

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
AMERICAN ELECTRIC POWER COMPANY, INC.,)	
KENTUCKY POWER COMPANY AND LIBERTY)	CASE NO.
UTILITIES CO. FOR APPROVAL OF THE)	2021-00481
TRANSFER OF OWNERSHIP AND CONTROL OF)	
KENTUCKY POWER COMPANY)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO AMERICAN ELECTRIC POWER COMPANY, INC., KENTUCKY POWER
COMPANY, AND LIBERTY UTILITIES, CO.

American Electric Power Company, Inc. (AEP), Kentucky Power Company (Kentucky Power), and Liberty Utilities, Co. (Liberty), (collectively, Joint Applicants), pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested is due on January 24, 2022. The Commission directs the Joint Applicants to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made, and 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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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.

Joint Applicants shall make timely amendment to any prior response if the Joint Applicants obtain information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Joint Applicants fail or refuse to furnish all or part of the requested information, the Joint Applicants 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, the Joint Applicants 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 whether Liberty believes that existing customers can be served at Kentucky Power's current rates with no decline in service after the proposed transaction closes.

2. Refer to the commitments and assurances set forth in the Application, Direct Testimony of Peter Eichler (Eichler Direct Testimony), and the Application, Exhibit 5, Stock Purchase Agreement (Purchase Agreement). Provide a single document containing the commitments and assurances set forth in the Application, Eichler Direct Testimony, and Purchase Agreement.

3. If the proposed transaction is approved, state whether Liberty will provide written acceptance of the following commitments and assurances and, if so, include in the document referenced in Item 2.

a. All costs associated with the proposed transaction will not have the effect of increasing Kentucky Power's rates for electric service.

b. Kentucky Power's ratepayers will not incur any additional costs, liability, or obligations, directly or indirectly, in conjunction with the proposed transaction.

c. Kentucky Power will not incur any additional indebtedness or pledge any assets to finance any part of the purchase price paid by Liberty to acquire control of Kentucky Power.

d. Kentucky Power's current level of community involvement, charitable contributions, low-income funding, and economic development in Kentucky Power's service territory will be maintained after the proposed transaction closes.

e. Kentucky Power's customers will not be asked to contribute to costs associated with operating any Liberty subsidiary or affiliate.

f. Kentucky Power will not guarantee the credit of any affiliate if the proposed transaction is approved.

g. Kentucky Power will not be required to pledge any of its assets to finance the debt or any purchases of any affiliates if the proposed transaction is approved.

h. Kentucky Power will not be required to grant liens or encumbrances, or otherwise pledge any of its assets, to finance any or all of the costs of the proposed transaction.

i. Liberty will not utilize push-down accounting in any manner arising from the proposed transaction.

j. Kentucky Power will give clear and conspicuous notice to Kentucky Power's customers prior to any change in service resulting from the proposed transaction.

k. Liberty will commit to ring-fencing of Kentucky Power such that Kentucky Power would be insulated from Liberty's non-utility lines of business.

4. If the proposed transaction is approved, provide the timeline and projected costs of integrating Kentucky Power into Liberty's information technology system, and describe the expected customer benefits once the information technology integration is completed.

5. Kentucky Power currently sells its receivables to AEP Credit, Inc. If the proposed transaction is approved, explain, if known, whether Kentucky Power will continue to sell its receivables and, if so, identify the entity to which the receivables will be sold.

6. State whether other Liberty regulated utilities sell their receivables and, if so, identify the entity to which the receivables are sold.

7. Confirm that no Liberty subsidiaries currently participate in PJM Interconnection, LLC (PJM). If this cannot be confirmed, identify the subsidiary and describe how that subsidiary participates in PJM.

8. Confirm that Liberty understands that under the transfer of control provisions of KRS 278.020(6) and Commission precedent established in Case No. 2003-00266,² Liberty has an affirmative duty to apply for and receive prior approval from the Commission if Liberty leaves PJM.

9. Provide Liberty's audited financial statements for 2020, the third quarter of 2021, and for calendar year 2021, when available.

10. Provide Liberty's Securities and Exchange Commission (SEC) Form 10-K for 2020 and, when available, for 2021, and SEC form 10-Q for the third quarter of 2021.

11. Explain whether Liberty has received a credit rating from Moody's Investors Service (Moody's) and, if so, provide the most recent Moody's credit rating.

12. Provide the most recent credit rating report, such as S&P, for the electric utility industry.

13. Provide the current capital structure of Liberty and each of its utility subsidiaries.

14. If the proposed transaction is approved, provide the forecasted or budgeted capital structure of Kentucky Power for the next two years.

15. Explain whether how Liberty will allocate its capital structure to Kentucky Power, and, if so, how the capital structure will be allocated.

² Case No. 2003-00266, *Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.* (Ky. PSC May 31, 2006).

16. Explain how Liberty will allocate funds to Kentucky Power for capital investment.

17. Provide an estimate of the costs for centralized corporate services that would be charged to Kentucky Power if the transaction is approved.

18. Describe the degree to which Liberty's subsidiaries have the authority to accept, challenge, reject, or modify costs allocated from Liberty to each subsidiary.

19. Refer to the Application and Direct Testimonies, generally, which state that Liberty plans to add an estimated 100 jobs to conduct in Kentucky Power's service territory many, if not most, of the centralized functions currently performed by AEP Service Corp. (AEPSC) in Columbus, Ohio. Provide the preliminary estimated total cost of the additional labor, office space, equipment, and material for the additional 100 jobs.

20. Refer to the Application, paragraph 2, which asserts that Liberty plans to operate Kentucky Power "with a cost-effective structure for the Company's customers." Explain in specific detail and provide examples how the post-closing structure of Kentucky Power would be cost-effective for Kentucky Power's customers.

21. Refer to the Application, paragraph 2. Explain when Liberty will begin the search for a Kentucky-based president for Kentucky Power and how this search will be conducted.

22. Identify which, if any, of Liberty's U.S. acquisitions of regulated electric utilities includes the acquisition of a non-regulated affiliate of the regulated electric utility.

23. Refer to the Application, paragraph 12, which states that Algonquin Power & Utilities Corp. (Algonquin) obtained a \$2.725 billion acquisition financing commitment

and intends to finance the remainder of the purchase price in 2022. Provide the status of Algonquin's financing for the \$121 million remainder of the \$2.846 billion purchase price.

24. Refer to the Application, paragraph 13, which identifies regulatory approvals necessary to close the proposed transaction. Provide the status of the requested approvals required in accordance with the Hart-Scott-Rodino Antitrust Improvements Acts of 1976, Federal Communications Commission, Committee on Foreign Investment in the United States, and U.S. District Court for the Southern District of Ohio.

25. Refer to the Application, paragraph 33, which states that, after the proposed transaction closes, Kentucky Power would reopen a customer walk-in center in Ashland and at least one other community. Confirm that the reopened customer walk-in center in at least one other community would occur at one of Kentucky Power's existing service centers in Hazard and Pikeville, or offices in Paintsville and Whitesburg.

26. Provide the estimated incremental cost for the proposed reopened customer walk-in centers.

27. Refer to Eichler Direct Testimony, page 36, which states that Liberty intends to "open at least two customer walk-in centers." Explain whether this reference is to the "reopened" customer walk-in centers referenced in Item 25 above or whether Liberty has any plans to open service centers or offices in Kentucky Power's service territory in addition to the current locations of Ashland, Hazard, Pikeville, Paintsville, and Whitesburg. If Liberty plans to open additional customer walk-in centers other than those referenced in Item 25 above, provide the incremental costs for additional customer walk-in centers.

28. Refer to Direct Testimony of Stephan T. Haynes (Haynes Direct Testimony), page 9. Provide the status of the negotiations to replace the equipment master leases for property, plant, and equipment and explain whether any of the potential third parties who could become parties to the new leases include any Liberty subsidiaries.

29. Refer to Haynes Direct Testimony, page 10, regarding the AEP Utility Money Pool. Provide the AEP Utility Money Pool borrowing rate for the past 12 months.

30. Refer to Haynes Direct Testimony, page 10. Describe the degree to which AEP and Kentucky Power will involve Liberty in the refinancing of the term loan that will mature on March 6, 2022. Also, if the refinancing is completed prior to May 4, 2022, provide the final loan terms and revised capital structure, with all supporting documentation and calculations, when the refinancing is completed.

31. Refer to Haynes Direct Testimony, pages 11–12, regarding the Transition Services Agreement. Also refer to the Purchase Agreement, Exhibit A, Transition Service Agreement (Transition Service Agreement), generally, and to Exhibit A to the Transition Service Agreement, which lists the descriptions of services to be provided by AEP and the term for which each service will be provided. Explain whether Liberty contemplates needing PJM Market Operations Services from AEPSC for one month, as stated in the Transition Service Agreement, Exhibit A, and explain how, post-acquisition, Kentucky Power would ramp up its ability to provide PJM market operations services within one month of the effective date of the Transition Service Agreement.

32. Refer to Direct Testimony of David Swain (Swain Direct Testimony), page 4. Provide examples of how Liberty subsidiaries “foster[ed] relationship with local educational institutions who provide the workforce of the future.”

33. Refer to Swain Direct Testimony, page 5, which states that some independent directors serve on multiple Liberty subsidiaries in the same region. Although Kentucky Power will be in its own region, explain whether Liberty plans to appoint the same independent directors on utility boards in other regions to Kentucky Power's board and, if so, identify which independent directors would be on Kentucky Power's board.

34. Refer to Swain Direct Testimony, pages 7 and 10 and Eichler Direct Testimony, page 8. Explain whether Liberty intends to maintain Kentucky Power and AEP Kentucky Transmission Company, Inc. (Kentucky Transco) as separate entities.

35. Refer to Swain Direct Testimony, page 19. Provide examples of community outreach and economic development activities conducted by Liberty's regulated utilities, and any community outreach and economic development activities have been identified to implement in Kentucky Power's service territory if the proposed transaction is approved.

36. Refer to Eichler Direct Testimony, page 7, which identifies some of Liberty's commitments to the Commission. Provide a list of the regulatory commitments currently in force from prior Commission Orders for Kentucky Power that Liberty commits to assume.

37. Refer to Eichler Direct Testimony, page 7, regarding the purchase price. Provide a breakout of the purchase price attributed to Kentucky Power and to Kentucky Transco, and quantify the transaction premium and transaction cost in the purchase price for Kentucky Power and Kentucky Transco, respectively.

38. Refer to Eichler Direct Testimony, page 7, regarding Liberty's commitment to evaluate Kentucky Power's participation in PJM within two years of the transaction

closing. To the degree known, describe the alternatives that Liberty anticipates it will consider, such as joining another regional transmission organization or independent system operator (RTO/ISO), or energy exchange market. Also, explain how Liberty will provide the Commission with status updates on this evaluation.

39. Refer to the Eichler Direct Testimony, generally, and to the Direct Testimony of Drew W. Landoll (Landoll Direct Testimony), generally, regarding Liberty's experience in owning utilities undergoing energy transitions and locally sourced renewable energy. Explain the process of how Liberty would plan to develop or acquire local sources of renewable energy and how the timing and relative success of this endeavor would relate to the decision whether to remain in PJM.

40. Explain how the experiences of Liberty's subsidiaries that are members of an RTO/ISO, especially that of Empire District Electric Company in the Southwest Power Pool, may contribute to Kentucky Power's decision whether to remain in PJM.

41. Refer to Eichler Direct Testimony, page 24. Discuss what happens, both the financial consequences and potential remedies, if the proposed transaction does not close by October 26, 2022.

42. If the proposed transaction does not occur, provide the costs for which Kentucky Power's ratepayers would be responsible.

43. Refer to Eichler Direct Testimony, page 33. State whether negotiations regarding the Bridge Power Coordination Agreement have begun and provide the status of the negotiations. If negotiations have not begun, provide the expected date by which negotiations will start.

44. Refer to Eichler Direct Testimony, pages 33–34. Explain whether the Bridge Power Coordination Agreement would only extend to cover the 2024/2025 Planning Year if the FRR commitment date for that particular year had passed before this transaction was complete or whether there are other factors for Kentucky Power to consider or scenarios in which the Bridge Power Coordination Agreement could be extended to the 2024/2025 Planning Year or later.

45. PJM's Base Residual Auction (BRA) for the 2023/2024 Delivery Year, most recently set to be run on January 25, 2022, has been further delayed due to a recent Federal Energy Regulatory Commission (FERC) decision, which will also delay future auctions and the respective Fixed Resource Requirement (FRR) commitment dates. Because Kentucky Power will remain a party of AEP's FRR plan under the Bridge Power Coordination Agreement, explain whether the change in BRA timing may affect the duration of the Bridge Power Coordination Agreement and whether the timing may affect any other parameters of the agreement.

46. If the proposed transaction is approved, explain whether AEP's East Zone cost allocation methodology will remain in place so long as a post-acquisition Kentucky Power remains in AEP's East Zone per the time period specified in the Purchase Agreement.

47. Refer to Eichler Direct Testimony, pages 33–34. Explain whether AEP's cost allocation methodology for the PJM Open Access Transmission Tariff will continue if the proposed transaction is approved.

48. If, post-acquisition, Kentucky Power decides that it should remain in PJM, describe the timeline and the relevant factors that Kentucky Power will consider for

deciding whether to participate in the PJM Capacity Market (the Reliability Pricing Model Market) and the BRA, or whether to elect the FRR on its own apart from the AEP East Zone, the election of which requires a commitment for five consecutive delivery years.

49. If, post-acquisition, Kentucky Power decides that it should exit PJM, explain how Kentucky Power plans to ensure adequate and robust resource adequacy for its consumers in both the short and long term, especially given the upcoming expiration of the Rockport Unit Power Agreement and the loss of supply from the Mitchell Plant after 2028.

50. Refer to Eichler Direct Testimony, page 36. Expand upon the “new performance indicators and deployment of technologies that enable near-real time evaluation of customer feedback.”

51. Refer to Eichler Direct Testimony, page 33, which states that the services provided under the Transition Service Agreement will be performed “at cost.” Also reference to the Transition Service Agreement, Exhibit B, which states that reimbursable costs to AEP are the “Employee-Related Expense, plus an additional amount equal to such cost multiplied by 0.35, multiplied by hours of service provided.” Reconcile the discrepancy between “at cost” and cost plus calculation for reimbursable costs for the transition services to be provided by AEP.

52. Refer to Eichler Direct Testimony, pages 38–39. Explain whether Liberty performs demand side and resource supply side modeling for Integrated Resource Plans at the centralized corporate services level or at the local utility level.

53. Refer to Eichler Direct Testimony, Exhibit PE-2, generally, which states that Algonquin plans to finance the remainder of the purchase price with hybrid debt, among

other financing options. Describe this hybrid debt, explain whether previous Algonquin or Liberty acquisitions were financed with hybrid debt financing, and, if so, provide the terms for Algonquin's or Liberty's hybrid debt financing.

54. Refer to Eichler Direct Testimony, Exhibit PE-2, page 17, in which S&P Global expresses concern over the post-closing level of debt in the funding plan. Explain how Liberty and, post-closing, Kentucky Power plans to address that concern.

55. Explain whether Liberty's access to capital has been easier or more difficult following each of the recent acquisitions by Liberty in the past ten years.

56. Discuss what effect the proposed transaction will have on Liberty's ability to borrow capital.

57. Provide any studies performed by Liberty regarding the impact the proposed transaction could have on Liberty's credit rating, ability to borrow, and capital structure.

58. Regarding Liberty's short term money pool, provide the monthly money pool borrowing interest rates for the past 12 months and the costs paid by each regulated electric utility subsidiary of Liberty for the past 12 months for use of and maintaining the money pool.

59. Refer to Landoll Direct Testimony, page 4, Table 1. Confirm that each entity operates the generation resources they own. If not, explain how these resources are operated.

60. Refer to Landoll Direct Testimony, pages 15–16.

a. Explain Liberty's experience regarding the execution of utility scale purchase power agreements.

b. Explain Liberty's experience regarding the construction of generation resources.

61. Refer to Landoll Direct Testimony, generally. In 2021 and again in January 2022, Kentucky Power experienced significant customer outages due to weather events, especially snow and ice. Describe Liberty's understanding of Kentucky Power's infrastructure and outage history, and how Liberty will address this issue.

62. Refer to the Purchase Agreement, Article 2.16, and Seller's Disclosure Letter, Section 2.16(c). Explain Liberty's and AEP's respective environmental liabilities regarding Kentucky Power assets after the acquisition closes.

63. Refer to the Purchase Agreement, Appendix III, which contains Kentucky Power's forecasted capital expenditures. Explain whether Liberty intends to continue with the capital investment plan contained in this Appendix through 2023 and, if not, provide the revised capital expenditure plan.

64. Refer to the Transition Service Agreement, Exhibit A, which lists the descriptions of services to be provided by AEP and the term for which each service will be provided. Explain whether the term for each service is indicative of the priority of and when Liberty will have the appropriate personnel in place to perform those functions. Also, for each of the services, identify which of these functions will be performed by the additional employees that Liberty anticipates hiring and which functions will be performed by Liberty's centralized corporate services.

65. Refer to the Transition Service Agreement, Exhibit C, which contains services excluded from the Transition Service Agreement. For each service, identify

whether Kentucky Power employees or Liberty's centralized corporate services will perform the service.

66. Refer to the Application, Exhibit 6. Explain how Algonquin's and Liberty's utility affiliates procure debt and equity (i.e. each utility procures its own debt financing, Liberty issues debt and equity that are allocated to each utility, etc.).

67. Refer to the Application, Exhibit 7. Provide a copy of the materials provided AEP's board of directors regarding the decision to sell Kentucky Power and Kentucky Transco to Liberty.

68. Refer to the Application, Exhibit 8. Provide a copy of the materials provided to Liberty's board of directors regarding the decision to purchase Kentucky Power and Kentucky Transco from AEP.



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DATED JAN 13 2022

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