COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|---|
| ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) APPROVAL OF TARIFFS AND RIDERS; (3) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; (4) A SECURITIZATION FINANCING ORDER; AND (5) ALL OTHER REQUIRED APPROVALS AND RELIEF | ) | CASE No. 2023-00159 |

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

The intervenors, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ["OAG"], and the Kentucky Industrial Utility Customers, Inc. ["KIUC"] hereby submit their Joint Initial Data Requests to Kentucky Power Company ["KPCo" or "the Company"], to be answered by the date specified in the Commission's Orders of Procedure, and 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 request 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. OAG-KIUC can provide counsel for KPCo with an electronic version of these questions in native format, upon request.

(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. Information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to OAG and KIUC. Any studies,

documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.

(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, request clarification directly from Counsel for OAG-KIUC.

(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, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the Companies have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify OAG-KIUC as soon as possible.

(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 Companies, 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 electronic volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations and Orders.

(14) Abbreviations, definitions and instructions:

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

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

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, Esq.
MICHAEL L. KURTZ, ESQ.
JODY KYLER COHN, ESQ.
**BOEHM, KURTZ & LOWRY**
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202
Ph: (513) 421-2255, Fax: (513) 421-2765
mkurtz@BKLlawfirm.com
jkylercohn@BKLlawfirm.com

**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

## ***Certificate of Service***

Pursuant to the Commission's Orders 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.

This 14th day of August, 2023

__________________________
Assistant Attorney General

1. Reference the Coburn Direct Testimony at pp. 3-6, regarding the Company's Home Energy Assistance in Reduced Temperatures (HEART) and Temporary Heating Assistance in Winter (THAW) Home Energy Assistance (HEA) programs.

   a. Confirm that the Company's HEA program is funded by a monthly $0.30 per residential meter surcharge (Tariff R.E.A.), in combination with a dollar-for-dollar Company match.
   b. Confirm that the Company proposes to increase Tariff REA from the current $0.30 per month per residential meter to $0.40 per month per residential meter.
   c. Confirm that the Company's dollar-for-dollar matching will also increase to match the proposed increase in Tariff REA.
   d. Referring to Figure SNC-1, confirm that for the 2022-2023 Program Year, the total of all funds collected under Tariff R.E.A. and the Company's dollar-for-dollar match is $899,841.
   e. Confirm the Company retains 10% of these funds, or $81,804, as an administrative fee (Admin Cap).
   f. Referring to Figure SNC-2, confirm that under the Company's proposal, the additional new funds to be collected, when coupled with the Company's dollar-for-dollar match totals $335,224 for a revised total of $1,235,066 (pre-10% Admin Cap).
   g. Provide a detailed breakdown of the need for an additional $33,500 in Admin Cap. Include in your response all projections of actual administrative costs.

2. Refer to the following: (i) the Cobern testimony, at 13:10-11, reference to the Average Monthly Payment Plan; and (ii) KPCo's current revised tariff sheet no. 2-4, 5 (B) regarding the Average Monthly Payment Plan (AMP). The Attorney General has received numerous complaints from AMP participants who continue to have large balances that transfer over into the next year's calculations, resulting in higher than current charges for the subsequent AMP year.

   a. Discuss whether revising the AMP so that it more closely reflects a similar plan ("Levelized Budget Plan") offered by Shelby Energy, RECC, tariff sheet 216.1, accessible in the link below,[1] would alleviate any issue regarding high balances being rolled over.

3. Provide a detailed discussion regarding all efforts the Company has undertaken, and will continue to undertake to apply for federal infrastructure funding, including but

[1] Utilizing Adobe Reader, the public tariff sheet 216.1 is located at p. 23/292:
https://psc.ky.gov/tariffs/Electric/Shelby%20Energy%20Cooperative,%20Inc/Tariff.pdf

not limited to the $207.6 million in Grid Resilience State and Tribal Formula Grants,[2] and the Inflation Reduction Act to address transmission and distribution expansion, maintenance and resilience.

4. Reference the Spaeth testimony at 12-13, regarding the proposed optional seasonal rate plan for residential customers.

    a. Explain whether warmer than average winter temperatures would erode any potential savings to participants.
    b. Provide a discussion on whether participants who already receive LIHEAP funding would have their LIHEAP benefits reduced.
    c. Confirm that during the April-November higher-rate period, participants will not have LIHEAP funds available to them to pay the increased costs.
    d. Explain the difference between this program and: (i) the AMP referenced in question no. 2, above; and (ii) the Equal Payment Plan, both of which are identified on KPCo tariff sheets 2-5 through 2-6.[3]

5. Reference the Spaeth testimony at 15-16. Confirm that the Company is not proposing a residential demand charge in this proceeding. If so confirmed, explain under what circumstances the Company ever would make such a proposal.

6. Reference the Ali testimony at 7:13-22, wherein the witness states that KPCo:

    > ". . . is a net importer of energy and capacity as its customer load is greater than the capacity and energy available from its own generation resources. Additionally, with the reduction of available energy and capacity due to Kentucky Power's interest in the Mitchell Generation facility terminating in 2028, the Company will further rely on its transmission infrastructure to supply safe and reliable generation to its customers, primarily from generation resources outside of Kentucky Power's own service territory. Kentucky Power is making investments to expand and harden its transmission system to ensure it can safely and reliably import the energy and capacity it requires to service its customers."

    Given KPCo's growing reliance upon the PJM grid to supply the Company's native load, explain what additional transmission investments the Company is having to

[2] https://www.energy.gov/articles/biden-harris-administration-invests-over-200-million-states-and-tribal-nations-modernize
[3] P.S.C. KY. No. 12 1st Revised Sheet nos. 2-4 and 2-5.

undertake to ensure adequate delivery of power into its service territory. Where applicable, provide cost estimates for all such investments.

7. Confirm that KPCo retail customers are responsible for paying portions of the costs incurred by KPCo's out-of-state affiliates. If confirmed, provide a break-out of those sums that the Company has included in the revenue requirement for the instant base rate case. If denied, provide a complete explanation.

    a. If so confirmed, further confirm that KPCo retail ratepayers will be indirectly subsidizing Illinois' renewable energy mandate known as the Illinois Climate and Equitable Jobs Act (CEJA).

        (i) Confirm that PJM has found that power plant retirements in Illinois stemming from the CEJA will require approximately $2 billion in new transmission to maintain reliability.
        (ii) Confirm that legislators from the State of Ohio have published a letter addressed to the PJM Board of Managers[4] expressing their concerns over why Ohio ratepayers should be subsidizing ratepayers in Illinois.[5]
        (iii) Confirm that PJM has provided the Ohio State Legislature with a preliminary estimate of the transmission upgrades necessary in the state of Ohio, which includes $241 million for KPCo affiliate, AEP Ohio.
        (iv) Confirm that pursuant to AEP East Transmission Agreement, KPCo retail ratepayers will be paying a portion of the costs AEP Ohio undertakes to provide the transmission upgrades that PJM mandates in order to ensure reliability within PJM's footprint in the state of Illinois.
        (v) Provide a breakdown of the costs for which KPCo retail customers will be responsible, and explain whether any such costs are included in the revenue requirement in the instant case.

8. Confirm that the State of Indiana has enacted a new law that gives regulated utilities, including KPCo affiliated companies, the "right of first refusal" [ROFR] to build, own,

[4] https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20230614-oh-legislative-committees-letter-regarding-il-ceja-analysis.ashx
[5] *See, e.g.*, "Ohio Legislators Raise Concerns About Cost Impact of Illinois' CEJA," July 10, 2023, *RTO Insider*, accessible at: https://www.rtoinsider.com/49838-ohio-legislators-concerned-rate-impacts-illinois-ceja/

and operate new transmission lines in their service areas without having to go through a competitive bid procedure.[6]

a. Explain whether KPCo agrees that: (i) its affiliate Indiana Michigan Power will incur higher transmission costs as a result of the Indiana ROFR law; and (ii) under the terms of the AEP East Transmission Agreement, KPCo ratepayers are responsible for paying a portion of all transmission costs incurred by affiliates.

9. Explain whether KPCo and its affiliates who participate in the AEP East Transmission Agreement submit transmission project RFPs for competitive bids. If not, explain fully why not. If so, explain whether RFPs for competitive bidding are issued for all types of transmission projects, and provide the criteria utilized for determining whether a given project is submitted for competitive RFPs.

10. Reference the Ali testimony at 10:10-12. Identify the referenced transmission investments.

11. Reference the Ali testimony generally, in particular at 18. Provide KPCo's allocated amount of expense for AEP Zone Owner Projects (also variously referred to as "supplemental transmission projects," or projects falling under PJM's M-3 regional planning process, and/or those referred to PJM's Transmission Expansion Advisory Committee (TEAC) and the PJM Western Subregional RTEP Committee) for each of the past five years, together with a projection of these expenses for the next five years.

a. Provide projected costs for all projects identified in the Ali testimony exhibit KA-2.

12. Reference the Burkholder testimony at 10:1-5. Confirm that if KPCo had more self-owned generation, it would not need to utilize the PJM transmission system to the degree it does today, and that accordingly, its PJM OATT expense would diminish.

13. Reference the Burkholder testimony at 15, regarding AEPSC review process designed to review how PJM transmission costs are allocated to and among KPCo and the other AEP East Operating Companies. Explain whether the Company will agree to provide

---

[6] *See, e.g.*, "Right of first refusal" bill would eliminate competitive bidding for Indiana's major utilities," Vincennes Sun-Commercial, April 14, 2023, accessible at: https://energycentral.com/news/%E2%80%9Cright-first-refusal%E2%80%9D-bill-would-eliminate-competitive-bidding-indiana%E2%80%99s-major-utilities-0

a copy of that report into the record of this case, once it is completed. If not, explain why not.

14. From a hypothetical perspective, if KPCo were to enter into a purchase power agreement with Kentucky Utilities Co. to purchase the output of its 485 MW Ghent Unit 2 plant, explain the types of transmission issues that would need to be investigated.

15. Provide electronic spreadsheets relied on for each of the schedules, exhibits, tables, and figures included in the testimony of each of the Company's witness, with all formulas intact to the extent not already provided in response to Staff discovery.

16. Provide the Excel versions of the following analyses with all formulas intact:

    a. All class cost of service study workpapers, including the development of allocation factors;
    b. Supporting analyses for the proposed rate design for each rate class;
    c. Unit cost of service analysis based on the filed class cost of service study;
    d. A detailed schedule showing the impact (total dollar change, percentage change) on each rate class's base revenues and total revenues. For the total revenue calculation, include the impact of each surcharge and rider (i.e., FAC, PPA, ES, etc.). To the extent that a surcharge or rider revenue amount will change as a result of the Company's proposals in this case, show the current level of the surcharge or rider revenue and the level of surcharge or rider revenue, for each class, that would become effective if the Company's proposals in this case are approved by the Commission.
    e. For each surcharge or rider included in the analysis requested in (g) above, provide the test year level of revenue and the level of revenue that would be produced if the Company's proposals in this case are approved by the Commission.

17. Provide a trial balance of all income statement and balance sheet accounts for each month January 2020 through March 2023. Provide a detailed description of the costs included in each account not specifically listed in the FERC Uniform System of Accounts ("USOA"), including all subaccounts whether listed in the USOA or not.

18. Reference the West testimony at 5, 6, and 30 for discussions of proposed revenue increases, suspended collection of the Decommissioning Rider and Rockport Deferral Regulatory Asset until securitization, and the PJM LSE OATT costs that have been recovered through Tariff P.P.A that the Company proposes to be rolled into base rates in addition to the $96,896,495 that has been recovered in base rates. Reference also to

the Walsh testimony 17-18 regarding the total adjusted test year PJM LSE OATT costs of $136,358,812 that are included in the determination of the base rate cost of service.

a. Provide a list showing each projected change in the annual revenue requirement charges to customers that will occur on January 1, 2024 in addition to the proposed base rate increase. Describe the current form of recovery for each listed item. This request includes, but is not limited to, the following:

    i. Decommissioning Rider;
    ii. Rockport Deferral Regulatory Asset;
    iii. Tariff P.P.A Under-Recovery Regulatory Asset if applicable; and
    iv. PJM LSE OATT costs currently recovered through Tariff P.P.A.

b. For each item listed in response to subpart a, provide the calculated determination of the annual recovery amount as of January 1, 2024 in electronic format with all formulas in place.
c. Provide a copy of the most recent spreadsheet calculations of the Decommissioning Rider and Tariff P.P.A in electronic format with all formulas in place.
d. What is the projected suspended collection period related to securitization. In other words, what are the earliest and latest projected dates in which securitization customer charges could start?
e. Confirm that the expected annual securitization charges to customers would be $37.061 million based on current parameter assumptions. (Reference the Spaeth testimony at page 22.)

19. Provide a ten year forecast of the capital expenditures, CWIP, transfers from CWIP to plant in service, all other rate base components, depreciation expense, all other operating expenses, and the revenue requirements by year that will be recovered through the Company's proposed Distribution Reliability Rider if it is approved by the Commission without modification. Provide all support relied on for your response.

20. Reference Exhibit LMK-7, Sheets 34-1 and 34-2 for the proposed DRR. The formula set forth in the proposed tariff sheets simply identifies categories of costs and then refers to "the capital expenditure and operations and maintenance to support that capital to enhance customer reliability."

    a. Confirm that the Company has provided no details regarding the specific costs that will be included, how the return on and of the capital investment will be calculated, how the Company will reflect capital investment and operations and maintenance expense that otherwise would have been included in the base revenue requirement. If this is not correct, then provide a corrected statement and provide citations to the direct testimony, exhibits, schedules, workpapers, and/or all other sources of these details.

b. Provide a template for the Company's specific calculations in an Excel workbook in live format and with all formulas intact that it will use to calculate the DRR revenue requirements, allocations, and rates. Populate the template for illustrative purposes with the forecast information provided in response to Question 18 for 2024, assuming that the DRR goes into effect on January 1, 2024.
c. Provide a detailed description and listing of the costs that will be included in each of the categories of costs, separately addressing the capital expenditures and each of the operating expenses.
d. Explain how the Company's plan will ensure that the costs included in each of the listed categories sought for recovery through the DRR are, in fact, incremental, and will not simply displace the costs that otherwise would be incurred and recovered, albeit on a delayed basis, through base rates. Provide specific details, tests, thresholds, other metrics, and all other information for each of the listed categories of costs the Company proposes be used for this purpose.

21. Reference the West testimony at 15-17 regarding trees outside right of way and the Company's proposal to clear a wider area than it presently clears.

    a. Confirm that it has been the Company's practice to capitalize the initial clearing of rights of way beyond the area that it presently clears when it widens the area cleared. Provide all support relied on for your response.
    b. Indicate if the Company still follows the accounting practice described in part (a) of this question. If not, then indicate when the Company changed its accounting and explain why it did so.
    c. Indicate whether the Company plans to capitalize the costs to widen the rights of way beyond the area that it presently clears. Provide all support relied on for your response.

22. Reference the West testimony at 31-32 regarding the expectation that the sale of receivables will resume in mid-July 2023. Reference also the lead/lag study performed and summarized in the Adams testimony.

    a. Provide an update to the table on page 8 of Mr. Adams's testimony showing the changes to the breakdown of the revenue lag components related to resuming the sale of receivables.
    b. Provide an updated lead/lag study that includes the assumption that the sale of receivables will resume. Provide in electronic format with all formulas in place.

23. Reference the Whitney testimony at 30 regarding the normalized recovery of non-FAC eligible purchased power expense based on the history of such FAC disallowances for each of the last three years (proforma adjustment Section V Exhibit 2 W57).

    a. Provide a schedule which shows the monthly non-FAC eligible purchased power expense amounts associated with each of the twelve month periods and amounts noted.
    b. Provide a schedule which shows the monthly non-FAC eligible purchased power expense amounts for each of the twelve months ended March 31, 2020 and the twelve months ended March 31, 2019.
    c. Indicate whether a normalized level of non-FAC eligible purchased power expense amounts has ever been requested or authorized to be recovered in base rates in prior cases. If so, provide citations and describe the details of such requests/authorizations.

24. Reference the Whitney testimony at 31 regarding the recovery over a three-year period of non-FAC eligible purchased power expense that occurred since the last rate case (proforma adjustment in Section V Exhibit 2 W58).

    a. Confirm that the Company did not seek express prior Commission authorization to defer such prior year expenses for recovery. If not confirmed, explain.
    b. Indicate whether the Company has ever sought in prior cases to recover in base rates the non-FAC eligible purchased power expense amounts previously incurred. If so, provide citations and describe the details of such requests/authorizations.

25. Provide a copy of the currently effective AEP Tax Allocation Agreement.

    a. Confirm that the AEP Tax Allocation Agreement was approved by the FERC and is a FERC tariff. If this is not correct, then provide a corrected statement and a copy of all support relied on for your response. In addition, provide a cite to each FERC docket and each FERC order wherein the AEP Tax Allocation Agreement initially was approved and each subsequent modification was approved.
    b. Provide the date at which the initial AEP Tax Allocation Agreement was effective and the date at which it was effective for the Company, if different. Confirm also that the AEP Tax Allocation Agreement has been in effect continuously since the initial version, albeit subject to modification throughout its existence.
    c. Confirm that neither AEP nor any other party has sought or has pending an Application before the FERC either to withdraw the AEP Tax Allocation Agreement altogether or to remove or otherwise modify the provision whereby

AEP reimburses the other parties to the agreement for the tax effects of each party's taxable losses.

d. Confirm that the Company historically has incurred taxable losses (net operating losses or "NOLs") on a standalone separate return basis and confirm that AEP historically has reimbursed the Company for the tax effect of those tax losses through the AEP Tax Allocation Agreement.
e. Confirm that the Company historically has recorded an asset NOL ADIT on its accounting books for the tax effects of the taxable loss in the tax year on a standalone separate return basis, but then records a reduction to that asset NOL ADIT for AEP's reimbursement for the tax effects of the taxable loss pursuant to the AEP Tax Allocation Agreement.
f. Confirm that the Company has never before sought to include the standalone separate NOL ADIT in rate base without the subtraction of the AEP reimbursement from rate base.
g. Confirm that the Company will continue to record the AEP reimbursement of the tax effects of the taxable loss pursuant to the AEP Tax Allocation Agreement and and confirm that it will not record an increase in the NOL ADIT on its accounting books if the Commission allows the Company to include the standalone separate NOL ADIT in rate base. Explain your response and provide all support relied on for your response.
h. Confirm that the Company will record for the first time on its accounting books a regulatory asset if the Commission allows the Company to include the standalone separate deficient NOL ADIT without the subtraction of the actual prior AEP reimbursement of this amount in the calculation of rate base.
i. Provide a schedule in live Excel format with all formulas intact that shows for each calendar year 2013 through 2022: i) the calculation of the Company's standalone separate return annual taxable income or loss, including all income and deduction items, ii) straight line book depreciation, iii) straight line tax depreciation, iv) bonus tax depreciation, v)non-bonus accelerated tax depreciation, vi) utilization of the NOL carryforwards from prior years by vintage year, vii) NOL and deficient NOL carryforward balances at the end of each year, viii) NOL ADIT and deficient NOL ADIT at end of year before reimbursement from AEP, and ix) NOL ADIT and deficient NOL ADIT at end of year after reimbursement from AEP.
j. Confirm that the reimbursements from AEP pursuant to the AEP Tax Allocation Agreement reduce or displace the Company's financing requirements by the amount of the reimbursement compared to the Company's financing requirements if it was not a party to the AEP Tax Allocation Agreement. Explain your response and provide all support relied on for your response. Confirm further that the Company does not incur financing costs on equity and debt financing that is avoided due to the reimbursements from AEP

pursuant to the AEP Tax Allocation Agreement. Explain your response and provide all support relied on for your response.

26. Identify each AEP utility and jurisdiction for which AEP and/or the utility has/have requested a private letter ruling from the IRS regarding whether the subtraction of the AEP reimbursement of the tax effects of net operating losses from rate base constitutes a normalization violation.

    a. Provide a copy of each request, supporting documents, and comments from the regulatory commission staff in that jurisdiction and/or other parties, if any.
    b. Provide a status report on all activities with respect to each request, including any conversations with the IRS by the Company and/or tax counsel.
    c. Indicate if AEP/Company expects the IRS to consolidate the requests and issue a single letter ruling or whether it will consider facts and circumstances unique to the utility and/or jurisdiction.
    d. Indicate if AEP/Company expects the IRS to offer a conference of right prior to issuing the ruling and provide the date at which such conference has taken place or is expected to take place.

27. Provide the per books ADIT by FERC account/subaccount related to the prepaid pension asset and prepaid pension contra-asset and the prepaid OPEB asset and prepaid OPEB contra-asset. Confirm that the ADIT related to these prepaid assets are liability amounts, that the ADIT related to the prepaid pension and OPEB contra-assets are asset amounts, and that the liability ADIT and asset ADIT amounts net to zero, just as the prepaid pension asset and prepaid pension contra-asset net to zero and the prepaid OPEB asset and prepaid OPEB contra-asset net to zero.

28. Refer to the Company's response to Staff 1-11, which provides a detailed reconciliation between rate base and capitalization. Confirm that the Company excluded the prepaid pension contra-asset (account 1650014) and the prepaid OPEB contra-asset (account 1650037) from the rate base amounts shown in the column entitled "Section V Exhibit 1 Schedule 4 Rate Base." Confirm and provide all evidence that the Company also excluded the related asset ADIT amounts from the rate base amounts in that same column. If it did not exclude the related asset ADIT amounts from the rate base amounts in that same column, confirm that the Company agrees that if the Commission allows the two prepaid assets in rate base with no offset for the two related contra-assets, then the asset ADIT related to the two contra-assets also should be excluded from rate base. If denied, then explain why the Commission should exclude the two contra-assets from rate base, which would reduce rate base if included, but should include the related asset ADIT amounts, which increase rate base if not excluded.

29. Refer to the prepaid pension asset and prepaid OPEB asset table that the Company provided in response to AG-KIUC 2-17 in Case No. 2020-00174.

    a. Provide a table in similar format and level of detail for the Company at December 31, 2022.
    b. Provide a table in similar format and level of detail for the Company at March 31, 2023.
    c. Confirm that the Company did not include the amounts in accounts/subaccounts 1290000, 1290001, 2283016, 1823165, 1823166, 1900010, 1900011, 2190006, and 219007 in its calculation of rate base in this proceeding. If confirmed, provide a detailed explanation as to why each account should not be included in rate base. If denied, then provide a schedule that demonstrates the amounts in the referenced accounts/subaccounts were included in the calculation of rate base in this proceeding.
    d. Confirm that the Company agrees that any amounts in account 1823165 and 1823166 should not be included in rate base because these regulatory assets were not financed; the amounts simply balance the pension/OPEB funding position and the pension/OPEB amounts in accumulated other comprehensive income. If this is not correct, then provide a corrected statement and provide all authoritative support for your corrected statement, including all support for the proposition that the amounts in these accounts were financed specifically with equity and debt, not some other combination of assets and liabilities, such as those shown on the tables provided in response to parts (a) and (b) of this question.

30. Refer to the Commission's Order in Case No. 2020-00174 at 11-12 wherein it removed the prepaid pension and OPEB assets from rate base but also increased pension and OPEB expenses for the Company's calculated cost savings that the Company attributed to the recordation of the prepaid assets. Provide a similar calculation of the expense costs savings that the Company deems to be attributable to the recorded prepaid pension asset and OPEB balances included in the test year rate base. Provide in electronic format with all formulas in place.

31. Provide a schedule of FTEs and payroll dollars separated between expense, capital, and other, for KPCo by department and by month for 2020, 2021, 2022, budgeted in each month in 2023, and actual in each month in 2023 for which actual information is available.

32. Provide a schedule of FTEs and payroll dollars separated between expense, capital, and other, for AEPSC by department and by month for 2020, 2021, 2022, budgeted in

each month in 2023, and actual in each month in 2023 for which actual information is available.

33. Reference the response to Staff 1-23, Attachment 1, which shows percentage merit and general pay increases in 2021 and 2022. Refer further to the higher than normal percentage increase of 7.39% for general pay increases given on October 1, 2022. Describe all reasons for the higher than normal pay increases effective October 1, 2022.

34. Provide a copy of each incentive compensation plan that was in effect during the test year.

35. Reference Adjustment #27 in Exhibit 2 that reduces incentive compensation expense to the level of 1.0 of the incentive target for the Incentive Compensation Plan ("ICP") and the Long-Term Incentive Plan ("LTIP"). Indicate whether these amounts are attributable only to the Company's employees or whether the amounts also include the amounts attributable to AEPSC employees that are charged to the Company and attributable to Wheeling Power Company employees that are charged to the Company. If just for Company employees, explain why the Company excluded the incentive compensation expense for AEPSC and Wheeling Power Company employees. In addition, provide the AEPSC and Wheeling Power Company incentive compensation expense charged to the Company in the same format as provided for the Company's employees.

36. Provide the amount of incentive compensation expense pursuant to the LTIP included in the test year revenue requirement for each target metric used for this plan during the test year. Separately provide the costs incurred directly by the Company and the costs incurred through AEPSC affiliate charges and Wheeling Power Company, the operator of the Mitchell plant. In addition, provide these amounts by FERC O&M and/or A&G expense account.

37. Provide the LTIP target metrics for the Company and AEPSC applicable in the test year, describe how they were calculated and the source of the data used for the calculations, and provide the Company and AEPSC's actual performance against each of these metrics in the test year.

38. Provide the expense related to the Restricted Stock Units (RSU) for Kentucky Power employees included in the test year by FERC account. Be sure to include amounts charged by AEPSC to Kentucky Power and charged by Wheeling Power Company to Kentucky Power as the operator of the Mitchell plant.

39. Provide the amount of Supplemental Executive Retirement Plan ("SERP") expense incurred in the test year and the amount included in the revenue requirement. Provide

the SERP expense directly incurred by Kentucky Power Company and the SERP expense charged to the Company from each other affiliate.

40. Provide the charges by FERC account for each month in the test year and in total from AEPSC to KPCo separated into direct charges, direct assignments, and allocations, with the allocations further separated into charges by individual allocation factor. Provide in live Excel spreadsheet format with all formulas intact.

41. Provide the charges by FERC account for each month subsequent to the test year from AEPSC to KPCo for which actual information is available separated into direct charges, direct assignments, and allocations, with the allocations further separated into charges by individual allocation factor. Provide in live Excel spreadsheet format with all formulas intact.

42. Provide the data and calculations used by AEPSC to calculate the allocation percentages and the charges allocated to each affiliate for each allocation method during each month of the test year and each month thereafter for which actual information is available. Provide in live Excel spreadsheet format with all formulas intact.

43. Provide a matrix separately for the test year showing the AEPSC cost pools, activities, or departments on one axis and the affiliates that were allocated costs on the other axis. Provide in electronic format.

44. Confirm that the Company did not include ratemaking adjustments to normalize the AEPSC allocated charges to KPCo to reflect the proposed ratemaking adjustments for net reductions in KPCo load due to customer specific changes and reductions in number of customers or changes in the number of employees. If the Company did reflect such ratemaking adjustments in its filing, then identify where each adjustment was made, describe the adjustment, quantify the adjustment, and provide all data, assumptions, calculation, and electronic workpapers in live Excel spreadsheet format with all formulas intact.

45. Provide the AEPSC charges to the Company for a return on rate base by month from January 2021 through March 2023. Provide all calculations in live Excel spreadsheet format with all formulas intact.

46. Provide an AEPSC trial balance for each month January 2021 through March 2023.

47. Provide a schedule which shows the historic per books revenues and expenses by FERC account for each of the years 2019-2022 and for the test year.

48. Provide the lobbying expense actually incurred in the test year by FERC account/subaccount and payee/vendor, including expense that was incurred by affiliates, such as AEPSC, and charged to the Company. In addition, provide the amount of lobbying expense included in the cost of service in this proceeding in the same format.

49. Provide a schedule of the amortization expense associated with each regulatory asset for each year 2019 through 2022 and for each month of the test year. Provide the balance of each regulatory asset at the beginning and end of each of those periods (years and months), the amortization expense recorded in each of those periods (years and months), and the authorized amortization period. In addition, source the amortization period to the Case No. in which the Commission approved the recovery and the amortization period, if any.

50. Reference Section V Exhibit 2 page 50 which details the annualization adjustment W49 for property taxes expense.

    a. Provide the calculation of the estimated test year property tax expense based on the December 31, 2022 Assessed Property Tax Value reflected on Line 1, including the calculation or other source of the property tax rates. Provide in electronic format with all formulas in place.
    b. Provide the calculation of the estimated test year property tax expense based on the December 31, 2021 Assessed Property Tax Value. Provide in electronic format with all formulas in place.
    c. Indicate the amounts of property tax costs in the test year that were expensed, capitalized, or charged to other. In addition, indicate whether the allocation of property tax costs to these categories were changed in any way in the estimation of property tax expense based on the December 31, 2022 Assessed Property Tax Value.
    d. Indicate all known reasons for the estimated increases in property tax expenses based on the December 31, 2022 Assessed Property Tax Value compared to actual test year amounts. Include such expected changes in net plant, operating income, tax rate increases, and all other component increases as part of the response.

51. Reference Section V Exhibit 2 page 50 at line 2. Provide the monthly expense recorded in the three accounts referenced (4081005, 4081029 and 4081036) and in all other real and personal property tax accounts for the twelve months ended March 31, 2023. In addition, provide the same information for costs in any subaccounts not reflected above.

52. Reference the response to the previous question. Indicate in which month in 2023 the recorded property tax expense was adjusted to reflect the estimated property tax expense based on the December 31, 2022 Assessed Property Tax Value.

53. Reference Section V Exhibit 2 page 50 at line 2, which shows test year total company actual property tax expense of $15,587,676. Reference also Section V Schedule 4 at line 468, which shows test year per books real and personal property tax expense of $19,030,409. Provide a reconciliation between these amounts and explain all reasons why the amounts are different.

54. Provide a copy of the Company's receivables financing agreement that will be applicable to the resumption of the sales of receivables.

55. Provide a schedule of all ADIT amounts by FERC account/subaccount and by temporary difference for each month December 2021 through the most recent month for which actual information is available in live Excel spreadsheet format with all formulas intact. Reconcile the amounts shown on this schedule to the ADIT amount reflected in the calculation of rate base for the test year.

56. Provide a copy of the AEP Money Pool Agreement.

57. Provide the actual interest rate incurred for borrowings under the AEP Money Pool Agreement for each month January 2022 through the most recent month for which actual information is available. Provide the calculation of the daily interest rates based on the terms of the AEP Money Pool Agreement, including the interest rate index relied on for that purpose plus any adders.

58. Reference the list of long term debt issues found in Section V Workpaper S-3 page 1 of 3.

    a. Reference the four term loans summing to $425 million on lines 12-15 that will be maturing during 2023 that have coupon interest rates ranging from 5.590% to 5.990%. Describe the Company's plan to refinance these issues at or near the maturities. Provide a copy of all studies and/or forecasts of the timing for the refinances, terms of issues, and projected interest rates, including the basis or source for the projected interest rates.
    b. Reference the $30 million issue of Senior Unsecured Notes with a 06/18/2029 maturity date and a coupon interest rate of 8.03% on line 3. Indicate whether the Company has analyzed refinancing this issue in order to obtain a lower interest rate. If so, discuss current plans, explain any hindrances in detail including, but not limited to, the effects of make whole provisions, and provide a copy of all such studies/analyses. If not, explain in detail all reasons why

not. In addition, provide a copy of the debt agreement with the terms and conditions.

c. Reference the $60 million issue of Senior Unsecured Notes with a 06/18/2039 maturity date and a coupon interest rate of 8.13% on line 4. Indicate whether the Company has analyzed refinancing this issue in order to obtain a lower interest rate. If so, discuss current plans, explain any hindrances in detail including, but not limited to, the effects of make whole provisions, and provide a copy of all such studies/analyses. If not, explain in detail all reasons why not. In addition, provide a copy of the debt agreement with the terms and conditions.

59. Reference Section V Workpaper S-3, which shows a reduction of short-term debt from June 2022 of $140.778 million to July 2022 of $67.230 million. Explain what caused the reduction in the short-term debt balances and provide copies of the July 2022 general ledger activity which shows beginning and ending general ledger balances for short-term debt as well as all debits and credits during July 2022.

60. Provide a copy of the Company’s guidelines and/or all written criteria that describe when, what (type), how, and how much short-term debt will be issued and outstanding at any time. If the Company has no written guidelines and/or written criteria, then so state.

61. Provide all bond rating agency reports (Standard and Poor’s, Moody’s, Fitch) on Kentucky Power Company (KPCO) from 2021 through the most recent month in 2023. Consider this an ongoing request such that when updated reports are filed, KPCO will provide these updated reports.

62. Provide all bond rating agency reports (Standard and Poor’s, Moody’s, Fitch) on American Electric Power Company from 2021 through the most recent month in 2023. Consider this an ongoing request such that when updated reports are filed, KPCO will provide these updated reports.

63. Reference the Messner testimony. Provide all cost of capital exhibits and work papers in spreadsheet format with cell formulas intact. Include KPCO's weighted average cost of debt and all supporting work papers.

64. Provide the earned return on equity for KPCO for the calendar years 2017 - 2022. Provide all supporting work papers and documentation, including spreadsheets with cell formulas intact.

65. Provide the historical 13-month average capital structures for KPCO for the calendar years 2017 - 2022. Provide supporting work papers and documentation, including spreadsheets with cell formulas intact.

66. Provide all work papers and supporting documentation used by Mr. McKenzie in the preparation of his Direct Testimony and exhibits. Provide all spreadsheets with cell formulas intact. Provide copies of documents cited in the testimony and footnotes. Provide all tables and figures in native spreadsheet formula with cell formulas intact. Provide associated documentation for the data used in the tables and figures.

67. Provide all of Mr. McKenzie's exhibits in native spreadsheet format with cell formulas intact.

68. Provide an analysis showing how Mr. McKenzie used his selection criteria both to include and exclude companies from his proxy group. Show the reason(s) why each company was excluded from the proxy group.

69. _Reference the Bishop testimony at 8, regarding the environmental, social, governance and sustainability (ESG) template (ESG Template).

    a. Identify the amount of EEI dues which KPCo is allocated that went toward the production of the ESG Template.
    b. Confirm that many financial institutions are establishing certain conditions before they loan funds to utilities, including that the utilities comply with certain ESG goals. Confirm further that one such goal is to encourage and incentivize utilities to move away from fossil fuel-fired electric generation, in particular coal-fired generation.
    c. Provide a comprehensive explanation of why KPCo ratepayers should contribute toward paying costs to assist the Company in meeting ESG goals that are designed to harm a vital industry in their own service territory.
    d. Confirm that AEP's shareholders benefit from the corporation's ESG goals.

70. Reference the Bishop testimony generally. Confirm that KPCo bears the burden of proving why dues from organizations such as Edison Electric Institute (EEI) and Electric Power Research Institute (EPRI) should be recovered from ratepayers.

71. Confirm that in LG&E rate case 2003-00433, the Commission in its Final Order dated June 30, 2004,[7] relying in part on data broken down by NARUC operating expense category, at pp. 51-52 removed 45.35% of LG&E's dues paid to EEI, for a total exclusion of $88,614, because EEI applied that portion of the dues LG&E paid toward: (i) legislative advocacy; (ii) regulatory advocacy; and (iii) public relations [hereinafter jointly referred to as "covered activities"].

[7] Accessible at: https://psc.ky.gov/order_vault/Orders_2004/200300433_06302004.pdf

72. Confirm that activities in which EEI engages include: (i) legislative advocacy; (ii) legislative policy research; (iii) regulatory advocacy; (iv) regulatory policy research; (v) public relations; (vi) advertising; and (vii) marketing. If not confirmed, explain fully why not.

73. Provide any and all documents in the Company's possession that depict how each organization to which KPCo pays dues spends the dues it collects from KPCo, including the percentage that applies to all covered activities.

74. Explain whether AEP pays dues to EPRI, and if so, the amount of those fees allocated to KPCo. If so confirmed, explain whether KPCo is seeking recovery of its share of the EPRI dues in the jurisdictional cost of service.

75. Reference the Bishop testimony at 9. Confirm the following:

    a. AEP allocated to KPCo $113,605 for dues to EEI, of which $96,564 was included in KPCo's jurisdictional cost of service.
    b. the $17,040 of EEI dues excluded from the jurisdictional cost of service related to EEI's legislative influencing activities.

76. Confirm that:

    a. at least one AEP affiliate maintains a nuclear-powered plant. If so confirmed, identify the affiliate, the plant and its location.
    b. EEI provides technical, managerial, research, and legislative and regulatory advocacy regarding nuclear power and on behalf of utilities with nuclear power facilities.
    c. in Case No. 8924,[8] the Commission's final order stated, in pertinent part:

> "The commission is also concerned that a substantial portion of EPRI's research concerns nuclear power which is of no direct concern in Kentucky. In future cases, should it decide to join EPRI, LG&E must document whether it could receive all nonnuclear-related benefits if it reduced its dues by the portion related to nuclear research. The commission wishes to emphasize that these are the conditions LG&E must meet should it decide to

[8] *In Re: Louisville Gas & Electric Co*., Ky. P.S.C., order dated May 16, 1984 (60 P.U.R.4th 375, 1984 WL 1028432).

> become a member of EPRI. These conditions in no way represent a prior endorsement." [9]

d. in Case No. 90-158,[10] the Commission's final order stated, in pertinent part:

> "In order to properly include the dues in this case, the cost savings expected from [EPRI] membership should have also been included. Because these expected savings were not shown, we feel compelled to exclude this proposed increase in expenses. . . . Although LG&E gave three examples of ratepayer benefits derived from its membership in EEI, it still has not adequately shown that there is a direct ratepayer benefit from membership in EEI." [11]

e. in Case No. 10064,[12] the Commission on rehearing affirmed its original order denying rate recovery of the utility's EEI dues expense, finding:

> The dues were excluded because LG&E failed to show that its membership in EEI was of direct benefit to LG&E's ratepayers. Although LG&E supplied a list of the benefits it received from EEI membership, it did not demonstrate that the benefits were received by LG&E ratepayers. LG&E's Petition requests the Commission to reexamine the benefits of EEI membership. A copy of the list of benefits previously supplied was attached to LG&E's Petition. The list contains 13 benefits and services received by LG&E as an EEI member. While LG&E contends that the benefits received by the company are also benefits received by its ratepayers, it did not offer any new or additional evidence on this issue. . . . Despite LG&E's belief that the membership benefits pass through to its ratepayers, LG&E still has not demonstrated the benefits to its ratepayers."

f. KPCo has not provided evidence establishing any direct, quantifiable benefit to ratepayers from dues paid to EEI and/or EPRI.
g. EEI provides resources to investor-owned utilities designed to maximize shareholder profit, and as such, provides direct benefits to AEP shareholders.

77. Provide a break-out of the portion of EEI dues KPCo has included in its jurisdictional cost of service that EEI uses for technical, managerial, research, and legislative and

---

[9] *Id.* at p. 17 (1984 WL 1028432).
[10] *In Re: Louisville Gas & Electric Co.*, Ky. P.S.C., order dated Dec. 21, 1990 (119 P.U.R.4th 431, 1990 WL 488821).
[11] *Id.* at pp. 13-14 (1990 WL 488821).
[12] *In Re: Adjustment of Gas and Electric Rates of Louisville Gas & Electric Co.*, Case. No. 10064, order on rehearing dated Aug. 10, 1988, at 10-11.

regulatory advocacy for utilities with nuclear power facilities, and the nuclear power industry.

78. In the event that: (i) KPCo/AEP are dues-paying members of EPRI; and (ii) KPCo has included in its jurisdictional cost of service any portion of the dues that AEP and its affiliates pay to EPRI, then provide a break-out of the portion of those dues that EPRI uses for technical, managerial, research, and legislative and regulatory advocacy for utilities with nuclear power facilities, and the nuclear power industry.

79. Provide a detailed description of the services that each organization to which KPCo pays dues, provided to the Company since the conclusion of the Company's last rate case. Of these services or benefits, state which benefits accrue to ratepayers, and how. Provide the same description for which benefits accrue to AEP shareholders, and how.

80. Confirm that in Docket No. RM22-5-000, FERC has issued a notice of inquiry[13] for comments regarding rate recovery, reporting and accounting treatment of industry association dues and certain civic, political, and related expenses.

[13] Notice accessible at: https://www.ferc.gov/media/e-2-rm22-5-000