

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**ELECTRONIC INVESTIGATION            )**  
**OF KENTUCKY POWER COMPANY        )**        **Case No. 2022-00283**  
**ROCKPORT DEFERRAL MECHANISM    )**

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**INITIAL DATA REQUESTS OF THE ATTORNEY GENERAL AND KIUC**

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Come now the intervenors, the Attorney General of the Commonwealth of Kentucky, by his Office of Rate Intervention (“Attorney General”) and Kentucky Industrial Utility Customers (“KIUC”), and submit these Data Requests to Kentucky Power Company (hereinafter “Kentucky Power” or “company”) to be answered by October 5, 2022, in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the companies receive or generate additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed

certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify undersigned Counsel as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other

agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts

(including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

DANIEL J. CAMERON  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that, on September 26, 2022, an electronic copy of the foregoing was served via the Commission's electronic filing system.

this 26th day of September, 2022.

A handwritten signature in blue ink, appearing to read "J. Michael New". The signature is written in a cursive style with a long horizontal stroke at the end.

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Assistant Attorney General

**Data Requests**

1. Refer to the Direct Testimony of Brian West at 6:1-3 wherein he states that the “current authorized ROE is 9.3% as approved by the Commission in Case No. 2020-00174.”
  - a. Confirm that the current authorized return cited by Mr. West is for the base revenue requirement and does not refer to the current authorized return for the environmental surcharge revenue requirement.
  - b. Confirm that the current authorized return on equity is 9.1% for the environmental surcharge revenue requirement as approved by the Commission in Case No. 2020-00174.
  - c. Confirm that the Company used a weighted average cost of capital of 7.62% for the Rockport deferred carrying costs from January 14, 2021 through the present as shown on BKW Exhibit 2, obtained from Appendix A Section II attached to the Commission’s Order in Case No. 2020-00174, and which reflects a 9.3% return on equity for the base revenue requirement.
  - d. Explain why the Company did not weight the cost of capital reflecting the 9.3% return on equity for the base revenue requirement with the cost of capital reflecting the 9.1% return on equity for the environmental surcharge to develop the cost of capital applicable to the Rockport deferred carrying costs.
  - e. Confirm that a portion of the Rockport environmental rate base and the related return on rate base is included in the base revenue requirement. Describe the cost of capital applied to the Rockport environmental rate base in the base revenue requirement and describe whether, and if so, how the Company offset the “current” environmental surcharge revenue requirement calculated using the lower cost of capital and with the “base” revenue for the higher cost of capital on the environmental rate base included in the base revenue requirement. Provide an example of the calculations to complement the narrative response.
  - f. Provide a calculation weighting the two cost of capital rates using the two different returns on equity as described in part (d) of this question to reflect the fact that the return on the Rockport rate base is partially included in the base revenue requirement and partially included in the environmental surcharge revenue requirement.

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2. Refer to the column with the heading “ADIT on RA” on BKW Exhibit 2, which calculated the ADIT offset to the rate base. Explain why the Company assumed federal ADIT only instead of the combined federal and state ADIT.
3. Provide a revised calculation of the ADIT on RA amounts on BKW Exhibit 2 using the combined federal and state income tax rates approved in Case No. 2017-00179 and Case No. 2020-00174, respectively, which reflect a weighted average of Kentucky and other state income tax rates in the state income tax rate component.
4. Refer to the column with the heading “Carrying Charges on Principal Net of ADIT” on BKW Exhibit 2.
  - a. Confirm that the Company calculated the current month’s carrying charges using the current month end rate base times the monthly cost of capital through August 2022, but then changed the calculation in September 2022 to calculate the current month’s carrying charges using the prior month end rate base times the monthly cost of capital.
  - b. Explain why the Company used the methodology described in part (a) of this question through August 2022 rather than the prior month end rate base times the monthly cost of capital methodology that it used starting in September 2022.
5. Refer to paragraph 3(c) *Rockport UPA Expense Deferral* of the settlement agreement in Case No. 2020-00174, which describes the calculation of the deferred carrying costs.
  - a. Confirm that this paragraph describes the calculation of the deferred carrying costs using a grossed-up rate of return.
  - b. Confirm that the grossed-up rate of return would result in a regulatory asset for the carrying costs on a revenue equivalent basis and that there would be a liability ADIT equal to the regulatory asset times the combined federal and state income tax rate. If this is not correct, then provide a corrected statement and provide an explanation as to why such a correction was necessary.
  - c. Refer to the column with the heading “Carrying Charges on Principal Net of ADIT Only” on BKW Exhibit 2. Confirm that the amounts shown in that column were calculated using the weighted cost of capital, with the gross-up on the equity component not incorporated directly, but effectively offset by the related ADIT also not incorporated, but with no reduction for the related ADIT on the debt component. If confirmed, then confirm that the carrying costs shown in that column and in the total regulatory asset,

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- including carrying costs shown in the column with the heading “Month End Reg Asset Balance” are overstated by the amount of the ADIT on the debt component. If denied, then provide a corrected statement and provide an explanation as to why such a correction was necessary.
- d. Refer to the column with the heading “Carrying Charges on Total Reg Asset Net of ADIT Only” on BKW Exhibit 2. Confirm that the only reductions for ADIT in this column are the ADIT on the principal balance and the imputed reduction for the ADIT on the gross-up on the equity component described in part (c) of this question, and that there is no reduction for ADIT on the debt component of the carrying costs as described in part (c) of this question.
  - e. Refer to the column with the heading “Carrying Charges on Total Reg Asset Net of ADIT Only” on BKW Exhibit 2. Indicate if the Company recorded the amounts in this column for accounting purposes or some other amounts.
  - f. Provide the actual carrying costs recorded each month, both to the regulatory asset and to any related ADIT account and provide a copy of the journal entries each month and the supporting documentation for the journal entries.
  - g. Refer to the BKW Exhibit 2 Excel spreadsheet. Identify the person(s) and the person(s)’ positions who developed this spreadsheet, the person(s) who signed off on the month journal entries provided in response to part (f) of this question and whether the amounts were reviewed and signed off on by the Company’s outside auditor.
6. Refer to line 34 of the BKW Exhibit 3 Excel spreadsheet. The exhibit is entitled “Test Year Cost of Service Rockport UPA Purchased Power Expense.” In the Direct Testimony of Brian West at 7:1-2, he states “Please see **BKW-Exhibit 3**<sup>3</sup> for a detailed accounting of the Rockport Fixed Cost Savings.” The footnote reference states, “Provided in Case No. 2021-00481 in the Company’s response to the Attorney General’s Second Set of Data Requests, Item 24.” In the column labeled as “KPCO Total Company Per Books,” it shows a credit of \$15,000,000. The note in red states: “This is the deferral entry.” In the column labeled as “Kentucky PSC Jur Only,” it shows a credit of \$14,790,000 and in the column labeled as “Non-KY P.S.C. Juris,” it shows a credit of \$210,000.
- a. Identify the source of the amounts shown on this Excel spreadsheet and describe how the amounts shown were/are reflected in the base revenue requirement, the PPA tariff revenue requirement, FAC tariff revenue

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requirement, and/or any other tariff revenue requirements for the “test year” referenced in the title and in each subsequent post-test year time period starting with the date the base rates effective for the “test year” were implemented. In addition, identify the “test year” referenced in the title and the Case number for the base revenue requirement and each subsequent post-test year time period.

- b. Is it correct to interpret the Kentucky retail jurisdiction credit of \$14,790,000 as the Company’s calculation of the retail rate effect of the \$15,000,000 deferral authorized by the Commission? If that is the correct interpretation, then explain why the Kentucky retail jurisdiction was not provided a credit for the full \$15,000,000 deferral authorized by the Commission. If that is not the correct interpretation, then provide the correct interpretation of the retail jurisdiction credit of \$14,790,000.
- c. Refer to the “Additions” column on BKW Exhibit 2 Excel spreadsheet. Confirm that the amounts in this column are based on an annual deferral of \$15,000,000 from January 2018 through December 2019, an annual deferral of \$10,000,000 from January 2020 through December 2020, and an annual deferral of \$5,000,000 from January 2021 through December 8, 2022, all without reduction for the “Non-KY P.S.C. Juris” reflected on BKW Exhibit 3 Excel spreadsheet.
- d. Provide the annual increase in the PPA tariff annual revenue requirement coincident with the reductions in the annual Rockport deferrals from January 2020 through December 2020 and then from January 2021 through December 8, 2022.
- e. Confirm that neither FERC nor any other state regulatory commission authorized the Company to defer Rockport costs for the “Non-KY P.S.C. Juris” and confirm that the Company did not defer such costs for any jurisdiction other than the Kentucky retail jurisdiction.
- f. Upon review of parts (a) through (e) of this question, does the Company agree there is a mismatch between the reduction for the Rockport deferrals reflected in the base revenue requirement on a so-called Kentucky retail basis and the deferrals to the regulatory asset and increases in the PPA tariff for the entire amount of the authorized deferrals and PPA increases. Explain your response. If the Company does not agree that there has been a mismatch, then provide a reconciliation among the credit to the Kentucky retail base revenue requirement, the deferrals to the regulatory asset, and the PPA increases as the deferrals declined over the five-year period.

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7. Refer to the WACC columns on the BKW Exhibit 2 Excel spreadsheet. The percentages are input values. Provide the calculations of the WACC percentage and the weighted cost of equity and debt in each column in live Excel format with all formulas intact. Also provide the WACC percentage and the weighted cost of equity and debt on a grossed-up basis and on a net of tax basis, with net of tax defined as the weighted cost of equity plus the weighted cost of debt after the reduction for the interest deduction tax benefit. In addition, provide the calculations of the combined federal and state income tax rates and the gross conversion factors used in these calculations. To the extent that the state income tax rates represent blended rates for Kentucky and other states, provide the income tax rates for each of those states and the weightings of those state tax rates in the calculations of the blended rates, including the sources and calculations of those weighting factors.