COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of: Electronic Investigation Of The Service, Rates and Facilities Of Kentucky Power Company.	: : :	**Case No 2021-00370**

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
NOTICE REGARDING HEARING TOPICS

Kentucky Industrial Utility Customers, Inc. ("KIUC") provides notice of its intent to conduct cross examination on the following topics at the hearing scheduled for November 30, 2021. These topics are in addition to the topics already noticed by the Commission and the Attorney General.

1. Steps that AEP, Kentucky Power and/or Liberty Utilities Co. ("Liberty") intend to take to address the substantially increasing transmission costs and growing subsidy provided to out-of-state transmission users in the AEP Transmission Zone. In the last rate case (Case No. 2020-00174), AG/KIUC witness Mr. Baron calculated the Kentucky subsidy to out-of-state transmission users at $19 million (approximately $51 per year to the average residential customer). The current subsidy is approximately $27.7 million (approximately $74 per year to the average Residential customer). At page 60 of the last rate case Order, the Commission put "*the utility on notice that its transmission planning and investment activities are not sustainable and must be substantively addressed in the near future.*" The Commission further put "*the utility on notice that it must address the burden these increasing [transmission] expenses will represent to its dwindling customer base. Failure by Kentucky Power to take immediate steps to materially address this issue will force the Commission, whether it is through its statutory authority at the retail level or*

its advocacy at the wholesale level, to address these concerns itself." The entire record of that case was incorporated by reference in the September 15, 2021 Order establishing this formal investigation. At the November 30, 2021 Hearing, we will inquire whether AEP, Kentucky Power or Liberty intend to seek revisions to Section 7.4 of the PJM Consolidated Transmission Owner's Agreement ("CTOC") to allow Liberty to operate as a stand-alone transmission zone. Who bears the financial risk if Kentucky Power and/or Liberty is required to remain in the AEP Transmission Zone?

2. The amount of annual fixed cost savings (approximately $56.7 million, see FERC Form 1 Account 555) expected to be experienced by Kentucky Power and/or Liberty when the Rockport Unit Power Agreement expires on December 7, 2022; how such fixed cost savings will be used; whether Liberty expects to use these fixed cost savings to earn Kentucky Power's authorized return on equity in 2023; the amount of the Rockport deferral; how much of the expiring 390 MW of Rockport capacity will need to be replaced, the type of replacement capacity and the cost of replacement capacity (in Kentucky Power's most recent IRP market purchases of replacement capacity upon which the utility earns no return were shown to be least cost); whether the AEP Power Coordination Agreement ("PCA") will be available to Liberty to address the "*stub period*" from December 8, 2022 to June 1, 2023 (the beginning of the PJM Planning Year) and other Rockport topics identified by the Commission in its January 13, 2021 rate case Order which was incorporated into this investigation.

3. To the extent that Kentucky Power knows, does Liberty intend to operate in PJM as an FRR or RPM entity? If FRR, how Liberty intends to manage capacity performance risk without access to the AEP PCA? If Liberty transitions to being an RPM entity and Wheeling remains FRR, how would that impact the operation of Mitchell?

4. In the last rate case Order, the Commission awarded Kentucky Power a base rate increase of $52.4 million (9.8%), which was off-set through the accelerated amortization of unprotected excess ADIT over the three-year period 2021-2023. The Commission also allowed an immediate rate increase through 100% recovery of incremental transmission expense increases through Tariff PPA. When is the unprotected excess ADIT balance expected to be used up, thus triggering an automatic $52.4 million (9.8%) base rate increase?

5. In its earnings presentations, Algonquin/Liberty expect to grow earnings in Kentucky by increasing rates through increasing Kentucky Power's 43% equity ratio, utilizing projected test year rate cases, investing in transmission and distribution assets and greening the fleet through transitioning the existing fossil fuel generation to rate-regulated renewable resources. To the extent that Kentucky Power knows, is Liberty planning rate increases in addition to the automatic $52.4 million (9.8%) rate increase when the tax credit rider expires?

6. To the extent that Kentucky Power knows, confirmation that Liberty will not seek rate recovery of the acquisition premium to be paid to AEP. To the extent that Kentucky Power knows, confirmation that Liberty will not seek rate recovery for transaction expenses (investment banking fees, legal fees, etc.) associated with the proposed acquisition.

7. In Case No. 2021-00004, AEP witness Mr. Becker testified that Kentucky Power would avoid approximately $30 million--$33 million in Cap Ex if Mitchell was in wind-down mode in anticipation of a 2028 retirement. That Cap Ex will now be incurred in order to give Wheeling the option to run Mitchell past 2028. How will Kentucky Power and/or Liberty ensure that Kentucky ratepayers do not pay those Cap Ex costs, in addition to being held harmless for the specific Cap Ex related to ELG compliance?

8. Under Section 2.4 of the Mitchell Plant Ownership Agreement (except in limited circumstances), Kentucky Power shall share 50% of the minimum load responsibility of each unit. Shortly after Kentucky Power's acquisition of 50% of Mitchell in 2012, the Commission disallowed $54 million in Mitchell no-load fuel costs over the 17-month overlap period when Kentucky Power owned both Mitchell and Big Sandy 2 and thus had a reserve margin of 57%. (Case No. 2014-00225 Order entered January 22, 2015). The Commission explained that *"[o]ur approval was premised, in no small part, on the stipulation that the Mitchell acquisition would result in significant fuel savings to Kentucky Power's ratepayers..."* Because of the allocation of Mitchell no-load fuel costs between native load and off-system sales, customers received a 12.81% rate increase instead of the forecasted 5.33% rate increase. "*It is incomprehensible to the Commission how information this significant, resulting in costs of this magnitude, could have been overlooked by Kentucky Power in the Mitchell Case.*" The Commission went on to note that "*it is difficult to overstate the importance*" of the Mitchell transaction to Kentucky and that the failure to disclose the impact of no-load fuel costs during the overlap period "*is a matter of great concern to the Commission*", thus necessitating the $54 million disallowance. Given the relatively small size of Wheeling compared to Mitchell, with Wheeling acting as the new plant operator does Kentucky Power expect similar no-load (minimum load) fuel cost issues?

9. Issues regarding the proposed Mitchell Plant Ownership Agreement, including Article One, Article Three, Article Nine, and Article Fourteen. Including the Buyout Transaction.

10. Does AEP intend to modify its FERC Section 205 Tariff filing if this Commission makes its authorization for Kentucky Power to enter into the Mitchell Plant Operations and Maintenance Agreement or Mitchell Plant Ownership Agreement ("Mitchell Agreements") contingent on any changes to those Agreements? If the Commission

requires changes to either of the two new Mitchell Agreements as a precondition for authorizing Kentucky Power to enter into those Agreements, how will AEP address those changes in West Virginia and FERC?

11. Issues regarding the KRS 278.2207 requirement that the pricing of products and services between affiliates be made at the higher of net book cost or market. Issues regarding the preemptive effect of the FERC Section 205 Tariff filing on the Commission's jurisdiction.

Respectfully submitted,

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