

Kentucky Power Company
KPSC Case No. 2022-00283
AG-KIUCs Second Set of Data Requests
Dated October 13, 2022

DATA REQUEST

AG-KIUC 2_1 Refer to the Company’s Tariff E.S. Sheet 29-2, which provides the “monthly base net environmental costs.”

- a. Provide the calculations of the monthly base net environmental cost shown in the tariff in an Excel workbook in live format with all formulas intact, including, but not limited to, the calculation of the rate base and the cost of capital. To the extent any of the amounts were obtained from the Company’s base rate case filing, as adjusted by the Commission Order, in Case No. 2020-00174, provide a copy of those schedules and adjustments the Company relied on for the inputs to the monthly base net environmental costs referenced.
- b. Provide a copy of the Company’s environmental surcharge filings for each month during the test year ending February 28, 2017 in Case No. 2017-00179 and continuing thereafter from March 2017 through the most recent month available in Excel workbooks in live format with all formulas intact.

RESPONSE

- a. The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, please refer to Kentucky Power's response to KPSC 1_2.
- b. The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence, because the request is overly broad and unduly burdensome, and because the requested information is publicly accessible to the AG-KIUC. Subject to and without waiving the foregoing objections, please refer to Kentucky Power's response to KPSC 1_2.

Witness: Brian K. West

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AG-KIUC 2_2 Confirm that when the Company entered into the settlement agreement in Case No. 2017-00179, which is attached to the Commission's Order in that proceeding and which specifically includes provisions related to the Rockport deferral, neither it nor AEP had any knowledge of and/or intent to sell the Company to another owner before or during calendar year 2023. If this is not correct, then provide a corrected statement and a copy of documentation that the Company and/or AEP had knowledge and/or intent to sell the Company to another owner before or during calendar year 2023 and provide a copy of all documentation that it disclosed this fact to the Commission, Staff, and/or other parties in Case No. 2017-00179.

RESPONSE

The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, the Company states that the purpose of this proceeding is to implement the commitments contained in the settlement agreement in Case No. 2017-00179, to which KIUC was a signatory, and which, in relevant part, was approved by the Commission in that case. The questions posed by AG-KIUC in this request are inapposite and would have no bearing on the determinations to be made in this case.

Witness: Brian K. West

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AG-KIUC 2_3 Confirm that the Company agrees that the facts and circumstances have changed since the settlement agreement and the Commission Order in Case No. 2017-00179 in that AEP now plans to sell and Liberty plans to acquire the Company and has recently announced its intent to close on the purchase in January 2023.

RESPONSE

See the Company's response to AG-KIUC 2_2.

Witness: Brian K. West

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AG-KIUC 2_4 Confirm that the Company's acquisition by Liberty in 2023 will result in a different organizational structure, including different affiliate relationships, and a different cost structure than if AEP had retained ownership of the Company.

RESPONSE

See the Company's response to AG-KIUC 2_2.

Witness: Brian K. West

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AG-KIUC 2_5 Confirm that the Company will incur incremental costs related to its acquisition by Liberty in 2023, including, but not limited to, integration and transition costs, that would not be incurred but for the Liberty acquisition.

RESPONSE

Not confirmed. See the Company's response to KPSC 2_1.

Witness: Brian K. West

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AG-KIUC 2_6 Confirm that the Commission stated in its Order in Case No. 2021-00481 at 10: “Liberty committed that Kentucky Power and its ratepayers will not incur any additional costs, liabilities, or obligations in conjunction with the proposed transaction; will not incur additional indebtedness or pledge assets to finance the proposed transaction; will not bear costs associated with operating Liberty subsidiaries; and will not be required to pledge assets to finance the debt or purchases of any affiliates.”

RESPONSE

See the Company’s response to AG-KIUC 2_2. In addition, per Appendix A to the Commission’s May 4, 2022 Order in Case No. 2021-00481, transaction costs will not be incurred by Kentucky Power. Also see Liberty’s response to AG 1-55 in Case No. 2021-00481, attached in response to KPSC 2_1 as KPCO_R_KPSC_2_1_Attachment1

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- AG-KIUC 2_7** The Commission stated in its Order in Case No. 2021-00481 at 53: “To mitigate the impact of necessary distribution investments on Kentucky Power’s ratepayers, the Commission finds that Kentucky Power shall establish a regulatory liability in the amount of \$43.561 million to offset the deferred distribution restoration expenses. The regulatory liability may be used to reduce rate base in Kentucky Power’s next rate case and be amortized with the storm regulatory asset.” The Commission also stated in that Order at 54-55: “AEP’s Commission-required mitigation is unrelated to the premium paid for the purchase of Kentucky Power. These amounts are not a penalty, rather, they are a reimbursement for the harm caused by AEP’s ownership and now sale of Kentucky Power. They are not intended or premised on retribution, but rather are expected to be restorative in reversing anticipated and acknowledged destruction. How these amounts are funded are immaterial to the Commission as long as they are not directly or indirectly recovered from customers, which they shall not be.”
- a. Confirm that when the Company records this regulatory liability, it will charge an equivalent amount as an expense or loss and that this will reduce the Company’s per books earnings in the year that it records this charge.
 - b. Indicate when the Company plans to record this charge and whether it will record the charge under AEP ownership or in conjunction and contemporaneous with the close of the Liberty acquisition.
 - c. If this charge is recorded in 2023, then confirm the Company agrees that the charge should not be reflected in the per books earnings in 2023 used for the Rockport Offset. If the Company does not agree with this proposition, then explain why the Company’s customers should pay for this charge and regulatory liability through an increase to the Rockport Offset and explain why the reimbursement of the charge to the Company through the Rockport Offset will not negate the remedy set forth in the Commission’s Order to “mitigate the impact of necessary distribution investments on Kentucky Power’s ratepayers.”

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RESPONSE

a., b., and c. The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence and that it seeks information from a third-party that is not in the Company's possession, custody, or control. Subject to and without waiving the foregoing objections, the Company states that the referenced condition is contingent upon the closing of the sale of Kentucky Power to Liberty and therefore will not be recorded under AEP ownership. It is expected that the sale of Kentucky Power to Liberty will take place in January 2023. Please also see AG-KIUC 2_9.

Witness: Heather M. Whitney

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AG-KIUC 2_8 The Commission stated in its Order in Case No. 2021-00481 at 55: “As detailed above, Liberty proposed to provide a rate-offset benefit to Kentucky Power ratepayers in the form of a \$40 million credit. Termed as the “Eastern Kentucky Fuel Relief Fund,” Liberty proposed to apply the credit to the FAC charge in the months that the FAC adjustment factor is positive.” The Commission also stated in that Order at 39-40: “The \$40 million credit would be funded in equal parts by Liberty shareholders and AEP shareholders.”

- a. Confirm that the Company will charge this \$40 million as an expense or loss and that this will reduce the Company’s per books earnings in the year(s) that it records this charge.
- b. Indicate when the Company plans to record this charge and whether it will record some or all of the charge under AEP ownership or record some or all of the charge in conjunction and contemporaneous with the close of the Liberty acquisition.
- c. If this charge is recorded in 2023, then confirm the Company agrees that the charge should not be reflected in the per books earnings in 2023 used for the Rockport Offset. If the Company does not agree with this proposition, then explain why the Company’s customers should pay for this charge through an increase to the Rockport Offset when it was offered by AEP and Liberty as a commitment and/or condition to approval.

RESPONSE

a., b., and c. The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence and that it seeks information from a third-party that is not in the Company's possession, custody, or control. Subject to and without waiving the foregoing objections, the Company states that the referenced condition is contingent upon the closing of the sale of Kentucky Power to Liberty and therefore will not be recorded under AEP ownership. It is expected that the sale of Kentucky Power to Liberty will take place in January 2023. Please also see AG-KIUC 2_9.

Witness: Heather M. Whitney

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DATA REQUEST

AG-KIUC 2_9 Describe the Company’s proposal, if any, to ensure that the Rockport Offset, as defined in the settlement agreement in Case No. 2017-00179, does not increase due to the Liberty acquisition, including, but not limited to, commitments made by AEP/Liberty/Kentucky Power and other conditions imposed by the Commission in Case No. 2021-00481. In your response, specifically describe the Company’s proposal to calculate and/or modify the calculation of the, “Rockport Offset using a comparison of the per books return on equity for 2023 to the Commission-approved return on equity,” cited in the settlement agreement in Case No. 2017-00179 to ensure that the Rockport Offset does not increase due to the Liberty acquisition. If the Company has no proposal to address these concerns, then so state and explain why it does not have such a proposal.

RESPONSE

The 2017-00179 settlement agreement regarding the Rockport Offset requires the Company to utilize 2023 “per-books” net income. Nonetheless, the Company agrees that an adjustment(s) would be considered to neutralize the 2023 net income impact of conditions contingent upon close of the acquisition (such as the decommissioning rider rate “holiday,” eastern Kentucky fuel relief fund, \$43.561 million liability to offset deferred distribution restoration expenses, and \$15 million annual refund for Kentucky Power customers’ alleged transmission subsidization), if any.

A proposal is premature until specific accounting entries from the acquisition are determined. Please see the Company’s response to AG-KIUC 2_7 and 2_8 for further clarification. Accordingly, the true-up for the Rockport Offset to be filed within the Company’s purchase power agreement on or before February 1, 2024 will address such items. As always, the Commission will review the Company’s filing and determine its prudence.

Witness: Brian K. West

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AG-KIUC 2_10 Provide a copy of all analyses performed by or for Liberty and/or Kentucky Power Company that quantifies and/or otherwise analyzes the effects of the Commission's Order in Case No. 2021-00481 on the Company's budget/forecast per books earnings in 2023 and/or the calculation of the Rockport Offset as that term is defined in the settlement agreement in Case No. 2017-00179, including, but not limited to, the FAC credit of \$40 million and the regulatory liability to offset the deferred distribution restoration expenses of \$43.561 million.

RESPONSE

The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence and that it seeks information from a third-party that is not in the Company's possession, custody, or control. It is expected that the sale of Kentucky Power to Liberty will take place in January 2023. Thus, Kentucky Power, at this time, cannot speak for Liberty, which is not a party to this proceeding.

Subject to and without waiving the foregoing, the Company states that the requested analysis has not been performed.

Witness: Brian K. West

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DATA REQUEST

AG-KIUC 2_11 Please provide a copy of the September 29, 2022 Amended Stock Purchase Agreement between AEP and Liberty Utilities, a unit of Algonquin Power & Utilities Corp., for the sale of Kentucky Power and AEP Kentucky Transmission Co.

RESPONSE

The Company objects to this request on the basis that it seeks information that is neither relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. The purpose of this proceeding is to implement the commitments contained in the settlement agreement in Case No. 2017-00179, to which KIUC was a signatory, and which, in relevant part, was approved by the Commission in that case. The questions posed by AG-KIUC in this request are inapposite and would have no bearing on the determinations to be made in this case. Subject to the foregoing, on October 19, 2022 Liberty Utilities Co., American Electric Power Company, Inc. (“AEP”) and the Company requested a meeting to provide information regarding the amendment to Commissioners and Staff coincident with the public filing of the amendment in AEP’s 10Q on or about October 27, 2022. The Company will notify Staff and AG-KIUC of the availability of the 10Q. The meeting request is pending as of the time of this filing.

Witness: Brian K. West



Whitney Verification Form.doc

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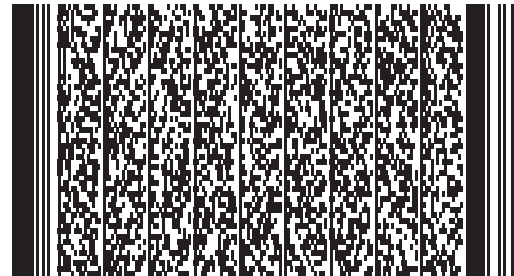
E-Signature Summary

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

October 19, 2022 06:32:30 -8:00 [DFA64E5E51B7] [167.239.221.101]
hmwhitney@aep.com (Principal) (Personally Known)

E-Signature Notary: Jennifer Young (JAY)

October 19, 2022 06:32:30 -8:00 [21A70BDFB9D1] [167.239.221.101]
jayoung1@aep.com
I, Jennifer Young, 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 foregoing responses and the information contained therein is true and correct to the best of her information, knowledge, and belief.

Heather M. Whitney

Signed on 2022/10/19 06:32:30 -8:00

Heather M. Whitney

Commonwealth of Kentucky)

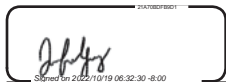
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Case No. 2022-00283

County of Boyd)

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Subscribed and sworn before me, a Notary Public, by Heather M. Whitney this 19th day of October, 2022.



Notary Public

JENNIFER A. YOUNG
ONLINE NOTARY PUBLIC
STATE AT LARGE KENTUCKY
Commission # **KYNP31964**
My Commission Expires Jun 21, 2025

Notary Stamp 2022/10/19 06:32:30 PST

21A706DF8D1

Notarial act performed by audio-visual communication

My Commission Expires 06/21/2025

Notary ID Number: KYNP31964

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