COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR A GENERAL ADJUSTMENT OF ELECTRIC RATES	)))	CASE NO. 2009-00459

SECOND DATA REQUEST OF COMMISSION STAFF TO KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than February 26, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to 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.

1. Refer to the revised proposed tariff filed on January 15, 2010.

a. Refer to Original Sheet No. 6-8, Tariff RS – TOD2.

(1) Provide a narrative explanation for how the service charge and energy charges were developed.

(2) Explain the reason for the 500-customer limit.

(3) State how Kentucky Power will market this tariff to its customers.

(4) The Roush Testimony indicates that a customer under this tariff would be required to pay $3.55 per month to pay for the cost of a more sophisticated meter. Explain why this requirement is not included in the tariff.

b. Refer to Original Sheet No. 7-1, Tariff SGS. This tariff page, as well as Tariffs MGS, MGS-TOD, LGS, QP, CS-IRP, and CIP-TOD, includes a change in the "Delayed Payment Charge" Section. The current language states, "[t]his tariff is net if account is paid in full within 15 days of date of bill." The proposed language states, "[t]his tariff is due and payable in full on or before the due date stated on the bill". A similar change is being made to Tariffs MW and OL. Explain the reason for the change and the effect it will have on customers.

c. Refer to Original Sheet Nos. 7-3 and 7-4, Tariff SGS-TOD.

(1) Provide a narrative explanation for how the service charge and energy charges were developed.

(2) Explain the reason for the 500 customer limit.

(3) State how Kentucky Power will market this tariff to its customers.

(4) In the "Special Terms and Conditions" section, it is stated that, "[e]xisting customers may initially choose to take service under this tariff without satisfying any requirement to remain on their current tariff for at least 12 months." Explain the meaning and purpose of this statement.

d. Refer to Original Sheet 9-4, Tariff LGS-TOD.

(1) Provide a narrative explanation of how all tariff charges were developed.

(2) Explain the reason for the 500 customer limit.

(3) State how Kentucky Power will market this tariff to its customers.

e. Refer to Original Sheet No. 15-1, Tariff SL. Under the "Fuel Adjustment Clause" Section, a text change was made by adding "Capacity Charge" to the last sentence. Explain the reason for this change.

f. Refer to Original Sheet Nos. 24-1 through 24-6, Rider ECS-C&E.

(1) Explain why this tariff is proposed to be available only through May 31, 2012.

(2) Explain all differences between this tariff and the current Rider ECS.

(3) Provide the effect this proposed tariff would have on customers currently taking service under Rider ECS.

g. Refer to Original Sheet Nos. 25-1 though 25-3, Rider EPCS. Provide the effect the proposed changes would have on customers currently taking service under this tariff.

h. Refer to Original Sheet No. 27-4, Tariff NMS. The Commission established interconnection and net metering guidelines in Case No. 2008-00169[1]. These guidelines state that no application fee may be charged for Level 1 applications and that a utility may require each customer to submit a fee of up to $100 for Level 2 applications. Kentucky Power filed, and the Commission subsequently approved, tariffs in accordance with these guidelines. Explain why the Commission should now approve a $50 application fee for both Level 1 and Level 2 applications.

i. Refer to Original Sheet No. 35-1, Tariff TA. State whether the Balancing Adjustment Factor would be a separate line item on the customer bill.

2. Refer to Volume 1 of the application, pages 339 and 340 of 367. For each of the last five years ending September 30, provide the amount of total Sales for

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[1] Case No. 2008-00169, Development of Guidelines for Interconnection and Net Metering for Certain Generators with Capacity Up to Thirty Kilowatts. Appendix A. Interconnection and Net Metering Guidelines – Kentucky (Ky. PSC Jan. 8, 2009).

Resale, Other Electric Revenue, Rent from Electric Property, and Miscellaneous Revenues.

3. Refer to Volume 1 of the Application, page 349 of 367. Explain the large increases in the amounts charged Kentucky Power by Appalachian Power Company, Indiana Michigan Power Co., and Public Service Co. of Oklahoma over the four-year period shown.

4. Refer to Volume 2 of the application, Section III. Provide a copy of pages 1-62 in electronic form on CD-Rom with the formulas intact and unprotected.

5. Refer to Volume 2 of the application, Section III, page 10 of 488.

a. Refer to column 1. Explain the "Book to Bill Adjustment."

b. Column 1 contains a row titled "Fuel" which shows a total of $9,513,955. Explain what this row represents.

c. When the "Fuel" row reaches column 9, titled "Revenue with Annualized Fuel," the amount is reduced to $5,704,918. Explain the difference in these two amounts.

d. Refer to column 9. Explain how the .0023217 fuel rate was calculated.

6. Refer to Volume 2 of the application, Section III, page 11.

a. Refer to column 1. Explain what is meant by "Customer Charge – NH" and "Customer Charge – HT."

b. Explain the employee discount policy.

7. Refer to Volume 2 of application, Section III, page 29 of 488. Column 3 shows a current "Alternate Feed" rate of $4.04. Provide the location of this rate in Kentucky Power's tariff.

8. Refer to Volume 2 of the application, Section III, page 38 of 488.

a. Explain how the Employee Discount of ($59,120) in the Proposed Revenue column was calculated.

b. Confirm that the reason Environmental Surcharge revenues go from $4,762,458 to $0 is due to Kentucky Power's proposal to roll environmental costs into base rates.

9. Refer to Volume 2 of the Application, Section V, Workpaper S-6, page 1 of 4. Provide an explanation for the two adjustments in column 4 or provide the location of same in the Application.

10. Refer to pages 5 and 9-10 of the Direct Testimony of Timothy C. Mosher. The sentence at line 7 of page 5 refers to "[i]ncreasing efficiencies . . . ," while the answer starting at line 21 of page 9 and continuing to page 10 refers to Kentucky Power meeting its goal of providing reliable cost-effective service "[t]hrough effort, efficiencies and commitment . . . ." Provide a list of all efficiencies, cost-saving measures, best practices programs, etc. that have been implemented by Kentucky Power since its last general rate case and, for each efficiency, measure or program, quantify the dollar impact of the benefit it has provided Kentucky Power's customers.

11. Refer to the Direct Testimony of William E. Avera ("Avera Testimony") at page 9. The information in footnotes 4 and 5 is a year old. If available, provide more recent utility sector analyses from Fitch Ratings, Ltd. and Moody's Investor Services.

12. Refer to the Avera Testimony at page 10, lines 4-6. Provide a description of the new generation facilities that Kentucky Power plans to invest in during 2010.

13. Refer to the Avera Testimony at page 10. Footnote 8 appears to be out of date. Provide the most recent electric utility sector analyses from Moody's Investor Service and Fitch Ratings Ltd. discussing energy market volatility.

14. Refer to the Avera Testimony at page 11. Provide copies of the articles referenced in Footnotes 11-13.

15. Refer to the Avera Testimony at page 12.

a. Explain whether Kentucky Power has requested that the Commission alter its Fuel Adjustment Clause mechanism to recover costs in a more timely fashion in order to alleviate investor concerns regarding the lag between expenses incurred and recovered through rates.

b. Provide an explanation of whether Kentucky Power is proposing to earn a return on its fuel costs.

c. Provide a list of utilities earning a return on fuel costs and an explanation of how that is related to exposure to fluctuations in power supply costs.

d. Provide a list of states whose utility regulatory commissions have explicitly authorized the electric utility to earn a return on fuel costs and copies of the relevant orders.

e. The fuel procurement process is well established in Kentucky and should be well understood by Kentucky Power. Provide an explanation of what actions the Commission has taken to heighten either company or investor concerns regarding fuel procurement disallowances and how this relates to exposure to fluctuations in power supply costs.

f. Provide the most recent "U. S. Investor Owned Electric Utilities: Six Month Industry Update" from Moody's Investor Service.

16. Refer to the Avera Testimony at page 13.

a. Provide copies of the documents referenced in Footnotes 15-16.

b. Footnote 17 does not appear to be timely. Provide the most recent Standard & Poor's Corporation reports regarding credit issues affecting the electric utility industry.

17. Refer to the Avera Testimony at page 14. Provide the Standard & Poor's Corporation document referenced in Footnote 20.

18. Refer to the Avera Testimony at page 16. Provide a copy of the document referenced in Footnote 27.

19. Refer to the Avera Testimony at page 17. Provide a copy of the documents referenced in Footnotes 28-29.

20. Refer to the Avera Testimony at pages 23-27 and Exhibits WEA-2 and WEA-4.

a. Provide the most recent Value Line company profile sheets for each of the companies in the Utility Proxy Group.

b. For each electric utility listed in Value Line, but not selected for the Utility Proxy Group, provide the reason that it was not selected.

c. For each utility in the Utility Proxy Group, provide:

(1) Whether the utility operates in a traditional or restructured regulation state.

(2) The percentage of revenues derived from non-regulated operations, and from international operations for 2009.

(3) Whether the utility operates in traditional or restructured states.

(4) The percentage of generation that is nuclear generation.

d. Explain why it is not circular to have American Electric Power in the Utility Proxy Group.

e. Provide a list of the state utility regulatory commissions and the attendant orders that explicitly based return on equity awards on the estimated returns of non-utility sector companies.

f. Part A of this testimony discusses the various risks faced both by Kentucky Power specifically and the electric utility industry generally. There is neither a comparable discussion of the risks faced by the Non-Utility Proxy Group nor any discussion of how these risks are comparable to the electric industry. Provide such discussions of the risks faced by each company and non-utility industry.

21. Refer to the Avera Testimony at page 29 and Exhibit WEA-2. Provide a detailed explanation of how the stock prices were estimated to determine the expected dividend yield.

22. Refer to the Avera Testimony at page 35 and Exhibit WEA-2. For regulated utilities, the return on equity and overall returns are determined in part through rate proceedings by state regulatory commissions. Provide an explanation of why the

sustainable growth approach does not produce a circular argument for determining regulated utility returns.

23. Refer to the Avera Testimony at page 36 and Exhibit WEA-2. Other than Mr. Avera's professional judgment, there does not appear to be any basis for using the expected growth rate in stock prices as the appropriate variable in the DCF analysis. Provide appropriate academic studies or texts that recommend using the expected growth rate in stock price as an appropriate variable in the analysis.

24. Refer to the Avera Testimony at page 39 and Exhibit WEA-2.

a. Provide a copy of the relevant pages in the Federal Energy Regulatory Commission ("FERC") document cited in footnote 45 that discuss the FERC's rationale and decision with regard to rate of return and "extreme outliers."

b. Explain whether the FERC decision establishing a threshold for "extreme outliers" for DCF estimates is specific to that particular 2004 case or is meant to be a hard and fast rule to be applied as a ceiling in all cases thereafter.

25. Refer to the Avera Testimony at page 42 and Exhibit WEA-6.

a. Explain why it was necessary to weight the firms in the calculations as opposed to performing the calculations on an unweighted basis.

b. Provide the CAPM analysis on an unweighted basis.

c. Explain how stock prices were selected and used in calculating the dividend yield referenced in Exhibit WEA-6 footnote (a). Were the March 27, 2008 closing prices or average stock prices used?

d. Explain why the 30-year Treasury Bond yield was not used in the calculation.

e. Provide the IBES and the Value Line average growth rates and explain how the 10.9 percent average growth rate was calculated.

26. Refer to pages 7-8 of the Direct Testimony of Dennis W. Bethel ("Bethel Testimony"), specifically, the discussion of FERC Docket No. ER09-1279 and how Kentucky Power "[w]ill experience a cost decrease if the changes proposed by the AEP East Companies are approved . . . ." Describe the cost decrease Kentucky Power will experience and provide a calculation of the amount of the decrease on an annual basis.

27. Refer to the Bethel Testimony, pages 10 and 11 of 23. Mr. Bethel refers to calculations performed by Kentucky Power witness David M. Roush. Provide the calculations referred to or the location of these calculations in the application.

28. Refer to page 8 of the Direct Testimony of Jay F. Godfrey ("Godfrey Testimony"). Several AEP operating companies that have contracts for long-term wind energy contracts are shown in Table 1.

a. Identify all states in which AEP operating companies are located that have adopted a renewable portfolio standard.

b. Have AEP operating companies entered into power purchase agreements for renewable energy for power generated by sources other than wind? If yes, provide the information shown in Table 1 for those purchase agreements.

c. Compare the costs for energy purchases identified in the response to part b of this request to costs for energy purchases shown in Table 1. The response can be in the form of a general narrative discussion rather than specific costs for contracts entered into by various operating companies.

29. Refer to page 14 of the Godfrey Testimony. Starting at line 6, Mr. Godfrey states that if Congress does not extend the investment tax credit or the renewable energy production tax credit, it will end up costing Kentucky Power customers more to acquire additional megawatt-hours of renewable energy as part of a federal or state mandate.

a. Explain how much more it would cost Kentucky Power customers if these credits are not renewed.

b. Explain the relationship, if any, between the additional cost to Kentucky Power customers and the lost value of the tax credits to the seller of renewable energy.

30. Refer to page 19 of the Godfrey Testimony. Starting at line 10, Mr. Godfrey states that the wind power price will begin to escalate on January 1, 2012. This escalation in price appears to coincide with the possible expiration of the tax credits mentioned in the previous question. Describe the impact of the costs for customers from the combination of these two events.

31. Provide the estimated annual cost of the wind power contract for the 20-year term of the contract.

32. Refer to the Godfrey Testimony, Exhibit JFG-1, page 1. Under the "Price" section, it is stated that, "[p]urchaser will also reimburse Seller for any operating reserve or other PJM charges associated with scheduling the Renewable Energy to Purchaser via PJM's schedule process." State whether these costs are included in the $20 million estimated cost of the wind power contract. If no, estimate these costs for the 20-year term of the contract.

33. State whether Kentucky Power intends for renewable power purchases, such as wind power, to be recovered through its fuel adjustment clause.

34. Refer to the Direct Testimony of Diana L. Gregory ("Gregory Testimony"), pages 8 and 9. On page 8, starting at line 7, Ms. Gregory states the difference between transmission revenues and PJM OATT net costs would be deferred as either a net regulatory asset or liability for future refund or recovery through the balancing adjustment factor ("BAF"). On page 9, starting at line 17, Ms. Gregory states that, "[t]he final order in this proceeding should clearly provide for the future recovery of PJM OATT net costs in excess of applicable Kentucky Transmission related revenues in the next proceeding." Explain what is meant by the phrase "in the next proceeding."

35. Refer to Footnote 1 in the Gregory Testimony, which lists the utilities that make up the AEP East Companies.

a. Identify the other AEP East Companies that have submitted a transmission adjustment tariff similar to Kentucky Power's proposed Tariff TA to their state regulatory commissions for approval.

b. For all AEP East Companies identified in response to part a. of this request, provide the current status of their tariff requests.

36. Refer to the Direct Testimony of Daniel E. High ("High Testimony") at Exhibit DEH-1.

a. Provide an electronic copy of the cost-of-service study in Excel format with all formulas intact and unprotected.

b. Provide the underlying work papers, if any, and a description of how they are applied to the cost-of-service study.

c. Provide a detailed narrative description of the exhibit that describes the various portions of the study and how they relate to each other.

d. Provide a detailed narrative description of how each classification and allocation factor is derived and where in the study it is found.

37. Refer to the High Testimony at pages 5-11 and Exhibit DEH-1.

a. It does not appear that a zero intercept method or a minimum system approach was performed for classifying certain distribution plant into customer and demand categories. Provide the workpapers and the results of using these methods and show how they compare to the cost-of-service study presented in DEH-1.

b. The 12 CP method appears to skew the classification/allocation of costs into the demand category more heavily than other methods. The Peak and Average method works off the premise that average and peak demand are driving factors. Provide an explanation of why the latter method would not satisfy the criteria set out on pages 8-9.

38. Refer to the High Testimony at Exhibit DEH-1, pages 10-19 of 19. Provide a detailed description of:

a. Each listed allocation factor.

b. How each of the percentages is derived for each of the subcategory rows titled: Production, Bulktran, Subtran, Distpri, Distsec, Energy, Customer, and Total.

c. There appear to be allocation factors used in previous pages of the cost-of-service study that are not listed on pages 10-19 of 19. For each factor, provide a description of how it was derived and where in the cost-of-service study its derivation is found.

39. Refer to page 12 of the Direct Testimony of David E. Jolley ("Jolley Testimony") concerning the measures contained within the various compensation plans discussed in his testimony and a plan participant's maximum individual award percentage.

a. For each group of employees–non-exempt, exempt, exempt management employees, and senior management employees–identify the specific measures contained in the incentive compensation plan(s) available to them and the weight assigned each measure in each of the incentive compensation plans.

b. A participant's maximum individual award percentage is described as "[t]he greater of two times his or her target award percent or the Overall Score plus 50%." Explain what the "Overall Score" represents and provide the maximum Overall Score an employee can achieve.

40. Refer to pages 14 and 18 of the Jolley Testimony. On page 14, the amount of $5,650,647 requested to be included in the cost of service is identified as the target amount of incentive compensation for the test year.

a. Confirm whether the amount of $990,858 in long-term incentive compensation shown on page 18 is the test year target amount.

b. The proposed adjustments are based on the target and actual amounts of incentive and long-term incentive compensation for the test year. Clarify the specific 12-month period for which the company's results were measured that resulted in the actual levels of incentive and long-term incentive compensation.

41. Refer to page 5 of the Direct Testimony of Thomas M. Myers ("Myers Testimony"). The current system sales clause was approved in 2006 in the settlement in Kentucky Power's most recent rate case, meaning it was in effect for the full year in each of the calendar years, 2007, 2008 and 2009. For each of these years, provide a side-by-side comparison of the actual results for the company and its customers under the existing system sales clause and the "calculated" results that would have been realized under the proposed modification to the existing system sales clause.

42. Refer to page 11 of the Myers Testimony. The question and answer at the top of the page indicate that "[t]he unprecedented economic downturn . . ." of the past year is one of the primary reasons for the proposed modification to the system sales clause. Explain why an event characterized as unprecedented should form the basis for a change of the sort being proposed to Kentucky Power's system sales clause.

43. Refer to the Direct Testimony of Everett G. Phillips ("Phillips Testimony") at page 4.

a. Provide an update to Figure 1 showing outages for the years 2004, 2005, and the full year for 2009, a breakout for trees inside and outside the right of way ("ROW").

b. Provide a similar update for Figure 1 including major storm events.

44. Refer to the Phillips Testimony at page 7, lines 7-12. Mr. Phillips states that Kentucky Power installed three distribution automation systems in the Inez, Cannonsburg, and Buckhorn areas to enable sectionalizing detection of a fault. State whether the distribution automation systems were able to minimize the number of

sustained outages experienced in these areas as a result of the snow storm occurring in late December 2009. Include any supporting data in the response.

45. Refer to the Phillips Testimony at page 12. Provide a copy of the 2008 MSI customer survey report.

46. Refer to the Phillips Testimony at pages 13-15.

a. Explain whether moving the vegetation management plan from a performance-based approach to a cycle-based approach, including a tree inventory, was discussed in Kentucky Power's focused management audit of its Hazard District.

b. Explain whether the proposed cycle-based vegetation management plan calls for clearing ROW in the same manner as currently used in the circuit station zone. If not, explain how circuits will be trimmed past the first station zone.

47. Refer to the Phillips Testimony at page 14, which states: "[D]epending on the field data obtained and the rainfall in a particular area, some lines may be maintained on a three-year interval, while maintenance on others may stretch to every four to six years."

a. Following this reasoning, explain why a few drought years followed by a number of wetter-than-normal years would not again place the company behind in its tree trimming program because the tree growth would accelerate.

b. Explain why it would not be better to simply remain with the four-year cycle regardless of rainfall.

48. Refer to the Phillips Testimony at page 15.

a. Provide a discussion of how the tree inventory will be conducted.

b. Explain whether the inventory will follow the general guidelines discussed in the company's previous focused-management audit.

c. During the first year that the tree inventory is being conducted and additional crews are being acquired, explain whether the new vegetation management plan calls for existing crews to immediately begin the more aggressive cycle trimming.

d. Provide the number of IO-13 customer reports for the years 2004, 2005, and 2006.

e. Provide a copy of a typical IO-13 customer report.

49. Refer to the Phillips Testimony at page 17.

a. Update Figure 6 to include a breakout of estimated contractor and company costs.

b. Explain whether the estimated increased costs from the updated Figure 6 are included in the company's rate request.

50. Refer to the Phillips Testimony at page 19.

a. Explain whether or not the existing ROW widths are as wide as recommended and allowed according to IEEE standards.

b. In instances where ROW is not as wide as recommended widths, explain when it would not be possible to widen a narrow ROW.

51. Refer to the Phillips Testimony at pages 21-26. Describe how Kentucky Power proposes to fund the five years of incremental annual increases covering the transition to the four-year trimming cycle.

52. Refer to pages 7-8 of the Direct Testimony of David M. Roush ("Roush Testimony") and Section V, Workpaper S-4, page 23 in Volume 2 of the Application.

a. When were the PJM Schedule 12 charges for AEP last updated?

b. Provide the calculation of the January 2010 PJM Enhancement expense of $1,845,721 shown on Line 1 on the workpaper.

53. Refer to page 12 of the Roush Testimony, line 8. Mr. Roush states that, for the Street Lighting class, Kentucky Power is proposing to limit service on new metal or concrete poles to existing installations. Explain the reason for this proposal.

54. Refer to pages 13 and 14 of the Roush Testimony. In discussing the proposed experimental time-of-day service tariffs for residential, small general service, and large general service customers, Mr. Roush states that the tariffs were designed to be revenue neutral and that on average, customers would not pay more or less by selecting the experimental tariff.

a. Given that statement, provide the incentive customers would have to choose the time-of-day rate.

b. Given that Kentucky Power does not know where current customer usage falls within the three time periods included in the proposed tariffs, explain how Kentucky Power was able to design the tariffs to be revenue neutral.

55. Refer to page 13 of the Roush Testimony. Mr. Roush states that a $3.55 per-month charge would apply to customers of time-of-day tariffs to cover the additional cost of a more sophisticated meter.

a. Provide the cost to Kentucky Power of the more sophisticated meter.

b. At the rate of $3.55 per month, a customer would contribute $42.60 annually toward the cost of the meter. State whether Kentucky Power intends for this monthly charge to cease once the cost of the meter has been paid by the customer through the monthly charge. If no, explain why this proposed charge is reasonable.

56. Refer to page 15 of the Roush Testimony. Starting at line 4, Mr. Roush states that changes are being proposed to Tariff QP in order to make transitions between Tariff LGS and Tariff QP easier for customers.

a. Explain why these transitions occur. Include the frequency of these transitions in your response.

b. Provide the effects the proposed changes would have on current customers of Tariff QP.

57. Refer to pages 19-21 of the Roush Testimony and Exhibit DMR-4.

a. Identify where in the company's cost-of-service study the embedded cost of transmission of $49,514,393 included in its proposed base rates can be found.

b. Starting at line 16 of page 19, Mr. Roush states that, "[t]he proposed Transmission Adjustment Tariff (Tariff T.A.) compares the charges under PJM's Tariff to the embedded cost of transmission as determined from KPCo's cost-of-service study and included in KPCo's proposed base rates." State whether the difference in these two amounts is due to the PJM Tariff charges being calculated at the January 2010 rate. If not, explain why the PJM Tariff charges and the embedded cost of transmission would be different.

c. Absent the proposed transmission adjustment tariff, state whether the proposed rates would include the embedded cost of transmission per the cost-of-service study or the amount of $42,475,930 calculated and shown in the exhibit.

58. Refer to the Roush Testimony at page 20. Starting at line 20, Mr. Roush states that the Tariff TA would not apply to Tariffs OL and SL since they do not have an embedded cost of transmission. Given that $49,514,393 of transmission costs are included in Kentucky Power's proposed rates, and therefore are proposed to be recovered through the lighting schedules, explain why it would not be appropriate to apply the Tariff TA to the lighting schedules.

59. Refer to page 21 of the Roush Testimony. Mr. Roush discusses the annual filings for Tariff TA and the BAF. Explain whether Kentucky Power anticipates that these annual filings would be tariff filings or case filings requiring an order from the Commission.

60. Refer to the Roush Testimony, Exhibit DMR-3, page 1 of 4. This schedule shows that the Street Lighting class has a current return on rate base of 14.45 percent, more than twice the return of any other class. Given its high rate of return, explain why it is appropriate to allocate any revenue increase to this class.

61. Refer to the Direct Testimony of Errol K. Wagner ("Wagner Testimony") at page 8. Starting at line 13, Mr. Wagner states that Kentucky Power paid an annual capacity charge of $57,077,395 for the September 30, 2009 test year. Provide the capacity charge for each of the last five-year periods ending September 30.

62. Refer to the Wagner Testimony, pages 8-10, concerning the AEP transmission agreement and Section V, Workpaper S-4, page 7 in Volume 2 of the

application. Page 10 of the Wagner Testimony refers to the workpaper and the Bethel Testimony. The workpaper reflects an increase in Kentucky Power's transmission agreement revenues while the Bethel Testimony refers to Kentucky Power receiving a cost decrease due to changes in how transmission issues are dealt with by the AEP East Companies. Explain whether the revenue increase referenced by Mr. Wagner and the cost decrease discussed in the Bethel Testimony are, or are not, one and the same.

63. Refer to page 10 of the Wagner Testimony and Workpaper S-2, page 3.

a. Explain why the gross revenue conversion factor is based on a three-year average of uncollectible accounts rather than on the test-year level of uncollectible accounts.

b. Describe the company's standard policy on when it charges, or writes off, uncollectible accounts as bad debts.

c. For the three 12-months periods included in the workpaper, provide an end-of-period comparison of the level of uncollectible accounts that were 30, 60 and 90 days old.

64. Refer to page 15 of the Wagner Testimony. Explain whether the change to Kentucky Power's environmental surcharge calculation referenced therein requires a change to its environmental surcharge tariff.

65. Refer to page 26 of the Wagner Testimony. The last sentence concerning the coal stock adjustment indicates that the adjustment was made by reducing short-term debt because "[t]he coal inventory is 'usually' financed with short-term debt."

a. In the context of this sentence, explain what 'usually' means.

b. If coal inventory is not "always" financed by short-term debt, explain why it is appropriate to apply the adjustment entirely to short-term debt.

c. Explain how the financing for the coal inventory can be traced to short-term debt.

66. Refer to page 34 of the Wagner Testimony and Section V, Workpaper S-4, page 8. Explain why an adjustment to include this below-the-line item in the company's cost of service is appropriate.

67. Refer to pages 35-36 of the Wagner Testimony and Exhibits EKW-14, 15, and 16. Explain why the capacity rates of three of the five AEP East Companies, including Kentucky Power, change in lock-step with each other while the capacity rates for the other two companies change independently of the rates of the former.

68. Refer to page 36 of the Wagner Testimony and Section V, Workpaper S-4, page 10. Confirm that the Miscellaneous Service Charge revenue adjustment is not a normalization adjustment but is based solely on increases proposed for Miscellaneous Service Charges.

69. Refer to pages 37-38 of the Wagner Testimony and Section V, Workpaper S-4, page 14.

a. For the test year and the two prior 12-month periods shown in the workpaper, provide a schedule which identifies the level of expense incurred for routine planned maintenance, by activity, and the level incurred for unplanned maintenance/ repairs. Identify by name each planned maintenance activity performed in each of the three periods.

b. For each planned maintenance activity routinely performed for the Big Sandy Station, provide the timeframe, or cycle, on which it is performed.

c. Explain why it is appropriate to calculate the proposed adjustment for Big Sandy plant maintenance based on a three-year average.

70. Refer to page 40 of the Wagner Testimony and Workpaper S-4, page 26. The discussion in the testimony refers to three parts in the proposed adjustment to the system sales margin that could be characterized as "normalizing" the test-year system sales margins. Confirm that the calculation in the workpaper includes an additional, fourth, component which reflects the proposed changes in the system sales tracker.

71. Refer to page 41 of the Wagner Testimony and Workpaper S-4, page 27. Provide a detailed description of what makes up the company's intangible expense.

72. Refer to pages 42-43 of the Wagner Testimony and Workpaper S-4, page 41. Confirm that the proposed adjustment to remove revenues associated with the system sales tracker is based on the proposed changes in the system sales tracker.

73. Refer to pages 44-46 of the Wagner Testimony and Workpaper S-4, page 29, specifically the discussion and calculation of the asset retirement obligation ("ARO") and accretion adjustment.

a. Identify where in the depreciation study or in the Direct Testimony of James H. Henderson ("Henderson Testimony") it can be verified that the ARO costs associated with asbestos removal at the Big Sandy plant are not included in the proposed depreciation expense.

b. Provide the calculations showing the derivations of the ARO depreciation expense and the accretion amortization expense shown in the workpaper.

74. Refer to page 55 of the Wagner Testimony. Mr. Wagner states that Kentucky Power is proposing a reconnection charge for customers who have requested disconnection and then reconnection within a 12-month period. Explain the necessity of this proposed charge.

75. Refer to the Wagner Testimony, Exhibit EKW-6.

a. Refer to line 2. Explain the differences in the transportation hours among the special charges.

b. Refer to line 7. Provide the calculation for the transportation hourly rate of $8.74.

c. Refer to line 9. Provide the calculations for the fringe benefits rate.

76. Refer to page 6 of the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony") which refers to Kentucky Power's Case No. 9061 as support for the proposed adjustment for interest on customer deposits. Explain whether Kentucky Power is aware of the more recent case, Case No. 1999-00176,[2] in which the Commission established its current treatment of customer deposits as a rate-base item and treatment of interest on customer deposits.

77. Refer to pages 8-9 of the Wohnhas Testimony, specifically the discussion of the adjustment for Major Event storms.

a. Explain why the company believes that three years is the appropriate period of time over which to amortize its deferred storm costs.

b. Provide a schedule of the $10,306,227 in major storm-related costs incurred by Kentucky Power in 2009 which shows the cost for each of the three storm

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[2] Case No. 1999-00176, An Adjustment of Rates of Delta Natural Gas Company, Inc. (Ky. PSC Dec. 27, 1999).

events separately and broken down into materials costs, in-house labor, contract labor, transportation costs, housing for contract crews, and any other category the company considers material.

c. For each of the three storms, provide the total number of customers that lost power during the event, the number of customers without power reported on a daily basis during the duration of the storm event, the number of calls the company received from consumers during the event, and the average response time for answering those calls during that specific storm event.

78. Refer to page 10 of the Wohnhas Testimony and Section V, Workpaper S-4, page 34. Explain why it is appropriate to include an adjustment for wage and salary increases that occur seven and eight months after the end of the test year.

79. Refer to the Direct Testimony of Hugh E. McCoy, pages 18-22; page 5 of the Wohnhas Testimony; and Section V, Schedule 4, page 1 of the Application.

a. Beginning on line 21 of page 20, Mr. McCoy states that Kentucky Power's "[p]ension funding shortfall under FAS 87 grew substantially over the period 2000-2003 . . . ." Beginning on line 22 of page 18, Mr. McCoy states that the additional cash contributions of $15,390,035, which Kentucky Power proposes to include in its rate base, were made in 2005. Under the conditions described by Mr. McCoy, explain in detail why the company did not make the additional cash contributions prior to 2005.

b. Provide the specific dates in 2005 on which Kentucky Power made these additional cash contributions to its pension fund.

c. If these cash contributions were made in 2005 to address funding shortfalls that occurred during 2000-2003, explain how this reflects the pension plan's "pre-funding status" as referenced at lines 1-3 of the Wohnhas Testimony.

d. These contributions, in the amount of $15,390,035, have been on Kentucky Power's books since 2005. Explain what changes, if any, might occur in the future that will affect this account balance.

80. Refer to page 13 of the Henderson Testimony, specifically, his discussion of the reasons for the proposed increase in the composite depreciation rate for Transmission Plant.

a. Identify and describe the factors that contributed to the reductions in the average service lives for Accounts 353, 354, and 355.

b. Explain why the period 1994-2008 was used in developing the increased removal costs reflected in the proposed depreciation rates.

81. Refer to page 78 of 350 of the depreciation schedule attached to the Henderson Testimony. Given that retirements for Account 354, Towers and Fixtures, are described as "minimal" and "limited," explain how Mr. Henderson was able to derive the 75 percent gross removal percentage.

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