

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY)
FOR AN ORDER APPROVING ACCOUNTING)
PRACTICES TO ESTABLISH REGULATORY ASSETS)
AND LIABILITIES RELATED TO THE) CASE NO.
EXTRAORDINARY EXPENSES INCURRED) 2016-00180
BY KENTUCKY POWER COMPANY IN CONNECTION)
WITH THE TWO 2015 MAJOR STORM EVENTS)

ORDER

On May 31, 2016, Kentucky Power Company ("Kentucky Power") filed an application seeking an order approving accounting practices to establish regulatory assets and liabilities related to the extraordinary expenses incurred by the Kentucky Power in connection with two 2015 major storm events. Having reviewed Kentucky Power's application, the Commission finds that an investigation will be necessary to determine the reasonableness of the proposed regulatory assets and liabilities.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. Within 14 days of the date of this Order, Kentucky Power shall file the original in paper medium and an electronic version of its response to the information request set forth in Appendix B to this Order.
3. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed and shall include the name of the witness

who will be responsible for responding to questions related to the information provided, with an original in paper medium and an electronic version to the Commission.

b. Each response shall be answered under oath, or for representatives of a public or private corporation or a partnership or an association of a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that the personal information cannot be read.

4. Any party filing testimony shall comply with the electronic filing procedures set forth in 807 KAR 5:001, Section 8, and shall file with the Commission an original in paper medium and an electronic copy. The paper copy should be appropriately bound, tabbed and indexed.

5. Kentucky Power shall give notice of a formal hearing in accordance with the provisions as set forth in 807 KAR 5:001, Section 9(2)(b). In addition, the notice of

hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time publication is requested, Kentucky Power shall file a duplicate of the notice and request to the Commission.

6. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), the official record of the proceeding shall be by video only.

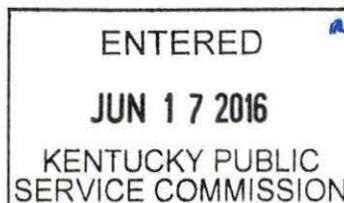
7. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

8. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. A person who submits a motion to intervene after June 24, 2016, and upon a showing of good cause is granted leave to intervene, shall accept and abide by the existing procedural schedule.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Carson A. Grunwell".

Acting Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00180 DATED **JUN 17 2016**

- Requests for intervention shall be filed by06/24/16
- Initial requests for information to Kentucky Power shall be filed
no later than.....07/01/16
- Kentucky Power shall file responses to initial requests for information
no later than.....07/15/16
- Supplemental requests to Kentucky Power shall be filed no later than.....07/29/16
- Kentucky Power shall file responses to supplemental requests for
information no later than08/12/16
- The parties shall file a statement as to whether there
are any material issues of fact that warrant a hearing
or whether this case may be submitted for adjudication
based on the existing record without a hearing no later than.....08/19/16

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00180 DATED **JUN 17 2016**

1. Refer to the Application, paragraph 4, wherein Kentucky Power states that its distribution system includes approximately 175,000 overhead service drops. Refer also to Kentucky Power's response to Commission Staff's First Request for Information, Item 1, in Case No. 2012-00445,¹ which states that as of October 2012, approximately 150,107 Kentucky Power customer received service via an overhead service and 22,600 customers were served by an underground service. Explain this discrepancy in the number of overhead and underground service customers.

2. Refer to the Application, paragraphs 6 and 7, which reference the 2015 "Major Event Day" storms.

a. Provide the T_{med} threshold value for the reporting period at issue. Include in this response the calculations to arrive at that value.

b. Provide the System Average Interruption Duration Index for each of the days impacted by the March 4, 2015 snowstorm and the July 13, 2015 thunderstorm.

3. Refer to the Application, paragraph 23, where Kentucky Power states that it seeks authority to accumulate and defer for consideration in its next rate proceeding that portion of the incremental expenses that exceed the storm-related operation and maintenance expense included in its base rates.

¹ Case No. 2012-00445, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Four 2012 Major Storm Events* (Ky. PSC Jan. 7, 2013).

a. When does Kentucky Power anticipate that all actual expenses related to the two major 2015 storms will be recorded on its books?

b. Provide updates to the schedules included in paragraphs 17 and 22 for any estimated expenses included in those schedules for which the actual amounts have been recorded since the Application was filed. Consider this an ongoing request to be updated throughout this proceeding.

c. When does Kentucky Power intend to file its next base rate case?

4. Refer to the Application, paragraphs 25 and 26.

a. Although Kentucky Power acknowledges in paragraph 25 that prior Commission approval is required, it nevertheless states that it deferred “for purposes of its 2015 financials” the incremental operation and maintenance expenses related to the 2015 Major Event storms instead of expensing them. Explain how Kentucky Power was able to defer these expenses without first obtaining Commission approval to do so.

b. Explain why Kentucky Power waited until May 2016 to file this Application relating to March 2015 and July 2015 storms.

c. In paragraph 26, Kentucky Power provided the Federal Energy Regulatory Commission accounts in which the costs were recorded as accounts 588, 593, and 903. Given that these accounts are expense accounts, explain Kentucky Power’s statement in paragraph 25 that it deferred the costs rather than expensed them.

5. By what date does Kentucky Power request a final Order in this proceeding?

6. Refer to the Application, Exhibit 2.

a. Refer to the line item "O&M Percentage." Provide the basis for the 67.75 percent used for the March 2015 Snow Storm and the 73.78 percent used for the July 2015 Thunderstorm.

b. Refer to the line item "Jurisdictional Incremental O&M Percentage." Provide the basis for the .991 used for the March 2015 Snow Storm and the .989 percent used for the July 2015 Thunderstorm.

c. Explain why, when calculating incremental storm costs, it would not be appropriate to use \$1,608,410, which is currently being recovered through base rates, as the amount of storm costs included in base rates rather than the \$1,243,763 calculated in this exhibit.

7. Refer to of the Application, Exhibit 2.

a. There is no deduction from the Total Deferral Requested for any property and casualty insurance proceeds. Does Kentucky Power maintain property and casualty insurance on its distribution and transmission systems for storm damage? If so, provide the following:

(1) Amount of proceeds it can expect to receive for the storm damage;

(2) Amount of Kentucky Power's deductible related to its property and casualty insurance; and

(3) The annual cost of Kentucky Power's property and casualty insurance for 2015.

b. If not, explain why Kentucky Power does not carry property and casualty insurance and provide the most recent quotes for such insurance.

8. Refer to the application, Exhibit 3, page 1.

a. Provide a description of the type of costs included in the Other Cost Category on the lines titled "Lump Sum Pmts", "Employee Expenses", and "Misc."

b. Provide a description of the type of costs included in the Materials & Supplies Category on the line titled "Other."

9. Refer to the Application, Exhibit 3, page 2. Explain why D. H. Elliott's amount in Column C titled "Expense" is different from the amount in the second Column C also titled "Expense."

10. Refer to the Application, Exhibits 3 and 4.

a. Explain fully how Kentucky Power determined which costs on the left-hand side of the exhibits should be classified as "incremental" on the right-hand side of the exhibits.

b. Explain the formula that appears in cell Q64 in the Excel spreadsheet version of both of these exhibits.

11. Is the methodology used by Kentucky Power in calculating the deferral request of \$4,694,230 in the current proceeding the same methodology used in Case No 2012-00445, in which the Commission approved a \$12.146 million regulatory asset?

12. Provide the 2015 storm-related costs Kentucky Power has incurred for all other storm events aside from the two major storm events in this proceeding.

13. Provide the findings from Kentucky Power's reviews of its procedures following the major storms of 2015.

14. Identify and explain any impacts the two major storms in 2015 had on Kentucky Power's 2015 and 2016 Vegetation Management Plans.

15. Identify any recommendations from the Kentucky Public Service Commission Report on the 2008 Wind Storm and January 2009 Ice Storm that Kentucky Power adopted. Discuss the impact the adoption of these recommendations had in minimizing damage or the length of outages experienced by Kentucky Power customers from the storms identified in this proceeding.

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