Kentucky Power Company
KPSC Case No. 2025-00175
Commission Staff's First Set of Data Requests
Dated August 11, 2025

DATA REQUEST

KPSC 1_1 Refer to the Application, page 4, paragraphs 8 and 9 and page 4, Footnote 3, stating that the Commission clarified and confirmed that the Company's interest in the Mitchell Plant must terminate by December 31, 2028, as a result of the Commission's July 15, 2021 Order in Case No. 2021-00004 and citing to various orders. Identify the precise language in the relevant orders that clarified and confirmed that the Company's interest in the Mitchell Plant must terminate by December 31, 2028, as a result of the Commission's July 15, 2021 Order in Case No. 2021-00004 by providing a copy of the relevant orders with the relevant language highlighted.

RESPONSE

Please see KPCO_R_KPSC_1_1_Attachment1 for the requested information.

Witness: Tanner S. Wolffram

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ENVIRONMENTAL PROJECT CONSTRUCTION AT THE MITCHELL GENERATING STATION, AN AMENDED ENVIRONMENTAL COMPLIANCE PLAN, AND REVISED ENVIRONMENTAL SURCHARGE TARIFF SHEETS	)))))))))	CASE NO. 2021-00004

O R D E R

On August 19, 2021, the Commission granted Kentucky Power Company's (Kentucky Power) request for partial rehearing of the July 15, 2021 final Order in this proceeding. Kentucky Power requested and the Commission granted rehearing on the following issues: (1) Kentucky Power's proposed 20 percent annual depreciation rate for coal combustion residual rule (CCR) compliance investments at Mitchell Generation Station (Mitchell); (2) Kentucky Power's request that $1.903 million of Kentucky jurisdictional Mitchell effluent limitations guidelines (ELG) compliance costs incurred prior to the July 15, 2021 Order be deemed prudently incurred; and (3) Kentucky Power's request for regulatory asset treatment for $1.903 million of Kentucky jurisdictional Mitchell ELG costs incurred prior to July 15, 2021 Order, for which Kentucky Power will request recovery in its next base rate case.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), Kentucky Industrial Utility Customers, Inc.

(KIUC), and Sierra Club are intervenors in this proceeding. The Attorney General and KIUC (jointly, Attorney General/KIUC) jointly sponsored a witness and filed a joint response to the rehearing request. Kentucky Power responded to multiple rounds of rehearing data requests and filed updated responses to Commission Staff's Rehearing Request for Information, Item 1, every ten days as required. This matter now stands submitted for a final decision on rehearing.

LEGAL STANDARD

KRS 278.400, which establishes the standard of review for motions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearings, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when "the evidence presented leaves no room for difference of opinion among reasonable minds."[1] An Order can only be unlawful if it violates a state or federal statute or constitutional provision.[2]

By limiting rehearing to correct material errors or omissions, and findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

[1] *Energy Regulatory Comm'n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

[2] *Public Service Comm'n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm'n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

In accordance with KRS 278.030 and case law, Kentucky Power is allowed to charge its customers only fair, just and reasonable rates.[3] Pursuant to KRS 278.190(3), Kentucky Power has the affirmative burden of proof to show that the proposed rates and expenses are just and reasonable.

KRS 278.183 provides that a utility shall be entitled to the current recovery of costs to comply with certain federal, state, or local environmental requirements that apply to coal combustion wastes and by-products from facilities used for the production of energy from coal. The Commission must render a decision that considers and, if the plan and rate surcharge are found reasonable and cost-effective for compliance with the applicable environmental requirements, approves the compliance plan and rate surcharge. The Commission must also establish a reasonable return on compliance-related capital expenditures and approve the application of the surcharge.

A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that under traditional accounting rules would be recorded as a current expense, which allows the regulated business the opportunity to request recovery in future rates of the amount capitalized. The authority for establishing regulatory assets arises under the Commission's plenary authority to regulate utilities under KRS 278.040 and the Commission's authority to establish a system of accounts under KRS 278.220. The criteria for recognition of a regulatory asset is codified as Accounting Standards Codification (ASC) 980, Regulated Operations in the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. The Commission has

[3] *Public Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

historically approved regulatory assets where a utility has incurred: (1) an extraordinary, nonrecurring expense, which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.[4]

BACKGROUND

Kentucky Power and its affiliate, Wheeling Power Company (Wheeling Power), each have an undivided 50 percent interest in Mitchell, which is located in West Virginia. Kentucky Power is subject to the jurisdiction of this Commission. Wheeling Power is subject to the jurisdiction of the West Virginia Public Service Commission (WVPSC).

Kentucky Power filed this application requesting, among other things, a Certificate of Public Convenience and Necessity (CPCN) to construct projects at Mitchell to comply with revisions to federal CCR and ELG rules. In the July 15, 2021 Order, the Commission found that Kentucky Power provided sufficient evidence that the CCR project was needed to comply with CCR environmental regulations while providing safe, adequate, and reasonable service to Kentucky Power's customers and would not create a wasteful duplication of facilities, and thus met the legal standard to approve a CPCN under KRS 278.020 and KRS 278.183.

The Commission further found that Kentucky Power failed to provide sufficient evidence that the ELG project was needed to provide adequate, efficient and reasonable service to Kentucky Power's customers, and would not create a wasteful duplication of

[4] Case No. 2008-00436, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008), Order at 4.

facilities, and therefore was denied for failing to meet the legal standards established in KRS 278.020 and KRS 278.183. Because the CPCN was denied for the ELG project, Kentucky Power was not authorized to recover costs related to ELG compliance project at Mitchell in an environmental surcharge tariff. Because the ELG compliance project was needed to operate Mitchell after 2028, not granting the ELG CPCN would have the result of Kentucky Power not being permitted to operate Mitchell after 2028.

Because the WVPSC approved a CPCN for both the CCR and ELG projects, Wheeling Power is permitted to operate Mitchell through Mitchell's expected retirement date in 2040.

DISCUSSION AND FINDINGS

CCR Depreciation Rate

In its request for rehearing, Kentucky Power stated that its proposed 20 percent annual depreciation rate for the CCR compliance project at Mitchell was based on an in-service date of November 2023 and closure of Mitchell in December 2028, or a remaining life of five years. Kentucky Power noted that its existing depreciation rates for Mitchell, approved in Case No. 2017-00179, are based on balances on December 31, 2013, and an expected estimated retirement date for Mitchell of 2040.[5] Kentucky argued that its proposed 20 percent depreciation rate was necessary to fully recover the CCR project through Mitchell's useful life to Kentucky Power.

[5] Case No. 2017-00179, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief* (Ky. PSC Jan. 18, 2018).

The Attorney General/KIUC argued that the proposed depreciation rate should be denied and the presently authorized rates remain in effect, with the remaining net book value at retirement and actual decommissioning costs recovered through Kentucky Power's Decommissioning Rider.[6] Sierra Club took no position on the CCR depreciation rates.[7]

In granting rehearing, the Commission stated that it was limited to determining the closure date of Mitchell, either 2028 or 2040, and that the closure date would guide a decision regarding the appropriate depreciation rate.

In rehearing discovery, Kentucky Power explained that its share of the CCR compliance project would total an estimated $13 million. Kentucky Power asserted that, because the CCR compliance project would be substantially depreciated as of December 2028, that the net book value of the CCR project would be approximately $0, and thus would not increase the total remaining net book value of Mitchell as of December 2028. If Kentucky Power was required to use the previously authorized depreciation rate, 85 percent of the $13 million net book value of the CCR project, or $11 million, would remain as of December 2028 for recovery from Kentucky Power customers.[8]

Based upon the case record, and with the expectation that Kentucky Power will be selling its 50 percent undivided interest in the Mitchell plant to Wheeling Power before 2029, the Commission finds that 2028 will mark the end of Kentucky Power ownership of

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[6] Attorney General/KIUC's Response to Kentucky Power's Motion for Rehearing (Attorney General/KIUC's Response) (filed Aug. 6, 2021) at 2.

[7] Sierra Club's Response to Kentucky Power's Motion for Rehearing (Sierra Club's Response) (filed Aug. 9, 2021) at 2.

[8] Kentucky Power's Response to Commission Staff's Second Rehearing Request for Information (Staff's Second Rehearing Request) (filed Oct. 4, 2021), Item 2(b)–(c).

Mitchell and should be deemed the actual closure date of Mitchell for Kentucky Power. As such, the Commission finds that the 20 percent depreciation rate should be approved to reflect the five-year remaining life of the CCR project. As the Commission stated in the July 15, 2021 Order, Kentucky Power provided sufficient evidence that it reviewed reasonable alternatives, and that constructing the CCR project was the most reasonable, least-cost alternative that enabled Kentucky Power to comply with the CCR rules while providing safe, adequate, and reliable service to Kentucky Power's customers. But for constructing the CCR compliance project, Mitchell would have been retired in October 2023 under the revised CCR rules, which would have resulted in a capacity shortfall that, in turn, would have caused a substantial inadequacy of service. Further, given that Kentucky Power will have to terminate its interest in Mitchell by December 31, 2028, to comply with the Commission's July 15, 2021 Order, Kentucky Power will not receive value from the CCR project after 2028. Finally, given the Commission's expectation that Kentucky Power's undivided 50 percent interest in Mitchell will be sold to Wheeling Power at approximately net book value, with adjustments to the price as necessary, it would be unreasonable for Kentucky Power to purposefully push out the recovery of costs, only to increase the net book value at the time of sale. For these reasons, the Commission concludes that the practical effect of the unique facts present in this proceeding is that 2028 should be deemed the retirement date for Mitchell. Using 2028 as the retirement date, authorizing a 20 percent depreciation rate for the CCR project approved in this proceeding will allow for full recovery of the CCR project's costs. However, should Wheeling Power or the WVPSC determine that Wheeling Power will not purchase Kentucky Power's interest in the Mitchell Plant at approximately net book value, with reasonable adjustments, the Commission finds the depreciation rate of the CCR project should be amended accordingly.

In approving the 20 percent depreciation rate, we also approve amendments to Kentucky Power's Tariff Environmental Surcharge (Tariff E.S.) and monthly filing formats. Tariff E.S. provides Kentucky Power with a method of recovering the cost of certain approved environmental projects through a customer environmental surcharge in accordance with KRS 278.183. In the event that the total monthly environmental costs to Kentucky Power exceed those already recovered in base rates, then customers are charged the difference through the environmental surcharge.

Based on the above, the Commission finds that Kentucky Power's Tariff E.S. and monthly filing formats should be updated to include the 20 percent depreciation rate for the Mitchell CCR project approved in the July 15, 2021 Order.

<u>ELG Costs Incurred Prior to July 15, 2021</u>

In its request for rehearing, Kentucky Power argued that it was allocated approximately $1.903 million for Mitchell ELG compliance project costs incurred prior to the July 15, 2021 Order. Kentucky Power further argued that the costs were prudently incurred in conjunction with preliminary planning for the ELG compliance project, and thus Kentucky Power should be approved to recover the costs.

The Attorney General/KIUC deferred to the Commission's discretion regarding the $1.903 million ELG costs incurred prior to July 15, 2021.[9] Sierra Club argued that Kentucky Power provided scant information regarding ELG compliance costs, and thus Kentucky Power's request should be denied because Kentucky Power failed to meet its

[9] Attorney General/KIUC's Response at 3.

burden of proof. Sierra Club further argued that the ELG compliance costs should be the responsibility of shareholders, not ratepayers.[10]

In granting rehearing, the Commission stated that Kentucky Power never explained how it calculated $1.903 million in ELG expenses incurred prior to July 15, 2021 and no discovery was conducted on the ELG expenses. The Commission granted rehearing to obtain a breakdown of the expenses.

The Commission notes that Kentucky Power requested to recover expenses incurred in preliminary pre-construction activities conducted in evaluating reasonable alternatives for complying with environmental laws and for which Kentucky Power requested, but was denied, a CPCN. Thus, the Commission's review involves whether the costs were prudently incurred. Granting rehearing on this discrete issue is not inconsistent with the Commission's finding in the July 15, 2021 Order that Kentucky Power failed to meet its burden of proof that constructing the ELG project would not result in wasteful duplication, or that the ELG project, as a whole, was reasonable and cost-effective. Because the pre-construction evaluation was necessary to the determination of whether to pursue a CPCN, the Commission will review the prudency of such pre-construction evaluation costs in this case.

In rehearing discovery, Kentucky Power provided spreadsheets with Mitchell ELG project costs incurred through June 2021 in FERC Account 107 totaling $1,446,998.35 that Kentucky Power requested to recover in a regulatory asset.[11] The categories of expense included construction overhead, allowance for funds used during construction

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[10] Sierra Club's Response at 3.

[11] Kentucky Power's Supplemental Response to Commission Staff's Second Rehearing Request (filed Oct. 15, 2021), Item 1.

debt and equity, labor costs, professional services, legal services, fleet clearing, and taxes. The Commission takes administrative notice that in Case No. 2021-00421, Kentucky Power provided a spreadsheet indicating that, of the $1,446,998.35 total, $1,438,713.23 was to evaluate Mitchell bottom ash pond CCR compliance and $8,285.12 was for the Mitchell FGD wastewater treatment.[12]

As the Commission has noted recently, the Commission expects jurisdictional utility seeking a CPCN to present to the Commission the engineering plans and specifications for those projects and to base its costs of construction and costs of operation estimates on data pertaining to the project it intends to construct.[13] In order to provide the necessary information to consider a CPCN, Kentucky Power was required to perform certain preconstruction activities. Based upon a review of the case record, the Commission finds that the Mitchell ELG project costs incurred through June 2021 in FERC Account 107 totaling $1,446,998.35 were prudently incurred preconstruction activities appropriate for the pursuit of a CPCN.

<u>Regulatory Asset for ELG Costs</u>

In its request for rehearing, Kentucky Power argued that the ELG costs represented extraordinary, nonrecurring expenses that could not have been anticipated or included in Kentucky Power's planning, as well as expenses resulting from statutory and administrative directives, and thus are eligible for approval as regulatory asset.

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[12] Case No. 2021-00421, *Electronic Application of Kentucky Power Company for Approval of Affiliate Agreements Related to the Mitchell Generating Station* (filed Nov. 19, 2021), Kentucky Power's Response to Commission Staff's First Request for Information (filed Dec. 22, 2021), Item 16.

[13] Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief* (Ky. PSC Dec. 28, 2021).

The Attorney General/KIUC deferred to the Commission's discretion whether a regulatory asset should be approved for the $1.903 million ELG costs incurred prior to July 15, 2021.[14] Sierra Club was opposed to any recovery of the $1.903 million in ELG costs and therefore opposed the regulatory asset.[15]

In granting rehearing, the Commission stated that Kentucky Power never provided a basis to include the sum in a regulatory asset. The Commission granted rehearing to determine, if the $1.903 million ELG costs are deemed prudently incurred, whether a regulatory asset is warranted and the appropriate carrying charge.

In rehearing discovery, Kentucky Power explained that the statutory or administrative directive that required Kentucky Power to incur ELG related expenses in 40 CFR Part 423, which contains a large number of regulations related to discharges from fossil fuel-fired electric generating facilities.[16] Kentucky Power argued that the ELG project expenses were extraordinary and nonrecurring expenses that could not have been anticipated or included in Kentucky Power's planning due to the short period between when the revised ELG regulations were finalized in August 2020 and the October 13, 2021 date for notifying state permitting agencies of an intent to terminate coal fired operations.[17] Kentucky Power further argued that the ELG project expenses were unavoidable because they were incurred in developing and evaluating ELG compliance options, including project initiation, technology feasibility studies, evaluation of risk

[14] Attorney General/KIUC's Response at 3.

[15] Sierra Club's Response at 3.

[16] Kentucky Power Response to Staff's Second Rehearing Request, Item 2(a).

[17] Kentucky Power Response to Staff's Second Rehearing Request, Item 2(b).

balanced technical options, conceptual engineering, permitting, and site investigations.[18] Kentucky Power maintained that the ELG project expenditures were financed through a combination of debt and equity, and therefore a carrying charge at the weighted average cost of capital (WACC) was appropriate.[19] Kentucky Power stated that it would not be charged and would not pay any costs related to the Mitchell ELG project costs incurred after July 15, 2021.

Based upon the case record and the Commission's finding that ELG project costs totaling $1,446,998.35 were prudently incurred in pursuit of a CPCN, the Commission finds that Kentucky Power's request to establish a regulatory asset is approved. The costs represent extraordinary, nonrecurring expenses that could not have been anticipated or included in Kentucky Power's planning. However, the Commission finds that the regulatory asset should be amortized and recovered through Kentucky Power's Tariff E.S. over two years. Tariff E.S. is an appropriate mechanism for recovery because the costs were incurred to comply with environmental regulations, as Kentucky Power was required to evaluate ELG compliance. Based on the above, the Commission finds that Kentucky Power's Tariff E.S. and monthly filing formats should be updated to include the amortization of the ELG regulatory asset. As such, no carrying charge on the regulatory asset is appropriate.

IT IS THEREFORE ORDERED that:

1. Kentucky Power is authorized to use a 20 percent depreciation rate for the Mitchell CCR compliance project approved in the July 15, 2021 Order.

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[18] Kentucky Power Response to Staff's Second Rehearing Request, Item 2(b).

[19] Kentucky Power Response to Staff's Second Rehearing Request, Item 2(b).

2. Kentucky Power is authorized to establish and amortize a regulatory asset for Mitchell ELG compliance costs incurred prior to July 15, 2021.

3. Kentucky Power's environmental surcharge tariff and monthly filing formats shall be modified to include a 20 percent depreciation rate for the Mitchell CCR project and the two-year recovery of the ELG regulatory asset.

4. Within 20 days of the date of this Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised Tariff E.S. as set forth in this Order reflecting that it was approved pursuant to this Order.

5. This case is now closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ENTERED

MAY 03 2022

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SERVICE COMMISSION

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR APPROVAL OF AFFILIATE AGREEMENTS RELATED TO THE MITCHELL GENERATING STATION	))))	CASE NO. 2021-00421

O R D E R

On November 19, 2021, Kentucky Power Company (Kentucky Power) filed an application requesting Commission approval of an ownership agreement (Ownership Agreement), and operations and maintenance agreement (O&M Agreement) (jointly, Mitchell Agreements) between Kentucky Power and its affiliate, Wheeling Power Company (Wheeling Power), to replace an existing operating agreement (Operating Agreement) for the Mitchell Generating Station (Mitchell). The Mitchell Agreements transfer Kentucky Power's duties as the operator of Mitchell to Wheeling Power and establish terms for Wheeling Power's future buyout of Kentucky Power's interest in Mitchell. Kentucky Power requested approval of the Mitchell Agreements by February 17, 2022, but was advised that the Commission could not complete a robust investigation of the issues presented and enter an Order by that date.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) and Kentucky Industrial Utility Customers, Inc. (KIUC) (jointly, Attorney General/KIUC) are intervenors in this matter and jointly sponsored witness testimony and data requests. The parties filed written testimony and responded to data requests. A formal hearing was held on March 1, 2022. An informal conference was held on March 9, 2022, to discuss revisions to the Ownership Agreement proposed by Kentucky Power. On March 15, 2022, Kentucky Power filed an amended application that included a revised Ownership Agreement. A second formal hearing was held on March 30, 2022. Kentucky Power responded to post-hearing data requests. On April 14, 2022, Kentucky Power and Attorney General/KIUC filed their respective post-hearing briefs. On April 21, 2022, Kentucky Power and Attorney General/KIUC filed their respective response briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

Kentucky Power stated that it filed its request to approve the Mitchell Agreements in accordance with the Commissions October 8, 2021 and October 28, 2021 Orders in Case No. 2021-00370.[1] In the October 8, 2021 Order, the Commission stated that Kentucky Power should "promptly seek modifications" to the existing Mitchell Operating Agreement should Wheeling Power begin construction of a project to comply with the federal effluent limitations guidelines (ELG). This is because in Case No. 2021-00004,[2] the Commission denied Kentucky Power's request to construct the ELG compliance project at Mitchell, and thus Kentucky Power was not authorized to recover any funds expended to construct the ELG compliance project.

In the October 28, 2021 Order, the Commission took administrative notice that Kentucky Power's parent, American Electric Power Company, Inc. (AEP), announced on

[1] Case No. 2021-00370, *Electronic Investigation of the Service, Rates and Facilities of Kentucky Power Company* (Ky. PSC Oct. 8, 2021), Order (October 8, 2021 Order); Case No. 2021-00370, Order (Ky. PSC Oct. 28, 2021) (October 28, 2021 Order).

[2] Case No. 2021-00004, *Electronic Application of Kentucky Power Company for Approval of a Certificate of Public Convenience and Necessity for Environmental Project Construction at the Mitchell Generating Station, an Amended Environmental Compliance Plan, and Revised Environmental Surcharge Tariff Sheets* (Ky. PSC July 15, 2021), Order (July 15, 2021 Order).

October 26, 2021, that it entered into an agreement to sell Kentucky Power to Liberty Utilities Co. (Liberty). Because of the Commission's statutory authority to ensure that Kentucky Power continues to provide safe, adequate, and reliable service, the Commission found that Kentucky Power should request Commission approval prior to any change to the Mitchell Operating Agreement.

KRS 278.2207, which governs transactions between a utility and an affiliate such as the potential sale of Kentucky Power's interest in Mitchell to Wheeling Power, requires that services and products provided to an affiliate by the utility be priced at the greater of net book value or market value, or, if applicable, priced in compliance with U.S. Department of Agriculture, Securities and Exchange Commission, or Federal Energy Regulatory Commission (FERC) approved cost allocation methodology.

BACKGROUND

Kentucky Power and Wheeling Power, both wholly owned subsidiaries of AEP, each own an undivided 50 percent interest in Mitchell, which is located in Moundsville, West Virginia. Kentucky Power's interest in Mitchell is subject to the jurisdiction of this Commission; Wheeling Power's interest in Mitchell is subject to the jurisdiction of the West Virginia Public Service Commission (WVPSC).[3]

The existing Mitchell Operating Agreement was effective on December 31, 2014, and governs the operation, maintenance, and joint ownership rights and obligations of Kentucky Power and Wheeling Power. Under the existing agreement, Kentucky Power is the Mitchell operator and most permits are held in Kentucky Power's name. Each utility

[3] Wheeling Power filed an application with the WVPSC for approval of the same Mitchell Agreements that are the subject of this proceeding. That proceeding, WVPSC Case No. 21-0810-E, is pending as of the date of this Order.

is entitled to an equal share of the Mitchell capacity and energy; each are responsible for all O&M costs, which are apportioned based on each utility's proportionate share of Mitchell dispatch; and each are responsible for capital improvements, apportioned on their percentage of ownership.

Kentucky Power asserted that the existing Mitchell Operating Agreement needed to be revised due to the Commission's October 8, 2021 and October 28, 2021 Orders in Case No. 2021-00370, and due to conflicting decisions by this Commission and WVPSC regarding projects to comply with coal combustion residuals (CCR) and ELG environmental rules. In Case No. 2021-00004, the Commission approved Kentucky Power's request for a Certificate of Public Convenience and Necessity (CPCN) for CCR facilities, and denied a CPCN for ELG facilities, prohibiting the recovery of any of the proposed ELG-related costs from Kentucky Power ratepayers.[4] The WVPSC approved CPCNs for both projects. Under revised ELG rules, Mitchell has to be compliant with ELG rules or retire by December 31, 2028. Kentucky Power asserted that Wheeling Power expected to continue operating Mitchell through 2040, which is the retirement date based upon Mitchell's service life.[5] Kentucky Power claimed that the Mitchell Agreements were necessary to designate Wheeling Power as operator and to transfer permits into Wheeling

[4] Case No. 2021-00004, (Ky. PSC July 15, 2021). The Commission found that Kentucky Power failed to meet its burden of proof to establish that the ELG compliance project was the most reasonable, least cost option, or that it was reasonable and cost-effective. Among other things, the Commission concluded that Kentucky Power's valuation of alternatives to the proposed ELG project overstated costs, and thus skewed the results to artificially depict the ELG project as the least cost alternative to address a capacity shortfall if Mitchell were to be retired in December 2028.

[5] Hearing Video Transcript (HVT) of the March 1, 2022 Hearing at 2:21:40.

Power's name to start construction on the ELG compliance project while complying with the Commission's Order in Case No. 2021-00004.[6]

Kentucky Power also asserted that the Commission required Kentucky Power and Wheeling Power to accelerate the approval of revisions to the Mitchell Operating Agreement in the October 8, 2021 and October 28, 2021 Orders in Case No. 2021-00370.

MITCHELL AGREEMENTS

The existing Operating Agreement includes provisions for operator responsibilities; apportionment of capacity and energy; facility replacements, additions, and retirements; working capital; fuel investment; apportionment of station costs; governance by an operating committee; and a dispute resolution process. The new O&M Agreement includes provisions for operator responsibilities; parties' obligations and rights; budgets and reports; limitations on authority; compensation and payment; and termination of the agreement. The new Ownership Agreement includes provisions for ownership and operations; apportionment of capacity and energy; plant replacements, additions, and retirements; working capital; fuel investment; apportionment of station costs; governance through an operating committee; transfers and buyouts; and dispute resolution. The new O&M and Ownership Agreements contain cross references to each other.

As initially proposed in the Ownership Agreement, Wheeling Power would purchase Kentucky Power's ownership interest in Mitchell on or before December 31, 2028, unless an earlier retirement occurred. If negotiations for a purchase price were not successful, the Ownership Agreement included a backstop mechanism that the purchase price for Kentucky Power's interest would be fair market value, minus a capital

[6] Direct Testimony of D. Brett Mattison (Mattison Direct Testimony) (filed Nov. 19, 2021) at 8–9.

expenditure (CapEx) adjustment, less decommissioning costs plus a coal inventory adjustment. The fair market value would be determined by a group of three appraisers, with dispute resolution provisions addressing the appointment of appraisers and appraiser valuations.

Kentucky Power would share in capital expenditures with an in-service date through December 31, 2028, including CCR upgrades, but capital expenditures with an in-service date after December 31, 2028, would be allocated entirely to Wheeling Power. If a non-ELG capital expenditure has a depreciable life that extends beyond December 31, 2028, the Ownership Agreement included a formula for Kentucky Power to pay a portion of the costs between the reasonably anticipated in-service date and December 31, 2028. A technical expert would be engaged to determine which capital expenditures are ELG related.

Other provisions include establishing a capital and operating budget between the effective date of the Mitchell Agreements and December 31, 2028; the ownership interest and voting rights remain 50/50; and the Mitchell Operating Committee continues to consist of three members: one representative each for Kentucky Power and Wheeling Power with voting rights; and an AEPSC representative, who is a non-voting member.

Under the proposed Operating Agreement, Wheeling Power would take over from Kentucky Power as operator of Mitchell, managing day-to-day operations, including dispatch, environmental and NERC compliance. The Operating Agreement addresses operator responsibilities, and budgeting and reporting processes.

Responding to parties' concerns regarding the fair market value buyout and decommissioning cost provisions, and to reduce the potential for inconsistent decisions between this Commission and WVPSC, Kentucky Power proposed, in rebuttal testimony and in its amended application, an alternative buyout proposal that removed the fair market value provision as the backstop mechanism if negotiations failed and replaced it with a unit swap.[7]

Under the alternate proposal, if Kentucky Power and Wheeling Power are unable to execute an agreement for Wheeling Power to purchase Kentucky Power's interest by December 21, 2024, then the two Mitchell generating units would be divided with Kentucky Power taking one unit and Wheeling Power taking the other. Kentucky Power asserted that each of the units has the same nominal generating capacity of 800 MW each and that the Operating Committee could determine a fair division of the interests.[8] Under a unit swap proposal, the unit ownership would have to be finalized by May 2025 to meet the PJM Interconnection, LLC (PJM) capacity planning cycle.[9]

Kentucky Power explained that establishing the December 31, 2024 date for mutually accepted sale terms would allow the parties to obtain necessary regulatory approvals for unit disposition no later than May 1, 2025, which would allow the parties to meet the PJM capacity market auction rules, and allow the transaction to be consummated by December 31, 2028.[10]

The unit swap mechanism would be required under the following conditions: (1) if Kentucky Power and Wheeling Power cannot execute a buyout agreement by December

[7] Rebuttal Testimony of Stephen Haynes (Haynes Rebuttal Testimony) (filed Feb. 9, 2022) at R31-36; Kentucky Power Post-Hearing Brief (filed Apr. 14, 2022) at 17–18.

[8] Haynes Rebuttal Testimony at R33.

[9] Haynes Rebuttal Testimony at R33-34.

[10] Haynes Rebuttal Testimony at R33; Stephan T. Haynes Supplemental Testimony (Haynes Supplemental Testimony) (filed March 15, 2022) at 6 and 8.

31, 2024; (2) if the requisite regulatory approvals have not be received by May 1, 2025; or (3) if the parties terminate the buyout agreement.[11] The unit swap would be consummated no later than December 31, 2028, after receipt of applicable regulatory approvals.[12] The unit swap terms would be negotiated by the Operating Committee and, if the Operating Committee cannot reach an agreement, then Article 12 dispute process applies.[13]

The Article 12 dispute resolution process includes that, if the Operating Committee does not reach agreement May 1, 2025, the parties will refer the dispute to binding arbitration administered by American Arbitration Association. The arbitration judgment is final and binding upon parties and not subject to appeal or review and may be entered in any court having jurisdiction. The Ownership Agreement provides that the Article 12 dispute resolution process is the sole and exclusive remedy for unit swap disputes. Kentucky Power asserted that, once the arbitration judgment is reached, that it would bring the decision to this Commission and other regulatory bodies for necessary regulatory approval.[14]

In briefing, Kentucky Power stated that, just as Wheeling Power had with the WVPSC, that Kentucky Power offered to remove all provisions governing the transfer of Kentucky Power's interest in Mitchell that are contained in Section 9.6 and related provisions, such as Article 12 unit swap dispute resolutions and definitions. Kentucky

[11] Haynes Supplemental Testimony at 9.

[12] Haynes Supplemental Testimony at 9.

[13] Haynes Supplemental Testimony at 11; Kentucky Power's Response to Commission Staff's First Request for Information (filed Dec. 22, 2021), Item 9e.

[14] Kentucky Power's Post-Hearing Brief (filed Apr. 14, 2022) at 39–41.

Power explained that it made this new offer based upon concerns raised by Attorney General/KIUC and by the Commission at the March 30, 2022 hearing. Kentucky Power further explained that it recognized that it could be reasonable "to wait until there are more facts in the future, when the usefulness of the plant beyond 2028 is better known, before defining the commercial structure for any future transaction."[15] Under the latest alternative, the Ownership Agreement could be approved without the buyout provision, which would allow Wheeling Power to become the plant operator and the CCR/ELG projects to be constructed within the prohibitions on ratepayer funding of the ELG project in accordance with the July 15, 2021 Order in Case No. 2021-00004.

Kentucky Power also proposed that the Commission could approve both the unit swap proposal and the removal of the buyout provision as dual options to increase the likelihood that this Commission and the WVPSC would enter Orders that found some common agreement.

In their initial post-hearing brief, Attorney General/KIUC argued that the Commission should reject the O&M Agreement and reauthorize the existing Operating Agreement with limited, necessary modifications, which would be sufficient for Wheeling Power to continue to operate Mitchell.[16] Attorney General/KIUC further argued that, if Liberty's acquisition of Kentucky Power were approved, then the Operating Agreement would have to be amended to reflect necessary changes because Kentucky Power would no longer be an AEP affiliate. Attorney General/KIUC asserted that the Commission should deny the Ownership Agreement because it is unnecessary, given that Mitchell can

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[15] Kentucky Power's Post-Hearing Brief at 47.

[16] Attorney General/KIUC's Post-Hearing Brief (filed Apr. 14, 2022) at 3–5.

continue to be operated under a modified Operating Agreement.[17] Attorney General/KIUC further asserted that it is premature to approve a buyout structure of a future transaction that, if it occurred today, would be between affiliates, but if the acquisition is approved, would be between non-affiliates, because Kentucky statutory law treats transactions between affiliates differently that transactions between non-affiliates.[18] Finally, Attorney General/KIUC argued that the Ownership Agreement leaves too much power in the hands of the Operating Committee, encroaches on Commission jurisdiction, and lacks necessary details, such as decommissioning costs and tax consequences of the buyout provision.

In their response brief, Attorney General/KIUC rejected Kentucky Power's offer to withdraw the buyout provisions from the Ownership Agreement, arguing that removing the buyout provisions fails to cure the flaws in the Ownership Agreement. Attorney General/KIUC asserted that this Commission should base its decision on whether Kentucky Power met its burden of proof and not on the "hope" that WVPSC would approve the same Ownership Agreement terms that this Commission approves.[19]

DISCUSSION AND FINDINGS

As an initial matter, the Commission notes that amendments to the existing Mitchell Operating Agreement would have sufficed and, had Kentucky Power filed only an amended Operating Agreement, the Commission could have reached its decision on or

[17] Attorney General/KIUC's Post-Hearing Brief at 5.

[18] Attorney General/KIUC's Post-Hearing Brief at 5–6.

[19] Attorney General/KIUC's Response Brief (filed Apr. 21, 2022) at 5.

near the February 2022 date requested by Kentucky Power.[20] Kentucky Power asserted that the Commission required Kentucky Power and Wheeling Power to accelerate the approval of both the Operating and the Ownership Agreements in Case No. 2021-00370, October 8, 2021 and October 28, 2021 Orders.[21] This is a misreading of the Orders. First, there is no existing ownership agreement between Kentucky Power and Wheeling Power, only the existing Operating Agreement.[22] The October 8, 2021 Order stated that Kentucky Power and Wheeling Power should "promptly seek modifications" to the existing Operating Agreement if Wheeling moved forward with the ELG project. The October 28, 2021 Order required Kentucky Power to obtain this Commission's approval prior to any change to the existing Operating Agreement. Second, as discussed at a hearing in Case No. 2021-00370, amending the existing Operating Agreement to make Wheeling Power the Mitchell Station operator would have addressed most outstanding issues related to Wheeling Power constructing the ELG project.[23] This is especially so given the pending acquisition of Kentucky Power by Liberty.

In hearing testimony, AEP representatives stated that the agreements were needed to determine cost allocation, to designate Wheeling Power as Mitchell operator, and for disposition of Kentucky Power's undivided interest by December 2028.[24] Also in hearing testimony, AEP agreed that revisions to the existing Operating Agreement could

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[20] *See* HVT of the March 30, 2022 Hearing at 12:34:26.

[21] HVT of the March 1, 2022 Hearing at 10:17:33, 10:58:36, 11:01:53, and 12:01:41.

[22] HVT of the March 1, 2022 Hearing at 11:15:05. *Also see* Mattison Direct Testimony, at 4–5; and Kentucky Power's Response to the Attorney General/KIUC's First Request for Information (filed Dec. 22, 2021), Item 10.

[23] Case No. 2021-00370, HVT of the October 5, 2021 Hearing at 10:26:54.

[24] HVT of the March 1, 2022 Hearing at 12:01:38.

have addressed these issues, but that additional terms would have been needed.[25] The Commission concurs that changes to the existing Operating Agreement are needed regarding cost allocation and to designate Wheeling Power as operator. However, it is premature to address the disposition of Kentucky Power's undivided interest at this time. Rather than being necessary to comply with the Commission's orders, the Ownership Agreement is instead merely convenient for AEP to satisfy requirements it created as a result of its agreements related to the proposed Liberty Acquisition of Kentucky Power.

The Commission is concerned because this transaction was not the product of an arm's length agreement. Had the parties to the negotiation been Liberty, the entity who applied to purchase Kentucky Power, and Wheeling Power, the transaction might fairly be called an arm's length agreement because the transaction would have been between two unrelated and unaffiliated parties, acting independently and in their own self-interest. Here, however, the parties, Kentucky Power and Wheeling Power, are AEP affiliates, with overlapping management by Nicholas Akins, AEP and Kentucky Power CEO, and AEP EVP/COO Lisa Barton, who leads the activities of all AEP operating companies. Many of the terms regarding the future buyout are favorable to Wheeling Power at the expense of Kentucky Power and its ratepayers. Additionally, as has been noted in a separate proceeding, Kentucky Power's COO, who was actively involved in the negotiations of these documents, is not proposed to continue employment with Kentucky Power after the acquisition by Liberty, but rather, is expected to be reemployed by AEP.[26]

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[25] HVT of the March 1, 2022 Hearing at 12:03:30.

[26] Case No. 2021-00481, *Electronic Joint Application of American Electric Power Company, Inc., Kentucky Power Company and Liberty Utilities Co. for Approval of the Transfer of Ownership and Control of Kentucky Power Company* (filed Jan. 4, 2022), Direct Testimony of David Swain at 10.

However, with Kentucky Power's offer to withdraw Section 9.6, which contains the buyout provisions, and to withdraw provisions related to the buyout provision, including the buyout provision dispute resolution in Article 12 and in definitions, the matter of the buyout provision is moot.

Based upon a review of the case record and being otherwise sufficiently advised, the Commission finds that the buyout provision contained in Article 9.6 of the revised Ownership Agreement, and related provisions, including the unit swap dispute resolution provisions in Article 12 and the buyout provision-related definitions, are not reasonable for the reasons discussed above that establishing the structure of a future sale of Kentucky Power's interest is premature in light of the pending acquisition of Kentucky Power by Liberty, because the buyout terms were not negotiated as an arm's length transaction, as they would be if they were negotiated between non-affiliates; because the terms for the future sale of Kentucky Power's interest were not required by the Commission in order to continue operating Mitchell; and because the buyout provision is based on assumptions regarding future circumstances that are likely to change closer to the December 31, 2028 date when Kentucky Power's interest in Mitchell must terminate in accordance with the July 15, 2021 Order in Case No. 2021-00004.

In light of Kentucky Power's offer to withdraw Article 9.6, and all other provisions that address the unit swap and buyout provisions, including but not limited to the unit swap dispute resolution provisions in Article 12 and the buyout provisions in the definitions, the Commission finds that the Ownership Agreement and the O&M Agreement are reasonable, subject to modifications explicitly addressing costs that will be incurred to operate post-2028 but would not be incurred if Mitchell retired in 2028,[27] removing all references to the buyout provisions and including language that the Mitchell Agreements, and all terms related to future events, are subject to the jurisdiction of this Commission. With these modifications, the Commission finds that the Ownership Agreement and O&M Agreement are reasonable and should be granted.

The Commission is not persuaded by Attorney General/KIUC's argument that the Ownership Agreement awards too much power to the Operating Committee given that the Operating Committee's powers in the existing Operating Agreement are essentially the same in the Ownership Agreement in regards to Committee makeup, voting powers, scope of authority, and dispute resolution. Further, the Commission is not persuaded by Attorney General/KIUC's argument that the decommissioning costs should be addressed in greater detail in the Ownership Agreement. There is too much uncertainty regarding decommissioning costs to be reasonably determined at this time; the determination of decommissioning costs should be made when the costs are more certain, such as when sold or when Mitchell is decommissioned.

The Commission concurs with Attorney General/KIUC that the Ownership Agreement does not clearly provide for this Commission's jurisdiction in regulatory approvals needed in the future under the Ownership Agreement. Kentucky Power asserted that the revised Ownership Agreement expressly contains a broad statement in

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[27] These costs were discussed in the direct testimony of Mark Becker in Case No. 2021-00004, wherein the analysis that the Commission based its decision to grant a CPCN for CCR compliance, but not ELG, "assumed . . . that other maintenance capital and landfill capital expense could be reduced in the 2023-2028 period immediately prior to retirement, creating customer savings." *See* Case No. 2021-00004, *Electronic Application of Kentucky Power Company for Approval of a Certificate of Public Convenience and Necessity for Environmental Project Construction at the Mitchell Generating Station, An Amended Environmental Compliance Plan, and Revised Environmental Surcharge Tariff Sheets* (filed Feb. 8, 2021), Direct Testimony of Mark A. Becker at 7.

Article 13.2 that Kentucky Power was required to obtain future approvals from this Commission, and the WVPSC, to effectuate future events arising from the Ownership Agreement.[28] Article 13.2 states, "This Agreement is subject to the regulatory authority of any State or Federal agency having jurisdiction." This language is not sufficiently clear that the terms contained in the Agreement are all subject to the regulatory authority of this Commission, or any State or Federal agency having jurisdiction. A plausible reading is that the approval of the Agreement is needed, but not for those provisions for future events not expressly subject to this Commission's authority, such as Article 12.6, which describes FERC jurisdiction. As set forth in the February 3, 2022 Order in Case No. 2021-00370, Kentucky Power and AEP have a history of pursuing FERC approval to preempt the Commission's jurisdiction, especially on issues that the Commission has ruled on that AEP believes were adverse to its private interest. For this reason, the Commission finds that the Ownership Agreement should be modified to reflect that the Ownership Agreement and all terms contained in the Agreement, including those addressing future events, are all subject to this Commission's jurisdiction.

Because Kentucky Power withdrew the proposal to use fair market value as a baseline for a purchase price for Kentucky Power's interest, the Commission will not address that issue. However, the Commission concurs with Attorney General/KIUC that KRS 278.2207 applies if Kentucky Power's interest in Mitchell is sold to Wheeling Power as an affiliate transaction.[29] For this reason, the Commission expects that, if Kentucky

[28] HVT of the March 30, 2022 Hearing at 12:23:26; Kentucky Power's Post-Hearing Brief at 39–41.

[29] In testimony filed in response to the original proposal, Attorney General/KIUC's witness, Lane Kollen, argued that basing the buyout price on the fair market value violated KRS 277.2207 because the buyout price did not establish a floor for the sale price as the greater of net book value or market value. *See* Direct Testimony of Lane Kollen (Kollen Direct Testimony) (filed Mar. 29, 2022) at 6–13.

Power's Mitchell interest is sold to Wheeling Power when both entities are affiliates, then the sale shall be priced at the greater of net book value or market value, with necessary adjustments, and is subject to the Commission approval. As evidenced in the case record, past sales of Mitchell among AEP affiliates were all made at net book value and AEP's cost allocation manual, which applies to both Kentucky Power and Wheeling Power, requires that sales between affiliates be at net book value.[30] Furthermore, given Kentucky Power's purchase of its interest in Mitchell at net book value, this Commission expects its sale to be at approximately net book value, as modified by necessity for certain capital costs related to Mitchell's joint ownership, including ELG costs. Given this expectation, this Commission believes it is reasonable for Kentucky Power to pay for its fair share of capital costs ahead of such a sale at net book value. To act otherwise would run the risk of making the transaction unfair to Wheeling Power and its customers. Kentucky Power customers should pay their fair share of capital costs between now and 2029, based on an expectation that Wheeling Power will buy Kentucky Power's interest in Mitchell at its remaining net book value post-2028. Any actions subsequent to this order that leads this Commission to believe its expectations regarding the sale of Mitchell will not occur at approximately net book value will require this Commission to reassess its position on the sharing, allocation and depreciation of costs and expenses subject to the relevant agreements discussed herein.

[30] Kollen Direct Testimony at 4 and 12–13. In Kentucky Power's Response to Attorney General/KIUC's Second Request for Information (filed Jan. 14, 2022), Item 1, Kentucky Power stated that there were three prior transfers of Mitchell between AEP subsidiaries and that all were made at adjusted net book value.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Power's request for approval of the Mitchell Ownership Agreement and the Mitchell O&M Agreement, as contained in the March 15, 2022 amended application and the April 14, 2022 post-hearing brief, is granted subject to the modifications discussed in this Order.

2. Within 20 days of the date of this Order, Kentucky Power shall file the modified Mitchell Agreements, as approved in this Order, into the post-case correspondence file and reference this case number.

3. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ENTERED

MAY 03 2022

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SERVICE COMMISSION

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DATA REQUEST

KPSC 1_2 Refer to the Application, page 6, paragraph 13. Kentucky Power states, "If PJM makes such revisions, even if the capacity provided by Mitchell remains a part of the Company's generation portfolio, the Company would still need to add roughly 280 MW of additional accredited capacity to meet its future winter capacity needs."

a. Identify the peak demand and reserve margins used by Kentucky Power to determine that capacity need and explain how that peak demand and reserve margins were determined.

b. Provide all reports and analyses supporting the 280 MW capacity need, including any load forecasts and reserve margin analyses that support that capacity need.

c. If not included in the response to part a., provide an update to the integrated resource plan (IRP) peak demand and energy load forecasts filed in March 2023 in Case No. 2023-00092 extending out 15 years through 2040. Include in the response explanations of the assumptions supporting each sub-component of the total demand and energy forecasts and the derivations of each sub-component of the total demand and energy forecasts including but not necessarily limited to distributed generation, electric vehicles and demand side management energy efficiency and demand response (DSM EE-DR) programs.

d. Explain whether Kentucky Power plans to file a certificate of Public Convenience and Necessity (CPCN) to address this capacity deficit and if so, please provide the estimated timing for when the application will be filed.

RESPONSE

a. Please see KPCO_R_KPSC_1_2_Attachment1. The Company utilized the peak demand from its internal load forecast developed in April 2025. This peak demand was developed in a manner similar to the development of the peak demand described in Section 2 of the Company's IRP filed in March 2023 in Case No. 2023-00092. The reserve margins utilized to develop the PJM Capacity Obligation were sourced from PJM's Forecast Pool Requirement (FPR). The reserve margins utilized to develop the Additional Capacity for Winter Obligation were the FPR, plus an additional 5% to account for uncertainties around PJM's potential switch to a seasonal capacity construct. Upon further review of Figure TSW-3 (found on page 15 of the Direct Testimony of Tanner S. Wolffram), the Company determined that there was a minor error in the calculation for the Additional Capacity for Winter Obligation. KPCO_R_KPSC_1_2_Attachment1 includes an updated version of Figure TSW-3, which still indicates a need for roughly 280 MW of capacity.

b. Please see KPCO_R_KPSC_1_2_Attachment1.

c. Please see KPCO_R_KPSC_1_2_Attachment2 for updates to the IRP peak demand and energy load forecasts. The peak demand and energy forecast methodologies are not materially different than that filed in the Company's last IRP. The primary difference is that the Company now reflects the projected impacts of electric vehicle and distributed generation adoption for residential and commercial customers, which are additive to the residential and commercial energy forecasts.

d. Yes, at this time Kentucky Power plans to file an application for a CPCN no later than the first quarter of 2026 to address the currently forecasted winter capacity needs.

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_3 Refer to the Application, page 7, paragraph 17. Refer also to the Direct Testimony of Tanner S. Wolffram (Wolfram Direct Testimony) at page 6, lines 14–17.

a. Explain whether, and if so when, Kentucky Power informed the Commission that it would not allocate certain Mitchell Plant non-ELG project costs to its ratepayers as of a certain date.

b. If applicable, provide a copy of the Orders with the language highlighted where the Commission found or ordered Kentucky Power to remove portions of the non-ELG capital investments related to the Mitchell plant from the allocation to Kentucky customers.

c. Identify language in the Mitchell operating agreement or amendments thereto that require that allocation change.

RESPONSE

a. The Company first filed the Written Consent Action that provided for asymmetrical capital cost allocation between Kentucky Power and Wheeling Power Company with its September 1, 2022 ten-day report in Case No. 2021-00370. The Company also filed that same document in Case No. 2023-00159 as Exhibit V to Section II of its Application. The asymmetrical capital cost allocation was also discussed by Company Witness Kerns and Company Witness West at the hearing in Case No. 2023-00159.

b. The Commission's orders, filed herein as Attachment 1 to KPSC 1-1, make clear that, as a result of the Commission's final order in Case No. 2021-00004, Kentucky Power's interest in the Mitchell Plant must terminate after December 31, 2028. Given those orders, it was appropriate to ensure Kentucky Power customers only paid for new capital investments at the plant which ensured the plant could operate safely and reliably while it was providing service to Kentucky customers. The practical effect of the Commission's orders in Case No. 2021-00004 and Case No. 2021-00421 necessitates that Kentucky Power customers not be responsible for those capital investments at the Mitchell Plant after Kentucky Power's interest terminates.

c. Please see the Company’s response to subpart (b). Please also see the Written Consent Action included in Exhibit TSW-1 to the Direct Testimony of Tanner S. Wolffram, at page 31-32, for the language that effectuates the allocation change necessitated by the Commission’s orders as described in subpart (b).

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_4 Refer to the Application page 8, paragraph 24. Refer also to Kentucky Power's IRP filed in March 2023 in Case No. 2023-00092 in which Kentucky Power also indicated that it would be capacity short. Explain why Kentucky Power waited over two years before coming to the Commission with a Certificate of Public Convenience and Necessity (CPCN) to address what Kentucky Power has indicated is significant capacity deficit beginning in 2028.

RESPONSE

Kentucky Power constantly reviews its capacity position and immediately began working to address its capacity position upon receipt of the Commission's Order in Case No. 2021-00004, requiring the Company to terminate its interest in the Mitchell Plant after 2028. The Company's efforts included: preparing for the Company's 2022 IRP (filed in early 2023); issuing an All-Source RFP in September 2023; reviewing RFP responses and subsequent negotiations in 2024; filing an application for additional DSM programs in Case No. 2024-00115 (which were approved); filing an application for a Renewable Energy Purchase Agreement in July 2024 in Case No. 2024-00243 (which was denied); and subsequently filing this Application.

The Company worked promptly and diligently through each of those processes. As explained in case No. 2024-00243 and in Company Witness Wolffram's Direct Testimony in this case, the Company issued the All-Source RFP in September 2023, approximately six months after filing its IRP, to identify potential resources consistent with the Company's Preferred Plan set forth in Case No. 2023-00092. While the Company was still evaluating bids, there were significant changes in environmental requirements and market prices that led to many of the initial bids for thermal resources to be repriced, which took additional time to review. The Company could not reasonably cover its capacity need arising from the required termination of its interest in the Mitchell Plant by relying only on the non-thermal options bid into the RFP. Once the repriced thermal bids were reviewed, the Company entered into discussions with one counterparty, but those negotiations were eventually terminated.

In the wake of these developments, Kentucky Power reevaluated making the investments necessary to continue receiving capacity and energy from the Mitchell Plant after December 31, 2028. As proposed in this Application, making the necessary investments is the best alternative for Kentucky Power to provide safe, reliable, and efficient service to its customers.

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_5 Refer to the Application, page 5, paragraph 12; page 6, paragraph 13; and page 8, paragraph 24. Refer also to Kentucky Power's IRP in Case No. 2023-00092 (2023 IRP) Volume A pages 14-15 in which Kentucky Power determined that its Preferred Plan "provides the best combination of supply-side and demand-side resources, maintains affordable and stable rates for customers, maintains reliability, creates local development opportunities and reduces greenhouse gasses."

a. Confirm that the Preferred Plan in Case No. 2023-00092 included (1) operating Big Sandy through mid-2041; (2) 48 MW of additional demand side management resources between 2023 and 2037; (4) 800 MW of new solar and 700 MW of new wind by 2037; (5) 480 MW of new gas combustion turbine (CT); (6) between 70- 80 MW of short-term capacity purchases through 2026; (7) a 50 MW 4-hour battery energy storage system (BESS) in 2035; and (8) 407 MW in 2028 to bridge the gap between the Mitchell Units divestiture and the addition of the new CT. If any of the foregoing cannot be confirmed, explain how the Preferred Plan differed.

b. For each of the components of the Preferred Plan, explain what actions, if any, Kentucky Power has taken toward implementing the plan.

c. If not explained above, explain the annual or seasonal short-term capacity purchases Kentucky Power has been making since the 2023 IRP was filed and any capacity purchases that are planned.

d. If Kentucky Power has been making short-term capacity purchases, provide and explain the costs for those purchases and how they have been recovered.

e. If not explained above, explain whether Kentucky Power still plans to operate the Big Sandy Unit for an additional 10 years through mid-2041. If so, include in the response the expected annual estimated fixed and variable stay open costs of operation.

RESPONSE

a. The Company can confirm that items (1), (4), (5), (6), and (7) were included in the Company's Preferred Plan in its IRP report in Case No. 2023-00092. The Company cannot confirm items (2) and (8). For item (2), incremental demand-side resources were selected rising to a peak of 48 MW in 2034 before declining to 46 MW by 2037. For item (8), 407 MW of short-term capacity purchases were selected in 2028.

b. Please see the Company's response to KPSC 1_4 and KPSC 1_5 subpart (a) and subpart (c). In addition, the Company's current plan is to submit an application, to be filed no later than the first quarter of 2026, seeking a CPCN and all other required regulatory approvals to construct a new 450 MW natural gas combustion turbine generating facility located in the Company's service territory.

c. Please see KPCO_R_KPSC_1_5_Attachment1 for the requested information.

d. Please see the Company's response to subpart (c). Costs for capacity purchases are recoverable through the Company's Tariff P.P.A.; specifically, element "N."

e. Confirmed. The Company plans to operate the Big Sandy Plant until 2041. The Company is unclear as to the meaning of "stay open costs of operation." The Company is not currently aware of any significant upgrades required to continue to operate the Big Sandy Plant. Otherwise, the Company will continue to make necessary upgrades to maintain the plant's performance. To the extent a significant upgrade is required that necessitates a CPCN or other regulatory approval in the future, the Company will submit such application(s) to the Commission.

Witness: Tanner S. Wolffram

	Delivery Period					
KPCO Capacity Purchase History	**12/7/22 to 5/31/2023**	**6/1/23 to 5/31/24**	**6/1/24 to 5/31/25**	**6/1/24 to 5/31/25**	**6/1/24 to 5/31/25**	**6/1/25 to 5/31/26**
Contracted MW Amount	152.4	65.4	5.8	80	73.8	12.5
$/MW-Day	$ 50.00	$ 37.53	$ 58.00	$ 54.00	$ 62.50	$ 84.00
Price Determined by	**BRA Clearing Price**	**3IA Clearing Price**	**3IA Clearing Price**	**3rd Party Contract**	**3rd Party Contract**	**Matched Terminated 3rd Party Purchase Agreement**
Source MW	RP2	PCA	PCA	Tait CT	Omni Pleasants	PCA

DATA REQUEST

KPSC 1_6 Refer to the Application, page 13, paragraph 37. Explain why Kentucky Power is proposing a six-year amortization period for the regulatory asset associated with Kentucky Power's proposed share of the costs incurred by Wheeling Power Company (Wheeling Power) for its investment in the ELG Project.

RESPONSE

The ELG equipment allows the Mitchell Plant to operate through 2031 without additional modification to the Plant. As such, a six-year amortization period aligns with the period for which the investments will allow Mitchell to operate as-is and under current environmental regulations. As described in Company Witness Wolffram's Direct Testimony, the proposed amortization period reduces initial bill impacts associated with the Company's proposal. Otherwise, the Company would include the entire amount of the investment that is currently proposed as a regulatory asset in the initial environmental annual revenue requirement.

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_7 Refer to the Wolfram Direct Testimony, page 7, lines 1-3. If the Commission were to determine that the $20.1 million share of ELG Project costs could be recovered from Kentucky Power's ratepayers, explain why that amount should not be passed through the environmental surcharge mechanism as opposed to being amortized and collected over a 72-month period through 2031.

RESPONSE

The Company is proposing to amortize and recover the $20.1 million share of ELG Project costs through the environmental surcharge. The Company requested deferral authority so it could amortize those costs over a longer period of time, rather than adding the $20.1 million to the initial environmental surcharge rate.

Please see the Direct Testimony of Company Witness Wolffram at pages 23-25. Also, please see the Direct Testimony of Company Witness Kahn at page 7 and Exhibit LMK-4, tab "ELG Rev Req" columns L-P which shows how the requested regulatory asset is incorporated into the environmental surcharge revenue requirement.

Witness: Tanner S. Wolffram

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DATA REQUEST

KPSC 1_8 Refer to the Wolfram Direct Testimony, page 13, lines 13–16; page 14, lines 1–2; and page 15, lines 4–8. Refer also to the Direct Testimony of Alex E. Vaughan (Vaughan Direct Testimony) page 4, lines 10–19. Using Kentucky Power's most recent peak demand and energy load forecast, provide Kentucky Power's analyses explaining and demonstrating how the discussed changes in PJM's resource capacity accreditation support the contention that Kentucky Power will need an additional 280 MW of capacity, even assuming access to the Mitchell Plant capacity after December 31, 2028, and approximately an additional 880 MW if no capacity is taken from the Mitchell Plant.

RESPONSE

Please see the Company's response to KPSC 1_2. Further, these concepts are demonstrated by Figure TSW-2 in the Direct Testimony of Tanner S. Wolffram (as updated by the Company's response to KPSC 1_2). Regardless of whether Kentucky Power receives capacity from the Mitchell Plant after 2028, the Company's capacity requirements will increase by 280 MW if PJM implements seasonal capacity requirements. This is demonstrated by the fact that Kentucky Power would require an additional 280 MW of accredited capacity to meet its winter requirements as compared to its summer peak requirements.

More specifically, the Company would require roughly 580 MW of accredited summer capacity beginning in PJM planning year 2028/2029 if it can no longer receive capacity from the Mitchell Plant after December 31, 2028. This is demonstrated by the fact that once the Mitchell Plant capacity is removed from the Company's portfolio in 2028, there would be a 580 MW shortfall from the Company's summer capacity requirements.

The Company would require roughly 880 MW of accredited winter capacity beginning in PJM planning year 2028/2029 if it can no longer receive capacity from the Mitchell Plant after December 31, 2028. This is demonstrated by the fact that once the Mitchell Plant capacity is removed from the Company's portfolio in 2028, there would be an approximate 880 MW shortfall from the Company's winter capacity requirements.

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_9 Refer to the Wolfram Direct Testimony, page 14, Figure TSW-2, Kentucky Power Capacity Position.

a. Provide total net energy generation of the Mitchell plant in each month for the last 5 years (2020-2024) and 2025 (Jan-Jul) in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Provide the capacity factor of Mitchell plant and the number of customers served by Kentucky Power in each year referenced in paragraph 9. a.

c. Compared to the Mitchell Plant, provide the annual capacity factor of the other similar plants in the region.

RESPONSE

a.-c. Please see KPCO_R_KPSC_1_9_Attachment1 for the requested information. As shown in KPCO_R_KPSC_1_9_Attachment1, the Mitchell Plant is generally in-line with the net capacity factors of the PJM coal fleet on a total average basis since 2013.

Witness: Joshua D. Snodgrass

DATA REQUEST

KPSC 1_10 Refer to the Wolffram Direct Testimony, page 15, Figure TSW-3, Kentucky Power Capacity Position.

a. If the Commission were to approve the proposed capital investments, explain how Kentucky Power anticipates it will meet the additional winter capacity requirement of approximately 280 MW.

b. If the Commission were to deny the proposed capital investments, explain how Kentucky Power anticipates it will address the stated capacity shortfalls.

RESPONSE

a. If this Application is approved, the Company plans to file an application, to be filed no later than the first quarter of 2026, seeking a CPCN and all other required regulatory approvals to construct a new 450 MW natural gas combustion turbine generating facility located in the Company’s service territory.

b. If this Application is not approved, the Company would have to evaluate its capacity and energy needs without the Mitchell Plant and would likely have to cover those needs with some combination of new-build generation, purchased power agreements, and market purchases. Purchase power agreements and market purchase are not preferred for Kentucky Power customers as the market for energy and capacity continues to see significant increases in costs as demonstrated by Company Witness Vaughan’s economic analysis.

Witness: Tanner S. Wolffram

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DATA REQUEST

KPSC 1_11 Refer to the Wolffram Direct Testimony, page 24, Figure TSW-4. Provide the workpapers showing the calculation of the amounts reflected in Figure TSW-4 on a monthly basis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

RESPONSE

Please see KPCO_R_KPSC_1_11_Attachment1 for the requested information. This document was prepared and provided to the Company by Wheeling Power.

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_12 Refer to the Wolffram Direct Testimony, page 26, lines 1–2. Refer also to the Direct Testimony of Alex E. Vaughan (Vaughan Direct Testimony), page 10, lines 1– 2. Explain each basis and provide support for depreciating the Mitchell Plant through 2040, given the range of retirement deadlines for the post-2031 alternatives.

RESPONSE

Currently, as explained in the Direct Testimony of Company Witness Snodgrass, the Mitchell Plant can operate through 2040, absent any environmental requirements that would require modification or early retirement. As such, the Mitchell Plant continues to be depreciated through 2040.

Furthermore, as explained in the Direct Testimony of Company Witness Wolffram, it is still reasonable to assume a 2040 retirement date for the Mitchell Plant because there are multiple options to allow the Plant to continue to operate through that date, especially given the uncertainty around the existing environmental regulations that could necessitate a change in operation.

Witness: Tanner S. Wolffram

Witness: Joshua D. Snodgrass

DATA REQUEST

KPSC 1_13 Refer to Wolfram Direct Testimony, page 20. Explain the possible additional upgrades that would be required after 2031 for the Mitchell Plant to continue to operate as a coal plant and provide the estimated costs for those upgrades.

RESPONSE

Please see the Direct Testimony of Company Witness Vaughan at page 10 lines 13-17 where the Company discusses the review of this alternative. However, it is not currently a viable option as it would require a change in federal law. Please also see Confidential Table AEV-2 and KPCO_R_AG_1_1_ConfidentialAttachment7 for the costs associated with this alternative.

Witness: Alex E. Vaughan

Witness: Tanner S. Wolffram

DATA REQUEST

KPSC 1_14 Refer to the Direct Testimony of Alex E. Vaughan (Vaughan Direct Testimony), page 4.

a. Explain why building a large-scale solar installation was not considered as an alternative in the analysis.

b. State whether there are other plants in AEP's system with available capacity from now through 2031 from which Kentucky Power could obtain additional capacity. If so, please explain in detail including the cost to provide that additional capacity.

c. Explain how the Mitchel Plant ranks among AEP's plants with respect to the annual capacity factor.

RESPONSE

a. The most economic renewable bid (80 MW Bright Mountain Solar Facility) from the Company's 2023 RFP was selected and brought before the Commission in Case No. 2024-00243, which was subsequently denied. The Commission noted the limited capacity accreditation associated with that facility as part of its denial. Given that denial, the Company did not consider large scale solar to offset the loss of the approximately 600 MW of accredited capacity provided by the Mitchell Plant.

b. The Company's affiliates with which it participates jointly in the Power Coordination Agreement do not have sufficient excess capacity to replace the Company's share of accredited capacity from the Mitchell Plant.

c. Please see the Company's response to KPSC 1_9 for a comparison of the Mitchell Plant to other coal plants in the PJM system.

Witness: Joshua D. Snodgrass (subpart c)

Witness: Alex E. Vaughan (subparts a & b)

DATA REQUEST

KPSC 1_15 Refer to the Vaughan Direct Testimony page 4, line 19. Explain the basis for stating that 2029-2031 is the relevant period in question.

RESPONSE

The period of 2029-2031 is the appropriate period for the analysis because 2029 is when the Company's current capacity need arises and the ELG investments allow Mitchell to operate through 2031 unless the current federal regulations change. However, the Company also evaluated post-2031 options which are included in the analysis in Section V of Company Witness Vaughan's Direct Testimony.

Witness: Alex E. Vaughan

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DATA REQUEST

KPSC 1_16 Refer to the Vaughan Direct Testimony page 4, lines 15–16 discussing the 2023 All-Source Request for Proposals (RFP).

a. Identify and describe each of the responses to the RFP, by identifying the type and nameplate capacity of the generation proposed, the counterparty responding to the RFP, and the timeline in which the counterparty proposed to provide the generation, and describing the material cost terms of the RFP and other proposed terms or later amendments that would materially affected the cost or usefulness of the generation proposed.

b. Provide any analysis of the RFP responses prepared by Kentucky Power in determining whether and which proposals to accept and explain the results of Kentucky Power's analysis of the RFP responses.

RESPONSE

a.-b. Please see KPCO_R_KPSC_1_16_ConfidentialAttachment1.

Witness: Tanner S. Wolffram

KPCO_R_KSPC_1_16_ConfidentialAttachment1 is redacted in its entirety.

DATA REQUEST

KPSC 1_17 Refer to the Vaughan Direct Testimony, page 7, lines 15–20.

a. Explain whether Kentucky Power performed any cost analysis for a new self-built generation resource in preparing the cost benefit analysis in this matter, notwithstanding Kentucky Power's assertion that new self-built generation could not be completed within the timeframe required.

b. Explain why Kentucky Power did not analyze self-building a new generation resource in 2022.

RESPONSE

a. Please see Company Witness Vaughan's Direct Testimony, page 10 starting at line 9. This describes the option of building a new combined cycle gas plant in the post-2031 analysis, which is when the Company estimates that a new build generation resource could be placed in service. The Company did not, however, perform a cost analysis of building new generation sufficient to replace the capacity provided by the Mitchell Plant as part of the cost-benefit analysis of the 2029-2031 timeframe as it would not be physically possible to complete the project in that timeframe.

b. At that time, the Company was not in a financial position to build new generation. Additionally, as demonstrated in the Company's most recent IRP, there is an energy and capacity need starting in 2026. Given the timeline to construct new assets, the Company determined it was more prudent to evaluate PPA options to help address some of the energy and capacity needs in the nearer term. Furthermore, at the time the RFP was issued, market energy prices were significantly lower than they are currently, meaning a new-build option would have likely been less economic than had the Company bought from the market or executed a PPA for an existing resource.

Witness: Alex E. Vaughan (subpart a)

Witness: Tanner S. Wolffram (subpart b)

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DATA REQUEST

KPSC 1_18 Refer to the Vaughan Direct Testimony, page 8, Table AEV-1 – Annual Revenue Requirements of Alternatives.

a. Provide all workpapers used to calculate each amount reflected on Table AEV-1 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Explain whether the cost for Alternative 1 – Mitchell includes the revenue requirement effects of extending Mitchell's use that Kentucky Power customers will incur from December 2025 through January 1, 2029, and if not, explain why those amounts are not included in the table.

c. If Table AEV-1 does not include the revenue requirement effects of extending Mitchell's use, provide a version of the workpapers requested in part a. that also includes the revenue requirement effects from December 2025 through January 1, 2029.

RESPONSE

a. Please see KPCO_R_AG_1_1_ConfidentialAttachment1 and KPCO_R_AG_1_1_Attachment2 in the Company's response to AG 1_1.

b. The Company confirms that those costs are included.

c. Please see the Company's response to subpart (b).

Witness: Alex E. Vaughan

DATA REQUEST

KPSC 1_19 Refer to the Direct Testimony of Joshua D. Snodgrass (Snodgrass Direct Testimony), page 8, Figure JDS-3.

a. Explain whether Kentucky Power or Wheeling Power filed a Certificate of Convenience and Necessity (CPCN) to construct any of the projects represented in Figure JDS-3 in their respective jurisdictions. If so, identify the projects for which a CPCN was filed in the appropriate jurisdiction and identify the case in which it was filed.

b. For the projects represented by the Figure JDS-3, explain how Kentucky Power is recovering its allocated costs or is planning to recover its allocated costs.

c. Explain whether Kentucky Power informed the Commission that it was not going to be allocated costs for the projects represented in the Figure JDS-3 and if so, when and how that information was conveyed to the Commission.

d. For each of the projects listed in part a., explain whether Wheeling Power made a request to the West Virginia Public Service Commission to bear any portion of the of the asymmetrically allocated non-ELG capital projects or annual O&M and other variable operational costs and, if so, provide a copy of the Final Order granting cost recovery.

e. For each non-ELG project, provide a comparison showing the annual costs currently being allocated to and collected from Kentucky Power ratepayers and the costs that would have been allocated to and collected from Kentucky Power ratepayers but for the asymmetric allocation of those costs.

RESPONSE

a. The Company did not file a CPCN for any of the projects included in JDS-3 as those projects did not require such a filing. The Company was also informed by Wheeling Power representatives that Wheeling Power has not filed any CPCN applications for the investment reflected in JDS-3.

b. The Company's allocated share of those costs are primarily recovered in Kentucky Power's base rates and a small portion through the Company's environmental surcharge. The Company will also provide for recovery of the $60.4 million in its next base rate proceeding.

c. Yes, please see the Company's response to KPSC 1_3.

d. See the Company's response to subpart (a).

e. As shown in Figure JDS-3, the Company has been allocated roughly $32.3 million of the non-ELG projects. Specifically, see the "Kentucky Power" column under the header "Actuals Spend through April 2025" for the costs the Company has been allocated. Had the asymmetrical allocation not been implemented, the Company would have been responsible for 50% of all of the costs of the Plant, meaning its allocated share of the costs would have been roughly $81.2 million.

Witness: Tanner S. Wolffram

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DATA REQUEST

KPSC 1_20 Refer to the Snodgrass Direct Testimony, Exhibit-JDS-1.

a. Refer to the Capital sheet, Row 87, Columns F-H. Provide a breakdown and supporting data for the Forecast Additional Spend through December 2025 amounts shown under the Financial category.

b. Provide the reason for any replacements (environmental and non-environmental reason) and provide the depreciation life and the first installation date for the replaced and the new items by adding them to the same excel file.

RESPONSE

a.-b. Referencing the Capital sheet, Row 87, Column F-H represents the Financial amount budgeted for stores loading for the Mitchell Plant. This loading is ultimately allocated across the capital project work orders as actual costs are incurred. Stores loadings include storeroom and procurement-related costs which are accumulated and cleared/allocated monthly to budget categories such as O&M and Capital. As shown in the figure below, the Financial section is broken up into accounts 020 Construction/Retirement Overheads and 320 Stores Loading.

Sum of amount	Column Labels		
	FC		FC Total
Row Labels	Kentucky Power - Gen	Wheeling Power - Gen	
Financial	**174,622**	**1,417,188**	**1,591,810**
X00000290 For Property Acctg Use Only	**174,622**	**1,417,188**	**1,591,810**
020 Construction/Retirement Ovhds	14,917	121,066	135,983
320 Stores Loading	159,704	1,296,123	1,455,827

The CC 020 portion represents overheads which are budgeted and spread across all projects at the GLBU/Company level and follow direct costs. The CC 320 portion represents stores loadings which are incurred monthly across Capital, O&M, and Fuel Handling. Examples of these expenses include material charges, loading charges and freight charges along with other stores related expenses incurred during day-to-day operating and maintaining of the facility.

Please see KPCO_R_KPSC_1_20_Attachment1 for installation dates and descriptions.

Witness: Joshua D. Snodgrass

DATA REQUEST

KPSC 1_21 Refer to the Snodgrass Direct Testimony, page 6, Figure JDS-2- Mitchell Plant ELG Future Expenses.

a. Explain the forecasting methodology and provide support for any forecasted amount.

b. Provide whether Kentucky Power expects the Base Costs of Operation expenses to remain $250 per year for the remainder of the life of the Mitchell Plant.

c. Provide whether Kentucky Power expects the Material Direct Purchase expenses to remain $1,000 per year for the remainder of the life of the Mitchell Plant.

d. Provide support for the Non-Outage Maintenance Improvements and Schedules Outage O&M expenses differing each year.

RESPONSE

a-d. The Mitchell ELG system is new. Therefore, the future costs to operate and maintain the system are based on past experience from operating and maintaining similar equipment. As such, the Company believes the forecasted amounts set forth in Figure JDS-2 are a reasonable expectation of the costs moving forward. That said, the Base Cost of Operation expenses of $250,000 and the Material Direct Purchase expenses of $1,000,000 along with any additional expense for the ELG system will be reviewed yearly and updated as necessary after additional operation and maintenance of the ELG equipment has been experienced.

Witness: Joshua D. Snodgrass

DATA REQUEST

KPSC 1_22 Refer to the Snodgrass Direct Testimony, page 13, Figure JDS-4. Provide support for the analysis shown in the chart.

RESPONSE

Please see KPCO_R_KPSC_1_22_Attachment1 for the requested information.

Witness: Joshua D. Snodgrass

DATA REQUEST

KPSC 1_23 Refer to the Commission's Orders in Case No. 2021-00004 and Case No. 2021-00421.

a. Explain how Kentucky Power has segregated the costs associated with the implementation of the Effluent Limitations Guidelines Rule (ELG Rule) to ensure that they have not previously been passed on to customers.

b. State whether any costs associated with the implementation of the ELG Rule have been passed on to Kentucky customers in the past, and if so, identify those costs that were previously passed on.

c. Provide the net book value of Kentucky Power's 50 percent interest in the Mitchell Plant.

d. Provide the annual depreciation expense and accumulated depreciation of the Mitchell Plant.

e. Provide the estimated value of Kentucky Power's undivided 50 percent interest in the Mitchell Plant that Wheeling Power needs to pay to take full ownership after December 31, 2028.

RESPONSE

a. Please see Exhibit TSW-2 to Company Witness Wolffram's Direct Testimony, which demonstrates how the Company segregated the costs of the ELG project to ensure they were not passed on to Kentucky customers. Please note that in Case No. 2021-00004, the Commission approved the recovery of roughly $1.5 million of the ELG project costs related to costs incurred in developing and evaluating ELG compliance options.

b. Because the Company entered into the Written Consent Action, which specifically provided that only Wheeling Power would pay for ELG investments, no costs associated with the implementation of the ELG Rule have been passed on to Kentucky customers, with the exception of those costs to develop the Company's application for a CPCN in Case No. 2021-00004, which the Company was specifically authorized by this Commission to recover from Kentucky Power customers.

c. The net book value of Kentucky Power's 50 percent interest in the Mitchell Plant is approximately $537 million as of May 31, 2025.

d. Kentucky Power's 50 percent share of the annual depreciation expense for the Mitchell Plant is $30,724,614.

e. Absent a change in position by either or both this Commission and the West Virginia Public Service Commission, the Company does not currently believe that Wheeling Power purchasing a full ownership interest in the Mitchell Plant is feasible.

Regarding a sale of the Company's undivided 50 percent interest in Mitchell, any such sale would require the approval of this Commission in conformity with KRS 278.218 and any other applicable laws. In addition, regarding any potential sale of Kentucky Power's interests in the Mitchell Plant to Wheeling Power, the Company notes both:

The statement in the Commission's May 3, 2022 Order in Case No. 2021-00421 that the Commission expects that if Kentucky Power's Mitchell Plant interest is sold to Wheeling Power when both entities are affiliates, then the sale shall be priced at the greater of net book value or market value, with necessary adjustments, and is subject to Commission approval; and

The West Virginia Public Service Commission's July 1, 2022 Order in Case No. 2021-0810-E-PC that Wheeling Power must seek approval from the West Virginia Public Service Commission prior to purchasing Kentucky Power's interest in the Mitchell Plant, and that the West Virginia Public Service Commission will not authorize an unreasonable purchase price above scrap value, stating any higher amount would reflect value that should be solely reserved for Wheeling Power's customers who paid for the ELG upgrades without which the Mitchell Plant would have been obligated to retire effective December 31, 2028.

Witness: Tanner S. Wolffram

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DATA REQUEST

KPSC 1_24 Refer to Kentucky Power's 2023 IRP, Volume A, Section 5.0, pages 86–111. For each potential resource, provide a description of and an update to the IRP Section 5 resource costs using the most recent potential resource costs available.

RESPONSE

The most recent potential resource costs available were included in the Company's affiliate Appalachian Power Company's Virginia Clean Economy Act (VCEA) filing (PUR-2025-00049), which can be found on the Virginia State Corporate Commissions (VSCC) website. The VCEA resource cost table that was filed with the VSCC is included in KPCO_R_KPSC_1_24_Attachment1. The VCEA was filed in May of 2025 with resource cost assumptions developed in December of 2024.

Kentucky Power or AEPSC ('the Companies") have not recently modeled new Coal resources and thus does not have updated resource costs for Coal USC with 90% Carbon Capture. The Companies no longer model Hydrogen fueled resources due to current uncertainties around fuel availability infrastructure, and cost; therefore, the Companies do not have updated resource costs for the Hydrogen Electrolyzer and Hydrogen Gas CT and the Hydrogen Gas Combustion Turbine. However, the Companies assume that new natural gas-fired CTs could be retrofitted in the future to accommodate hydrogen blending or full hydrogen combustion, depending on technological and regulatory developments. The Companies are continuing to monitor Long Duration Storage resources but did not model these resources due to commercial viability concerns and thus does not have updated resource costs for any of the three Long Duration Storage resources.

Witness: Tanner S. Wolffram

VERIFICATION

The undersigned, Joshua D. Snodgrass, being duly sworn, deposes and says he is the Mitchell Plant Manager, 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.

Signed by:
Joshua D. Snodgrass
0FD246E054924C3...
Joshua D. Snodgrass

Commonwealth of Kentucky)
) Case No. 2025-00175
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Joshua D. Snodgrass, on 8/13/2025 | 2:12 PM EDT.

Signed by:
Michelle Caldwell
E9B1BC7AC31F421...
Notary Public

MARILYN MICHELLE CALDWELL
ONLINE NOTARY PUBLIC
COMMONWEALTH OF KENTUCKY
Commission #KYNP71841
My Commission Expires 5/5/2027

My Commission Expires May 5, 2027

Notary ID Number KYNP71841

docusign

Certificate Of Completion

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Joshua D. Snodgrass jdsnodgrass@aep.com Security Level: Notarized Signing (Notary: Michelle Caldwell)	Signed by: Joshua D. Snodgrass 0FD246E054924C3... Signature Adoption: Pre-selected Style Using IP Address: 167.239.221.104	Sent: 8/13/2025 1:53:53 PM Viewed: 8/13/2025 2:12:28 PM Signed: 8/13/2025 2:12:48 PM

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Michelle Caldwell mmcaldwell@aep.com Regulatory Case Coordinator AEP Kentucky Power Notary for Joshua D. Snodgrass (jdsnodgrass@aep.com) Security Level: Email, Account Authentication (Required), Digital Certificate	MARILYN MICHELLE CALDWELL ONLINE NOTARY PUBLIC COMMONWEALTH OF KENTUCKY Commission #KYNP71841 My Commission Expires 5/5/2027 Using IP Address: 167.239.221.105 Signature Provider Location: https://ssasign.docusign.net/sca/1940	Sent: 8/13/2025 1:53:54 PM Viewed: 8/13/2025 2:12:21 PM Signed: 8/13/2025 2:13:04 PM

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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	8/13/2025 1:53:54 PM
Certified Delivered	Security Checked	8/13/2025 2:12:21 PM
Signing Complete	Security Checked	8/13/2025 2:13:04 PM
Completed	Security Checked	8/13/2025 2:13:04 PM

Payment Events	Status	Timestamps

Electronic Record and Signature Disclosure

VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Managing Director Regulated Pricing – Generation and Fuel Strategy 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.

Alex E. Vaughan

State of Ohio)
) Case No. 2025-00175
County of Franklin)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Alex E. Vaughan, on 08-21-2025.

Notary Public

NOTARIAL SEAL STATE OF OHIO

BRETT E. SCHMIED, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.

My Commission Expires N/A

Notary ID Number ____________________

VERIFICATION

The undersigned, Tanner S. Wolffram, being duly sworn, deposes and says he is the Director of Regulatory Services for Kentucky Power, 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.

Tanner S. Wolffram

Tanner S. Wolffram

Commonwealth of Kentucky)
) Case No. 2025-00175
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Tanner S. Wolffram, on August 22, 2025.

Marilyn Michelle Caldwell
Notary Public

My Commission Expires May 5, 2027

Notary ID Number KYNP71841

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