09/30 09:33:54 -8:00 --- Remote Notary





Whitney Verification_Sept 2021.docx

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E-Signature Summary

E-Signature 1: Heather M. Whitney (HMW)

September 30, 2021 09:51:38 -8:00 [E79EDB3B2628] [167.239.221.102]
 hmwhitney@aep.com (Principal) (Personally Known)

E-Signature Notary: S. Smithhisler (SRS)

September 30, 2021 09:51:38 -8:00 [13E20F7917CB] [161.235.221.103]
 srsmithhisler@aep.com
 I, S. Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Heather M. Whitney, being duly sworn, deposes and says she is the Director in Regulatory Accounting Services for American Electric Power Service Corporation, that she 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 her information, knowledge and belief after reasonable inquiry.

Heather M. Whitney

Heather M. Whitney

STATE OF OHIO

)

) Case No. 2021-00004

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by

Heather M. Whitney, on 09/30/2021.



S. Smithhisler

Notary Public

Notary ID Number: 2019-RE-775042

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