

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

GENERAL ADJUSTMENTS IN ELECTRIC
RATES OF KENTUCKY POWER COMPANY

CASE NO. 2005-00341

**KENTUCKY POWER COMPANY'S
FIRST SET OF DATA REQUESTS TO
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence, investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number or code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.

7. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. “You” or “your” means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, “you” or “your” may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness’ testimony.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Power Company. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.

7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

LANE KOLLEN

1. Please reference Kollen testimony at p. 3, lines 5-9. Please provide copies of base rate testimony filed by Mr. Kollen in the referenced cases as well as transcripts of Mr. Kollen's testimony in each such proceeding.
2. Please reference Kollen testimony at p. 11, lines 5-7. Please state the basis for Mr. Kollen's assumption that "ratepayers are required to pay 100% of the costs of off-system sales" Please further confirm that Mr. Kollen believes that 100% of such costs are borne by the ratepayers. If 100% of costs are not borne by ratepayers, please describe those costs not borne by ratepayers, and identify the payor of such costs.
3. Please refer to the schedule on p. 6 of Mr. Kollen's testimony. Please explain (and present the appropriate calculations for) the derivation of the \$2.121 million revenue amount associated with "Reduce PJM Net Congestion Costs."
4. Please reference Kollen testimony at p. 14, lines 6-17. Is the KIUC proposing that the Kentucky Commission adopt or incorporate into KPC's rate recovery mechanisms a clause identical to the Expanded Net Energy Cost (ENEC) recovery clause being proposed to the West Virginia Public Service Commission by Appalachian Power Company? If not, please describe the KIUC proposal in detail. Further, please prepare a comparison between the KIUC proposal and the West Virginia ENEC clause, and explain the reasons and/or bases for any differences.
5. Please reference Kollen testimony at p. 16, lines 17-19. Please advise if Mr. Kollen has any formal and/or recognized manual (or guidelines) that describes the proper method for the allocation of generation plant investment, including but not limited to allocations made on a revenue basis, allocations made on a kWh basis, and allocations made on a demand (kw) basis. If so, please identify and provide copies of each such manual (or guidelines).
6. Please reference Kollen testimony at p. 16, lines 17-20. Please provide appropriate citations and references to the "Commission precedent" referred to.
7. Please reference Kollen testimony at p. 19, line 4. Please provide the basis and calculation for Mr. Kollen's statement that the Company has "an average ECR jurisdictional factor of approximately 65%." In addition, please describe the allocation of the remaining 35%, and provide the basis for such allocation.
8. Please reference Kollen testimony at p. 20, lines 18-20. Please first describe how the Section 199 deduction is applied for tax purposes; then further describe how KIUC

proposes to apply the Section 199 deduction for ratemaking purposes. If the two applications differ, please explain why the KIUC proposes a different application for ratemaking purposes.

9. Please reference Kollen testimony at p. 21, lines 13-15. Please provide any tax authority (IRS rulings, regulations, guidelines, etc.) which supports Mr. Kollen's statement that an increase in the ECR ratebase and the related revenue requirement will inherently increase the Section 199 deduction.
10. Please reference Kollen testimony at p. 21, lines 13-15. Does the KIUC acknowledge that the revenue effect of applying the Section 199 deduction as a reduction to the gross revenue conversion factor will not necessarily be equivalent to the actual Section 199 deduction, if any, available to the Company in any particular year.
11. Please reference Kollen testimony at p. 48, lines 12-13. Please advise if Mr. Kollen's testimony would be different if the FERC has not ruled on the proposed reallocation of the off-system sales margins of AEP East and West Companies by the time that retail rates are set in this proceeding.
12. Please reference Kollen testimony at p. 59, lines 17-18. Please explain, in greater detail, your statement that "Depreciation is a closed-loop and is continually adjusted to reflect the most recent estimates to prevent harm either to the Company or its ratepayers." Specifically, describe the "closed-loop" concept, the continuous adjustment, and the prevention of harm.
13. Please reference Kollen testimony at p. 66, lines 11-12. Please state the basis for Mr. Kollen's statement that "The Company utilized only the most recent 15 years of data because it resulted in increased depreciation rates." In answering this question, please specifically identify any document, testimony or other information, if any, in Mr. Kollen's possession that would corroborate such an assertion, and provide a copy of such reference with your response.
14. Please explain why your method of calculating the Section 199 Manufacturing Deduction is not a violation of the IRC Normalization Rules. Include excerpts of all authoritative literature relied on in arriving at this conclusion in your response.
15. Please provide electronic copies of the functional spreadsheets for Exhibits LK-4, LK-15, LK-16 and LK-17 with all formulae intact.

STEPHEN J. BARON

16. Please refer to Exhibit SJB-10. Please provide all workpapers with formulae intact employed in the production of this exhibit.

17. Please refer to Exhibit SJB-10. Please provide the source data and an explanation of the calculations used in this exhibit, including the AEP Internal portion for both the FTR Revenue Forecast and the Congestion Cost Forecast.
18. Please reference Baron testimony at p. 12, line 6. Please explain in greater detail how Mr. Baron independently developed a 12 CP cost of service model using the input data provided by the Company.
19. Please reference Baron testimony at p. 13, line 9. Please provide a copy of the NARUC electric cost Allocation Manual referenced in Mr. Baron's testimony.
20. Please reference Baron testimony at p. 21, lines 4-7. Mr. Baron states that KIUC recognizes that it is not feasible, from a rate impact standpoint, to eliminate all subsidies in a single rate proceeding. In his opinion, what is the maximum reasonable rate impact to the residential class in this proceeding?
21. Please reference Baron testimony at p. 28, lines 13-15. Please explain why Mr. Baron's analysis regarding PJM related expenses (FTR Revenue and congestion costs) were based on the 12-month period November 2004 through October 2005 instead of the 12-month period October 2004 through September 2005 (which is the 12-month period following AEP's integration into PJM).
22. Please reference Baron testimony at p. 28, lines 11-16, and Exhibit SJB-10. Please identify the model, and provide the input and output data from the model used (Promod TAMS or other model) to backcast the FTR revenues as was completed by Company Witness Bradish. Please include the historical LMP utilized in the analysis.

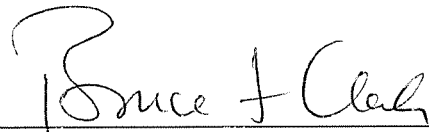
RICHARD A. BAUDINO

23. Please reference Baudino testimony at p. 6, lines 17-21 and Exhibit RAB-2. Please provide the numerical data in both hardcopy and electronic form of the historical interest rate volatility.
24. Please reference Baudino testimony, at page 17, lines 20-21. Please provide a complete copy of the December 2005 issue of "AUS Utility Reports."
25. Please reference Baudino testimony, at page 18, lines 8. Please provide numerical quantification of "significant earnings fluctuations."
26. Please reference Baudino testimony, at page 18, lines 12-29. Please provide a list of the companies that were not included in the comparison group, and identify the criteria that warranted their exclusion.
27. Please reference Baudino testimony, at page 19, lines 5-13 and Exhibit RAB-3. Please provide the source documents from Yahoo! Finance that were employed in this schedule.

Also, identify the instances where the S&P Stock Guide was used. Also explain why the S&P Stock Guide was not used as an exclusive source.

28. Please reference Baudino testimony, at page 20, lines 6-8. Is Mr. Baudino aware of any additional sources for analysts' forecasts of growth. If so, name them and explain why they were not considered.
29. Please reference Baudino testimony, at page 21 and footnote 5. Please provide a complete copy of the articles by Rozeff; Brown & Rozeff; and Moyers, Chatfield and Kelley; and the study by Vander Weide and Carleton that are listed in footnote (5).
30. Please reference Baudino testimony, at page 21, line 16-18 and Exhibit RAB-4. Please provide the source documents for the Zacks and First Call/Thomson growth rates.
31. Please reference Baudino testimony, at page 22 lines 1-2. Please provide documentation to support the assertion that the Zacks and First Call/Thomson earnings growth rate forecasts are for the next three to five years.
32. Please reference Baudino testimony, at page 23-24 and Exhibit RAB-4. Would Mr. Baudino agree that if he had employed the 3.69% retention growth method in his DCF analysis, his result would have been 7.79%? Would Mr. Baudino agree that a 7.79% DCF return represents an unrealistic indication of the cost of equity?
33. Please reference Baudino testimony, at page 26 and footnote 6. Please provide a complete copy of the chapter from the source document which contains the referenced quote.
34. Please reference Baudino testimony, at page 27 lines 13-14. Please provide the source documents for the 12.84% average Value Line growth rate.
35. Please reference Baudino testimony, at page 27 lines 13-15. Please provide the source document for the 1.29% dividend yield for the Value Line companies.
36. Please reference Baudino testimony, at page 28 lines 8-18 and Exhibit RAB-1. Please provide a complete copy of the testimony and exhibits, as well as rebuttal testimony and exhibit filed by Mr. Baudino in Aquila Networks – WPC Case 046-035E and Southwestern Electric Power Company U-23327 Subdocket B. Also, provide the Commission orders issued in those cases.
37. Please reference Baudino testimony, at page 29 line 1. Please provide the source document for the 10.50% earnings growth rate for the S&P 500.
38. Please reference Baudino testimony, at page 30 and footnote 8. Please provide a complete copy of the article by Brigham, Shome and Vinson that is listed in footnote (8).
39. Please reference Baudino testimony, at page 30, lines 19-20. Please quantify in basis points of yield the “significant amount of interest rate risk” that is contained in 20-year Treasury bonds.

40. Please reference Baudino testimony, at page 33, lines 18-21. Please provide the status of the restructuring, deregulation and increase of unregulated investments for each company that is included in Mr. Baudino's comparison group of electric companies.
41. Please reference Baudino testimony, at page 34 and footnote 9. Please provide a complete copy of the source document.
42. Please reference Baudino testimony, at page 36 line 5. Please provide a workpaper for the 1.6656 figure.
43. Please reference Baudino testimony, at Exhibits RAB-2 through RAB-7. Please provide an electronic copy of all schedules in their native format with all formulae intact.
44. Please reference Baudino testimony, at Exhibit RAB-5. Please provide the source document for the 20-year and 5- year Treasury bond yields.
45. To the extent not provided in response to any prior request by Kentucky Power, please provide on diskette or CD all non-proprietary tabulations included in the Baudino's testimony and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of his testimony. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the testimony, with all formulae intact.



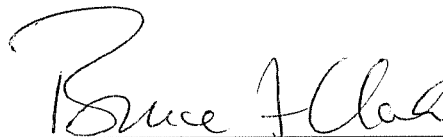
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COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served via e-mail and U.S. Mail, upon:

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on this the 18th day of January, 2006.



Bruce F. Clark