

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	)	
SERVICE; (2) APPROVAL OF TARIFFS AND	)	CASE NO.
RIDERS; (3) APPROVAL OF ACCOUNTING	)	2023-00159
PRACTICES TO ESTABLISH REGULATORY	)	
ASSETS AND LIABILITIES; (4) A	)	
SECURITIZATION FINANCING ORDER; AND (5)	)	
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, shall file with the Commission an electronic version of the following information. The information requested is due on September 25, 2023. The Commission directs Kentucky Power to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> 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 representatives of a public or private corporation or a partnership or association or a

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<sup>1</sup> 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).

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 Kentucky Power obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

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

Careful attention shall be given to copied and scanned 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 1, Workpaper S-3. Reconcile the discrepancy between the issuer being Kentucky Power or West Virginia Economic Development Authority.

2. Refer to the Application, Section V, Exhibit 1, Workpaper S-3 regarding the \$65 million West Virginia Economic Development Authority, Series 2014A Pollution Control Bond with an issuance date of June 19, 2020 and a maturity date of June 19, 2023. Refer also to Moody's Ratings and Assessments (Moody's), View by Debt tab located at See [Kentucky Power Company | View by Debt | Moody's \(moodys.com\)](#), which reflects that the \$65 million Pollution Control Bond was issued June 13, 2023, with an April 1, 2034, maturity date.

a. Explain the discrepancy between the issuance and maturity dates of the Pollution Control Bond and state whether Kentucky Power refinanced the Pollution Control Bond and issued it June 13, 2023 with an April 1, 2034 maturity date.

b. If Kentucky Power refinanced the Pollution Control Bond, explain why Kentucky Power did not obtain prior Commission approval.

3. Refer to the Direct Testimony of Lerah M. Kahn (Kahn Direct Testimony), pages 18-19. Explain whether Kentucky Power has provided notice of the proposed changes to the Non-Utility Generator Tariff (Tariff NUG) to the customer currently taking service under Tariff NUG.

4. Refer to Kentucky Power's Response to the July 5, 2023 Deficiency Notice, Exhibit 1, page 139, Terms of Contract. Explain whether Kentucky Power requires any security to cover the estimated Economic Development Rate (EDR) discounts should a customer terminate an EDR contract before the end of its term.

5. Refer to the Direct Testimony of Alex E. Vaughan (Vaughan Direct Testimony), page 19, regarding the impact of market liquidity on Kentucky Power's financing decisions and the financial hedging plan.

a. For the last three years, explain how often market liquidity has been an issue and provide examples.

b. Explain whether the 36-month tranche period means that Kentucky Power will have multiple concurrent hedge plans with different overlapping 36-month, 18-month, and 6-month tranches.

6. Refer to the Vaughan Direct Testimony, pages 27–29.

a. Explain what the equivalent avoided capacity costs will be based on.

b. Explain whether a request for proposal has been issued for generation capacity, including solar, to account for divestiture of Kentucky Power’s interest in the Mitchell generating facility.

7. Refer to the Vaughan Direct Testimony, page 31. Provide the time period and supporting calculations for the assertion that Kentucky Power will purchase approximately 33,500 fewer MWh on-peak energy and 49,008 MWh of total energy from PJM as a result of the proposed solar garden. Provide all calculations in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

8. Refer to the Vaughan Direct Testimony, page 33. Explain whether, and if so how, the low-income energy credit will be affected by the proposed hedging program.

9. Refer to Kentucky Power’s Response to Commission Staff’s First Request for Information (Staff’s First Request), Item 49. Identify what amount of the \$128,125.09 billed to residential customers for the delayed payment charge was billed prior to January 13, 2021.

10. Refer to Kentucky Power's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1. Provide an index of the attachments to this response.

11. Refer to Kentucky Power's Response to Staff's Second Request, Item 12.

a. Provide the administrative costs of the Residential Energy Assistance (REA) program each year for the last 5 years.

b. Explain why Kentucky Power cannot use current administrative personnel and supplies to administer the REA programs to ensure all funds go to customers in need.

12. Refer to Kentucky Power's Response to Staff's Second Request, Item 12(a), Attachment 1. Reconcile the amounts included in Attachment 1 with the pre-administrative amount for the HEART and THAW 2022/2023 program year amount of \$910,610.13.

13. Refer to Kentucky Power's Response to Staff's Second Request, Item 14c.

a. Explain the degree to which any or all of the potential economic development projects depend on Kentucky Power extending incentives either through the economic development rider tariff or through a special contract containing rate discounts or other incentives.

b. Provide an update on Kentucky Power's efforts to address its current capacity deficit.

14. Refer to Phillips Direct Testimony, Figure EGP-1, page 6 and Kentucky Power's Response to Staff's Second Request, Item 2-1, KPCO\_R\_KPSC\_2\_1\_Attachment11\_PhillipsWP1, DRR Projected Projects Tab.

a. Comparing the two documents, provide an update to Figure EGP-1 showing the categories and historical expenditures for each of the types of projects outlined in Attachment\_11\_PhillipsWP1 would be classified.

b. Refer to KPCO\_R\_KPSC\_2\_1\_Attachment11\_PhillipsWP1, DRR Projected Projects Tab. Explain whether any of the projects listed in the table would require a certificate of public convenience and necessity (CPCN).

c. Refer to KPCO\_R\_KPSC\_2\_1\_Attachment11\_PhillipsWP1, Projected Reliability – Graphs Tab. For each set of projections, explain how the projections were derived. Provide all calculations in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

d. Explain whether the expenditures associated with the Pilot Program were included in the historical test year overall vegetation management budget for inclusion in base rates and that the proposed DRR expenditures represent additional expenditures.

15. Refer to Kentucky Power's Response to Staff's Second Request, Item 18. Explain Kentucky Power's policy for determining whether an asset should be leased or purchased, such as whether the lease rate is more or less than the weighted average cost of capital (WACC).

16. Refer to Kentucky Power's Response to Staff's Second Request, Item 19. Explain how Kentucky Power calculated its number of customers per distribution line mile.

17. Refer to the Phillips Direct Testimony, pages 19–20 and to KPCO\_R\_KPSC\_2\_1\_Attachment11\_PhillipsWP1, DRR Projected Projects Tab. Explain whether any aspect of the Overhead Circuit and Underground Facilities

Inspection and Maintenance Program, the Capacitor and Regulator Inspection and Maintenance Program, the Recloser Maintenance/Replacement Program, and the Overhead Conductor Program are included in the DRR. If so, provide a table showing the historical expenses for each program for the last five years and an estimate of the projected expenses for the next three years and how each of the programs fit into the DRR projected projects.

18. Refer to Kentucky Power's Response to Staff's Second Request, Item 21. Explain whether the Pilot Program coordinated with the ongoing line inspection and clearing program to identify danger trees outside the ROW in anticipation of being able to remove the trees when clearing crews reached the area.

19. Refer to Kentucky Power's Response to Staff's Second Request, Item 22.

a. Since the entire distribution system is to be cleared every five years under the normal vegetation management program, explain whether an entire circuit is cleared before moving on to another circuit or whether portions of circuits are cleared only within a given year.

b. Provide a further breakdown of the outage statistics that list outages due to danger trees outside the ROW, the date the circuit was cleared under the normal vegetation management program, the voltage of the circuit. and if the outage occurred in an urban setting or rural setting.

c. Explain whether the outage statistics include trees outside the ROW outages that occurred within the Daniel Boone National Forest. If so, provide the number of outages caused by trees outside the ROW within the Daniel Boone National Forest annually since 2018.

20. Refer to Kentucky Power's Response to Staff's Second Request, Item 27. State whether Kentucky Power considered or evaluated programs to be included in the second phase of the DRR. If so, provide a listing of all programs being considered or evaluated for inclusion in the second phase of the DRR.

21. Refer also to the Phillips Direct Testimony, page 30.

a. Explain how Kentucky Power currently budgets, plans for, and carries out each of the following programs: additional tie-lines, additional substation sources, Distribution Automation Circuit Reconfiguration (DACR), and recloser modernization. Include in the explanation whether a CPCN is required for any of those programs or components thereof.

b. For each of the listed in 21(a), explain how the DRR will differ from what is already done.

22. Refer to Kentucky Power's Response to Staff's Second Request, Item 29.

a. Explain whether the line or circuit voltages that are included in the proposed DRR program include circuits 69 kV and above in Kentucky Power's system.

b. Explain whether the trees outside the ROW statistics include circuits or lines of 69 kV and above voltages. If not, explain the number of outages caused by trees outside the ROW for 69 kV and above voltages.

23. Refer to Kentucky Power's responses to Staff's First Request, Item 31. Provide the current net book value (NBV) and market value of Kentucky Power's 50 percent undivided interest in Mitchell.

24. Refer to Kentucky Power's Response to Staff's Second Request, Item 40a.



a. For the peak and off-peak periods for the 36-month, 18-month and 6-month hedging periods, provide a detailed description of the forecast equations and the data used to forecasted MWh generation for the Big Sandy and Mitchell units.

b. Explain whether the forward market price is available hourly 36 months out.

25. Refer to Kentucky Power's Response to Staff's Second Request, Item 40b.

a. Explain the anticipated number of peak and off-peak hours for which Kentucky Power will purchase hedging contracts.

b. To the extent that Kentucky Power's regulated affiliates purchase forward hedging contracts, provide a list of the types of contracts being purchased.

26. Refer to Kentucky Power's Response to Staff's Second Request, Item 40c.

a. Explain whether Kentucky Power explored any other methods to balance out energy prices aside from the proposed hedging plan. If so, explain why those other options were rejected.

b. Provide an estimate of AEP Service Corp.'s costs including the costs of purchasing and settling contracts and any other costs that would be allocated or charged to Kentucky Power.

27. Refer to Kentucky Power's Response to Staff's Second Request, Item 43a. If the proposed hedging plan is approved as proposed, explain whether the peaking unit equivalent (PUE) fuel adjustment charge (FAC) mechanism would be eliminated.

28. Refer to Kentucky Power's Response to Staff's Second Request, Item 45.

a. Confirm that Kentucky Power is no longer proposing that the 50 percent of the energy benefit being credited to low-income customers be recovered through Tariff PPA.

29. Refer to Kentucky Power's Response to Staff's Second Request, Item 45. Provide a copy of the proposed compliance tariff filing for the low-income customer credit billing line item.

30. Refer to Kentucky Power's response to Staff's First Request, Item 47(b). The response was nonresponsive. Provide a robust explanation how Kentucky Power determined the reasoning on proposed 9.90 ROE. Provide any supporting calculations for the difference of a 9.90 ROE and Mr. McKenzie's 10.6 ROE.

31. Refer to Kentucky Power's response to Staff's First Request, Item 50. Explain why Kentucky Power is proposing a higher ROE as compared to each of the other AEP operating companies.

32. Refer to Kentucky Power's response to Staff's First Request, Item 54. Explain whether AEP has ever issued equity infusions to Kentucky Power and, if so, provide the amount and the issue date.

33. Refer to Kentucky Power's Response to Staff's Second Request, Item 57(b). The response was not responsive. Provide a DCF calculation without excluding any values that are included in the model as requested.

34. Refer to Kentucky Power's Response to Staff's Second Request, Item 61. This response is not responsive. Provide an update to Exhibits AMM-7 and AMM-8 without eliminating any data points in the projected market growth estimation as requested.

35. Refer to Kentucky Power's Response to Staff's Second Request, Item 63b. This response is not responsive. Provide a cost breakdown for the \$113,624,552 in short-term debt.

36. Refer to Kentucky Power's response to Staff's First Request, Item 64.

- a. Explain when the short-term commercial paper would need to be rolled into long-term debt, if necessary.
- b. Explain how long Kentucky Power has used its working capital to finance coal purchases. Include in the explanation whether this is an AEP process adopted by Kentucky Power or a Kentucky Power procedure.

37. Refer to Kentucky Power's Response to Staff's Second Request, Item 74b.

- a. Explain the cost components that comprise Olive Hill's and Vanceburg's rates.
- b. Provide a copy of each wholesale contracts.
- c. Explain how the underlying costs that were deferred to the regulatory assets were allocated to and recovered from wholesale customers. For any costs that were not allocated to wholesale customers, explain why not.

38. Refer to Kentucky Power's Response to Staff's Second Request, Item 80(a).

- a. Explain whether the 2026/2027 Net CONE for a combustion turbine is \$365 as shown in the Brattle Group's April 21, 2022 PJM CONE 2026/2027 Report.<sup>2</sup>
- b. If the Net CONE for 2026/2027 has not been established, indicate when it will be established for 2026/2027.

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<sup>2</sup> See [PJM CONE 2026/27 Report \(brattle.com\)](https://www.brattle.com/2022/04/21/pjm-cone-2026-2027-report/) (last accessed Sept. 8, 2023).

c. Provide a narrative explanation of the process for developing CONE values and explain how Kentucky Power is notified once the values are finalized.

d. Explain how much notice Kentucky Power receives prior to each Base Residual Auction (BRA) for both the Net CONE value and the date of the auction.

39. Refer to Kentucky Power's Response to Staff's Second Request, Item 90b.

a. Explain whether all interruptible customers across the AEP East system are called to interrupt service when a decision is made to interrupt service.

b. If the response to 42(a) is no, explain whether some Kentucky Power regulated affiliates are interrupted and not others.

c. Explain whether, through the interruption process, Kentucky Power can alter its PJM/AEP share of allocated costs relative to the other AEP East companies by strategically interrupting its own interruptible customers.

40. Refer to Kentucky Power's Response to Staff's Second Request, Item 82(a). Confirm that the expenses included in adjustment W58 are also included in the three-year average used in adjustment W57. If confirmed, explain how this does not include these costs in base rates twice.

41. Refer to Kentucky Power's Response to Staff's Second Request, Item 82(b). Explain how the cited language supports Kentucky Power's adjustment W58.

42. Refer to Kentucky Power's Response to Joint Intervenor's First Request for Information, Item 32. Explain, and provide supporting documentation for, how Kentucky Power arrived at the market price estimate of Renewable Energy Certificates (RECs) that would be used for the various Renewable Power Option Rider service options.



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DATED SEP 11 2023

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