

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION BY THE)	
PUBLIC SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE)	CASE NO.
MECHANISM OF KENTUCKY POWER)	2016-00336
COMPANY FOR THE SIX-MONTH)	
BILLING PERIOD ENDING JUNE 30, 2016)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before January 12, 2017. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the 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.

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

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Amy J. Elliott (“Elliott Testimony”), pages 4 and 5, and Kentucky Power’s response to Commission Staff’s First Request for Information (“Staff’s First Request”), Item 1, Attachment 2. The Elliott Testimony states that beginning July 1, 2015, Kentucky Power changed from an annual to monthly basis for updating its environmental compliance rate base for additions and retirements, but that the monthly retirements were not reflected on a monthly basis in determining its environmental surcharge factor.

a. When Kentucky Power refers to July 2015, explain whether July 2015 is the revenue or expense month for environmental surcharge purposes.

b. If July 2015 is the first month affected by the change from an annual to monthly basis, explain why Attachment 2 includes the expense month of June 2015.

2. Refer to the Elliott Testimony, page 6, lines 3 to 5, and Kentucky Power's response to Staff's First Request, Item 1, Attachment 2. Confirm that the refund amount that will be included in Kentucky Power's monthly environmental surcharge filing in the first month after an Order is issued in this case will be \$118,185, and not \$120,356. If this cannot be confirmed, provide a detailed explanation.

3. Refer to the Elliott Testimony, pages 6–10, and Kentucky Power's response to Staff's First Request, Item 1, Attachment 3.

a. Provide an expanded version of Attachment 3 that includes the calculation of the proposed adjustment for the entire period in which the formulaic error occurred similar to Kentucky Power's response to Staff's First Request, Item 1, Attachment 2.

b. Provide supporting schedules for the amounts listed in the column labeled "Non-Residential Revenues Subject to ES Factor (Two Month Lag)."

c. Explain why the amounts determined in the column labeled "Difference in Recovery" are multiplied by the Residential Allocation Factor to determine the proposed adjustment.

d. Explain whether the amounts determined in the column labeled "Difference in Recovery" would have been included in the Over/(Under) Recovery Adjustment reported on ES Form 3.30. If not, explain why.

e. Explain why Kentucky Power is proposing equal, corresponding increases to the non-residential environmental revenue requirement and decreases to the residential revenue requirement.

4. Refer to the Elliott Testimony, pages 6–10, Kentucky Power’s response to Staff’s First Request, Item 1, Attachment 3. Refer also to Case No. 2016-00109,¹ Kentucky Power’s response to Commission Staff’s First Request for Information,² Item 12, and Commission Staff’s Second Request for Information,³ Item 5. The error addressed in these responses also caused a misstatement of Non-Residential Retail Revenues, which Kentucky Power asserted was reflected on ES Form 3.30 and resolved in the ordinary operation of the over-/under-recovery adjustment.

a. Explain whether the formulaic error in the instant case was also resolved in the ordinary operation of the over-/under-recovery adjustment. If not, explain why.

b. Explain whether the formulaic error addressed in Case No. 2016-00109 also resulted in a misallocation between residential and non-residential customers that should be corrected. If not, explain why.

5. Refer to Kentucky Power’s response to Staff’s First Request, Items 4.b. and 4.d. Explain the term “derating.”

6. Refer to Kentucky Power’s response to Staff’s First Request, Items 4.h. and 4.i.

a. Describe in detail, by month, the maintenance projects undertaken at the Mitchell plant.

¹ Case No. 2016-00109, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Power Company for the Six-Month Billing Period Ending December 31, 2015* (Ky. PSC Nov. 4, 2016).

² Case No. 2016-00109, *Kentucky Power*, (filed Apr. 5, 2016).

³ Case No. 2016-00109, *Kentucky Power*, (filed May 20, 2016).

b. Explain why the replacement of the chloride purge stream tank liner was deemed to be a maintenance expense item and not capitalized. Describe in detail what the project entailed and the cost incurred by Kentucky Power.

7. Refer to Kentucky Power's response to Staff's First Request, Item 5.d.

a. Is the heavy machinery referred to in the response included in Kentucky Power's environmental compliance plan? Describe in detail what is meant by heavy machinery and the maintenance work that was performed on the heavy machinery.

b. Explain how the cost of the heavy machinery is charged to Rockport's on-site ash landfill.

c. Is the heavy machinery used in other locations at the Rockport plant? If so, describe the other uses of the heavy machinery.

d. If the heavy machinery is used in other locations, explain why all of the cost of maintenance of heavy machinery should be recovered through the environmental surcharge.

8. Refer to Kentucky Power's monthly environmental surcharge report for the December 2015 expense month, ES Form 3.31 and ES Form 1.00. Explain why the calendar year 2015 allocation factor was used for the December 2015 expense month.

9. Refer to Kentucky Power's monthly environmental surcharge reports for the review period, ES Form 3.30 and ES Form 3.32. Explain the difference between "Kentucky Retail Revenues" as reported on line 1 of ES Form 3.30 and "Total Retail Revenues" as reported on line 8 of ES Form 3.32.

10. Explain whether the environmental surcharge factor calculated for non-residential customers is applied only to non-fuel revenues.



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cc: Parties of Record

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