

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 ) CASE No.  
TARIFFS AND RIDERS; (3) APPROVAL OF ACCOUNTING ) 2023-00159  
PRACTICES TO ESTABLISH REGULATORY ASSETS AND )  
LIABILITIES; (4) A SECURITIZATION FINANCING ORDER; )  
AND (5) ALL OTHER REQUIRED APPROVALS AND RELIEF )

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

The intervenors, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention [“OAG”], and the Kentucky Industrial Utility Customers, Inc. [“KIUC”] hereby submit their Joint Responses to Data Requests of the Kentucky Public Service Commission Staff in the above-styled matter.

Respectfully submitted,  
**DANIEL CAMERON**  
**ATTORNEY GENERAL**



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-and-

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

***Certificate of Service and Filing***

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. Counsel further certifies that the responses set forth herein are true and accurate to the best of their knowledge, information, and belief formed after a reasonable inquiry.

This 30<sup>th</sup> day of October, 2023



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Assistant Attorney General

**AFFIDAVIT**

STATE OF GEORGIA            )

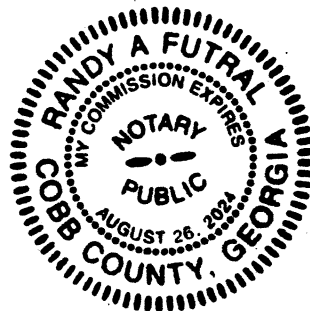
COUNTY OF FULTON         )

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

*Stephen J. Baron*  
Stephen J. Baron

Sworn to and subscribed before me on this  
30<sup>th</sup> day of October 2023.

*[Signature]*  
\_\_\_\_\_  
Notary Public



**AFFIDAVIT**

STATE OF GEORGIA )

COUNTY OF FULTON )

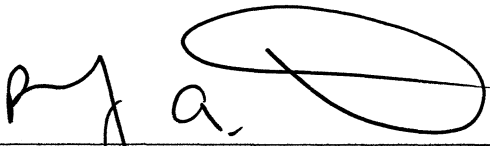
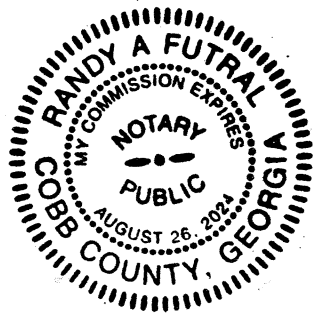
RICHARD A. BAUDINO, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



Richard A. Baudino

Sworn to and subscribed before me on this

30<sup>th</sup> day of October, 2023.

  
\_\_\_\_\_  
Notary Public

**AFFIDAVIT**

STATE OF GEORGIA        )

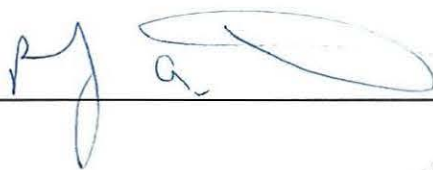
COUNTY OF FULTON        )

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

  
\_\_\_\_\_  
Lane Kollen

Sworn to and subscribed before me on this  
30th day of October 2023.

Notary Public

  
\_\_\_\_\_



KPCo Application for a General Adjustment Of Rates, and Other Requested  
and Required Approvals And Relief  
Case No. 2023-00159  
AG-KIUC's Joint Responses to Data Requests of Kentucky Public Service Commission Staff

GENERAL CLARIFICATION / OBJECTION: Since the Attorney General and KIUC jointly sponsored testimony in this case, responses to the Commission Staff's data requests are being provided on a joint basis by the Attorney General and KIUC, and come directly from their witnesses. The opinions of the Attorney General and KIUC will be set forth in their final briefs.

WITNESS / RESPONDENT RESPONSIBLE:  
STEPHEN J. BARON

QUESTION No. 1  
Page 1 of 1

Refer to the Direct Testimony of Stephen J. Baron (Baron Direct Testimony), page 8, lines 7-11. Explain if the Attorney General is aware of any different methods to reduce the subsidies while still mitigating the increase to the residential class.

RESPONSE:

There are many possible combinations of increases that could reduce subsidies for each rate class, other than the residential class and mitigate the residential increase. However, the AG/KIUC proposal provides a reasonable balance by virtue of a uniform percentage increase to all rate classes except the large industrial rate class. As discussed in Mr. Baron's testimony, the AG/KIUC proposal provides mitigation to the residential class increase and importantly, recognizes the critical issues associated with industrial customer economic viability.

KPCo Application for a General Adjustment Of Rates, and Other Requested  
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WITNESS / RESPONDENT RESPONSIBLE:  
STEPHEN J. BARON

QUESTION No. 2  
Page 1 of 1

Refer to the Baron Direct Testimony, page 10, lines 2–4. When discussing Kentucky Power's fixed costs, explain if the Attorney General agrees with Kentucky Power's proposed allocation increase to the Rate IGS considering Kentucky Power is not proposing to increase the customer charges and rather increase the billing kWh and billing kW.

RESPONSE:

Yes, Mr. Baron agrees with the Company's proposal. It is important to recognize that for the IGS rate class, the customer charge is a relatively insignificant component of a customer's bill. For example, for Rate IGS Subtransmission, customer charge revenues are currently 0.23% of total revenues. For other rate classes, such as GS secondary or the residential class, customer charge revenues are currently in the range of 8.5% to 9% of the total class revenues.

KPCo Application for a General Adjustment Of Rates, and Other Requested  
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Case No. 2023-00159  
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WITNESS / RESPONDENT RESPONSIBLE:  
LANE KOLLEN

QUESTION No. 3  
Page 1 of 1

Refer to the Direct Testimony of Lane Kollen (Kollen Direct Testimony), page 58, lines 3-9. Refer also to Commission Staff's Second Request for Information, Item 64. Explain if the Attorney General agrees with how Kentucky Power uses working capital to finance coal inventory.

RESPONSE:

No. The premise in the question is incorrect because Kentucky Power does not separately finance its coal inventories or separately finance other categories of assets or specific assets unless it utilizes a form of asset-based financing, which is not the case with its coal inventories. Each day, the Company receives cash and disburses cash. That cash is fungible; it is not separated as to source or as to use. The Company receives cash from the sale of its receivables. It receives cash from equity investments by AEP. It also receives cash from the issuance of long-term debt. And it receives cash from borrowings from the AEP Money Pool. It uses cash to pay vendors, employees, and purchase assets, including coal inventories.

If the Company receives more cash than it disburses that day, then it invests the surplus in the Money Pool. If it receives less cash than it disburses that day, then it withdraws its surplus invested in the Money Pool or borrows from the Money Pool to cover those disbursements. Yet, under the Company's flawed logic, even if it received more cash than it disbursed that day, the Company nevertheless financed its coal inventories with short term debt and, also under the Company's flawed logic, that short term debt sticks with the coal inventories. Of course, this logic fails when the Company actually has no short-term debt outstanding. It also fails because one could just as easily argue that all coal inventories are paid with cash received that day from the sale of receivables and, to the extent cash receipts were less than cash disbursement, that it used the borrowings from the Money Pool to pay a vendor for construction services recorded in CWIP that will subsequently be closed to plant in service. In its response to Staff 2-64, the Company simply and incorrectly asserts that it initially finances coal inventories with short term debt. There is no evidence to support that claim for the reasons described.



KPCo Application for a General Adjustment Of Rates, and Other Requested  
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WITNESS / RESPONDENT RESPONSIBLE:  
LANE KOLLEN

QUESTION No. 4  
Page 1 of 1

Refer to Kollen Direct Testimony, page 70, lines 11–12. Provide any workpapers or calculations performed by the Attorney General or Kentucky Industrial Customers, Inc. to support the assertion that the securitization rider, as proposed, achieves “significant quantifiable net benefits on a present value basis to customers.”

RESPONSE:

Mr. Kollen relied on the Company’s calculations of net benefits on a present value basis to customers. Refer to KPCO\_R\_KPSC\_2\_1\_Attachment10\_MessnerWP1, which is the calculation of the net present value for securitization, which is described and cited in the Company’s response to Staff 2-65. Mr. Kollen also relied on Kentucky Power witness Messner’s direct testimony at 8 wherein he states the following:

Following the methodology prescribed in KRS 278.672(2)(f), the issuance of securitized bonds and the imposition of securitized surcharges are expected to provide a quantifiable net present value (“NPV”) benefit to customers. Based on current market conditions, the statutory calculation results in an estimated positive NPV (Securitization Method minus Conventional Method) of approximately \$74 million.

WITNESS / RESPONDENT RESPONSIBLE:  
LANE KOLLEN

QUESTION No. 5  
Page 1 of 1

Refer to Kollen Direct Testimony, page 70, lines 20–22. Explain how “[t]he longer recovery period will mitigate the effects of the base rate increase resulting from this proceeding” is a preferred outcome to intergenerational customer subsidization of debt.

RESPONSE:

There is no customer subsidization of debt. The regulatory assets the Company seeks to recover have been approved by the Commission. At the present time, the regulatory assets have been financed with common equity, long-term debt, and short-term debt. When the regulatory assets are sold to the SPE, then the Company will receive cash from the SPE and it will use that cash to reduce existing financing at its weighted average cost of capital or to avoid new financing, presumably at its incremental cost of capital. More specifically, the regulatory assets and the related financing in the form of capitalization will be removed from the balance sheet and the Company’s base ratemaking process. Instead, the Company will collect, as the agent servicer for the SPE, the securitization charges and then remit them to the SPE. The collections will not be recorded as revenues and the remittance to the SPE will not be recorded as expense on the Company’s accounting books.

By definition, the regulatory assets are being recovered from customers after the costs were incurred. The largest of the regulatory assets is the Big Sandy decommissioning regulatory asset, which is presently being recovered over 17 years, which will be recovered at a lower cost to customers, over 20 years. Big Sandy 2 and the Big Sandy 1 coal assets were retired prematurely to save customers money through the acquisition of the 50% interests in the fully controlled (at that time) Mitchel units and the conversion of Big Sandy 1 to burn natural gas. Generationally, those customers and future customers benefitted and will continue to benefit from this exchange. Consequently, there is generational equity, not inequity.