

Kentucky Power Company
KPSC Case No. 2023-00318
AG/KIUC First Set of Data Requests
Dated October 12, 2023

DATA REQUEST

AG-KIUC Refer to tab PPA Form 3.0a on 20230920_KPCo_PPA_2023-08-
1_1 15_Update 1. Provide the calculations of the amounts in each cell on lines 30, 32, 34, 36, 38, and 40 in live Excel format with all formulas intact. To the extent these amounts are calculated on other tabs in the same Excel workbook, provide a revised version of 20230920_KPCo_PPA_2023-08-15_Update 1 that reflects all formulas necessary to integrate the information calculated on one tab with the information that is used on another tab.

RESPONSE

Please see KPCO_R_AG_KIUC_1_1_Attachment1 for the requested information.

Witness: Lerah M. Kahn

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DATA REQUEST

- AG-KIUC** Refer to tab GRCF on 20230920_KPCo_PPA_2023-08-15_Update 1.
1_2
- a. Provide all support for the state income tax rate shown on schedule line 10 as 5.7348%.
 - b. Provide all support for the state income tax rate shown in the formula as 5.8425% in cell S30.
 - c. Reconcile the two state income tax rates referenced in parts (a) and (b) of this question.
 - d. Confirm that in the pending base rate case, the Company used a state income tax rate of 5.0% to calculate the gross revenue conversion factor.
 - e. Explain why the Company did not use the same 5.0% state income tax rate in the Tariff PPA conversion factor as it proposes in the pending base rate case. Provide all support for your response.

RESPONSE

- a. The number included in the label in cell D30 is a presentation error and does not affect the calculation of cell S30 (which uses the correct state income tax rate of 5.8742%). The label contained in cell D30 was inadvertently not updated when the values in cell S30 were updated after the outcome of Case No. 2017-00179.
- b. The state income tax rate shown on row 67 of 5.8545% is that utilized in the approved GRCF from the Commission's January 13, 2021 Order in Case No. 2020-00174.
- c. Please see subparts a. and b.
- d. Confirmed. The Company's pending base rate case (Case No. 2023-00159) used a state income tax rate of 5.0065% to calculate the GRCF.
- e. The Company's proposals in Case No. 2023-00159 (the Company's pending base rate case) are currently still under review and have not yet been approved. The Company will continue to utilize the GRCF approved by the Commission in its last base rate case, Case No. 2020-00174, until the Commission approves a new factor.

Witness: Lerah M. Kahn

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DATA REQUEST

- AG-KIUC** Refer to the amounts by month shown on lines 46-49 on tab PPA Form
1_3 3.0a on 20230920_KPCo_PPA_2023-08-15_Update 1.
- a. Provide a schedule separating the amounts each month on each line into forced outage purchased power expense disallowed from FAC recovery, interruptible service credits, and everything else.
 - b. Provide a copy of the relevant forms and supporting live Excel workbooks with all formulas intact used for the monthly FAC filings where the forced outage purchased power expense amounts are calculated and disallowed from FAC recovery. If the amounts disallowed from FAC recovery are different in any month than the amounts included in Tariff PPA provided in response to part (a) of this question, then provide a reconciliation and explanation of each reconciling item.

RESPONSE

- a. Please see KPCO_R_AG_KIUC_1_3_Attachment1 for the requested information.
- b. Please see the "MM-YYYY" tab on columns "Total Cost of Replacement Power due to FO" (13) and, "Total Allowable FO Replacement Cost" (15) on KPCO_R_AG_KIUC_1_3_Attachment2 through KPCO_R_AG_KIUC_1_3_Attachment14 for the requested information.

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DATA REQUEST

AG-KIUC Refer to the cover letter from Stites and Harbison dated August 15, 2023 that described the Company’s proposed changes to Tariff PPA and the accompanying Excel workbook. In that letter, Attorney Glass states: “With this filing, Kentucky Power is updating its Tariff P.P.A. rate calculation in two ways. First, the rate calculation is updated to better capture actual costs incurred and to be collected in order to reflect a more accurate over/under collection or credit going forward.” Attorney Glass further states: “The Company’s updates to the over/under calculation are demonstrated in KPCo_PPA_2023_Annual_Update on the “PPA Form 1.0” tab in lines 12, 13, and 14. . . Lines 12 and 13 currently do not accurately capture what the P.P.A. over/under recovery should be. This formula issue has the effect of allowing the under-recovery balance to grow each month. The Company proposes to correct this issue as part of this Tariff P.P.A. update filing through the elimination of Line 12 and a revision to Line 13. This update will reflect a more accurate over/under collection or credit going forward.” Provide a detailed narrative explanation of the changes the Company proposes and why the Company believes each such change is necessary along with appropriate references to each change and each step in the calculation to tab PPA Form 1.0 on KPCo_PPA_2023_Annual_Update with the changes as proposed compared to the same form without the changes as proposed.

RESPONSE

Over/Under

The only change the Company is requesting on a going-forward basis is to modify Form 1.0, lines 12 and 13. The current approach is still reflected on Form 1.0, and the Company’s going-forward proposal which would replace lines 12 and 13 is shown in orange (row 48 onwards) in the Tariff PPA filing made on August 15, 2023 (TFS 2023-00374) and incorporated into this case on September 20, 2023.

The Company’s proposal will correct a formula issue that has resulted in an ever-growing under-recovery balance. Essentially, the way that the formula functions now, Tariff PPA rates will never fully recover the previous year’s under-recovery, which means that an under-recovery will continue to grow unless and until this formula issue is corrected. For example, due to this formula issue the current Tariff PPA under-recovery regulatory asset balance was \$52 million as of June 30, 2023.

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The Company has also requested to securitize this under-recovery regulatory asset as part of its pending base rate case (Case No. 2023-00159). Accordingly, the Company's proposal in this case assumes approval of that securitization request and sets the over/under amount at \$0 on a going-forward basis until new PPA rates are proposed and approved in the Company's next annual filing.

Rate Phases

The second change, which is specific to this filing and is not anticipated to be necessary going forward, is to provide for two rate periods in order to credit-back over the course of approximately three months the fixed costs savings from the expiration of the Rockport UPA for the period December 8, 2022 through December 31, 2022.

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DATA REQUEST

- AG-KIUC** Refer to the amounts by month shown on line 30 on tab PPA
1_5 Form 3.0a on 20230920_KPCo_PPA_2023-08-15_Update 1 described
as “FERC Return in excess of Kentucky Retail Return.”
- a. Provide a description of the amounts on this line and provide the calculations of the amounts by month in live Excel workbook format with all formulas intact.
 - b. Explain why these amounts are positive instead of negative, thus increasing the costs to be recovered through Tariff PPA.

RESPONSE

- a. Per the Commission-approved settlement agreement and its Order dated January 18, 2018 in Case No. 2017-00179, the Company is to credit against the Annual PJM OATT LSE recovery 100 percent of the difference between the return on its incremental transmission investments calculated using the FERC approved PJM OATT return on equity, and the return on its incremental transmission investments calculated using the Commission-approved ROE amount. Please see tab "Retail vs TO" for this calculation.
- b. Row 30 on Form 3.0a illustrates the FERC return in excess of the retail return. The total over/under calculation subtracts these amounts and is shown on row 53 of PPA Form 3.0a.

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DATA REQUEST

AG-KIUC Confirm that the Company seeks to continue recovering all forced outage
1_6 purchased power expense that is disallowed recovery through the FAC
 through Tariff PPA subject to a reduction for the “annualized” and
 “normalized” disallowed purchased power expense recovered through
 base revenues.

RESPONSE

Confirmed, the Company will continue this Commission-approved practice. The Company’s requested changes are limited to those discussed in AG-KIUC 1-4.

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

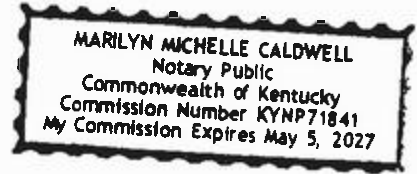
Lerah M. Kahn

Commonwealth of Kentucky)
County of Boyd)

Case No. 2023-00318

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lerah M. Kahn, on October 24, 2023.

Marilyn Michelle Caldwell
Notary Public



My Commission Expires May 5, 2027

Notary ID Number KYNP71841