Kentucky Power Company
KPSC Case No. 2023-00318
Commission Staff's Rehearing Set of Data Requests
Dated September 23, 2024

DATA REQUEST

KPSC RH 1_1	Refer to Kentucky Power's petition for rehearing, page 10. Explain how expenses used to determine the Tariff P.P.A. rate for the forthcoming year is estimated. Provide the reference to the spreadsheet where the original estimate and final expenses are provided each year.

RESPONSE

The Company calculates the estimated expenses to be used in the Tariff P.P.A. rate for the forthcoming year by using actual expenses for the most recent historical 12 months of July through June. In Rehearing Exhibit 1 this is shown in Column B ("Cost Proxy for Rate Calculation"). Actual expenses are illustrated on Rehearing Exhibit 1 in Column E ("Actual Cost"). In the Company's Tariff P.P.A. filing forms the historical actuals upon which the estimated/proxy expenses are based are provided within tab "PPA Form 3.0a."

The above is comparable to the concept of a historic test year for base rate case proceedings, except Tariff P.P.A. also has a true-up mechanism.

Witness: Lerah M. Kahn

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DATA REQUEST

KPSC RH 1_2 Refer to Kentucky Power's petition for rehearing, page 10. Explain how revenues used to determine the Tariff P.P.A. rate for the forthcoming year is estimated. Provide the reference to the spreadsheet where the original estimate and final revenues are provided each year.

RESPONSE

To clarify, the Company does not actually "estimate" revenues to determine the Tariff P.P.A. rate for the forthcoming year. Rather, when the Company used the term "estimated revenues" in the Motion for Partial Rehearing at page 10, the Company intended that term to be synonymous with the revenue requirement set in each P.P.A. filing to be recovered through the upcoming October through September billing period.

The estimated revenue or revenue requirement in Rehearing Exhibit 1 are the amounts reflected in Column D ("Calculated Rider Revenue Requirement") and the final revenue or actual collection amounts are reflected in Column F ("Actual Revenue"). At a high level, the revenue requirement is calculated based on actual historical costs for the most recent 12 months of July through June as discussed in RH 1_1.

Witness: Lerah M. Kahn

DATA REQUEST

KPSC RH 1_3	Refer to Kentucky Power's petition for rehearing, page 10. Provide Kentucky Power's explanation of the current calculation for the prior period over/under-recovery. Include in the response the time periods used for revenues and expenses.

RESPONSE

The Company's current over/under is calculated by a) taking actual revenues collected for the most recently concluded 12-month June through July period and b) then next subtracting the revenue target established for that same period which was based on the prior 12-month June through July period. An illustration of this is within Rehearing Exhibit 1 under the "Current Rider Design" scenario in rows 5 through 15, Column C ("True-Up for Rate Calculation"). Within the Company's Tariff P.P.A. filing forms this calculation is shown on tab "PPA Form 1.0" rows (12) – (14).

As noted throughout this proceeding, the Company considers this to be a formula issue that must be corrected in order to properly recover P.P.A. expenses that are actually incurred. Specifically, for a mechanism such as Tariff P.P.A. where expenses for the forthcoming period were more than those used to estimate the rate, the calculation resulted in an ever-growing under-recovery balance and failed to actually recover costs incurred. Please also see the explanation provided in Kentucky Power's Motion for Partial Rehearing at page 4.

An illustration of the current over/under-recovery calculation is also provided in KPCO_R_KPSC_1_3_Attachment1.

Witness: Lerah M. Kahn

DATA REQUEST

KPSC RH 1_4 Refer to Kentucky Power's petition for rehearing, page 10. Provide Kentucky Power's explanation of the current calculation for change in the over/under-recovery regulatory liability/asset each year. Include in the response the time periods used for revenues and expenses.

RESPONSE

The Company's calculation for the cumulative Tariff P.P.A. regulatory asset/liability balance is a task performed monthly by accounting. The calculation takes the following steps:

1. Identifies total revenues received for the month – revenues received are from a rate predicated on expenses from a prior annual P.P.A. update;
2. Identifies total expenses for the month net of the monthly base level;
3. Takes 2 (net expenses) less 1 (revenues received) to find the current months over/under;
4. Adds the result from 3 into the cumulative balance from the prior month to be carried forward.

An illustration of this is found in Rehearing Exhibit 1 in Column G ("Actual (Over)/Under Recovery Cumulative Regulatory Asset"). Additionally, the Company includes the accounting workpaper discussed above in its annual Tariff P.P.A. update (PPA Form 3.0a) for the most recently completed 12-month July through June period. While this workpaper does support the mechanism (specifically detailing the revenues and expenses) it is important to note that the "Cumulative Balance in Regulatory Asset/(Liability)" is not considered within the Tariff P.P.A. rates calculation.

Witness: Lerah M. Kahn

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DATA REQUEST

KPSC RH 1_5 Refer to Kentucky Power's petition for rehearing, pages 11–14. Explain why Kentucky Power understands the write off provision to be the entire regulatory asset/liability balance instead of the portion of the regulatory liability/asset that will not be recovered through the Tariff P.P.A. over-/under-recovery due to the period mismatch between their balances.

RESPONSE

The Company understands that pursuant to the Commission's July 25, 2024 Order granting partial rehearing, the Tariff P.P.A. under-recovery regulatory asset, at the time of securitization, is not to be written off.

The Company is unclear on why, in the context of a tracking mechanism, any portion should be written off. Moreover, the Company cannot distinguish between "the entire regulatory asset/liability balance" and "the portion of the regulatory liability/asset that will not be recovered through the Tariff P.P.A. over-/under-recovery due to the period mismatch between their balances." The Company understands these two items to be synonymous, because the regulatory asset/liability balance is comprised solely of costs that will not be recovered through the Tariff P.P.A. over/under-recovery due to the period mismatch between balances.

Witness: Lerah M. Kahn

DATA REQUEST

KPSC RH 1_6	Refer to Kentucky Power's petition for rehearing, pages 11–12. Explain how using forecasted billing determinants on PPA Form 2.0 would affect the existence of the over/under-recovery.

RESPONSE

The impact of utilizing forecasted billing determinants on PPA Form 2.0 on Tariff P.P.A.'s over/under-recovery will vary year to year. Forecasted billing units are useful for:

- Capturing expected customer load changes – this could be load increases or decreases and, should those changes be specific to a customer class, ensures that rate allocation is more closely aligned to the expectation; and
- Normalizing weather – if the historic/estimated period has exceptionally mild or severe weather events.

Due to the above, the Company sees potential value in using forecasted billing determinants. However, in the Company's most recent annual PPA update (filed on August 15, 2024) which utilizes forecasted billing determinants there is little variance between historic and forecasted billing units (shown on tab "Input Sheet").

Additionally, the Company notes that the under-recovery issue identified cannot be resolved through forecasted billing units. I.e. the under-recovery formula issue is ultimately causing an inappropriate level to be recovered (numerator) while forecasted billing units change the denominator (or the "spread" of how those costs established in the numerator are to be recovered).

Witness: Lerah M. Kahn

VERIFICATION

The undersigned, Lerah M. Kahn, being duly sworn, deposes and says she is the Manager of Regulatory Services for Kentucky Power, 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.

Lerah Kahn

Lerah M. Kahn

Commonwealth of Kentucky)
) Case No. 2023-00318
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lerah M. Kahn, on October 1, 2024.

Marilyn Michelle Caldwell

Notary Public

MARILYN MICHELLE CALDWELL
Notary Public
Commonwealth of Kentucky
Commission Number KYNP71841
My Commission Expires May 5, 2027

My Commission Expires May 5, 2027

Notary ID Number KYNP71841