COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF	)	
AMERICAN ELECTRIC POWER CO. INC.,	)	
KENTUCKY POWER CO. AND LIBERTY	)	CASE NO.
UTILITIES CO. FOR APPROVAL OF THE	)	2021-00481
TRANSFER OF OWNERSHIP AND CONTROL	)	
OF KENTUCKY POWER CO.	)	

JOINT RESPONSES OF THE ATTORNEY GENERAL AND KIUC TO DATA REQUESTS OF THE KENTUCKY PUBLIC SERVICE COMMISSION STAFF

The intervenors, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ("AG"), and the Kentucky Industrial Utility Customers, Inc. ("KIUC") submit the following responses to data requests of the Kentucky Public Service Commission Staff in the above-styled matter.

Respectfully submitted,

DANIEL CAMERON
ATTORNEY GENERAL

____
LAWRENCE W. COOK
J. MICHAEL WEST
ANGELA M. GOAD
JOHN G. HORNE II
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DR., STE. 200
FRANKFORT, KY 40601
(502) 696-5453
FAX: (502) 564-2698
Larry.Cook@ky.gov
Michael.West@ky.gov
Angela.Goad@ky.gov
John.Horne@ky.gov

—and—

/s/ MICHAEL L. KURTZ
MICHAEL L. KURTZ, ESQ.
KURT J. BOEHM, ESQ.
JODY KYLER COHN, ESQ.
BOEHM, KURTZ & LOWRY
36 EAST SEVENTH STREET
SUITE 1510 CINCINNATI, OH 45202
(513) 421-2255
FAX: (513) 421-2764
mkurtz@BKLlawfirm.com
kboehm@BKLlawfirm.com
jkylercohn@BKLlawfirm.com

Certificate of Service and Filing

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record. Counsel further certifies that the responses set forth herein are true and accurate to the best of their knowledge, information, and belief formed after a reasonable inquiry.

This 14th day of March, 2022

Assistant Attorney General

WITNESS / RESPONDENT RESPONSIBLE:
LANE KOLLEN

QUESTION No. 1
Page 1 of 1

Refer to the Direct Testimony of Lane Kollen (Kollen Testimony), page 19. Explain whether any of these items are specific to Liberty Utilities Co.'s (Liberty) purchase of Kentucky Power Company (Kentucky Power), as opposed to another purchaser.

RESPONSE:

Yes. The lost economies from AEPSC and other AEP entities and agreements are specific to Liberty due to its plans for a locally based standalone utility, its inability to share inventory and other investment costs over a multi-utility shared investment platform, its unwillingness to reimburse the Company for the tax effects of NOLs, its unwillingness to sell the Company's receivables, and its inability to escape the AEP transmission zone.

WITNESS / RESPONDENT RESPONSIBLE:
LANE KOLLEN

QUESTION No. 2
Page 1 of 1

Refer to the Kollen Testimony, page 20. Provide the minimum size utility which could buy Kentucky Power to not lose economies of scale after a transfer from American Electric Power Company, Inc.

RESPONSE:

It would be a utility holding company with a centralized service company structure similar to that of Duke Energy, Inc., or Dominion, Inc., NextEra Energy, or a geographically proximate utility holding company or utility similar to Duke Energy, Inc. or East Kentucky Power Cooperative.

WITNESS / RESPONDENT RESPONSIBLE:
STEPHEN J. BARON and LANE KOLLEN

QUESTION No. 3
Page 1 of 2

Refer to the Direct Testimony of Stephen J. Baron (Baron Testimony), pages 34–38.

a. Confirm that the amounts to be returned to Kentucky Power's customers will be initially financed by Liberty, through debt or equity. Explain whether the regulatory liability would incur carrying charges. If not, explain why not.
b. Provide a description of the amounts paid and received by each party over the proposed ten-year amortization period.

RESPONSE:

a. Confirmed. Liberty, not Kentucky Power Company, will finance the acquisition premium paid to AEP if the transaction closes. Liberty has agreed not to push down the acquisition premium onto Kentucky Power Company's accounting books or to seek recovery from the Company's customers. Liberty plans to finance the amount paid for the per books equity of the Company through forms of equity and debt, including hybrid vehicles.

   If adopted as a condition by the Commission and agreed to by the Applicants, AEP then will pay a portion of the acquisition premium that it receives from Liberty to Kentucky Power Company, not to Liberty. The receipt of this payment will allow Kentucky Power Company to displace existing financing and/or avoid new financing.

   The regulatory liability would incur carrying charges at the Company's weighted cost of capital unless and until it is reflected as a subtraction from rate base and reflected in rates.

b. As discussed by Mr. Baron, the amount of the regulatory liability that will be amortized over a 10-year period is $401 million (the remaining amount of the total payment by AEP to KPCo after paying off the ice storm deferral, Rockport deferral, and the transmission subsidies). The $401 million will be included in the total payment by AEP to KPCo at the closing of $578 million. This amount, which will be held by KPCo for the benefit of its customers will be paid out to customers, per the allocation approach discussed by Mr. Baron over a 10-year period. The unamortized balance will be subject to a deferred return, which will increase the regulatory liability, or subtracted from rate base. Either the deferred return or the subtraction from rate base could be incorporated into the CMC Rider. The $401 million amount will result in an annual amortization of $40.1 million, which will be credited to KPCo customers through the proposed CMC Rider. The inclusion of the deferred return or a rate base treatment would result in additional payments to customers. The CMC Rider could be reset monthly or annually as the regulatory liability is amortized or it could be calculated on a levelized (annuitized) basis, similar to a home mortgage, and similar to the Company's Retirement Rider. In either case (on a declining basis or annuitized), the annual payment would be higher than $40.1 million as a result of the added return component.

WITNESS / RESPONDENT RESPONSIBLE:
STEPHEN J. BARON

QUESTION No. 4
Page 1 of 1

Refer to Baron Testimony, page 10. Discuss the legal basis that underlies the Attorney General/KIUC's expert witness proposal to authorize crediting customers through a cost mitigation credit rider.

RESPONSE:

Mr. Baron cannot provide a legal opinion to support the CMC recommendation. However, he has been advised by counsel from the Office of the Attorney General and KIUC that the Commission can implement a rider like the proposed CMC to provide a mechanism to mitigate the costs to customers that are expected as a result of the acquisition by Liberty, to the extent that AEP and Liberty accept the conditions for approval of the sale. A CMC type rider is a reasonable basis to provide customers with an offsetting compensation to the expected costs that have been identified by Mr. Kollen and Mr. Baron.

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

LANE KOLLEN, being duly sworn, deposes and states: that the attached are his sworn responses and that the statements contained are true and correct to the best of his knowledge, information and belief.

Lane Kollen

Sworn to and subscribed before me on this 14th day of March 2022.

Notary Public

RANDY A FUTRAL
MY COMMISSION EXPIRES
NOTARY
PUBLIC
AUGUST 26, 2024
COBB COUNTY, GEORGIA

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

STEPHEN J. BARON, being duly sworn, deposes and states: that the attached are his sworn responses and that the statements contained are true and correct to the best of his knowledge, information and belief.

Stephen J. Baron

Stephen J. Baron

Sworn to and subscribed before me on this
14th day of March 2022.

Notary Public

RANDY A FUTRAL
MY COMMISSION EXPIRES
NOTARY
PUBLIC
AUGUST 26, 2024
COBB COUNTY, GEORGIA