

Kentucky Power Company
KPSC Case No. 2025-00059
Commission Staff's First Set of Data Requests
Dated March 25, 2025

DATA REQUEST

KPSC 1_1 Explain how the \$600,000,000 financing amount was determined.

RESPONSE

Kentucky Power currently has two \$150 million term loans outstanding that mature in June 2025 and February 2026. These term loans were issued to reduce Kentucky Power's elevated short-term debt position and as interim financing until securitization proceeds are received, at which point the term loans would be repaid and thus consume \$300 million of the authority being requested. To be conservative, the additional \$300 million financing amount was based on a conservative assumption that the currently planned Kentucky Power securitization bond issuance, which was forecasted to be approximately \$446.7 million, is delayed or does not occur. If securitization does occur, which is likely, then the additional \$300 million of financing authority likely will not be needed. This is similar to the situation that occurred in 2023 when Kentucky Power requested \$550 million of authority in Case No. 2023-00029, when there was a pending sale transaction of Kentucky Power to Liberty Utilities. At that time, Kentucky Power had term loans outstanding that would be repaid at sale close. When the sale was cancelled the elevated financing authority was used to repay the term loans and for general corporate purposes.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_2 Explain how the interest rates and terms for this financing compare to Kentucky Power's current debt obligations.

RESPONSE

The request is for authority to issue long-term debt in the future, and there is not a specific issuance currently contemplated. Interest rates and terms will be determined by market conditions at the time of financing and cannot be known at this time as market conditions and type of financing can vary.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_3 Provide Kentucky Power's current and projected liquidity position without this financing.

RESPONSE

Kentucky Power has \$250 million of short-term debt authority and as of March 27, 2025, there was \$18 million borrowed against that limit. There is a \$150 million term loan that matures in June 2025 and another \$150 million term loan that matures in February 2026. If the Kentucky Power securitization were not to occur or be delayed, Kentucky Power would be at risk of exceeding its short-term debt authority. The Company therefore is making its requests in this proceeding in accordance with best practice and out of an abundance of caution.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_4 Refer to the Application, page 4, paragraph 9. Explain how Kentucky Power plans to transition any short-term financing to other long-term funding sources.

RESPONSE

Kentucky Power participates in AEP's short-term borrowing program ("Money Pool"). When long term debt is issued, proceeds will repay short-term borrowings in the Money Pool. To the extent long term debt proceeds are greater than the short-term borrowing position, Kentucky Power would be in a net-invested position in the Money Pool.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_5 Provide a detailed breakdown of capital expenditures to be funded with this financing, including anticipated project schedules and cost estimates.

RESPONSE

Please see page 4 of Exhibit D to this Application.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_6 Refer to the Application, page 3, paragraph 6. Provide a detailed breakdown of how the \$300 million in new unsecured promissory notes for its general corporate purpose will be allocated.

RESPONSE

Cash is fungible and not allocated to specific purposes. Generally, when short-term debt levels are elevated, because of cash outflows exceeding cash inflows, long-term debt is issued. The cash will be allocated across the Company's distribution, generation, and transmission functions on an as-required basis to support the Company's day-to-day operations.

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DATA REQUEST

KPSC 1_7 Explain how Kentucky Power determined to issue unsecured debt rather than secured debt for this financing.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_8 Explain how Kentucky Power anticipates bondholder or lender conditions may affect this financing structure.

RESPONSE

As explained in the Company's response to KPSC 1-2, this Application does not contemplate a specific issuance at this time and, as such, the Company does not know how bondholder or lender conditions would or could impact any future issuance(s). However, there are standard structures for debt financings Kentucky Power may use with this authority.

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DATA REQUEST

KPSC 1_9 Provide whether Kentucky Power anticipates needing any additional regulatory approvals beyond Commission authorization for this financing.

RESPONSE

Kentucky Power does not anticipate needing any additional regulatory approvals.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_10 Provide whether Kentucky Power will seek any waivers or amendments to its existing credit agreements or indentures as part of this financing.

RESPONSE

Kentucky Power will not seek any waivers of amendments to existing credit agreements or indentures unless an extension to existing debt is desired.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_11 Provide the potential implications if the Commission does not approve the financing as requested.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

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DATA REQUEST

KPSC 1_12 Regarding the maturity periods, provide whether there will be a callable or extended feature.

RESPONSE

As explained in the Company's response to KPSC 1-2, this Application does not contemplate a specific issuance at this time and, as such, the Company does not know whether there will be a callable or extended feature.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_13 Provide whether there will be any penalties for early repayment of the proposed notes or the loans to be refinanced.

RESPONSE

The two \$150 million term loans can be repaid without penalty. No other debt outstanding is presently being considered for repayment or refinancing.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_14 Explain what impact this financing will have on Kentucky Power's overall financial health and creditworthiness, include in this response Kentucky Power's current and proposed debt to equity ratio, and how it compares to the debt to equity ratio approved in Case No. 2023-00159.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

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DATA REQUEST

KPSC 1_15 Given that the proposed notes will be unsecured, describe note holder remedies if the notes are not timely repaid.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_16 Provide whether credit rating agencies have evaluated the proposed financing and, if so, provide the rating.

RESPONSE

As explained in the Company's response to KPSC 1-2, this Application does not contemplate a specific issuance at this time and, as such, credit rating agencies have not evaluated any financings associated with the requested financing authority.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_17 Refer to the Application, page 3, paragraph 6. Provide information regarding the two \$150 million term loans due in 2025 and 2026. Include in the response the interest rates of the loans and an explanation of whether Kentucky Power anticipates savings in connection with the refinancings.

RESPONSE

The two \$150 million term loans are both floating rate loans and subject to change. The current rates for those loans are 5.31% and 5.37%. As explained in KPSC 1-2, interest rates and terms will be determined by market conditions at the time of financing and cannot be known at this time as market conditions and type of financing can vary.

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DATA REQUEST

KPSC 1_18 Refer to the Application, page 6, paragraph 15. Provide a breakdown of the estimated \$5.2 million in issuance costs.

RESPONSE

Issuance costs included in the application were an estimate based on experience. Actual issuance costs associated with future financings may differ based on type of debt issued and amount issued. As an example, market rate for underwriting fees associated with issuing a 30-year senior unsecured bond is 87.5 basis points, or \$5.25 million on a \$600 million issuance. Additionally, there could be rating agency fees if the debt needs a credit rating as well as fees associated with external counsel and Kentucky Power auditor opinions.

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DATA REQUEST

KPSC 1_19 Explain if Kentucky Power has evaluated alternative financing structures, and if so, provide the results of those evaluations.

RESPONSE

Kentucky Power understands alternative financing structures to mean debt issuances. Outstanding debt at Kentucky Power includes pollution control revenue bonds, term loans, private placement debt and SEC registered debt. Kentucky Power has not evaluated any other alternative financing structures. Kentucky Power will evaluate financing structures as part of its normal process when and/if it moves forward with a specific issuance.

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DATA REQUEST

KPSC 1_20 Explain if Kentucky Power will seek rate adjustments or other cost recovery mechanism related to the proposed financing.

RESPONSE

Rates associated with any debt financings will be included in Kentucky Power's next base rate proceeding.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_21 Provide a detailed analysis illustrating estimated interest cost savings for Kentucky Power that can result from the use of interest rate management techniques.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

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DATA REQUEST

KPSC 1_22 If the Commission were to approve Kentucky Power's proposed issuance of indebtedness as filed, provide an estimated capital structure with regard to the long- term debt. Include in the response whether Kentucky Power has any intention of issuing any additional equity in conjunction with the debt issuance.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

Witness: Franz D. Messner

Kentucky Power Company
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DATA REQUEST

KPSC 1_23 Explain whether the issuance of additional debt will affect Kentucky Power's ability to secure financing in the future at competitive rates.

RESPONSE

Issuance of additional debt should not impact Kentucky Power's ability to secure financing in the future at competitive rates assuming that Kentucky Power's capital structure, ability to service debt, and credit ratings are supported by Kentucky Power's earnings and regulatory outcomes.

Witness: Franz D. Messner

Kentucky Power Company
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DATA REQUEST

KPSC 1_24 Explain how often and the circumstances under which Kentucky Power issues equity and/or receives equity infusions from its parent company.

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

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Kentucky Power Company
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DATA REQUEST

KPSC 1_25 Explain how the issuance of additional debt will affect Kentucky Power's equity position.

RESPONSE

Kentucky Power's capital structure is managed to be in line with its currently authorized capital structure. Additional debt issuances are expected to be balanced by incremental retained earnings and dividends all else equal.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_26 Explain what contingency plans Kentucky Power has in place in case market conditions make debt issuance less favorable.

RESPONSE

Kentucky Power has options should market conditions make debt issuance less favorable including short duration term loans with one of AEP's partner banks to its revolving credit facility or switching to a different type of debt with a different set of investors.

Witness: Franz D. Messner

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DATA REQUEST

KPSC 1_27 Explain how the issuance of promissory notes will affect customer electricity rates going forward and what measures are in place to minimize potential rate increases

RESPONSE

The Company is in the processes of completing the response to this request and will supplement this response by April 3, 2025.

Witness: Franz D. Messner

VERIFICATION

The undersigned, Franz D. Messner, being duly sworn, deposes and says he is the Managing Director of Corporate Finance for American Electric Power Service Corporation, that he 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 his information, knowledge, and belief.



Franz D. Messner

Franklin)
Ohio)

Case No. 2025-00059

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Franz D. Messner, on 3/26/25.


Notary Public



My Commission Expires Never.

Notary ID Number _____