

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022

DATA REQUEST

KPSC 3_01 Refer to Kentucky Power's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1, regarding the calculation of the rate for attachments within ducts or conduit. Explain why Kentucky Power chose to use the net methodology instead of the gross methodology given the fact the two result in different rates, with the gross methodology being less than the net methodology.

RESPONSE

Prior to its Revised Tariff P.A., Kentucky Power has never included a conduit rate within its pole attachment tariff. This is because Kentucky Power has never actually leased any conduit space to a third party, and Kentucky Power does not currently have excess capacity within its duct or conduit to lease to third parties. However, the Commission's new pole attachment regulations provide attaching entities with a mandatory right of access to Kentucky Power's ducts and conduit. For this reason, Kentucky Power interpreted the Commission's new pole attachment regulation as requiring Kentucky Power to include a duct/conduit rate within the Revised Tariff P.A.

Kentucky Power chose the "net" methodology for calculating the conduit rate for two reasons. First, Kentucky Power already maintains a spreadsheet with net calculations for annual pole costs, which allowed Kentucky Power to input the proper underground capital and maintenance accounts into the formula without building an entirely new spreadsheet. Similarly, the approved rate of return is a **net** rate of return, so utilizing the "net" methodology allowed Kentucky Power to avoid the need to convert the approved rate of return from a "net" rate into a "gross" rate of return. Second, the Commission noted in its Conduit Rate Order that the "net" and "gross" methodologies produce virtually identical conduit rates. *See The Adoption of a Standard Methodology for Establishing Rates for Conduit Usage*, Order, Administrative Case No. 304, 1987 Ky. PUC LEXIS 12, at *11 (May 4, 1987) (the "Conduit Rate Order") (stating that while "the Commission has chosen the gross book methodology instead of the net book method," **both methodologies produce the same result**) (emphasis added). This holds true with respect to Kentucky Power's conduit rate, as there is only a \$0.06 difference between a rate calculated under the "net" methodology (\$2.70) and a rate calculated under the "gross" methodology (\$2.64). Nevertheless, given that both methodologies produce virtually the same conduit rate, Kentucky Power will not object to using the "gross" methodology if that is, indeed, the Commission's preference.

Witness: Pamela F. Ellis

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 1 of 2

DATA REQUEST

- KPSC 3_02** Refer to Kentucky Power's response to Staff's Second Request, Item 7(a), Attachment 1.
- a. Explain how the low and high amounts for each component were derived and include any supporting calculations.
 - b. For the Field Data Collection/pole, OK to attach/pole, rearrangement/pole, work order remedy/pole and post construction inspection/pole, explain whether the amounts listed represent the cost per pole if only one pole were being surveyed. If so, explain why it would not be more appropriate to estimate the cost based on 50 poles being surveyed at the same time to achieve economies of scale. Also, if so, provide a revised calculation based on 50 poles being surveyed at the same time.
 - c. For the past two calendar years and 2022 to date, provide the number of applications that were OK to attach, the number that required rearrangement, and the number that required a work order remedy. If the specific number cannot be provided, provide an estimate and explain how Kentucky Power arrived at the estimate.

RESPONSE

a. The "low" and "high" values in KPCO_R_KPSC_2_07 Attachment 1 represent "unit-based" contractor pricing based on actual bids submitted during a competitive bid process. Because these values were provided to Kentucky Power by engineering contractors, Kentucky Power is not privy to the methodology used, if any, to produce the unit-based pricing values. Thus, Kentucky Power does not have supporting calculations for these values.

b. Yes, the values referenced above (i.e., "field data collection/pole, OK to attach/pole, rearrangement/pole, work order remedy/pole and post construction inspection/pole") represent the cost per pole if only one pole were being surveyed. *See* KPCO_R_KPSC_2_07 Attachment 1.

While Kentucky Power does not know what methodology, if any, was used in generating the values referenced above, the values represent "unit pricing" and do not fluctuate based on the number of poles included in an application. For this reason, there are no economies of scale to Kentucky Power based on a 50 pole application other than with respect to the administrative/proposal fee.

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 2 of 2

Although unit pricing does not fluctuate with the number of poles surveyed, the \$275 estimate includes an “economy of scale” discount in the non-unit price component (i.e., the “Administrative” fee). *See* KPCO_R_KPSC_2_07.b. (“Kentucky Power utilizes a 50-pole proposal because it represents the maximum number of poles that can be included in a single application.... [U]se of a 50-pole proposal dilutes the fixed cost of the application on a per pole basis to its lowest possible amount.”); *see also* Kentucky Power’s Response to KPSC DR 3.03 *infra*.

c. Because of a change in process, Kentucky Power only has responsive data readily available for April 2021 to present. Since April 2021, 150 total proposals (applications) were evaluated (invoiced by an engineering contractor). Of the 150 proposals, 26 were “OK to attach” only; 14 were Rearrangement only; and 7 were Work Order Remedy only. The majority are a combination of each type.

Witness: Pamela F. Ellis

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 1 of 2

DATA REQUEST

KPSC 3_03 Refer to Kentucky Power's response to Staff's Second Request, Item 7(b), in which Kentucky Power states that it is possible for a single application to carry a cost higher than \$275 per pole if it disproportionately includes poles that require work beyond rearrangement, most applications will carry a lower cost than \$275 per pole.

- a. For the past two calendar years and 2022 to date, provide how many applications disproportionately included poles that require work beyond rearrangement. If a specific number cannot be provided, provide an estimate and explain how Kentucky Power arrived at the estimate.
- b. If most applications will carry a lower cost than \$275 per pole, explain how it is reasonable for Kentucky Power to require attachers to prepay in the amount of \$275 per pole.

RESPONSE

With respect to the first paragraph of the data request, Kentucky Power wishes to lend some additional context to its response to KPSC DR 2_07.b. Smaller attachment requests (e.g., requests covering 5 or fewer poles) carry a higher per pole cost than larger attachment requests because the non-unit price component of make-ready survey charges (i.e., the Administrative fee) is spread over fewer poles. For example, based on application data dating back to April 2021, the average per pole make-ready survey cost for applications including 5 or fewer poles is \$412.62/pole, while the average per pole make-ready survey cost for applications including more than 5 poles is \$174.35. Notably, smaller application requests represent 45% (68 of 150 attachment requests) of the total number of attachment requests Kentucky Power has received since April 2021. Therefore, while it is true that a majority of applications will carry a lower cost than \$275 per pole, a large minority of applications will carry a much higher cost than \$275 per pole.

- a. Because of a change in process, the only data readily available is April 2021 to present. Since April 2021, 150 proposals (applications) were evaluated (invoiced by an engineering contractor). Of the 150 proposals, 16 have more than 50% of the poles requiring work beyond rearrangement.
- b. Kentucky Power previously explained that it does not intend to require prepayment for every make-ready survey that it performs and, instead, included the per pole estimate of

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 2 of 2

survey costs in its tariff to preserve its right to require prepayment “in situations where the financial risk of fronting this cost is heightened”:

Kentucky Power does not believe that the foregoing language [i.e., 807 KAR 5:015, Section 4(2)(b)6.] imposes a requirement on Kentucky Power to require prepayment. Instead, the Commission’s pole attachment regulation provides Kentucky Power with the discretion to require prepayment for make-ready surveys, and if Kentucky Power chooses to require prepayment, then Kentucky Power is required to publish a per pole estimate of make-ready survey costs in its pole attachment tariff.... Kentucky Power does not anticipate requiring every attaching entity to prepay for make-ready surveys....

...Kentucky Power will exercise its discretion to require prepayment for make-ready surveys in situations where the financial risk of fronting this cost is heightened, such as where the attachment request (1) pertains to a large buildout, (2) is submitted by an attaching entity with a history of non-payment, or (3) is submitted by an entity for which Kentucky Power has no credit history or evidence of its ability to pay.

KPCO_R_KPSC_1_06.a.-b. Because the Commission’s new pole attachment regulation requires that Kentucky Power—in order to preserve its right to require prepayment—publish a static, per pole estimate for make-ready surveys in its pole attachment tariff, it is impossible for Kentucky Power to get it “just right.” No matter what per pole estimate Kentucky Power includes in its Revised Tariff P.A., the per pole estimate would in virtually every instance either overshoot or undershoot the actual costs Kentucky Power would incur in performing the make-ready survey. Because Kentucky Power intends to require prepayment “in situations where the financial risk of fronting [make-ready survey costs] is heightened,” it is reasonable for Kentucky Power to err on the side of overcollection. This provides the most financial protection for Kentucky Power and its ratepayers by minimizing the instances in which Kentucky Power would be required to seek true-up payments after having already incurred the costs of a make-ready survey—i.e., the very scenario Kentucky Power would be trying to avoid when it exercises its discretion to require prepayment. Finally, if the prepayment exceeds the actual costs Kentucky Power incurred in performing the make-ready survey, then the difference will either be refunded to the attaching entity or (in situations where the overpayment is minimal) credited to the rate base, which benefits all electric customers.

Witness: Pamela F. Ellis

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 1 of 2

DATA REQUEST

KPSC 3_04 Refer to Kentucky Power's proposed tariff, P.S.C. KY. NO. 12, 1st Revised Sheet No. 16-3, which states in part "If the actual cost of performing the make-ready survey exceeds the amount of Operator's prepayment, then Operator shall reimburse Company for any difference upon receipt of an invoice for such amount." Explain whether Kentucky Power would refund the difference if the make-ready costs were less than the amount of the Operator's prepayment. If so, identify the section of the tariff stating that. If not, explain why not.

RESPONSE

As a preliminary matter, Section 6 of Kentucky Power's Revised Tariff P.A. addresses the cost of make-ready **surveys**, not the cost of actual make-ready. Nevertheless, the answer to the Commission's question is "yes." If there is a meaningful difference between an Operator's prepayment and the actual costs Kentucky Power incurs in performing the make-ready survey, then the difference would be refunded to the Operator. In fact, the Revised Tariff P.A. specifically addresses refunds:

Where the provisions of the Tariff require any payment by Operator to the Company other than for attachment charges, Company may, at its option, require that the estimated amount thereof be paid in advance of permission to use any pole or the performance by company of any work. In such a case, Company may, in its sole discretion, invoice any deficiency or refund any excess to Operator after the current amount of such payment has been determined.

Revised Tariff P.A., P.S.C. KY. NO. 12 ORIGINAL SHEET NO. 16-11, Section 25 (Payment). Kentucky Power only issues refunds where there is a meaningful difference between the prepayment amount and the actual cost of the make-ready survey. In other words, if prepayment either overshoots or undershoots the actual cost of the make-ready survey by a small amount, Kentucky Power will not invoice the Operator, or issue a reimbursement to the Operator, for the difference.

Finally, as explained in Kentucky Power's response to KPSC DR 3_03.b. *supra*, Kentucky Power does not intend to require prepayment for make-ready surveys in every instance. Rather, Kentucky Power only intends to require prepayment "in situations where the financial risk of fronting [make-ready survey costs] is heightened."

KPCO_R_KPSC_1_06.b. These "situations" include "requests (1) pertaining to a large buildout, (2) from attaching entities with a history of non-payment, or (3) from new

Kentucky Power Company
KPSC Case No. 2022-00105
Commission Staff's Third Set of Data Requests
Dated June 23, 2022
Page 2 of 2

attaching entities for which Kentucky Power has no credit history or evidence of their ability to pay.” KPCO_R_KPSC_1_06.b.

Witness: Pamela F. Ellis



KY Discovery Verification - Ellis.docx

DocVerify ID: DF5620DC-2BF5-4762-B252-3EA9D1F24559
 Created: July 05, 2022 05:58:26 -8:00
 Pages: 1
 Remote Notary: Yes / State: KY

This document is a DocVerify VeriVaulted protected version of the document named above. It was created by a notary or on the behalf of a notary, and it is also a DocVerify E-Sign document, which means this document was created for the purposes of Electronic Signatures and/or Electronic Notary. Tampered or altered documents can be easily verified and validated with the DocVerify veriCheck system. This remote online notarization involved the use of communication technology.

Go to www.docverify.com at any time to verify or validate the authenticity and integrity of this or any other DocVerify VeriVaulted document.

E-Signature Summary

E-Signature 1: Pamela F Ellis (PFE)

July 05, 2022 06:08:07 -8:00 [08063F1FDE9E] [167.239.221.104]
 pfellis@aep.com (Principal) (Personally Known)

E-Signature Notary: Jennifer Young (JAY)

July 05, 2022 06:08:07 -8:00 [FE52C9CB62C9] [167.239.221.107]
 jayoung1@aep.com
 I, Jennifer Young, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Pamela F. Ellis, being duly sworn, deposes and says she is Director- Energy Delivery Engineering 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.

Pamela F Ellis
Signed on 2022/07/05 06:08:07 -8:00

Pamela F. Ellis

Commonwealth of Kentucky

)

) Case No. 2022-00105

County of Boyd

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Pamela F. Ellis, this 5th day of July 2022.

JENNIFER A. YOUNG
ONLINE NOTARY PUBLIC
STATE AT LARGE KENTUCKY
Commission # KYNP31964
My Commission Expires Jun 21, 2025
Notary Stamp 2022/07/05 06:08:07 PST FES2C9CB62C9

JY
Signed on 2022/07/05 06:08:07 -8:00

Notary Public

Notary ID Number: KYNP31964

My Commission Expires: 6/21/2025

Notarial act performed by audio-visual communication

DF5620DC-2BF5-4762-B252-3EA9D1F24559 --- 2022/07/05 05:58:26 -8:00 --- Remote Notary

