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. 2013-00197

COMMISSION STAFF'S SECOND 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 ten copies of the following information, with a copy to all parties of record. The information requested herein is due by September 11, 2013. 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 page 13 of the Direct Testimony of William E. Avera ("Avera Testimony"). Provide the most current information available to update the "Current" interest rates on 30-year Treasury bonds, triple-A rated corporate bonds, and double-A rated utility bonds as shown on Figure WEA-2, which is based on monthly average bond yields for the six-month period ending February 2013.

2. Refer to pages 16–17 of the Avera Testimony. State whether NV Energy should be excluded from the proxy group based on its involvement in an acquisition, as reported by the August 2, 2013 issue of Value Line. If so, provide the Return on Equity ("ROE") analyses based on this exclusion.

3. For each utility covered by Value Line that was excluded from the proxy group, explain why it was not chosen.

4. Refer to page 42 of the Avera Testimony.

a. Explain why a historical risk premium was not calculated as an additional element of the Empirical Capital Asset Pricing Model ("ECAPM") analysis.

b. State whether companies with negative growth rates and excessive growth rates were excluded from the Discounted Cash Flow ("DCF") analysis. If not, explain why.

c. Explain why Earnings Per Share ("EPS") growth projections were not taken from Value Line, which provided the dividend yields.

d. Explain the need for a size adjustment, given that American Electric Power ("AEP"), Kentucky Power's parent company, is sufficiently large as to require a negative size adjustment, as shown on Exhibit WEA-6.

5. Refer to the Avera exhibits containing Mr. Avera's proxy group.

a. Provide the most current ROEs awarded by their respective regulatory agencies and the dates of the awards for Mr. Avera's proxy group, or for their electric utility subsidiaries if the proxy company is a holding company.

b. Explain why it is appropriate to include Kentucky Power's parent company, AEP, in the ROE analysis.

6. Provide an electronic copy of the Excel spreadsheets supporting the Avera Testimony and the responses to items in this request for information for which Mr. Avera is responsible, where appropriate, with the underlying data and formulas intact.

7. Refer to the Direct Testimony of Jeffrey B. Bartsch ("Bartsch Testimony") at pages 3-4 and Section V, Workpaper S-2, page 2.

a. The KPSC maintenance fee shown on line 4 of the workpaper is 0.15 percent. On June 10, 2013, the Kentucky Revenue Department provided the new assessment rate of 0.1785 percent for state government's 2013-2014 fiscal year to the

Commission. Provide a revised gross revenue conversion factor calculation using the new assessment rate.

b. Explain why income tax rates for Illinois and Michigan are included in calculating the gross revenue conversion factor.

8. Refer to the Bartsch Testimony at pages 5-6 and Section V, Workpaper S-4, pages 63 and 65.

a. Explain why it was determined that an adjustment to Kentucky Power's test year Schedule M removal cost was necessary based on the average amount from the three most recent tax returns.

b. Explain why it was determined that the Mitchell plant test year Schedule M amount was appropriate for ratemaking purposes and did not require an adjustment based on a historical average.

9. Refer to the Bartsch Testimony at pages 8-9 and Section V, Workpaper S-4, page 64.

a. Explain why three years was selected as the basis for determining an average amount for the Section 199 Manufacturing Deduction.

b. The three-year period shown in the workpaper ends with the 2011 tax return. Explain when Kentucky Power's 2012 tax return will be filed.

10. Refer to the Direct Testimony of Douglas R. Buck, pages 2-7. For each rate class receiving a proposed change in monthly service charges, energy charges, and demand charges, explain how the changes in the various charges were determined and provide supporting analysis.

11. Refer to the Direct Testimony of Andrew R. Carlin at pages 19-28 and pages 28-32 and Section V, Workpaper S-4, pages 35 and 47.

a. Both sections of the testimony, 19-28, which covers annual incentive compensation, and 28-32, which covers long-term incentive compensation, reference the workpaper, pages 35 and 47. Page 35 has the adjustment for Kentucky Power while page 47 shows the calculation of the Mitchell plant adjustment.

(1) Provide a breakdown of the test year actual incentive plan payout for Kentucky Power of $5,778,275 (page 35) which shows the amounts related to annual incentive compensation and long-term incentive compensation separately.

(2) Provide a breakdown of the incentive plan payout at a 1.0 payout for Kentucky Power of $3,697,125 (page 35) which shows the amounts related to annual incentive compensation and long-term incentive compensation separately.

(3) Provide a breakdown of the test year actual incentive plan payout for the Mitchell plant of $1,843,172 (page 47) which shows the amounts related to annual incentive compensation and long-term incentive compensation separately.

(4) Provide a breakdown of the incentive plan payout at a 1.0 payout for the Mitchell plant of $1,085,424 (page 47) which shows the amounts related to annual incentive compensation and long-term incentive compensation separately.

b. Provide a further breakdown of the amounts provided in response to part a. of this request which shows, for each of the annual incentive payout amounts, the portion related to each component of the annual incentive compensation plan and, for each of the long-term incentive payout amounts, the portion related to each component of the long-term incentive compensation plan.

12. Refer to the Carlin Testimony at page 21 and Exhibit ARC-7, page 10.

a. Explain whether an improvement in Kentucky Power's System Average Incident Duration Index ("SAIDI") results in an increased incentive pay payout for its employees.

b. Explain whether improvements in Kentucky Power's SAIDI result in an increased incentive pay payout for AEP Service Corporation ("AEPSC") employees.

c. If the Commission-approved annual reliability spend were there to be increased by $10 million, explain whether Kentucky Power's SAIDI would be expected to improve over time.

d. Explain whether Kentucky Power and AEPSC employees would receive increased incentive pay because of an improved SAIDI if the improvement resulted from the Commission's having authorized an increase in Kentucky Power's annual reliability spend.

13. Refer to the Direct Testimony of David A. Davis ("Davis Testimony") at page 7. The testimony indicates that Kentucky Power used the Average Remaining Life Method for the individual primary plant accounts. Provide the rational for using that methodology.

14. Refer to the Davis Testimony at page 10. Mr. Davis recommends that the Commission authorize Kentucky Power to adopt and apply the proposed depreciation accrual rates at the primary plant account level and that accumulated depreciation by primary plant account be established as of the date of this order. Explain whether this approach is current in use by other AEP operating companies.

15. Refer to the Davis Testimony and page 5 of Exhibit DAD-1. Item 1 of the exhibit indicates that Kentucky Power chose to use the group plan for all depreciable property included in the report and that it had previously used the remaining-life method of depreciation.

a. Explain why Kentucky Power chose to change methodologies.

b. Identify and describe the effects that using the group plan will have on the overall depreciation rates, compared with using the remaining life methodology.

16. Refer to Exhibit DAD-1, page 8, wherein Mr. Davis indicates that a retirement date of 2015 is applicable for Big Sandy Units 1 and 2.

a. Explain whether Kentucky Power has made a decision to retire both units in 2015.

b. If the study were to be performed based on Big Sandy Unit 1's remaining in service beyond 2015, explain how that would affect the depreciation model runs.

17. Refer to the Direct Testimony of Hugh E. McCoy ("McCoy Testimony") at page 8 and Exhibit HEM-1.

a. Identify the causes of the increase in annual pension expense from $3,245,663 in calendar year 2012 to $4,061,812 in calendar year 2013.

b. Confirm that the amount shown in Exhibit HEM-1 as pension cost for the 12 months ended March 31, 2013 reflects the sum of nine times the average monthly amount for calendar year 2012 pension cost plus three times the average monthly amount for calendar year 2013 pension cost.

18. Refer to the McCoy Testimony at pages 17-21, Exhibit HEM-4, and Section V, Schedule 4, page 1. Exhibit HEM-4 shows a prepaid pension balance as of March 2013 of $26,308,055. However, Section V, Schedule 4, page 1, shows a March 31, 2013 prepayments balance of $1,455,069 and a rate case adjustment which adds the $26,308,055 for an adjusted amount of $27,763,124. Clarify what the correct March 2013 balance is for prepayments and, if the prepaid pension amount was not included in that balance, explain where and how it was recorded prior to being included as a rate case adjustment.

19. Refer to the Direct Testimony of Thomas E Mitchell ("Mitchell Testimony") at page 5 and Section V, Workpaper S-4, pages 56-59. Most of the adjustments related to the planned acquisition of a 50 percent ownership interest in the Mitchell generating capacity include a step showing a 50 percent calculation. However, the adjustments on pages 56-59 do not contain this step. Confirm that the amounts in these adjustments reflect 50 percent and not 100 percent of the Mitchell-related costs.

20. Refer to the Mitchell Testimony at pages 8-12. Kentucky Power proposes to recover the deferred costs shown on page 9 with no carrying charges. However, it is proposing to recover the deferred Big Sandy depreciation expense and operation and maintenance ("O&M") expense with an 11.66 carrying charge. Explain in detail why different approaches are proposed for the recovery of these deferred costs.

21. Refer to the Mitchell Testimony at page 11 and Section V, Workpaper S-4, page 61 regarding the depreciation adjustment for the Mitchell plant in service.

a. Confirm that the new depreciation rates shown in column 5 of the workpaper are the rates being proposed for Kentucky Power in this case based on the depreciation study performed by Mr. David Davis and discussed in the Davis Testimony.

b. If the answer to part a. of this request is affirmative, explain why it is appropriate to apply these rates to Kentucky Power's investment in the Mitchell plant accounts when the Davis Testimony states that the new depreciation rates reflect changes in average service lives due in large part to "the timing of the planned retirement of the Big Sandy units."

22. Refer to the Mitchell Testimony at pages 11-12 and Section V, Workpaper S-4, page 66.

a. Explain whether the Big Sandy production depreciation expense that is being removed from the test year is the expense for both units or just for Unit No. 2.

b. Provide the calculation of the $24,151,805 in expense shown on line 1 of the workpaper.

23. Refer to the Direct Testimony of Lila P. Munsey ("Munsey Testimony") at page 17 and Section V, Workpaper S-4, page 1.

a. Provide the amount of interest expense on customer deposits recorded by Kentucky Power during the test year and the account(s) in which it was recorded.

b. The reduction in the interest rate on customer deposits to 0.18 percent took effect on January 1, 2013, meaning the historical rate of 6 percent was in effect for the first nine months of the test year. Explain why the proposed adjustment, based on the amount, of $42,860, of interest expense on the March 31, 2013 balance of customer deposits, calculated at 0.18 percent, is an addition to the cost of service.

24. Refer to the Munsey Testimony at page 18 and Section V, Workpaper S-4, page 2.

a. Provide the dates of all company-performed audits/surveys of pole attachments performed since calendar year 2000.

b. Provide the date of the next scheduled audit/survey.

25. Refer to the Munsey Testimony at page 22 and Section V, Workpaper S-4, page 9. On June 10, 2013, the Kentucky Revenue Department provided the new assessment rate of 0.1785 percent for state government's 2013-2014 fiscal year to the Commission. Provide a revised Workpaper S-4 based on the new assessment rate.

26. Refer to the Munsey Testimony at page 22 and Section V, Workpaper S-4, page 13. The effective date of the postage rate increase was January 27, 2013, yet the increase in the rate is applied to the total number of notices, letters, and bills mailed by Kentucky Power during the test year. Provide the number of notices, letters, and bills mailed from April 1, 2012 through January 26, 2013 and a revised adjustment based on that number of mailings.

27. Refer to the Munsey Testimony at page 24 and Section V, Workpaper S-4, page 32.

a. Explain whether the "Property Taxes Charged" for the test year of $9,502,813 shown on line 4 of the workpaper is before or after adjustments to the amounts initially assessed by the taxing authorities.

b. If the amount of $9,502,813 shown on line 4 is before adjustments to the amounts initially assessed by the taxing authorities, provide the amount charged after adjustments.

c. If the amount of $9,502,813 shown on line 4 is after adjustments to the amounts initially assessed by the taxing authorities, provide the amount charged before adjustments.

28. Refer to the Munsey Testimony at page 24, Exhibit LPM-3, and Section V, Workpaper S-2, page 34.

a. On Exhibit LPM-3, column 9 is headed "Deferred Fuel." Explain what deferred fuel represents, how long the amount in a given month is deferred, and why there is no deferred fuel amount in either of the first two months of the test year.

b. During the test year customers took service under Tariff R.T.P. who, per the customer migration adjustment, are no longer served under that tariff. Rate R.T.P. is not subject to Kentucky Power's fuel adjustment clause. Explain whether the test year status and current status of these customers have any effect on the proposed fuel over/(under) revenue adjustment.

29. Refer to the Munsey Testimony at pages 26-27, Exhibit LPM-4, and Section V, Workpaper S-4, page 62.

a. The testimony refers to expenses that will no longer be paid due to the termination of the AEP Pool Agreement; however, the proposed adjustment eliminates revenues from the test year. Exhibit LPM-4 shows the expenses being reported in Kentucky Power's monthly environmental surcharge filings. Explain why termination of the pool agreement does not result in an adjustment to eliminate expenses and identify the account(s) in which the revenues being eliminated were recorded in the test year.

b. Exhibit LPM-4 indicates the adjustment to eliminate $7,320,077 in revenues is matched with a comparable reduction to Kentucky Power's environmental base costs. The exhibit also includes an adjustment which increases environmental base costs by $74,114,113 due to the proposed Mitchell acquisition. Explain why this increase in costs is not matched by an adjustment to increase revenues similar to the adjustment to decrease revenues related to termination of the pool agreement.

30. Refer to Exhibit LPM-5, page 1, of the Munsey Testimony.

a. Explain how the transportation hourly rate of $7.91 was determined.

b. Explain how the fringe benefit rates of 0.4220 and 0.1260 were determined.

31. Refer to the Direct Testimony of Marc D. Reitter ("Reitter Testimony") at page 6, Exhibit MDR-1, page 1, and Section V, Workpaper S-3, page 2.

a. Given the lower annual cost rate of short-term debt as compared with accounts receivable financing, explain why Kentucky Power did not make greater use of short-term notes payable during the test period in lieu of some portion of its accounts receivable financing.

b. Identify and describe the circumstances that resulted in Kentucky Power's having no short-term debt balances at month's end for the first eight months of the test year and then having month-end balances for each of the last four months of the test year.

32. Refer to the Reitter Testimony at pages 7-9 and Section V, Schedule 3 and Workpaper S-3, page 1.

a. The credit spread on the January 2013 debt issued by AEP Texas North Company ("TNC") was 1.45 percent. Explain how TNC's current credit profile compares to Kentucky Power's current credit profile.

b. The answer at the top of page 9 indicates that Kentucky Power will issue new long-term debt associated with the Mitchell acquisition "within approximately six months of the closing of the Transfer and Assumption Transaction if the debt capital markets are available to Kentucky Power." Explain whether there is a concern as to whether the debt capital markets will be available to Kentucky Power.

c. Clarify whether the term "new debt" in the aforementioned answer refers to the $225 million described on page 7 at line 6 as "newly issued indebtedness" or if it refers to the total debt amount of $290 million shown in column 4 of Schedule 3.

d. Six months after the planned closing on the Mitchell transfer will be approximately 15 months after the end of the test period in this case. The debt related to the Mitchell acquisition has not been authorized by the Commission pursuant to KRS 278.300, and the last sentence in the answer at the top of page 9 indicates that authorization will be sought "subsequent to the Transfer and Assumption Transaction." Given these circumstances, explain why it is appropriate for the cost of this debt to be included in Kentucky Power's revenue requirement at this time.

e. Kentucky Power has made a rate-mitigation proposal to defer and amortize the depreciation expense and operation and maintenance ("O&M") expense it projects for the period after the Mitchell acquisition but before the retirement of one or both Big Sandy units so that customers would not be paying for the full amount of its Big Sandy-related costs and the full amount of its Mitchell-related costs. Explain why a similar proposal was not made for the financing costs related to the Big Sandy plant.

33. Refer to the Direct Testimony of Jason M. Stegall at pages 4-6, Exhibit JMS-1, and Section III, Exhibit K, page 9 of the application. The customer annualization adjustment reflects a revenue reduction of $6,452,693. Page 9 of Exhibit K indicates a large portion of the reduction is related to lower revenues from customers served under tariffs "CIP Sub (371)" and "CIP Tran (372)."

a. Describe the changes in customers, demand, or energy usage that result in a reduction of $1,765,895 in "CIP Sub (371)" revenues.

b. Describe the changes in customers, demand, or energy usage that result in a reduction of $4,253,900 in "CIP Tran (372)" revenues.

34. Refer to the Stegall Testimony and Exhibit JMS-2. State whether the cost-of-service study ("COSS") filed in this proceeding uses the same methodology and allocation factors as used in the COSS filed in Case No. 2009-00459.[1] If no, explain the differences.

35. Refer to the Stegall Testimony at pages 6-7 which discuss an error in the operating ratio used in the customer annualization adjustment. Page 7 states the net impact on adjusted net operating income as $4,365. Provide the calculation of the $4,365.

[1] Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates (Ky. PSC June 28, 2010).

36. Refer to the Stegall Testimony at pages 13-14. Starting at the bottom of page 13, it states that the production demand allocation factor assigns costs based on the class contribution to the average of Kentucky Power's 12 monthly peaks on the production facilities. Starting at line 12 of page 14, it states that the transmission demand allocation factor assigns costs based on the class contribution to the average of Kentucky Power's 12 monthly peaks on transmission facilities. State whether the 12 monthly peaks for the production and transmission facilities would typically be the same or if they would differ. If they would differ, explain why.

37. Refer to the Stegall Testimony at page 14, line 16, where it states that distribution plant is classified as demand- and customer-related. Explain in detail how distribution plant was allocated between demand- and customer-related.

38. Refer to the Stegall Testimony at page 16. Starting at line 5, Mr. Stegall states that the first component of cash working capital is related to system sales and is split between demand and energy. Explain how the allocation between demand and energy was calculated.

39. Refer to the Stegall Testimony at page 18. Beginning at line 13, Mr. Stegall states that Accounts 581 and 582 were allocated using the distribution demand allocation factor. Explain in detail how this factor was calculated.

40. Refer to the Stegall Testimony at page 19. Starting at line 11, Mr. Stegall states that Account 598, Maintenance of Miscellaneous Distribution Plant, was directly assigned to the outdoor lighting class. Explain why this was done.

41. Refer to the Stegall Testimony at page 22. Starting at line 5, when asked to explain the guidelines followed in allocating the proposed revenue increase among

the tariff classes, Mr. Stegall states that "as discussed by Company witness (Rainey K.) Wohnhas, the Company opted not to equalize returns across tariff classes."

a. Explain whether the discussion to which Mr. Stegall refers is at page 7 of Mr. Wohnhas' testimony which states, "While it is the Company's intention to gradually, over time, move towards equalized rates of return across customer classes, the Company is not proposing to make any progress towards that goal for the purposes of this proceeding to mitigate rate impacts on the residential customer class."

b. If the Stegall Testimony is referring to another part of Mr. Wohnhas' testimony, identify the part of the testimony to which he is referring.

c. The statement quoted in part a. of this request does not explain how the proposed revenue increase was allocated among the customer classes. If the Stegall Testimony was referring to this statement, explain how the increase was allocated to Kentucky Power's rate classes.

42. Refer to Exhibit JMS-1, page 1. Identify the specific customers for whom the adjustments are being made in columns 6-9 and provide support for the amounts included in those columns.

43. Refer to Exhibit JMS-2, pages 1-9. Explain in detail what the abbreviation of each of the allocation factors listed on these pages stands for.

44. Refer to Exhibit JMS-2, pages 10-16. The allocation factors on these pages appear to be all-in factors after functionalization, classification, and allocation to the rate classes. Provide the factors for the functionalization, classification, and allocation steps separately.

45. Refer to pages 19, 21, and 27 of Exhibit JMS-2. Each page appears to be cut off at the bottom of the page. Provide complete pages.

46. Refer to the Direct Testimony of Alex E. Vaughan ("Vaughan Testimony"), pages 5-8. Mr. Vaughan states that the adjusted test year Kentucky retail jurisdictional total is $56,550,649, the PJM Rider is to be set at $0 the first year, and that Kentucky Power proposes an annual true-up.

a. Explain why the PJM Rider true-up would not be more frequent than monthly.

b. Explain whether Kentucky Power intends to notify the Commission of accounts being added to the rider before making a scheduled true-up filing.

c. State whether any PJM charges or credits are recorded in Kentucky Power's fuel adjustment clause ("FAC"). If yes, identify the charges and credits that were recorded through the FAC during the test year, and state whether these items are included in the PJM charges and credits proposed to be tracked by the PJM Rider.

47. Refer to Exhibit AEV-3 of the Vaughan Testimony. Assuming a base amount of $0 and using the format of Exhibit AEV-3, provide in electronic format with formulas intact and cells unprotected a schedule showing how the $56,550,649 from Exhibit AEV-2 would be allocated to each of the customer classes.

48. Refer to the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony") at pages 8-9, Section V, Workpaper S-2, page 1 and Schedule 3.

a. Given the cost rate thereof, explain whether Kentucky Power considers accounts receivable financing a short-term source of capital. If Kentucky

Power does not consider accounts receivable financing a short-term source of capital, provide a detailed explanation for why it does not.

b. If Kentucky Power considers accounts receivable financing a short-term source of capital, explain whether consideration was given to allocating the coal stock adjustments between short-term debt and accounts receivable financing.

c. On page 8, at lines 17-19, and page 9, at lines 9-10, the testimony states that "coal inventory is usually financed with short-term debt." Explain the intent of the word "usually" in this context and why coal inventory is not always financed with short-term debt.

49. Refer to the Wohnhas Testimony at page 12 and Section V, Workpaper S-4, page 10.

a. The test year storm damage expense, excluding in-house labor, as shown on line 1 of the workpaper is $7,040,572. Line 5 of the workpaper shows a deferral amount of $12,146,000. Explain whether the deferral referenced on line 8 of the workpaper is for an amount other than $12,146,000 and, if it is for another amount, explain how the amount was determined.

b. Explain how the amount on line 8, titled "Test Year Storm Damage Expense Less Deferral" was calculated and provide the actual calculation.

50. Refer to the Wohnhas Testimony at page 14 and Workpaper S-4, page 19.

a. Explain how the amount of the annual net line of credit fee is determined.

b. If Kentucky Power recorded an actual net line of credit fee of $644,071 for the 12 months ended March 31, 2013, explain why an adjustment to add the jurisdictional portion of the fee to its cost of service is necessary.

c. Provide the annual net line of credit fees recorded by Kentucky Power for the five most recent calendar years.

51. Refer to the Wohnhas Testimony at page 14 and Section V, Workpaper S-4, page 20.

a. Provide a summary description of Kentucky Power's efforts to comply with the "Vegetation Management" ("MV") component of the settlement in its last rate case from the time of the final order in that case through the end of the test year.

b. Provide a breakdown, by account, of the expenditures made to fulfill Kentucky Power's responsibilities under the MV component of the aforementioned settlement, by calendar year. Include the partial years of 2010 and 2013.

c. If different from what was included in the 2013 VM plan filed it with the Commission on September 28, 2012, describe Kentucky Power's planned efforts for vegetation management through the end of 2013.

d. Explain whether Kentucky Power is on track to finish the line maintenance over seven years in accordance with the settlement of its last rate case.

52. Refer to pages 24-26 of the Wohnhas Testimony wherein he discusses the proposed Purchased Power Adjustment ("PPA").

a. Explain why the PPA would be needed after the termination of the Pool Agreement but is not currently needed with the Pool Agreement in place.

b. State whether a similar PPA has been approved for an American Electric Power ("AEP") company operating in another jurisdiction. If yes, provide the name of the company and the jurisdiction.

c. Explain, in instances in which Kentucky Power currently purchases power, whether specific percentages are considered fuel cost and non-fuel cost. If yes, provide the percentages.

d. Provide the percentage and amount of Kentucky Power's current purchased power costs that were recovered through its FAC during the test year.

e. If the majority of Kentucky Power's purchased power costs are currently recovered through its FAC, explain why a PPA is necessary.

f. Page 26 indicates that a contract management fee of 8.08 percent would be included in the PPA. Explain the reason for this fee and indicate to whom it would be paid.

g. Provide a sample scenario and workpapers showing how the PPA is intended to work. The response should reflect the exclusion of costs recovered through the FAC and how each of items 1-3 shown on pages 25-26 are calculated.

53. Refer to the Wohnhas Testimony at pages 26-29 regarding emission allowances under the Cross-State Air Pollution Rule ("CSAPR").

a. Provide the dates on which Kentucky Power purchased CSAPR SO_2 Allowances and the number of allowances in each purchase.

b. Explain why five years was selected as the period over which to amortize the cost of these allowances.

c. Given that the U.S. Supreme Court will review the decision to vacate CSAPR, explain why Kentucky Power has made what appears to be a final determination that there will be no consumption of CSAPR allowances and that it should begin to write-off and recover the costs of its CSAPR allowances in conjunction with this rate case.

54. Refer to the Wohnhas Testimony at pages 29-30 concerning the proposed deferral and amortization of Big Sandy plant depreciation and production O&M expense. Explain how five years was selected as the amortization period as compared to a shorter or longer length of time.

55. Refer to the Wohnhas Testimony at pages 30-31 and Section V, Workpaper S-4, page 26.

a. Identify the specific time period and/or calendar years in which the costs of preliminary engineering and development related to an integrated gasification combined cycle ("IGCC") facility were incurred by Kentucky Power.

b. The testimony states that feasibility of the IGCC facility depended on certain legislation being enacted that would support recovery of the facility's costs through rates; however, such legislation was not enacted. Explain why costs incurred prior to, or without, such legislations being enacted should be considered to have been "prudently incurred."

56. Refer to the Wohnhas Testimony at pages 31-32 and Section V, Workpaper S-4, page 28.

a. Identify the specific time period and/or calendar years in which the costs of preliminary site design and engineering work related to the Carrs Site were incurred by Kentucky Power.

b. Provide the date on which Kentucky Power decided not to pursue construction of new generation at the Carrs Site and provide documentation of both the decision and date of the decision.

57. Refer to the Wohnhas Testimony at page 32 and Section V, Workpaper S-4, page 33. Provide a breakdown of the $28,113,304 in costs related to Kentucky Power's evaluation of potential flue gas desulfurization ("FGD") systems at its Big Sandy Station which shows the amount incurred by year since 2004 separated by whether it related to a wet or dry FGD system, and, the amount of cost incurred for work done by (a) Kentucky Power, (b) an outside firm or consultant, or (c) a Kentucky Power affiliate.

58. Refer to Section III, Exhibit K, pages 10 to 39 and pages 41 to 67. Explain why the amounts listed for Environmental Surcharge under the column "Revised Revenue" on pages 10 through 39 do not match the amounts listed for Environmental Surcharge under the column "Current Revenue" on pages 41 through 67. [For example, page 10 shows an environmental surcharge of ($3,689,358) while page 41 shows the surcharge as ($6,665,283)].

59. Refer to Section III, Exhibit K, page 41. Confirm that the reason there are Environmental Surcharge costs of ($6,665,283) under the Current Revenue column and no Environmental Surcharge costs under the Proposed Revenue column is that Kentucky Power is proposing to roll environmental costs into base rates. If this cannot be confirmed, explain the reason for the difference.

60. Refer to Section III, Exhibit K, pages 41 through 65, Current Billing Units columns. Explain why the numbers on the Customer Charge row are often different from the numbers on the Number of Customers row. (For example, page 41 shows 1,677,419 current billing units for Customer Charge, and 1,686,852 for Number of Customers.)

61. Refer to Section III, Exhibit K, Page 46. Explain why current billing units of 10.92 in the Customer Charge row is not a whole number.

62. Refer to Section III, Exhibit K, Page 66. Explain why Proposed Billing Units are not whole numbers.

63. Refer to Section V, Schedule 1 of the application. Confirm that that the increase in O&M expenses of $471,159 on line 4 of the "Proposed Change" column represents the projected increase in uncollectible accounts expense and the KPSC maintenance fee related to the $117,789,745 revenue increase on line 1 of that column.

64. Provide the following exhibits in Excel spreadsheet format with the formulas intact and cells unprotected and with all rows and columns accessible:

a. Munsey Testimony – Exhibit LPM – 3 and LPM-5

b. Stegall Testimony – Exhibits JMS-1, JMS-2, and JMS-3

c. Wohnhas Testimony – Table RWK-1 (page 22)

d. Section III, Exhibit K

e. Section V

DATED AUG 26 2013

cc: Parties of Record

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