Kentucky Power Company

REQUEST

With regard to the response to PSC-2-16, explain why the requested 10-year average data only reflects a 9-year average without data from the 10th year, 1996? In addition, if storm damage data for the 12-month period ended 6/30/96 are available, expand the analyses on pages 5 and 6 of the response based on 10-year averages including 1996.

RESPONSE

Because of the 1996 change in the accounting system, information prior to 1996 is not available, accordingly, the Company is unable to expand the analyses as requested.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

The response to AG-1-50(b), page 2, shows that the actual test year Net Line of Credit Fee amount recorded in Accounts 430 and 431 amounts to $348,448 (also see KPSC-1-13, page 8, accounts 4300003 of negative $33,678 and 4310007 of positive $382,126 for net fees of $348,448). Given this information, shouldn't the adjustment amount on Section V, WP S-4, page 23 be $348,448 rather than $382,126? If not, explain why not.

RESPONSE

No, the $33,678 of interest income has already been included in interest income; so therefore, it should not be used as an offset to Net Line of Credit. The response to AG-1-50 (b), page 2 shows the actual test year Net Line of Credit Fee amount recorded in Accounts 430 and 431 amounts to $348,448; this is the incorrect figure for the Net Line of Credit Fee. The interest income of $33,678 is included in Section V, Workpaper S-4, page 18 and therefore should not be double counted in Section V, Workpaper S-4, page 23.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

The response to KPSC-1-13, page 8 of 13 shows the following test year Total Company per books interest charges:

- Acct. 4270006 – Interest on LTD – Sen Unsec Notes	$ 22,067,324
- Acct. 4270103 – Interest on LTD – Notes Affiliated	4,679,725
- Acct. 4280006 – Amort. Disc. & Exp	1,141,654
- Acct. 4281001 – Amort. Loss Reacq. Debt – FMB	33,741
- Acct. 4281004 – Amort. Loss Reacq. Debt – Dbnt	30,645
- Acct. 4300003 – Int to Assoc Co – CBP	(33,678)
- Acct. 4310001 – Other Interest Expense	207,275
- Acct. 4310002 – Interest on Customer Deposits	611,959
- Acct. 4310007 – Lines of Credit fees	382,126
Total test year per books interest expense – subtotal	$ 29,120,772
- Acct. 4320000 – ABFUDC	(293,816)
Total test year per books interest Net of ABFUDC	$ 28,826,955

With regard to the above interest information, please provide the following information:

a. Confirm the above-listed interest information. If you do not agree, explain your disagreement.

b. As shown on Section V, WP S-4, page 20, line 8, the Company has used a Total Company test year amount of $29,120,772 as the Interest per Books Net of ABFUDC. Reconcile this to the actual test year Interest per Books Net of ABFUDC amount of $28,826,955 listed above.

c. In its response to AG-1-19, page 2, the Company has used a Total Company test year amount of $29,914,717 as the Interest per Books Net of ABFUDC. Provide a schedule showing how this amount was derived by taking the information listed above as the starting point and making all required changes to end up with $29,914,717.

d. Section V, Schedule 4, page 5, adj. no. 17 shows that the Company has made a pro forma expense adjustment to reflect all customer deposit interest as restated above-the-line O&M expenses. Given this separate adjustment, why has the Company again included this customer deposit interest (this time as below-the-line interest instead of restated O&M expense) in the test year per books interest expense for purposes of calculating the interest synchronization adjustment on Section V, WP S-4, page 20, line 8?

e. Section V, Schedule 4, page 6, adj. no. 23 shows that the Company has made a pro forma expense adjustment to reflect all net credit line fees as restated above-the-line O&M expenses. Given this separate adjustment, why has the Company again included this credit line fee amount (this time as below-the-line credit line fees instead of restated O&M expense) in the test year per books interest expense for purposes of calculating the interest synchronization adjustment on Section V, WP S-4, page 20, line 8?

f. If the Company agrees with the facts stated in parts b. through e. above, provide a revised Section V, WP S-4, page 20-interest synchronization adjustment reflecting these agreements.

RESPONSE

a. The Company agrees with the interest information except the total should be $28,826,956.

b. The amount shown on Section V, WP S-4, page 20, line 8 ($29,120,772) was incorrect in the original filing. The amount should have been $28,826,956 (Interest per books net of ABFUDC).

c. Interest per books net of ABFUDC	$28,826,956
Carrying Charges for A/R Financing (A/C 4265009)	$ 1,087,761
Total Interest (AG 1-19, page 2, line 11)	$29,914,717

d. As stated in the direct testimony of Witness Wohnhas, page 8, lines 10-13, "The purpose of this adjustment is to reflect in the computation of Federal and State Income Taxes included in the test period cost of service and the interest expense tax deduction that will result based upon the capital costs and capital structure included by the Company in this filing". The tax adjustment for customer deposits and net credit line fees is shown on Section V, Schedule 4, Page 5, Column 17 and Page 6, Column 23 respectively. The interest synchronization adjustment synchronizes annualized interest (excluding customer deposits and net credit line fees since they have already been accounted for as a separate adjustment) to per book interest (including customer deposits and net credit line fees because you must synchronize to the total per book interest and the customer deposit and net credit line fee adjustments only shows annualized interest).

The reason that the customer deposit and net credit line fee adjustments are shown separate from the interest synchronization adjustment is to allow the O&M costs to be shifted from below the line to above the line. The bottom line is that the tax adjustment is the same.

e. Please refer to d above.

f. The Company does not agree with the presumptions made in d and e as indicated in our responses. Therefore, the updated interest synchronization adjustment as provided in response to AG 1-19 page 2 remains the Company's adjustment.
WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

In response to AG-1-54, the Company has declined to revise the year-end customer revenue adjustment in Exhibit DMR-1, page 1 based on a comparison of the year-end versus the 13-month average test year number of customers. In this regard, provide the following information:

a. Is KPCo aware of the fact that it is well-established KPSC ratemaking policy to determine such year-end customer revenue annualization adjustment based on a comparison with 13-month average test year number of customers?

b. The AG has requested that the Company calculate this adjustment in accordance with the methodology that has been consistently applied by the KPSC and is hereby renewing its request.

c. If the Company still refuses to make the requested calculations, then, at a minimum, provide the average number of test year customers for each of the customer classes on DMR-1, page 1 based on the 13-month average for the test year.

RESPONSE

a. No. The Company has used a methodology consistent with its previous filing of this adjustment. It is the Company's understanding that ratemaking policy is to be established by regulations.

b. The Company has neither prepared such an analysis nor compiled all of the data necessary to prepare such an analysis.

c. The data for the twelve months of the test year has been provided in response to AG 1st Set Data Requests Item No. 181. The year-end values requested for the month before the test year have not been prepared. However, please see the attached page 2 to this response for the per book values for June 2004.

WITNESS: David M Roush

KENTUCKY POWER COMPANY
PER BOOKS
ONE MONTH JUNE 2004

NO. OF CUSTOMERS BY TARIFF

Tariff	June 2004
RS	144,117
204 SGS-MTRD	703
211 SGS	17,077
212 SGS - M	1
213 SGS-UMR	285
225 SGSTOD ON	4
SGS	18,070
214 MGS - AF	67
215 MGS SEC	10,628
216 MGSCC SEC	92
218 MGS M SEC	18
223 MGS LM ON	54
229 MGS-TOD	75
MGS-Sec	10,934
217 MGS PRI	36
220 MGSCC PRI	49
MGS-Pri	85
236 MGS-Sub	19
MGS-Total	11,038
240 LGS SEC	680
242 LGS M SEC	7
251 LGS-LM-TD	8
LGS-Sec	695
244 LGS PRI	93
246 LGS M PRI	1
LGS-Pri	94
248 LGS-Sub	65
LGS-Total	854
357 QPC PRI	1
358 QP PRI	31
359 QP-Sub	47
360 QP-Tran	3
QP-Total	50
371 CIP-TOD-Sub	12
372 CIP-TOD-Tran	3
CIP-TOD-Total	15
540 MW	22
OL	47,198
SL	54
Total Retail	221,450

Kentucky Power Company

REQUEST

With regard to the responses to AG-1-67c and AG-1-68c, please explain why the Company never sought approval from the KPSC for the deferral of RTO formation costs and PJM expansion costs.

RESPONSE

The Federal Energy Regulatory Commission (FERC) decided that the cost of forming/integrating with an RTO was to be deferred for future recovery over a period of years from all users of the transmission system. To that end FERC ordered AEP's East zone transmission companies, including Kentucky Power Co., to defer its RTO formation/integration costs. Further, after AEP joined PJM, the FERC ordered AEP, including Kentucky Power Co., to commence amortization of its deferred RTO formation/integration costs effective January 1,2005. Kentucky Power Co. is paying its share of the amortized costs as part of PJM's monthly billing to AEP. Kentucky Power Co. is not deferring its share of these costs. Rather it is including its share of the PJM billed amortized RTO formation/integration costs in its net current operating income and seeking recovery of its share of such billed amortized costs in the subject rate filing. Therefore, it was not considered to be necessary for Kentucky Power Co. to seek permission from the Kentucky Commission to defer such billed amortized costs for Kentucky retail ratemaking purposes.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Of the (revised) annual RTO formation amortization expense of $122,544, provide a break-out showing the portions of this total amortization expense amount associated with the start-up costs (including carrying charges) for MISO, Alliance, and PJM.

RESPONSE

	Total Including Carrying Charges
MISO	16,767.11
Alliance	75,424.93
PJM (other than billed expansion)	30,351.96
	122,544.00

WITNESS: Dennis Bethel

Kentucky Power Company

REQUEST

With regard to the test year expenses charged to KPC by AEPSC that are shown on Section II, Application Exhibit A, page 340 of 352, please provide the following information:

a. Please provide a detailed description of the nature and purpose of the $95,463 expenses charged by AEP Service Company to KPCo entitled "Develop & Market Services for Unregulated Markets." In addition, explain why it is appropriate to charge these expenses to the Kentucky retail customers.

b. Please provide a detailed description of the nature and purpose of the $209,357 expenses charged by AEP Service Company to KPCo entitled "Develop Wholesale Business." In addition, explain why it is appropriate to charge these expenses to the Kentucky retail customers

RESPONSE

a. The expenses of $95,463 charged to the 'Develop & Market Services for Unregulated Markets' activity are as follows:

$6,992 of the expenses are related to Kentucky Power's integration into PJM.

$1,435 of the expenses are related to environmental analyses performed by generation/engineering technology personnel.

$65,740 of the expenses are charges by engineering technology personnel for projects performed specifically for the Big Sandy Plant. $21,296 of the expenses are charges by engineering technology personnel for projects that were for the benefit of all generation companies.

It is appropriate to charge these expenses above the line because all revenues associated with these expenses are also charged above the line for the benefit of customers.

b. The expenses of $209,357 charged to the 'Develop Wholesale Business' activity are as follows: The largest cost included in 'Develop Wholesale Business' is approximately $140K for marketing transmission ancillary services. All revenues for ancillary services are recorded above the line for the benefit of customers. Additionally, approximately $69K of expenses are related to the trading of energy and SO2 allowances. The revenues derived from these trading activities are recorded above the line for the benefit of customers, and thus the expenses are also properly recorded above the line.

WITNESS: Sandra Bennett

Kentucky Power Company

REQUEST

Please describe the nature and purpose of the two expense items shown on AG-1-74B, page 3, lines 5 and 16 that are described as "Corporate Contributions."

RESPONSE

The payment to the Public Company Accounting Oversight Board (PCAOB) shown on line 5 of AG-1-74B was for the PCAOB accounting support fee for calendar year 2005. The Sarbanes-Oxley Act of 2002 requires that the funds to cover the PCAOB's annual budget (less registration fees and annual fees paid by public accounting firms) are to be collected from public companies (i.e., "issuers" as defined in the Act) as "accounting support fees". The 2005 fee was paid by AEP Service Corporation and billed to all operating companies.

The payment to the Financial Accounting Standards Board (FASB) shown on line 16 of AG-1-74B was for the FASB accounting support fee for calendar year 2005. The Sarbanes-Oxley Act of 2002 requires that the funds to cover the FASB's "recoverable budget expenses" are to be collected from issuers as accounting support fees. The 2005 fee was paid by AEP Service Corporation and billed to all operating companies.

WITNESS: Sandra S Bennett

Kentucky Power Company

REQUEST

With regard to the I&D expense information shown in the response to AG-1-76, please provide the following information:

a. For each of the 10 12-month periods, provide the actual number of KPCo employees.

b. For each of the 10 12-month periods, provide any non-recurring lawsuit settlement payments included in the reported I&D expenses for that period. Provide a description of the lawsuit(s) and the dollar amount (s) associated with each settlement payment.

RESPONSE

a. The actual number of employees at December 31 of each calendar year is as follows:

Year	Employees
2004	424
2003	394
2002	412
2001	417
2000	451
1999	501
1998	692
1997	731
1996	718
1995	751

b. During the calendar years 2001 through June 30, 2005 there were not any, non-recurring lawsuit settlement payments reported in the amounts included in the Company's response to the AG First Set Item No. 76. For the years prior to 2001 the Company's system does not allow for an expedited search for the requested information.

WITNESS: Errol K Wagner, Randy Martin

Kentucky Power Company

REQUEST

The response to KPSC-1-23b, page 15 shows the actual expenses for each sub-account of Account 925. In this regard, please provide the following information:

a. Provide the nature of the expenses recorded in each of the following sub-accounts: 9250000, 9250002, 9250004, 9250006 and 9250007. In addition, describe what are the distinguishing factors that dictate the booking of an expense in one sub-account versus any of the other sub-accounts.

b. Explain the reason for the downward trend in the expenses in sub-account 9250002.

c. Provide the reasons for the large expense bookings of $511,292 (2001) and $1,364,044 (2002) in sub-account 9250006.

d. Provide the reasons for the large expense bookings of $437,044 (2000), $1,092,839 (2001) and $429,255 (2002) in sub-account 9250007.

RESPONSE

The FERC chart of accounts provides the following descriptions of the subaccounts:

a. **9250000** - This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. Reimbursements from insurance companies or others for expenses charged hereto on account of injuries and damages and insurance dividends or refunds shall be credited to this account.

9250002 - This account shall include the applicable portion of the cost of labor, materials used, and expenses incurred by the Human Resources and Safety Directors, Safety Supervisors, assistants and related clerical and stenographic employees, including those at generating stations, regularly engaged in accident prevention, safety and health administration work.
Payroll Labor:

Attendance at company or outside meetings by Safety Supervisor and preparing others to conduct safety training meetings and demonstrations.
Investigating accidents and general health conditions of company employees.

Inspecting hazardous conditions. (Adjustment of such conditions shall be charged to the appropriate operating or plant account.)
Preparing accident reports and maintaining records.
Outside Services:
Expense of intra company movement of films and training equipment. The time of employees who attend safety meetings, shall be charged to the account appropriate to the duties performed, either immediately preceding of following the meeting, or to the account to which their time is predominantly charged.

<u>9250004</u> - This account shall include the cost of labor, materials used, and expenses incurred by the Human Resources Director, Human Resources Supervisor, Safety Supervisor, assistants and related clerical and stenographic employees, regularly engaged in the administration of Worker's Compensation Insurance. Also include labor and expenses of other company personnel engaged in performing the functions listed herein. This account shall also be charged with labor and expenses incurred in cases involving injuries to employees in connection with operations of utility, which are not covered by insurance.
Payroll Labor:
Investigating lost time injury of fatal accident to employees.
Maintaining records of injuries and accidents to employees.
Pay in an employee's name whose death was caused by occupational injury.
Preparing claims pertaining to injuries to employees.
Salary of employee off duty with pay due to occupational injury.
Taking pictures at location of accident to employee.
Testifying before representatives of State Industrial Commission in connection with accident to employee.
Time of employee on diversified classification taking injured employee to doctor or hospital or attending funeral of employee killed in accident.
Outside Services: Ambulance service for injured employee.
Material: First aid kits and medical supplies.
All Other: Medical and hospital expenses paid by company for injured employee, which are not covered by Workmen's Compensation Insurance.

<u>9250006</u> - This account shall include that portion of the amortization of premiums for worker's compensation and accruals under the self-insurance program. Also include herein the amortization of the premium for excess, or catastrophic, insurance in connection with worker's compensation insurance. Premiums paid by the utility on outside contractor's labor, when the contractor does not have the required coverage, should be charged to the account appropriate for the work performed. Credit hereto the amount of worker's compensation insurance transferred to Construction, Retirement, or included in billings to associated companies or to others.
Outside Services: Legal fees and expenses specifically identifiable with worker's compensation.
<u>9250007</u> - This account shall include all costs incurred in connection with public liability claims, including injuries to persons other than employees and damages to property of others not covered by insurance.

Payroll Labor:

Investigating accidents where Company is not involved as a precaution against unjust claims.
Portion of time employee on fixed classification doing routine field or office work which may be applicable to accounting for injuries and damages either to persons or property.
Time of employee on diversified classification:

A. Attending court as witness in damage suit.
B. Attending funeral of non-employee killed in accident involving the Company.
C. Investigating injury to non-employee or damage to property of others.
D. Taking pictures at location of injury to non-employee or damage to property of others.

Outside Services: Legal fees and expenses.

All other:

Amounts paid in settlement of claims of persons other than employees for personal injuries.
Amounts paid in settlement of claims for damage to property of others (includes cost of repairs).
Damage not planned and unforeseen.

Note: Cost of damages to property of others made necessary by construction, maintenance, or retirement should be charged to the work order or other appropriate account according to the work performed.

The distinguishing factors are reflected in the account descriptions above.

b. The downward trend in account 9250002 (Employee Accident Prevention-Admin Exp) is due primarily to decreased AEPSC billings and reduced payroll labor to this account.

c. The increase in account 9250006 (Workers Compensation Pre&Slf Ins Prv) in 2001 and 2002 is due primarily to adjustments to the reserve for workers' compensation. This account fluctuates based upon the workers' compensation claims.

d. Account 9250007 (Personal Injuries & Prop Damage-Pub) included the amortization of prepaid insurance through July 2002 at which time the amortization started to be charged to account 9250000 (Injuries and Damages). In addition to the amortization, account 9250007 includes $200,000 in 2001 for premium expenses for past policy periods on excess general liability insurance.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

In the same format and detail as per the response to KPSC-2-33, page 2 of 7, provide the actual PJM Monthly (Revenues)/Expenses for the most recent 12 months from December 2004 through November 2005. Show this information on a monthly basis and on a total annual basis.

RESPONSE

Please see page 2 of Item AG 2-25.

WITNESS: Robert W Bradish

KPCo 2005 PJM Monthly (Revenues) / Expenses

2005 (Revenue) / Expense	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Total
PJM Implicit Congestion	$ 889,823	$ 986,232	$ 474,176	$ 145,739	$ 299,854	$ 659,383	$ 714,526	$ 2,380,276	$ 1,643,685	$ 658,971	$ 2,036,827	$ 1,002,536	$ 11,892,027
PJM FTR Revenue	$ (483,005)	$ (573,604)	$ (732,773)	$ 83,344	$ (347,233)	$ (501,351)	$ (1,496,781)	$ (3,608,806)	$ (2,985,666)	$ (2,945,415)	$ (2,444,200)	$ (1,545,448)	$(17,580,939)
PJM Operating Reserve	$ 229,951	$ 134,619	$ 124,741	$ 130,580	$ 136,100	$ (11,875)	$ 376,082	$ 364,835	$ 338,041	$ 315,258	$ 387,155	$ 213,607	$ 2,739,093
PJM Net Synchronous Condensing	$ 118,434	$ 72,459	$ 21,475	$ 33,640	$ 10,266	$ 14,236	$ (11,160)	$ 55,746	$ 33,646	$ 51,706	$ 20,272	$ 21,736	$ 442,456
PJM Net Reactive Supply	$ 36,929	$ (5,263)	$ 38,197	$ 56,107	$ 18,193	$ 44,858	$ 41,239	$ 41,702	$ 41,200	$ 34,269	$ 50,268	$ 31,377	$ 429,076
PJM Net Blackstart	$ 1,308	$ 2	$ 2,881	$ 1,978	$ 1,249	$ (154)	$ 163	$ 458	$ 318	$ 210	$ 537	$ 61	$ 9,012
PJM Administrative Fees	$ 243,851	$ 260,773	$ 252,236	$ 311,050	$ 234,611	$ 228,439	$ 227,763	$ 242,235	$ 226,215	$ 199,205	$ 189,092	$ 186,158	$ 2,801,626
Total KPCo PJM Test Year (Revenues) / Expenses	$ 1,037,290	$ 875,219	$ 180,932	$ 762,437	$ 353,039	$ 433,537	$ (148,167)	$ (523,555)	$ (702,561)	$ (1,685,796)	$ 239,951	$ (89,973)	$ 732,352

RWB Exhibit 1

Kentucky Power Company

REQUEST

On page 11, lines 21-23 of his testimony, Mr. Bradish states that FTR revenue and implicit congestion costs should not be included in base rates, but that instead, "a tracking mechanism be implemented to recover the cost of FTR revenues and implicit congestion costs." However, in its response to AG-1-64e, Mr. Bradish confirms that the projected annualized implicit congestion costs and FTR revenues proposed by KPC in this case would not be recovered in the proposed tracking mechanism. Rather, the projected annualized implicit congestion costs and FTR revenues proposed by KPC would be included in base rates and only actual deviations from the cost and revenue levels included in base rates would be recovered through the tracker mechanism. Please clarify what exactly the Company's proposal in this case is with regard to this issue.

RESPONSE

As stated in the Company's Application filing, Volume 3, Direct Testimony of David M. Roush, page 11: "The Net Congestion Recovery Tariff would track any deviations in net congestion cost from the annual base amount of negative $3,002,352 that has been included in the test year." This test year amount would be included in the Company's base rates, but base rates should not be the sole recovery mechanism.

WITNESS: David M Roush

Kentucky Power Company

REQUEST

Page 6 of the Settlement attached to the response to KPSC-2-22 states that the parties have agreed on a Phase 3 monthly rate of $1,757.40/MW-month for Firm P-T-P and NTS, to become effective August 1, 2006, or the first day of the month following the month in which AEP's new Wyoming-Jackson's Ferry transmission line enters service. In this regard, please provide the following information:

a. In its response to KIUC-1-71, the Company explains that, based on the stipulated Phase 2 rate of $1,630.00/MW-month (consisting of $1,621.40 for NTS and $8.60 for RTO start up costs), its 75% assumption used to calculate the PJM P-T-P and NTS revenue adjustments on Section V, WP S-4, pages 33 and 39 is close to the 74.1% ratio resulting from the Phase 2 rate of $1,630.00/MW-month. In this regard, provide the following information:

1) Would the equivalent Phase 3 rate be $1,766.00/MW-month ($1,757.40 for NTS and $8.60 for RTO start up costs)? If not, provide the correct equivalent Phase 3 rate.

2) If so, would you agree that this would result in a ratio of about 91% [($1,766.00 - $1,031.31) / ($1,839.00 - $1,031.31)]? If not, provide the correct equivalent ratio.

3) Why has the Company calculated its pro forma revenue adjustments on Section V, WP S-4, pages 33 and 39 based on the estimated Phase 2 rates and not based on the estimated Phase 3 rates? Now that the Phase 3 rates have been negotiated in the Settlement, is it the Company's position that the proposed pro forma revenue adjustments on Section V, WP S-4, pages 33 and 39 should be based on the stipulated Phase 3 rates?

4) What would be the revenue adjustments on Section V, WP S-4, pages 33 and 39 based on the stipulated Phase 3 rates?

RESPONSE

(a)(1) No, the rates cannot be made to be equivalent because there is no recognition of the costs of the Wyoming-Jackson's Ferry (W-JF) facilities in the Phase 2 (or Phase 1) rates. See the adjustment mechanism provided in the settlement agreement in Article III section 3.6(a). A copy of the settlement agreement was provided in response to Staff 2nd set Item No. 22.

(a)(2) The ratio was a measure of the percentage of the requested revenue requirement increase that might be approved. No prior request was made for a Wyoming-Jacksons Ferry project revenue requirement, so no datum exists upon which to base such a calculation.

(a)(3) The Phase 3 rates reflect the inclusion of costs (W-JF project) that are not present in the test year in this case or otherwise reflected in adjustments to the test year costs. If the transmission revenues resulting from the Phase 3 FERC transmission rates were to be used as the basis for Witness Bethel's adjustments to NTS and PTP transmission revenues, then other adjustments to include the cost of the W-JF project in the KPCo cost of service (e.g., reduction of net revenues from the AEP transmission equalization agreement) would also be required. These adjustments were not made due to uncertainty about recognition of the W-JF project by the FERC in settlement rates, and the date that such rates might take effect, if approved, would be significantly beyond the end of the test year.

(a)(4) Phase 3 rates, although they are not expected to begin before July 1, 2006, if applied to the entire test year are represented in the attached pages.

WITNESS: Dennis W Bethel

Kentucky Power Company
Adjustment to Reflect Normalization of PJM Point-to-Point Transmission Service Revenues
Test Year Twelve Months Ended 06/30/2005

LINE NO. (1)	Month / Year (2)	Test Year Amount (3)	2006 Forecast Amount Per OATT Phase 3 Rates (4)	Adjustment Required (5)
1	Jul 04	$772,048	$49,377	($722,671)
2	Aug 04	$748,065	$39,127	($708,938)
3	Sep 04	$594,551	$37,237	($557,314)
4	Oct 04	$478,327	$33,172	($445,155)
5	Nov 04	$361,378	$35,999	($325,379)
6	Dec 04	$1,051,751	$32,596	($1,019,155)
7	Jan 05	$1,086,668	$51,522	($1,035,146)
8	Feb 05	$871,050	$33,527	($837,523)
9	Mar 05	$977,031	$37,028	($940,003)
10	Apr 05	$1,068,716	$34,120	($1,034,596)
11	May 05	$1,177,662	$38,301	($1,139,361)
12	Jun 05	$996,585	$40,079	($956,506)
13	Total	$10,183,832	$462,085	($9,721,747)
14	Adj., Required to Reflect Normalization of PJM PTP Revenues in Test Yr.			($9,721,747)
15	Allocation Factor - GP_TRANS			0.986
16	KPSC Jurisdictional Amount (Ln 14 X Ln 15)			($9,585,643)

Kentucky Power Company
Adjustment to Reflect Normalization of PJM Network Transmission Service Revenues
Test Year Twelve Months Ended 06/30/2005

LINE NO. (1)	Month / Year (2)	Test Year Amount (3)	2006 Forecast Amount Per OATT Phase 3 Rates (4)	Adjustment Required (5)
1	Jul 04	$230,202	$421,125	$190,923
2	Aug 04	$197,834	$372,851	$175,017
3	Sep 04	$220,085	$412,800	$192,715
4	Oct 04	$232,977	$399,484	$166,507
5	Nov 04	$220,658	$412,800	$192,142
6	Dec 04	$239,934	$399,484	$159,550
7	Jan 05	$221,995	$412,970	$190,975
8	Feb 05	$221,356	$402,997	$181,641
9	Mar 05	$242,978	$388,385	$145,407
10	Apr 05	$270,947	$401,331	$130,384
11	May 05	$243,452	$388,385	$144,933
12	Jun 05	$238,219	$401,331	$163,112
		--------------------	--------------------	--------------------
13	Total	$2,780,637	$4,813,943	$2,033,306
		==========	==========	==========
14	Adj., Required to Reflect Normalization of PJM NTS Revenues in Test Yr.			$2,033,306
15	Allocation Factor - GP_TRANS			0.986

16	KPSC Jurisdictional Amount (Ln 14 X Ln 15)			$2,004,839
				===========

Kentucky Power Company
Point-to-Point Transmission Revenues at Going Level
Projected Post-SECA and Wyoming Jackson Ferry AEP OATT Phase 3 Rate Increase Effective 7/1/06

DESCRIPTION	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	7 mos. Jan-Jul	
Actual PTP Rev Credits to AEP Zone									
PJM Non-Firm PTP with POD in AEP Zone	$ 35,611	$ 3,849	$ 3,600	$ 16,235	$ 20,079	$ 31,480	$ 30,742	$ 141,595	
PJM Firm PTP with POD in AEP Zone	$ 1,420	$ 1,420	$ 1,420	$ 1,420	$ 1,467	$ 16,789	$ 5,541	$ 29,476	
In-Zone PTP Revenue Received (L2+L3)	$ 37,031	$ 5,269	$ 5,020	$ 17,655	$ 21,545	$ 48,269	$ 36,282	$ 171,072	
PJM Firm PTP (Border Revenues)	$ 441,985	$ 277,755	$ 269,002	$ 224,128	$ 225,417	$ 224,635	$ 336,636	$ 1,999,559	
PJM Non-Firm PTP (Border Revenues)	$ 230,034	$ 189,819	$ 248,281	$ 238,061	$ 247,432	$ 244,035	$ 264,051	$ 1,661,712	0.867482
Border PTP Revenue Received (L5+L6)	$ 672,019	$ 467,574	$ 517,283	$ 462,189	$ 472,849	$ 468,670	$ 600,687	$ 3,661,270	
Actual PTP Revenue Credits Jan - Jul 205	$ 709,050	$ 472,843	$ 522,303	$ 479,844	$ 494,394	$ 516,939	$ 636,969	$ 3,832,342	
Actual % of PJM Point-to-Point Revenue To AEP	21.02106%	21.02106%	21.02106%	21.02106%	19.22946%	19.22946%	19.22946%		
% of Point-to-Point Revenue To AEP after April 1, 2006	23.42783%	23.42783%	23.42783%	23.42783%	23.42783%	23.42783%	23.42783%		

Projected PTP Rev Credits to AEP Zone	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	7 mos. Jan-Jul
PJM Non-Firm PTP with POD in AEP Zone	$ 44,072	$ 4,764	$ 4,455	$ 20,092	$ 24,849	$ 38,960	$ 38,046	$ 175,239
PJM Firm PTP with POD in AEP Zone	$ 1,757	$ 1,757	$ 1,757	$ 1,757	$ 1,815	$ 20,778	$ 6,857	$ 36,480
In-Zone PTP Revenue at Phase 3 PTP Rate	$ 45,830	$ 6,521	$ 6,213	$ 21,850	$ 26,665	$ 59,738	$ 44,903	$ 211,719
PJM Firm PTP (Border Revenues)	$ 492,589	$ 309,556	$ 299,801	$ 249,789	$ 274,633	$ 273,680	$ 410,134	$ 2,310,182
PJM Non-Firm PTP (Border Revenues)	$ 256,371	$ 211,552	$ 276,708	$ 265,317	$ 301,454	$ 297,315	$ 321,701	$ 1,930,417
Border PTP Revenue with Phase 3 Rev. Req.	$ 748,960	$ 521,108	$ 576,508	$ 515,106	$ 576,086	$ 570,995	$ 731,835	$ 4,240,599
Going-Level AEP Zone PTP Rev @ Phase 3 Rates	$ 794,790	$ 527,629	$ 582,721	$ 536,956	$ 602,751	$ 630,733	$ 776,738	$ 4,452,318
AEP LSE Percentage	86%	86%	86%	86%	86%	86%	86%	
AEP LSE Portion of Zonal PTP Revenue	$ 683,519	$ 453,761	$ 501,140	$ 461,782	$ 518,366	$ 542,431	$ 667,995	$ 3,828,993
KPCo MLR	**0.07538**	**0.07389**	**0.07389**	**0.07389**	**0.07389**	**0.07389**	**0.07392**	
KPCo PTP Revenue Share	**$ 51,522**	**$ 33,527**	**$ 37,028**	**$ 34,120**	**$ 38,301**	**$ 40,079**	**$ 49,377**	$ 283,954

Projected PTP Rev Credits to AEP Zone	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	5 mos. Aug-Dec	Year Total
PJM Non-Firm PTP with POD in AEP Zone	$ 38,960	$ 24,849	$ 20,092	$ 4,455	$ 4,764	$ 93,121	$ 268,359
PJM Firm PTP with POD in AEP Zone	$ 20,778	$ 1,815	$ 1,757	$ 1,757	$ 1,757	$ 27,866	$ 64,346
In-Zone PTP Revenue at Phase 3 PTP Rate	$ 59,738	$ 26,665	$ 21,850	$ 6,213	$ 6,521	$ 120,986	$ 332,705
PJM Firm PTP (Border Revenues)	$ 273,680	$ 274,633	$ 249,789	$ 299,801	$ 309,556	$ 1,407,459	$ 3,717,641
PJM Non-Firm PTP (Border Revenues)	$ 297,315	$ 301,454	$ 265,317	$ 276,708	$ 211,552	$ 1,352,345	$ 3,282,762
Border PTP Revenue with Phase 3 Rev. Req.	$ 570,995	$ 576,086	$ 515,106	$ 576,508	$ 521,108	$ 2,759,804	$ 7,000,403
Going-Level AEP Zone PTP Rev @ Phase 3 Rates	$ 630,733	$ 602,751	$ 536,956	$ 582,721	$ 527,629	$ 2,880,790	$ 7,333,108
AEP LSE Percentage	86%	86%	86%	86%	86%		
AEP LSE Portion of Zonal PTP Revenue	$ 542,431	$ 518,366	$ 461,782	$ 501,140	$ 453,761	$ 2,477,479	$ 6,306,473
KPCo MLR	**0.07213**	**0.07183**	**0.07183**	**0.07183**	**0.07183**		$0.07327
KPCo PTP Revenue Share	**$ 39,127**	**$ 37,237**	**$ 33,172**	**$ 35,999**	**$ 32,596**	$ 178,131	**$ 462,085**

1.7574 Phase 3 Rate
1.42 Present Rate
1.237605634 AEP Zone Incr. Factor

Kentucky Power Company
Network Transmission Revenues at Going Level
Projected Post-SECA AEP OATT Settlement NTS Phase 3 Rate Effective 7/1/06

Month	Days	Non-Affiliate NTS Billing Demand		Non-Affiliate NTS Monthly Revenue	KPCo MLR		KPCo Share NTS Revenue
January	31	3,119.22	$	5,586,846	0.07538		421,125
February	28	3,119.22	$	5,046,184	0.07389		372,851
March	31	3,119.22	$	5,586,846	0.07389		412,800
April	30	3,119.22	$	5,406,625	0.07389		399,484
May	31	3,119.22	$	5,586,846	0.07389		412,800
June	30	3,119.22	$	5,406,625	0.07389		399,484
July	31	3,119.22	$	5,586,846	0.07392		412,970
August	31	3,119.22	$	5,586,846	0.07213		402,997
September	30	3,119.22	$	5,406,625	0.07183		388,385
October	31	3,119.22	$	5,586,846	0.07183		401,331
November	30	3,119.22	$	5,406,625	0.07183		388,385
December	31	3,119.22	$	5,586,846	0.07183		401,331
Total	365	37,430.64	$	65,780,607	0.07318	**$**	**4,813,943**

Note: Monthly AEP Zone NITS Rate July 1, 2006 = $ 1,757.40 Phase 3 Rate

Kentucky Power Company

REQUEST

The Company's response to AG-1-83b is not complete. The Company indicates that if AEP's proposal is approved, transmission customers in the AEP Zone could benefit from a net reduction in TCOS of up to approximately $125 million per year. As was originally requested in AG-1-83b, please provide the impact of a net reduction in TCOS of $125 million for the AEP Zone on the pro forma KPCo-allocated PJM P-T-P and NTS revenue adjustments on Section V, WP S-4, pages 33 and 39.

RESPONSE

The Company believes the response to AG-1-83b is complete and reflects the Company's position on this matter at this time. The Company cannot presently estimate the outcome of Docket No. EL05-121-000. However, a rough estimate of the allocated revenue to KPCO, if the AEP proposal is adopted without modification, can be calculated as the KPCO MLR times the $125 million per year reduction in TCOS. Using the annualized MLR provided in response to Attorney General first set, item 69, of 0.07413 the resulting revenue allocated to KPCO would be approximately $9.3 million. This does not include any resulting revenue offsets that may occur due to the reduction in the AEP East Zone OATT revenue requirement if both the settlement agreement proposed in Docket No. ER05-751-000 and the AEP proposal in Docket No. EL05-121-000 are adopted. A copy of the referenced settlement agreement in Docket No. ER05-751-000 can be found in response to Staff 2nd set, item 22.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Please refer to AG Request No. 89. Please revise your response to include all years since your current depreciation rates were approved.

RESPONSE

Below is a list of all external and internal audit reports, management letters and consultant's reports which address in any way, the Company's property accounting and/or depreciation rates. The listing includes all reports from 1999 to the present as our record retention period for such reports only extends for the latest seven years.

Internal Audit Reports:

Hazard and Whitesburg Materials and Supplies Inventory and Capitalized Spare Parts Inventory--January 2004.
Pikeville Materials and Supplies Inventory and Capitalized Spare Parts Inventory--June 2001.
Big Sandy Plant Materials and Supplies Inventory and Capitalized Spare Parts Inventory--October 2001.
Right of Way Activity and Controls--February 1999.

There were no external audit reports, management letters or consultant reports during the above period.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Refer to AG Request No. 101. Does the Company ever charge depreciation to clearing accounts? If yes, please provide the requested accounting examples.

RESPONSE

The Company does not charge depreciation to clearing accounts.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please refer to page 3 of 4 of the response to AG Request No. 102, which states, "Additions to AEP's retirement unit listing may be made by written request to Property Accounting that includes a description of the proposed new unit, its estimated useful life and the approximate cost of the item."

a. Who determines the "estimated useful life"?
b. How is this life determined?
c. Were these "useful life" estimates considered by Mr. Henderson in his selection of lives?
d. If yes, please explain how. If not, please explain why not.

RESPONSE

a. A Company employee familiar with the equipment estimates the useful life of the property.

b. It is estimated. For purposes of setting up a retirement unit, it is only important that the property be long-lived.

c. No, these are not the useful lives considered by Mr. Henderson.

d. The useful life requested on a retirement unit request is used to determine if the property is long-lived and is one of the criteria used to consider when approving these requests. There is no formal life study required to estimate this amount.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Refer to the response to AG Request No. 103. How does the Company intend to calculate the "attachment rates" that a BPL provider will pay? Please provide any workpapers demonstrating such a calculation.

RESPONSE

As noted in response to KY AG First Set of Data Requests, No. 103, the Company presently has no active BPL trials underway. Therefore, we do not have sufficient information regarding company or client equipment requirements that would be required to calculate any BPL attachment rates or other charges.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Refer to the response to AG Request No. 105, file "TSALV.xls." Please explain the source of the "Gross Salvage %s" shown on line 40 of that file. Include any supporting documentation for these percentages. Please provide similar explanation and support for the "Gross Removal %s" shown on line 40 of file "TREMOVAL.xls" and on line 40 of file "TranNetSal.xls", as well as the corresponding files provided for distribution and general plant.

RESPONSE

The "Gross Salvage %s" shown on line 40 of file TSALV.xls are the recommended gross salvage percents, by FERC plant account, that are proposed in the depreciation study. The sum of the gross salvage percents for all accounts are intended to approximate the actual gross salvage experienced by Kentucky Power Company for the 15 year period 1990 through 2004. Please refer to Exhibit JEH-1, pages 7 and 8 for a further discussion of the net salvage analysis. The source of the salvage values are shown in the recommendations, by plant account, in the depreciation study workpapers. This explanation is the same for the Transmission, Distribution, and General Gross Salvage and Gross Removal files. The TranNetSal.xls files are the net salvage percents, by account, that are the result of combining the gross salvage and gross removal percentages for each FERC plant account.

WITNESS: James E Henderson