

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)	CASE NO.
SERVICE; (2) AN ORDER APPROVING ITS 2017)	2017-00179
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)	

COMMISSION STAFF'S FOURTH 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 with six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before November 22, 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 the 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. 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 Application, Section V, Exhibit 2, Worksheet 41, page 42 of 60. Also, refer to Kentucky Power's responses to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 45, and Commission Staff's Third Request for Information ("Staff's Third Request"), Item 13. Provide the projected maintenance expenses for Mitchell and Big Sandy for the fiscal years ending February 2018, 2019, 2020, and 2021, in the format listed in Staff's Third Request, Item 13.

2. Refer to the Direct Testimony of Alex E. Vaughn, page 38, regarding Off System Sales Margins (“OSS Margin”) contained in the Application, Section V, Exhibit 2, Worksheet W8.

a. Provide the amount of OSS Margins included in the rates established in Case No. 2014-00396.¹

b. Explain the decline in OSS Margins in 2016.

c. Provide the OSS Margins for the test year.

d. Provide the OSS Margins by month for 2017.

3. Refer to the Direct Testimony Tyler H. Ross, pages 14–15, regarding the proposed adjustments contained in the Application, Section V, Exhibit 2, Worksheets 33, 34, and 35.

a. Explain how the adjustments proposed in Worksheets 33, 34, and 35 were determined.

b. Explain whether the methodology utilized in determining the proposed adjustments consistent with traditional ratemaking adjustments.

4. Refer to Kentucky Power’s response to Staff’s Second Request, Item 18, and the Direct Testimony of Andrew R. Carlin, page 18.

a. Provide the 2017 and 2018 salary increases in the format listed in Table ARC-2.

¹ Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief* (Ky. PSC June 22, 2015).

b. Provide the test year adjustment to salary, wage and payroll tax expense if all 2016 and 2017 increases were limited to 3 percent, including any salary, wage and payroll costs allocated to Kentucky Power from affiliates. Exclude any promotional increases in the computation.

c. Provide the hourly/craft position wage increases for 2016, 2017, and 2018.

d. Explain whether the hourly/craft positions are under a union contract.

4. Refer to Kentucky Power's responses to Staff's Second Request, Item 21, and Staff's Third Request, Item 7, regarding the depreciation expense for Big Sandy Unit 1.

a. Explain whether there is a depreciation study planned, in process, or completed for the Clinch River units. If a depreciation study has been completed, provide the results.

b. Explain whether there were any other comparable units analyzed in determining the estimated life of Big Sandy Unit 1. If so, provide the comparable information.

c. State whether Kentucky Power is aware of proceedings in other states with respect to the estimated life of single-cycle gas generation units that have been converted from coal-fired units. If so, provide the relevant information.

d. Provide the net capacity factor for Big Sandy Unit 1 for each month it has been in operation and the projected net capacity factor, by month, through fiscal year ending February 2021.

5. Refer to Kentucky Power's response to Staff's Second Request, Item 56 d., regarding medical insurance. Provide an update to the response assuming that the employee would pay 21 percent of the total cost for single coverage and 33 percent for all other types of coverage, compared to the amount of healthcare/medical insurance expense incurred during the test year.

6. Refer to Kentucky Power's response to Staff's Third Request, Item 9, Attachment 1.

a. Confirm that the adjusted base environmental revenue requirement does not include Kentucky Power's proposed gross-up factor for uncollectible accounts and the PSC assessment fee to be applied to O&M expenses, and explain whether this omission is intentional.

b. Confirm that the "KPSC Maintenance Assessment Fee" included in the weighted average cost of capital ("WACC") and gross revenue conversion factor ("GRCF") calculation should be 0.1996.

c. If Kentucky Power intends to continue to propose a gross-up factor for environmental O&M expenses, provide a revised Exhibit AJE-1S and supporting work papers that includes the gross-up calculation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

d. If the Commission were to ultimately grant a return on equity ("ROE") different from Kentucky Power's requested 10.31 percent, explain whether adjustments should be made to the environmental revenue requirement included in base rates and describe the necessary adjustments.

7. Refer to Kentucky Power's response to Staff's Second Request, Items 26.a and 26.c. Explain whether the operating expenses discussed in this response are recovered elsewhere in Kentucky Power's revenue requirement for this case. If the expenses are recovered, explain where they are included in the revenue requirement.

8. Refer to Kentucky Power's response to Staff's Second Request, Item 26.d. Explain whether Kentucky Power still intends to request an informal conference with Commission Staff to discuss future filing forms for the environmental surcharge.

9. Refer to Kentucky Power's response to Staff's Second Request, Item 27.d.

a. Explain why it is necessary for Kentucky Power to employ deferral accounting for the items listed.

b. Provide examples of the transactions recorded for these items.

c. Explain how these items ultimately flow through the environmental surcharge mechanism.



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DATED NOV 09 2017

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