

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 THIRD 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 September 20, 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 Kentucky Power's response to Commission Staff's First Request for Information, Item 73. Refer to the Excel file KPCO_R_KPSC_1_73_Attachment72_AEVWP2.xlsx ("Billing Analysis"). Refer to Tabs SGS and SGS-NM. Explain why Kentucky Power proposes to change its kilowatt-hour ("kWh") threshold from "First 500 kWh" and "Over 500 kWh" to "First 4,450 kWh" and "Over 4,450 kWh."

2. Refer to the Billing Analysis, Tab MGS-SEC. Explain why Kentucky Power proposes to change its kWh threshold from “First 200 kWh” and “Over 200 kWh” to “First 4,450 kWh” and “Over 4,450 kWh.”

3. Refer to the Billing Analysis, Tabs MGS-PRI and MGS-SUB. The proposed kilowatt (“kW”) billing units do not reflect the inclusion of the current Mining Minimum kW billing units. Explain whether the Mining Minimum kW should be included in the proposed billing units. If they are not to be included, explain why. If they are already included, explain where they are included.

4. Refer to Kentucky Power’s response to Commission Staff’s Second Request for Information (“Staff’s Second Request”), Item 4.c. Indicate whether Kentucky Power would revise its tariff language to indicate that customers with satisfactory payment histories who request that their deposit be recalculated in accordance with 807 KAR 5:006, Section 8(1)(d)(3) will not be charged the additional deposit unless their payment history became unsatisfactory.

5. Refer to Kentucky Power’s response to Commission Staff’s Second Request, Item 4.j. Kentucky Power’s Customer Bill of Rights states, “You have the right to service, provided you (or a member of your household whose debt was accumulated at your address) are not indebted to the utility.” Kentucky Power’s proposed tariff states “The Company reserves the right to refuse service to any customer if the customer or any member of the customer’s household, is indebted to the Company for any service theretofore rendered at any location.” Kentucky Power’s proposed tariff seems to imply that any outstanding indebtedness of a member of a customer’s household could be

used as a reason to deny service, no matter where the indebtedness was incurred. Explain how this complies with bullet point one of the Customer Bill of Rights.

6. Refer to Kentucky Power's response to Staff's Second Request, Item 6.

a. Explain the fluctuations in the number of Kentucky Power's employees from 2011 through 2016.

b. State the reason(s) why the number of Kentucky Power's employees increased from 411 in 2011 to 640 in 2014.

c. Identify the types of positions that Kentucky Power added when it increased from 411 employees in 2011 to 558 employees at the end of the test year, and explain why they were necessary.

7. Refer to Kentucky Power's response to Staff's Second Request, Item 21.

a. Explain whether the Clinch River units were converted from coal to natural gas.

b. Explain why there is no depreciable life for the Clinch River units listed in the table.

c. Provide the depreciable lives for the Clinch River units, if known.

d. Explain whether the Clinch River units are the most comparable of those listed to Big Sandy Unit 1.

8. Refer to Kentucky Power's response to Staff's Second Request, Item 24, and Excel File KPCO_R_KPSC_2_24_Attachment1.xlsx.

a. Confirm that Rockport's monthly weighted average cost of capital rate for February 2017 should be 0.71 percent.

b. Explain how the Non-FGD weighted average cost of capital of 9.5291 percent was determined. Provide the supporting calculations.

9. Refer to Kentucky Power's response to Staff's Second Request, Items 24 and 25, and Exhibit AJE-4 to the Elliott Testimony. Provide an expanded Exhibit AJE-4 that shows the components that make up the costs shown in the columns for Mitchell Non-FGD Costs, Rockport Environmental Costs and Gains on Sale of Allowances. The breakdown should clearly show amounts reported on the monthly environmental surcharge report, the calculated return on consumables, the adjustments as identified in environmental surcharge reviews, and any other items included in the base environmental cost calculation.

10. Refer to Kentucky Power's response to Staff's Second Request, Item 26.

a. In its response to Staff's Second Request, Item 26.b., Kentucky Power confirmed it has not previously applied a gross-up factor to its monthly environmental costs. Explain why Kentucky Power has not previously applied a gross-up factor to its monthly environmental expenses.

b. Provide revised ES forms that reflect the application of a gross-up factor to Rockport's monthly environmental costs.

11. Refer to Kentucky Power's response to Staff's Second Request, Item 28. Provide the actual 2017 property tax information when it becomes available.

12. Refer to Kentucky Power's response to Staff's Second Request, Item 42. Provide an updated response regarding the Clean Power Plan when it becomes available.

13. Refer to Kentucky Power's response to Staff's Second Request, Item 45. Provide the non-fuel, non-labor generation operation and maintenance expense for Mitchell, broken down by account number, for a five-year period ending with February 2017.

14. Refer to Kentucky Power's response to Staff's Second Request, Item 45.c.

a. Explain in detail why the non-plant expenses increased from \$546,634 in 2015 to \$27,505,560 in 2016.

b. Provide a five-year history of the non-plant expenses, broken down by location and account number, for the five-year period ending in February 2017.

15. Refer to Kentucky Power's response to Staff's Second Request, Item 45.j. and k.

a. Provide the cost of the Mitchell Unit 1 generator overhaul in 2015, broken down by account number.

b. Explain why Mitchell Unit 2 has not had a generator overhaul since 2004, although the recommended cycle for generator overhaul is ten years.

16. Refer to Kentucky Power's response to Staff's Second Request, Item 45.m. Provide a breakdown of the cost of the generator overhaul by year through 2025.

17. Refer to Kentucky Power's response to Staff's Second Request, Item 45.n. The answer regarding the Mitchell Units is not responsive. Provide the year and cost of the most recent turbine overhauls at the Mitchell Units.

18. Refer to Kentucky Power's response to Staff's Second Request, Item 45.q. Provide a breakdown of the cost of the turbine overhaul by year through 2025.

19. Refer to Kentucky Power's response to Staff's Second Request, Item 55.a. Identify the aviation costs, if any, that have been removed for ratemaking purposes.

20. Refer to Kentucky Power's response to Staff's Second Request, Item 78, and KPCO_R_KPSC_2_78_Attachment1.pdf, pages 34 through 56.

a. Explain why only Kentucky Power representatives are identified in the minutes as attending the Community Advisory Panel meetings for February and March 2017.

b. Identify the non-Kentucky Power Community Advisory Panel members attending each meeting who were not identified in the minutes.

c. Explain how non-Kentucky Power Community Advisory Panel members are selected.

21. Refer to Kentucky Power's response to Staff's Second Request, Item 82. Confirm that Kentucky Power's cost of the bill conversion project is not included in the revenue requirements for Case No. 2017-00179.

22. Refer to Kentucky Power's response to Staff's Second request, Item 85.c.

a. Explain the fluctuations in the number of American Electric Power Service Corporation ("AEPSC") employees from February 2011 through February 2017.

b. Explain the reason(s) why the number of AEPSC personnel decreased from 5,120 in February 2011 to 4,684 in February 2013.

c. Identify the types of positions that AEPSC has added from the 5,120 employees in February 2011 to 5,812 employees at the end of the test year, and explain why they were necessary.

23. Refer to the Attorney General's Initial Data Requests, Item 3. Explain why the cost per mile of Task 3 work increased from \$9,845 per mile in 2015 to \$13,365 per mile in 2017.

24. Refer to the Application, Section III, Volume 2, Exhibit AJE-3, page 9 of 17. Confirm that the gross-up factor on line 38 will not be applied to the return on the rate base portion of the environmental revenue requirement on line 16.

25. Refer to the application, Section V, Exhibit 2, page 6 of 60. Explain why calendar year 2016 totals were used to calculate the adjustment instead of test-year totals.

26. Refer to the Application, Section III, Volume 2, Exhibit AJE-3, and Kentucky Power's response to Staff's Second Request, Item 11. Confirm that Kentucky Power intends to update its environmental surcharge forms to reflect the updated gross-up factor.

27. Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"), page 14, and the "June 30, 2017 Annual Update to Tariff BS1OR and Tariff Capacity Charge," BS1 Form 4.0.¹

a. Confirm that the revenue requirement calculation for the Big Sandy 1 Operation Rider does not include a gross-up factor for uncollectible accounts and the PSC maintenance fee, as only net revenues are reported in the calculation.

b. Explain whether Kentucky Power would be willing to use this methodology in the calculation of the environmental revenue requirement.

¹ Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of Its Base Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief*, Post-Case Referenced Correspondence, filed June 18, 2017.

28. Refer to the Elliott Testimony, page 6. Provide the actual expenditures to date and estimated total cost of the selective catalytic reduction system (“SCR”) unit for Rockport Unit 1. Provide an update on the current status of the completion of the SCR project.

29. Refer to Kentucky Power’s response to the Kentucky School Board Association’s (“KSBA”) First Request for Information (“KSBA’s First Request”), Item 13. Provide an itemized list of the costs that sum to the approximately \$53,000 in additional costs.

30. Refer to Kentucky Power’s response to the KSBA’s First Request, Item 14. Provide the order for the bill format change from the Public Utilities Commission of Ohio.

31. Refer to Kentucky Power’s response to the Kentucky League of Cities’ First Request for Information, Item 14. Kentucky Power responds that it has not converted any street lights in municipalities to LED Technology.

a. Provide the number of street lights within Kentucky Power’s territory that have been converted to LED technology.

b. Explain whether Kentucky Power has considered converting to LED technology in the future as existing street lights reach the end of their useful lives.

32. Refer to the Application, the Direct Testimony of Zachary C. Miller, page 3, Table 1. The proposed weighted average cost of capital is 7.28 percent. Refer to the Application, KPCO_R_KPSC_1_73_Attachment35_KPCO_COSS_-_DRB_-_FINAL_-_KPSC_DR_1_73-Excel.xls, Tab Proposed, Cell P26, Proposed Rate of Return (“ROR”) Percentage. Explain why proposed ROR is 7.26 percent and 7.28 percent.

33. Refer to Kentucky Power's response to Staff's Second Request, Item 10. Explain why the return on equity for America Electric Power ("AEP") changed from 11.0098 percent to 4.0818 percent between August 2016 and September 2016.

34. Refer to Kentucky Power's Response to Staff's Second Request, Item 35.

a. Explain why a value line safety rank of 2 is consistent with AEP's safety rank of 1.

b. Considering that AEP's safety ranking is 1, provide an update to Mr. McKenzie's Discounted Cash Flow model using only proxy utilities with a safety rank of 1.

c. Explain why only Emera was included from the "Power Industry" sector, and all other companies from the "Power Industry" sector where not included as a proxy.

35. Refer to Kentucky Power's Response to Staff's Second Request, Item 66, and Exhibit AEV 1 of the Application. Provide the class cost to serve per customer for each classification.

36. Refer to Kentucky Power's response to Kentucky Industrial Utility Customers' ("KIUC") First Request for Information ("KIUC's First Request"), Item 66.

a. Explain whether Kentucky Power has weather normalized other rate classes for past rate cases.

b. Refer to Kentucky Power's response to KIUC's First Request, Item 83. Kentucky Power states that it calculates the effects of temperature on revenues for weather-sensitive classes, which include Residential, Commercial, and Wholesale classes. Reconcile this statement with Item 66, where Kentucky Power states that the

residential class is the only customer class whose usage is materially affected by the weather.

37. Refer to Kentucky Power's response to Kentucky Commercial Utility Customers' First Request for information, Item 17.

a. Explain whether a customer must initiate the movement from the Tariff S.G.S. (Small General Service) up to the Tariff M.G.S. (Medium General Service), or whether Kentucky Power initiates the change. If Kentucky Power initiates the change, explain how the customer is notified.

b. Explain whether a customer must initiate the movement from the Tariff M.G.S. down to the Tariff S.G.S. or whether Kentucky Power initiates the change. If Kentucky Power initiates the change, explain how the customer is notified.



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DATED SEP 08 2017

cc: Parties of Record

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