

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY FOR AUTHORITY)	CASE NO.
PURSUANT TO KRS 278.300 TO ISSUE AND)	2019-00072
SELL PROMISSORY NOTES OF ONE OR)	
MORE SERIES AND FOR OTHER)	
AUTHORIZATIONS)	

COMMISSION STAFF'S FIRST 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 and an electronic version of the following information, with a copy to all parties of record. The information requested herein is due within ten days of this request for information. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), and shall be searchable and shall be appropriately bookmarked.

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 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 amendments 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 should 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. State and explain the extent to which Kentucky Power currently expects to raise the \$275 million with secured private placement debt; with secured tax-exempt bonds; and the factors that would affect Kentucky Power's decision to raise capital using one means or the other.

2. Refer to the application, paragraph 9, in which Kentucky Power states "[T]he interest rate of the Notes may be fixed or variable as determined to be most advantageous to the Company" State whether Kentucky Power is seeking approval from the Commission to incur debt with a variable interest rate and, if so, what precautions and safeguards would be in place to limit the interest rate on any variable rate debt.

3. Refer to the application, paragraph 23, in which Kentucky Power states that it “desires to utilize interest-rate management techniques and to enter into interest rate management agreements in an effort to control its overall effective interest costs.” Identify and describe each “interest rate management technique” referenced in this paragraph.

a. Identify and describe each “interest rate management agreement” Kentucky Power is referencing and describe the type of agreements for which Kentucky Power seeks approval;

b. Explain how those agreements function to hedge against interest rate increases and the parties with whom Kentucky Power seeks to enter into such agreements.

c. Provide a sample of the interest rate management agreements to which Kentucky Power is referring.

d. Provide a detailed analysis illustrating estimated interest cost savings for Kentucky Power that can result from the use of interest rate management techniques.

4. Refer to paragraph 10 of the application.

a. Provide the most current interest rates if Kentucky Power were to issue a secured private placement indebtedness or secured tax-exempt bonds.

b. Provide a detailed analysis illustrating estimated interest cost savings for Kentucky Power that can result from the use of interest rate management techniques.

5. Refer to the application, paragraph 23, Kentucky Power states that it anticipates purchasing products such as interest rate swaps, caps, collars, floors, options,

or hedging products and retaining those products as it deems necessary to hedge against interest rate increases.

a. Describe how Kentucky Power anticipates purchasing such products.

b. Describe how Kentucky Power anticipates using and managing such products.

c. Describe how Kentucky Power proposes to ensure the quality of such products, and state the extent to which Kentucky Power is requesting approval to invest in such products.

6. Identify and describe in detail any interest rate management instruments for which Kentucky Power seeks approval that has not been described above.

a. How does Kentucky Power plan to purchase such instruments?

b. How does Kentucky Power plan to use such instruments to manage interest rates?

c. How does Kentucky Power propose to ensure the quality of such instruments; state the extent to which Kentucky Power is requesting approval to invest in such instruments.


7. State what, if any, limits Kentucky Power contends would be reasonable for the Commission to place on its use of interest rate management techniques and instruments and explain the basis for Kentucky Power's position.

8. Has Kentucky Power identified any risks posed by the use of interest rate management techniques and instruments? Describe those risks and how Kentucky Power proposes to mitigate them.

9. Explain whether the issuance of additional debt will affect Kentucky Power's ability to secure additional financing in the future at competitive rates.

10. Explain how the issuance of additional debt will affect Kentucky Power's equity position.

11. Refer to the application, Exhibit D, page 4 of 4. Kentucky Power is seeking authority to borrow \$210 million for general corporate purposes, as described in paragraph 7 of the application, explain how Kentucky Power anticipates financing the balance of the \$449 million allocated for the years 2019 - 2020 in this exhibit.



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DATED APR 11 2019
cc: Parties of Record

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