

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of: Electronic Application Of Kentucky Power	:	
Company For (1) A General Adjustment Of Its Rates For	:	
Electric Service; (2) Approval Of Tariffs And Riders; (3)	:	Case No 2025-00257
Approval Of Certain Regulatory And Accounting Treatments;	:	
and (4) All Other Required Approvals And Relief	:	

**RESPONSES OF ATTORNEY GENERAL AND KIUC TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Please find the attached Responses to Data Requests filed by the Public Service Commission Staff on November 25, 2025.

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Respectfully submitted,

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1. **Refer to the Direct Testimony of Leah J. Wellborn (Wellborn Direct Testimony), page 6, lines 19–23. Refer also to Kentucky Power’s response to Commission Staff’s Second Request for Information, Item 93, Supplemental Attachments:**

- “KPCO_SR_KPSC_2_93_SupplementalAttachment1.xlsx”
- “KPCO_SR_KPSC_2_93_SupplementalAttachment2.xlsx”.

a. Provide a side-by-side analysis of the proposed zero-intercept method and the minimum system method filed by Kentucky Power.

b. Explain whether the proposed zero-intercept method produces more reasonable results than the filed minimum system method.

RESPONSE:

- a. See table below and attached workpaper for a side-by-side comparison of the allocators for Accounts 365, 367, 368, and 364:

	Zero Intercept *			Minimum System		
	Customer	Demand PRI	Demand SEC	Customer	Demand PRI	Demand SEC
Account 365 - Overhead Conductor	64.56%	24.88%	10.56%	43.47%	39.69%	16.85%
Account 367 - Underground Conductor	41.61%	24.64%	33.75%	45.71%	22.91%	31.38%
Account 368 - Transformers	38.02%	22.98%	39.01%	14.29%	22.98%	62.74%
Account 364 - Poles *		57.25%	42.75%		57.25%	42.75%
* Zero Intercept methodology produced unreasonable results for poles, so same assumptions were used in both COSS						

- b. Ms. Wellborn has not taken a position that either methodology is more reasonable than the other. As noted on page 10, lines 12-18 of her direct testimony, various allocation methodologies can be considered reasonable.

The page 6, lines 19-23 quote was intended to acknowledge that the use of the zero-intercept methodology is recognized by the NARUC Cost Allocation manual. Additionally, Ms. Wellborn reviewed the testimony of Katherine Steward in Case No. 2023-00159 and the testimony of Mr. John Wolfram in this case, and noted that the results were generally consistent. In both the 2023 rate case and this rate case, the Company found the zero-intercept methodology to result in an unreasonable solution for Accounts 364 – Poles, but a reasonable solution for the other accounts.

Response By: Leah Wellborn

- 2. Refer to the Wellborn Direct Testimony, page 12, line 16 through page 13, line 2. Explain if an adjustment to the tiered energy charge, as proposed by Kentucky Power, could balance the high customer charge and manage bill volatility for customers above 2,000 kWh per month.**

RESPONSE:

Ms. Wellborn has not developed a specific alternative rate design recommendation with an intention to balance the higher customer charge while managing bill volatility. The Company has expressed that a higher basic-service charge and lower energy charge may provide some seasonal relief:

The Kentucky Power service territory and customer base creates a unique combination of factors that make a tiered service charge, along with the declining blocked energy charge, the correct approach. Primarily, as discussed in Spaeth Direct Testimony, pages 12-14, the combination of harsh winters and the ubiquity of electric heating in the service territory leads to high seasonal electricity usage and resultant bill volatility. By shifting more cost recovery into the basic service charge, and through the lower volumetric energy charge in the second energy block, the proposed rate design spreads bill impacts more smoothly throughout the year, mitigating high winter bills compared to a standard rate.¹

Ms. Wellborn's suggestion for additional tiers is intended to acknowledge that the 2,000 kWh threshold represents a significant risk and jump in an individual customers' bill.

Response By: Leah Wellborn

¹ Company response to AG/KIUC 1-10

- 3. Refer to the Wellborn Direct Testimony, page 15, lines 2–4. a. Provide examples of additional tiers for the residential service charge that would mitigate the impact of the current 2,000 kWh threshold. b. additional tiers.**

RESPONSE:

- a. Please see response to question 2 above. Ms. Wellborn has not developed a specific alternative rate design recommendation.
- b. Please see response to question 2 above. Ms. Wellborn has not developed a specific alternative rate design recommendation.

Response By: Leah Wellborn

- 4. Refer to the Wellborn Direct Testimony, page 16, lines 13–15. Explain the potential impacts of auto-enrollment in the FlexPay program for a high-usage residential customer.**

RESPONSE:

Ms. Wellborn’s testimony at page 16, lines 13–15 suggests that it may be appropriate to “consider an automatic mechanism or modifications to eligibility that allows new customers to enroll in the budget billing or flex pay programs to help them pay for high usage months over time.” This recommendation is broad to reflect both eligibility and program enrollment opportunities and proactively encourage the Company to identify and work with high-usage customers who may have high energy burdens.

The process for auto-enrollment in the FlexPay, budget billing program, or other program would require specific notice and customer acknowledgement, however the intended impact for an auto-enrollment policy and increased eligibility would be to proactively provide customer education and additional payment optionality during seasons of high usage and financial need.

Response By: Leah Wellborn

- 5. Refer to the Wellborn Direct Testimony, page 19, lines 1-4. Explain further how Kentucky Power could gradually adopt the proposed special charges.**

RESPONSE:

Table 6 of Ms. Wellborn's direct testimony includes a comparison of Current Rates to proposed rates. The Company could consider a revised special charge rate somewhere between the current and cost-of-service based proposed rate, or any % increment between, to gradually move the costs towards cost-of service. As discussed by Mr. Wolfram, the magnitude of the change in proposed special charges increases operating revenues from approximately \$238,329 to \$881,476.² If the Company's class revenue requirement requires an increase to compensate for the reduced special charges, the Commission could require a compliance filing to assess that change in rate design.

Response By: Leah Wellborn

² Direct Testimony of Wolfram, p. 17, lines 17-22.

6. Refer to the Direct Testimony of Randy A. Futral, (Futral Direct Testimony), pages 23–26. Explain the basis for the 12-year amortization period for the pension settlement recovery.

RESPONSE:

Mr. Futral's recommendation regarding the pension settlement accounting expenses applicable to AEPSC employees is intended to mirror the Company's deferral adjustment and amortization period for the same type of expenses applicable to the Kentucky Power Company employees. The Company selected an amortization period of twelve years for Kentucky Power Company's employee cost deferrals and explained that selection in the Direct Testimony of Brian C. Ciborek at page 22, lines 19-23, as follows:

The Company further requests authorization to amortize the 2024 Pension Settlement Amount regulatory asset and include related amortization expense in rates over 12 years (the average remaining service period of the pension plan participants), in the same manner expense would have been included in ratemaking had the pension settlement accounting not been triggered in 2024.

As explained in Mr. Futral's testimony, the special accounting treatment was triggered by an AEP-wide voluntary severance program that reduced AEP's workforce in which some employees received lump-sum payments of future pension benefits from the AEP qualified pension plan. Mr. Futral considers the Company's reasoning for the selection of the 12-year amortization period to be reasonable.

Response By: Randy Futral

7. **Refer to the Direct Testimony of Lane Kollen (Kollen Direct Testimony), page 48 at lines 13 through 16. Explain how setting Kentucky Power's storm expense to \$0 and deferring all storm restoration costs will incentivize Kentucky Power to mitigate those costs going forward.**

RESPONSE:

This is not a claim made by either the Company or Mr. Kollen. There are several approaches to the recovery of storm costs. The recovery of storm costs is multifaceted and consists of the actual storm costs incurred (expense and capital), the storm expense accrual included in the revenue requirement, the storm reserve and/or regulatory asset/liability depending on the approach. None of the approaches provide a direct incentive to the utility to minimize or mitigate the storm costs because weather events and the scope of damage and costs to repair the damage and restore service cannot be controlled and, more specifically, cannot be controlled to stay within a storm expense accrual authorized for ratemaking purposes. If the damage is minimal, then the Company will not open a storm activity project and will simply redeploy its embedded field line and/or vegetation management employee crews and equipment or redeploy its embedded contractors. If the damage is extensive, then the Company will open a storm activity project to track the costs incurred and will redeploy its own embedded resources, redeploy its embedded contractor resources, and acquire additional third-party resources. The actual costs incurred are a function of the scope of damage, the sources, quantities and costs of the resources deployed, and the effective/efficient management of the resources deployed.

One approach is to allow a storm expense accrual in the base revenue requirement without storm reserve accounting. Under this approach, the Company or its customers either win or lose depending on whether the actual storm expense incurred is more or less than the storm expense accrual, assuming the expense is not deferred to a regulatory asset pursuant to Commission Order. That circumstance occurs because there is no storm reserve to track the over/underrecovery measured as the storm expense accrual in the base revenue requirement compared to the actual storm expense incurred. Mr. Kollen does not view this as an incentive to mitigate costs that are largely outside the utility's control, but rather, simply the way things work out.

Another approach is to allow a storm expense accrual in the base revenue requirement with storm reserve accounting. Under this approach, the Company tracks and recovers all of its storm costs and its customers are held harmless through the storm reserve. The storm expense accrual is added to the reserve (a liability balance) and actual storm expenses are charged against (subtracted from) the reserve. Actual storm capital costs are recorded to CWIP/plant. If actual storm expenses are greater than the expense accruals, then the reserve is an asset balance for the deficiency (underrecovery). If actual storm expenses are less than the expense accruals, then the reserve is a liability balance (overrecovery). If the storm reserve is underrecovered, then the Commission can review the storm costs incurred and allow the Company to recover the deficiency over an extended amortization period, preferably on a levelized basis. If the storm reserve is overrecovered, then the Commission can review the storm costs incurred and direct the Company to refund the surplus over a specified amortization period. Mr. Kollen does not view this approach as an incentive to mitigate costs that are largely outside the utility's control, but rather a fair and equitable approach that holds the utility responsible for its performance, but ensures that the utility recovers and its customers pay only the prudent and reasonable actual storm costs.

Response By: Lane Kollen

- 8. Refer to the Direct Testimony of Richard A. Baudino (Baudino Direct Testimony)**
- a. Provide Application Exhibits RAB-2 through RAB-4 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.**
 - b. Provide each of the Value Line Investment Survey company profile sheets supporting the return on equity analyses.**

RESPONSE:

- a. Please refer to the spreadsheet attached to the response to Question 1 of Kentucky Power Company's data requests to the AG-KIUC.
- b. The Value Line Investment Survey reports are protected by copyright and terms of use. AG-KIUC would be willing to provide copies of the Value Line reports for visual inspection by the Staff at its offices at a mutually convenient time and date.

Response By: Richard Baudino

9. **Refer to the Baudino Direct Testimony, page 35, lines 5–7. Explain, what spread of forecasted perpetual earnings growth rates for the electric utility industry, above the forecasted long-run nominal GDP growth, should be considered reasonable and sustainable over time.**

RESPONSE:

According to the sources cited by Mr. Baudino in his Direct Testimony, steady-state industries such as regulated utilities should not be expected to outgrow GDP over the long run. Therefore, it would be reasonable to assume that long-run earnings growth for regulated utilities would be capped at the long-run growth rate for the economy as a whole, or GDP growth. Mr. Baudino has not conducted an analysis of the “spread of forecasted perpetual earnings growth rates for the electric utility industry” in connection with his work in this proceeding. Mr. Baudino used the forecasted earnings and dividend growth rates as shown in Exhibit RAB-3 to estimate the investor required ROE from the DCF, with cautions regarding the overstatement long-term earnings growth from Zacks and S&P Capital IQ. Mr. Baudino also presented historical earnings and dividend growth rates for the proxy group as additional information, although he did not incorporate these lower growth rates directly into his DCF ROE analyses.

Response By: Richard Baudino

- 10. Refer to the Baudino Direct Testimony, page 40, lines 12–19. Given that both the average and median growth rates in its analysis, confirm whether any values were excluded in the analyses for being too high or too low. If values were excluded as being outliers, explain and identify the values.**

RESPONSE:

No values were excluded for being too high or too low.

Response By: Richard Baudino

11. **Refer to the Baudino Direct Testimony, page 43, lines 9–10. Explain the significance of the compound yearly growth rate for U.S. GDP from 1929 to 2024 and the historical compound growth rate for capital appreciation for the S&P 500 matching. Explain also the effect that this observation had in the consideration of the historical growth rate used in its analysis, if any.**

RESPONSE:

The similarity of the historical growth rate of GDP and the capital appreciation for the S&P 500 suggests that over a long period of time, the expected growth for the market as a whole would track the overall growth rate for the economy as measured by GDP. This lends additional support for Mr. Baudino's contention that the growth rate of 10.3% used by Mr. McKenzie is overstated and unsustainable.

Response By: Richard Baudino

- 12. Refer to the Baudino Direct Testimony, Exhibit RAB-3 which states that an S&P IQ growth rate was used in place of a missing Zack's growth rate. Confirm that no other proxy values were used in the analysis. If not confirmed, identify each proxy value and its source.**

RESPONSE:

Confirmed.


Response By: Richard Baudino

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STATE OF GEORGIA)

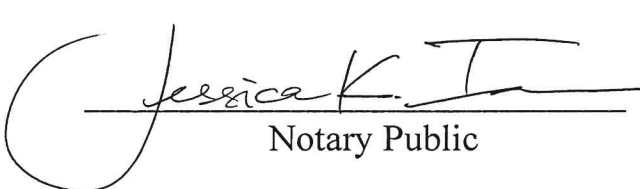
COUNTY OF FULTON)

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



Randy A. Futral

Sworn to and subscribed before me on this
8th day of December 2025.



Notary Public

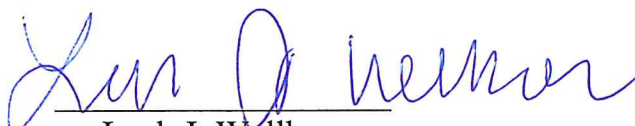
Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027

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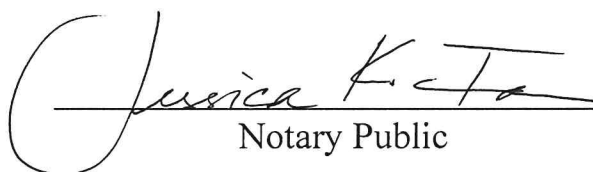
COUNTY OF FULTON)

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



Leah J. Wellborn

Sworn to and subscribed before me on this
8th day of December 2025.



Notary Public

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027

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STATE OF GEORGIA)

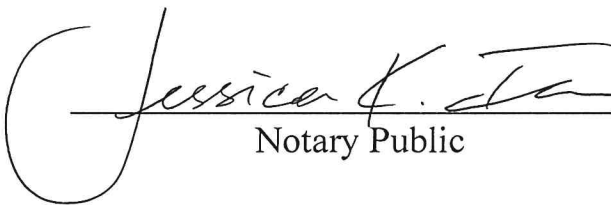
COUNTY OF FULTON)

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



Lane Kollen

Sworn to and subscribed before me on this
8th day of December 2025.


Notary Public

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027

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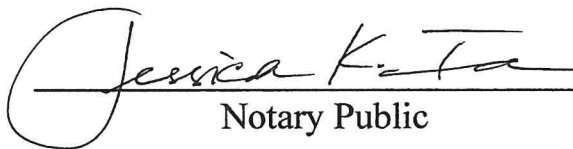
STATE OF GEORGIA)

COUNTY OF FULTON)

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


Richard A. Baudino

Sworn to and subscribed before me on this
8th day of December 2025.


Notary Public

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027