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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC RATES OF KENTUCKY POWER COMPANY	))	CASE NO. 2005-00341

ATTORNEY GENERAL'S SECOND REQUEST FOR INFORMATION KENTUCKY POWER COMPANY

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Second Request for Information to Kentucky Power Company to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) To the extent that the company has objections to any request for the provision of information on the grounds that doing so would violate Copyright laws, in lieu of the information requested, please state for the answer what efforts have been made by the company to secure permission to provide copies of the information requested for use in this case only. The response should include the name of the person to whom the request for permission to provide a copy of the document for use in this case was made, the date of the request, a copy of all documentation of the request and response, and the means by which the Attorney General might contact that person directly via telephone or electronically together with how and when the company will make the information available for inspection.

(9) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(10) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

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NOTICE OF FILING AND CERTIFICATION OF SERVICE

I hereby give notice that this the 12th day of December, 2005, I have filed the eight true copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below and by sending a courtesy electronic copy to Mark Overstreet at moverstreet@stites.com.

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Assistant Attorney General

Attorney General's Second Request for Information
to Kentucky Power Company
Case No. 2005-00341

1. What does the Other Investments balance of $4,944,781 on Section IV, page 3, line 14 represent and why has this balance not been deducted from capitalization similar to what the Company has proposed for the $996,378 Non-Utility Property balance? What is the distinguishing factor for the one balance to be removed from the capitalization and the other balance not?

2. With regard to the Company's proposed depreciation expense adjustment and its response to AG-1-12, please provide the following information:

   a. As shown on Section V, Schedule 4, line 5, the Company's proposed pro forma adjusted test year jurisdictional depreciation expenses of $47,698,792 is the result of adding the pro forma jurisdictional depreciation expense adjustment of $3,654,912 to the test year per books jurisdictional depreciation expenses of $44,043,880. Please confirm this. If you don't agree, explain your disagreement.
   b. As shown on Section V, WP S-4, page 8, the Company is proposing total annualized jurisdictional depreciation expenses of $44,603,968 x .99, or $44,157,928. Please confirm this. If you don't agree, explain your disagreement.
   c. Comparing the Company's proposed total annualized jurisdictional depreciation expenses of $44,157,928 to the per books jurisdictional depreciation expenses included in the test year of $44,043,880 produces a pro forma test year depreciation adjustment of $114,048. Please confirm this. If you don't agree, explain your disagreement.
   d. As shown on Section V, WP S-4, page 8, the Company's proposed pro forma depreciation expense adjustment of $3,654,912 has been calculated by comparing the Company's proposed annualized depreciation expenses to a test year depreciation expense of $40,912,138, *not* by comparing its proposed annualized depreciation expenses to the per books test year depreciation expense of $44,043,880 that is actually included in the test year. Please confirm this. If you don't agree, explain your disagreement.

3. With regard to the response to KPSC-2-12, please provide the following information:

   a. What exactly does KPC's "telecom tower" represent and in what way is this tower used and useful in servicing the Company's electric customers? Is this tower included in rate base and, if so, at what dollar amount?
   b. As shown on Section V, lines 8-9, given that the Company has removed for ratemaking purposes in this case all factored A/R related expenses, why is it appropriate to include in rate base factored A/R prepayments?

4. Please confirm that if one uses a phased-down Kentucky income tax rate of 6.39% rather than the rate of 7.197% used by the Company, the negative state income tax on Section

V, Schedule 4, page 2, column 10, line 7 would changed from $(2,378,229) to $(2,111,557) and the negative current federal income tax on line 8 of that same exhibit changes from $(10,733,225) to $(10,826,561). If you do not agree, provide the numbers you believe to be correct.

5. Please confirm that if one uses a phased-down Kentucky income tax rate of 6.39% rather than the rate of 7.197% used by the Company, the jurisdictional per books test year state income taxes on Section V, Schedule 4, column (3), line 7 would change from $1,030,001 to $914,504 and the current federal income tax on line 8 of the same exhibit would change from $4,668,094 to $4,708,518. If you do not agree, provide the numbers you believe to be correct.

6. With regard to the response to AG-1-26, please provide the following information:

   a. Explain why FERC accounting requires the payroll distribution to O&M to include amounts cleared to O&M from accounts 163 and 184 and why the Company, for ratemaking purposes in this case, has included in payroll O&M amounts cleared to O&M from accounts 152, 163, 184, 186, 188 and 242.
   b. Is the Company's payroll distribution presented on page 355 of its annual FERC Form 1 reports stated in accordance with the Uniform System of Accounts? If not, explain why not.
   c. Is the payroll distribution the Company has proposed for ratemaking purposes in this case that is shown on Section V, WP S-7, page 4 stated in accordance with the Uniform System of Accounts?
   d. Please confirm that the "Analysis of Salaries and Wages" on page 17 of 18 of the Company's response to KPSC-1-23c presents payroll analysis data in accordance with FERC and USOA reporting requirements. In addition, explain why this historic payroll distribution analysis shows data based on FERC and USOA reporting requirements, whereas for ratemaking purposes in this case, the Company is using a different payroll distribution that is not comparable to the payroll distribution data shown for 2002, 2003 and 2004 on page 17 of 18 of the Company's response to KPSC-1-23c.
   e. Please restate the payroll distribution data for the years 2000 through 2004 on page 2 of 4 of the response to AG-1-26a on a comparable basis with the payroll distribution used by the Company for ratemaking purposes in this case (i.e., include in payroll O&M amounts cleared to O&M from accounts 152, 163, 184, 186, 188 and 242.

7. With regard to the response to AG-1-28, please provide the following information:

   a. Please confirm that 25% of the Generation ICP is based on corporate performance measurements in the form of corporate (AEP) EPS performance (page 2 of 39). If you don't agree, explain your disagreement.
   b. Please confirm that 25% of the Energy Delivery ICP is based on corporate performance measurements in the form of corporate (AEP) EPS performance (pages 12 and 17 of 39). If you don't agree, explain your disagreement.

c. Please confirm that 25% of the General Services ICP is based on corporate performance measurements in the form of corporate (AEP) EPS performance (page 21 of 39). If you don't agree, explain your disagreement.
d. Please confirm that 100% of the LTIP is based on AEP's corporate financial performance. If you don't agree, explain your disagreement. In addition, please specify the various corporate financial performance criteria used.

8. The response to AG-1-30c states that in the test year $76,368 worth of incentive compensation was charged to KPC from AEPSC for the Senior Office Incentive Plan. In this regard, please provide the following information:

   a. Under what specific incentive compensation plan (Generation ICP, Energy ICP, General Services ICP, or LTIP) was this incentive compensation accrued and charged to KPC?
   b. What portion of the $76,368 is based on corporate financial performance (e.g., corporate earnings per share) ICP measures?

9. The response to AG-1-30b shows that total incentive compensation expenses of $1,903,817 ($1,747,661 + $156,156) are included in the test year O&M expenses. In this regard, please provide the following information:

   a. Provide a break-out of these total incentive compensation O&M expenses by specific ICP (Generation, Energy Delivery, General Services and LTIP).
   b. Provide the portions of the incentive compensation expenses to be provided in response to part (a) above that can be considered to be based on corporate financial performance criteria (AEP's EPS and/or other financial performance criteria). In addition, provide the basis for this derivation.
   c. Reconcile, and specify the difference between, the test year ICP O&M expense break-out (totaling $1,903,817) to the test year ICP O&M expense break-out (totaling $1,322,814) shown in the response to AG-1-29, page 2.

10. With regard to the response to AG-1-29, page 2, please provide the following information:

   a. Explain the reasons why no ICP charges were incurred since 2001 for the "Safety Focus" plan.
   b. Why are there no charges shown for the LTIP plan? Were no LTIP charges incurred from 2000 through the test year? If so, how much were the annual LTIP charges; where (account no.) were they recorded on the Company's books; and why are they not shown on page 2 of this response?

11. With regard to the response to AG-1-35b, page 2 of 3, please provide the following information:

   a. ML-1 sheets for the years 2006, 2007 and 2008 similar to the one provided for 2005, showing additional net periodic pension costs for KPCo.

   b. Additional KPCo generation net periodic pension costs for 2006, 2007 and 2008 similar to the $3,300 cost amount shown for 2005.

12. Attachment A to the PSC's Merger Order in Case No. 99-149 shows that in Year 5 the total net merger savings are $7,385,000, with a 55% ratepayer share of $4,037,000. However, on Section V, WP S-4, page 9, line 1 the Company has assumed an add-back amount of $4,018,275 for the ratepayer share of the net merger savings. Please explain why this add-back amount should not be $4,037,000 and reconcile the amounts of $4,037,000 and $4,018,275.

13. With regard to the response to AG-1-42, describe the nature of Case No. 2004-00049 and the nature of the $1,750 expense.

14. With regard to the response to AG-1-47, page 2, please provide the following information:

   a. Provide the portion of the total expense amount of $309,723 that is included in test year above-the-line O&M expenses.
   b. Explain whether the amount of $309,723 includes the public relations/community relations O&M expenses of $126,696 allocated to KPCo by AEPSC that are shown in the response to AG-1-74a(2).
   c. The response does not provide descriptions of the nature and purpose of the expenses making up the $309,723. Please provide an additional break-out of the $309,723 by type of public relations/community relations activity and for each type of public relations/community relations activity, provide a description of the nature and purpose of the activity, including the beneficiaries of each activity.

15. 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.

16. 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.

17. 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.

18. 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 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.

19. 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.

20. 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.

21. 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.

22. 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."

23. 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.

24. 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.

25. 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.

26. 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.

27. 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?

28. 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.

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

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

31. 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.

32. 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.

33. 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.

34. Please refer to AG Request No. 109. Only data for the years 2002-2004 was provided, and only at a Company level. Does the Company not have the data for any prior years? If the data does exist, please provide it. If it does not exist, please explain why not. Also, please provide the requested data at a functional level.

35. Refer to the response to AG Request No. 110. Please explain the increase in Acct. 5930000 – Maintenance of Overhead Lines.

36. Refer to the response to AG Request No. 117, which refers to the response to AG Request No. 105. The remaining life calculations for transmission, distribution and general plant were not provided in that response. Please provide the calculations in Excel format.

37. Refer to AG Request Nos. 124, 125 and 126.
    a. Please explain fully the mechanics of how cost of removal and gross salvage is calculated for retirements relating to replacements. Please provide examples of these calculations, and the source documents supporting these calculations.
    b. Explain fully the mechanics of how cost of removal and gross salvage is calculated for retirements in circumstances where no replacement is put in place. Please provide examples of those calculations and the relating support documents.
    c. Please explain the rationale for any difference between the calculations in case of replacement and in the case of no replacement.
    d. Provide five examples of replacement projects done during the five years ending in 2004. Include the original budget estimates showing the breakout of replacement costs and removal costs. Explain how that breakout is made. Also, please provide the actual results and any budget vs. actual deviations

38. Refer to AG Request No. 126. Please provide the actual workorder (Workorder No. 40509399) referenced in the response.

39. Please refer to AG Request No. 128. Does the Company have any expectations regarding future removal requirements?

40. Refer to AG Request Nos. 129 and 133. Please fully explain the reasons for the following increases and decreases. Include all assumptions driving the estimates that could contribute to the variances, i.e., specific projects, etc.
    a. The increase in Production cost of removal from $759 thousand in 2005 to $3.9 million in 2006.
    b. The increase in Production cost of removal from $3.9 million in 2006 to $4.7 million in 2007.
    c. The decrease in Production cost of removal from $4.7 million in 2007 to $1.2 million in 2008.
    d. The increase in Production cost of removal from $1.2 million in 2008 to $4.6 million in 2009.
    e. The decrease in Transmission cost of removal from $277 thousand in 2006 to $40 thousand in 2007.

f. The decrease in Distribution cost of removal from $1.8 million in 2006 to $332 thousand in 2007.

41. Refer to AG Request No. 129. Please provide Construction Expenditures and Retirements for 2005, similar to those provided in response to AG Request No. 133. Also, please explain any variances between the retirements budgeted for 2005 and those budgeted for 2006.

42. Refer to AG Request No. 133. Please explain fully why budgeted cost of removal varies from year to year, while budgeted retirements remain the same. Does the Company believe that there is no correlation between the amount of cost of removal it will incur and the amount of retirements in the same period? Please explain the answer.

43. Refer to the response to AG Request Nos. 136 and 176.
    a. Please provide the actuarial software plus the operating instructions so that we may view the "index of variation" as discussed in the response to AG Request No. 136, and better understand the limited remaining life as discussed in the response to AG Request No. 176.
    b. Also, please provide a manual summary of the fit indications embedded in the software for each actuarial study conducted.

44. Refer to AG Request No. 140, and the direct testimony of Everett G. Phillips, pages 12 through 15.
    a. Does the Company agree that some of the Distribution Asset Management Programs listed on those pages could affect plant lives? Please explain the response.
    b. Based on the descriptions, the Pole Inspection and Maintenance Program and the Underground Cable Program appear to extend plant lives. Please provide all studies, reports, or other documents detailing and supporting these programs, and any changes on plant lives due to the programs.

45. Refer to AG Request No. 141. Were any life extension studies prepared for Transmission, Distribution or General Plant? If yes, please provide those studies.

46. Refer to AG Request No. 151. While the AG has maintained a copy of the Order and Settlement from Case No. 91-066, under the AG's Document Retention Policy other documents from Case No. 91-066 have been destroyed. Please provide the depreciation study submitted (and accepted) in that case. Also, please provide Mr. Henderson's testimony, as listed in the response to AG Request No. 93.

47. Refer to AG Request No. 155, which requested a reconciliation of the plant account balances used in the Study with those shown in the 2004 FERC Form 1. Please explain why Production Plant Land Rights were not included in the study, when Land Rights for Transmission, Distribution and General Plant were. Also, reconcile the amounts for Transmission, Distribution and General Plant Land Rights between the Study and the FERC Form 1.

48. Refer to AG Request No. 161. Please provide all documents and correspondence related to the review of FIN 47 as they currently exist.

49. Refer to the response to AG Request No. 166. The files provided do not explain how the cost of removal reserve was calculated (the numbers are hardcoded). Please explain how these amounts are calculated and provide the embedded cost of removal amounts by account.

50. Refer to AG Request No. 167. Please explain why the requested calculation was not made and please make the requested calculation.

51. Refer to AG Request No. 168, part a. Please explain fully the reasons behind the Company's beliefs as detailed in that response.

52. Refer to AG Request No. 168, part e. What proof is available to support your claim that the money was spent on the ongoing operations of Kentucky Power? Please provide such proof.

53. Refer to AG Request No. 172. Has anyone else in Kentucky Power or AEP conducted such an analysis? If so, please provide it.

54. Refer to AG Request No. 173. Please provide all supporting documentation underlying the Company's expectation that "federal environmental regulations may not permit the continued operation of Big Sandy Unit 1 without the addition of FGD equipment."

55. Refer to the response to KCTA Request No. 14. What is the source of the $38,113,935.88 accumulated reserve amount for account 364 shown in the response? Please provide the calculation of this amount. Also, please provide the calculation of the reserve amounts by account for all accounts as of this date.

56. Please refer to page 7 of Mr. Henderson's direct testimony, and page 31 of Mr. Wagner's testimony. Please explain why the Company has calculated its depreciation adjustment using functional composite rates when Mr. Henderson recommended the use of plant account rates. Does the Company intend to use the plant account rates and reserves as recommended by Mr. Henderson in tracking depreciation?

57. Please provide the <u>current</u> depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

58. Please provide the <u>proposed</u> depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

59. Follow-up to Question 179.
    a. When was the TACOS software first used by AEP.
    b. When was the TACOS software first used by KPC.

60. Follow-up to Question 179. On page 9, lines 7 and 8 of Mr. Foust's testimony he states that this cost of service study is substantially the same as the study filed in the Company's last rate case.
   a. Please confirm that the TACOS Gold software was used by the Company in its last rate case, Case No. 91-066.
   b. Please provide a copy of the Cost of Service Study filed by the Company in its last rate case, Case No. 91-066. Because of space constraints, the documents previously provided to the Attorney General in Case No. 91-066 has been destroyed in accord with the document retention policy.

61. Follow-up to Question 179. The TACOS Gold software used to produce the Cost of Service Study in this case was licensed to AEP in September 2001. Did AEP have a license for the TACOS software for any period prior to September 2001? If so, please provide the dates under which the TACOS software was previously licensed by AEP.

62. Follow-up to Question 179. Please confirm that to use the TACOS Gold software, which was used to produce the Cost of Service Study filed in this case, AEP entered the account costs on the "Values" sheet of the software, entered the formulas on the "Formulas" sheet of the software, entered the rate classes on the "Rates" sheet of the software, and entered the other set-up information on the other input sheets of the TACOS software, and then, when all the inputs were entered, the "Calculate" button was pushed, and the TACOS software performed all the necessary calculation(s) to produce the Cost of Service results report that is contained in Mr. Foust's Exhibit LCF-1, page 1-20. If this is not correct, please provide any corrections or an alternative explanation of how the results in Exhibit LCF-1 were created using the TACOS Gold software.

63. Follow-up to Question 180. On page 3 of his testimony, Mr. Foust states that accounting cost records are gathered and used as the starting point of the Cost of Service Study. These accounting costs were the inputs in the "Values" sheet of the TACOS software. Mr. Foust goes on to state that these accounting costs are then functionalized. Please provide how each of the accounting costs located in the "Values" sheet were functionalized, and which function or functions were assigned to each cost. Please provide all calculations, formulas and workpapers, as well as the final functionalized results.

64. Follow-up to Question 180. On page 4 of his testimony, Mr. Foust states that the functionalized costs are the classified into demand, energy and customer component. Please provide how each of the functionalized accounting costs, identified in response to the previous question, were classified. Please provide all calculations, formulas and workpapers, as well as the final classified functionalized cost results.

65. Follow-up to Question 180. Please provide a step-by-step example of how the Cost of Service Study functionalizes accounting costs identified in the "Values" sheet of the TACOS software. Please provide a step-by-step example for the following accounts, and show where in the cost of service results or workpapers that this result is shown:
   a. "OH_LINES_RBD"
   b. "OM_LABOR_D"

c. "AG_OTHER_DIST"
d. "DEPR_EXP_GP"
e. "KY_RE_PRS_FRANCHISE"
f. "PROV_WORKERS_COMP"
g. "DFIT_TAX_AMORT_POLL_CONT"

66. Follow-up to Question 180. Please provide a step-by-step example of how the Cost of Service Study classifies functionalized accounting costs identified in the "Values" sheet of the TACOS software. Please provide a step-by-step example for the following accounts, and show where in the cost of service results or workpapers that this result is shown:
    a. "OH_LINES_RBD"
    b. "OM_LABOR_D"
    c. "AG_OTHER_DIST"
    d. "DEPR_EXP_GP"
    e. "KY_RE_PRS_FRANCHISE"
    f. "PROV_WORKERS_COMP"
    g. "DFIT_TAX_AMORT_POLL_CONT"

67. Follow-up to Question 180. The two generally accepted methodologies used to divide distribution line costs into demand and customer components are the "Minimum System" method and the "Zero-Intercept" method. It was unclear from the information provided which method was used in the Company's Cost of Service study, and where in the TACOS software these calculations were made.
    a. Please state which methodology was used to separate distribution line costs into demand and customer components.
    b. Please provide all inputs, calculations, assumptions and workpapers used to divide distribution line costs into demand and customer components.
    c. Please show where in the TACOS software and TACOS software output summaries these calculations and outputs are shown.

68. Follow-up to Question 180. The two generally accepted methodologies used to divide transformer costs into demand and customer components are the "Minimum System" method and the "Zero-Intercept" method. It was unclear from the information provided which method was used in the Company's Cost of Service study, and where in the TACOS software these calculations were made.
    a. Please state which methodology was used to separate transformer costs into demand and customer components.
    b. Please provide all inputs, calculations, assumptions and workpapers used to divide transformer costs into demand and customer components.
    c. Please show where in the TACOS software and TACOS software output summaries these calculations and outputs are shown.

69. Follow-up to Question 180. The two generally accepted methodologies used to divide service line costs into demand and customer components are the "Minimum System" method and the "Zero-Intercept" method. It was unclear from the information provided which method was used in the Company's Cost of Service study, and where in the TACOS software these calculations were made.

a. Please state which methodology was used to separate service line costs into demand and customer components.
b. Please provide all inputs, calculations, assumptions and workpapers used to divide service line costs into demand and customer components.
c. Please show where in the TACOS software and TACOS software output summaries these calculations and outputs are shown.

70. Follow-up to Question 181. In Question 181, information on the development of each "allocator" was requested. The information provided was for the "Alloctors" sheet in the TACOS software, but no information on the derivation of "Allocation Method" allocators, found on pages 11-20 of Mr. Foust's Exhibit LCF-1 was provided. These were the actual allocators used to allocate costs between rate classes in the Cost of Service Study, found on pages 2-10 of Mr. Foust's Exhibit LCF-1. For each of the "Allocation Methods" found on pages 11-20 of Mr. Foust's Exhibit LCF-1, please provide all calculations, assumptions and workpapers used to derive each allocator.

71. Follow-up to Question 181. Please provide a step-by-step example of how the Cost of Service Study produces the "Allocation Method" allocators found on pages 11-20 of Mr. Foust's Exhibit LCF-1. Please provide a step-by-step example of how each final allocator was produced, for the following "Allocation Methods", and show the source in the cost of service for each input and each intermediate step:
a. "EXP_OM_DIST"
b. "LABOR_M"
c. "RB_GUP_EPIS_G"
d. "RB_GUP"
e. "REV"
f. "TDOMX"

72. Follow-up to Question 199. In the response to part (c), totals for the test year are given for power bought from and sold to the AEP pool, in terms of both MWH and dollars (four figures). Then in page 4 through 27 of this response, monthly sheets are provided of sales to and from the AEP pool. It is difficult to see how these annual totals correspond to the monthly figures provided. Please provide all calculations use to derive the annual totals and show where on the monthly sheets figures were taken that were used in the calculations.

73. Follow-up to Question 199. In pages 4 through 27 of this response, monthly sheets are provided showing sales to and from the AEP pool.
a. Please provide the full name of each abbreviated "Transaction Type" shown on these sheets, along with an explanation of each type transaction.
b. Please explain what is contained in "AEP Pool Primary Purchases"
c. Please explain what is contained in "AEP Pool Sales"
d. Please explain what is contained in "Interruptible Buy/Through"
e. Please explain what is contained in "Bookouts/Options" as well as why these numbers are so large compared to the "AEP Pool" figures.

74. Follow-up to Question 199. In response (c), $81,876,025 was bought from the AEP pool. In the Cost of Service Study, Exhibit LCF-1, page 5 of 20, "Purchased Power Demand" was shown to be $70,249,303 and "Purchased Power Energy" was shown to be $96,186,225, for a total purchased power cost of $166,435,528, over twice as high as the response to Question 199(c). Please reconcile these differing figures and state which one is correct?

75. Follow-up to Question 199. In response (c), $42,814,233 was sold to the AEP pool. In the Cost of Service Study, Exhibit LCF-1, page 5 of 20, "System Sales" Demand was shown to be $20,094,132 and "System Sales" Energy was shown to be $105,379,475, for a total purchased power cost of $125,473,607, nearly three times as high as the response to Question 199(c). Please reconcile these differing figures and state which one is correct?

76. Follow-up to Question 199. In Volume II, Section V, Workpaper S-4, page 30, an Adjusted Test Year AEP Pool Capacity Cost of $37,871,324 is calculated. In the Cost of Service Study, Exhibit LCF-1, page 5 of 20, "Purchased Power Demand" was shown to be $70,249,303. Please reconcile these differing figures and state which one is correct?

77. Follow-up to Question 199. In Volume II, Section V, Workpaper S-4, page 30, a Test Year AEP Pool Capacity Cost of $28,750,934 is calculated. But in page 4 through 27 of this response, monthly sheets are provided of sales to and from the AEP pool, in which very few demand charges are shown. Please reconcile these differing figures and state which one is correct?

78. Follow-up to Question 199. In the Cost of Service Study, Exhibit LCF-1, page 5 of 20, "Purchased Power Demand" was shown to be $70,249,303. In page 4 through 27 of this response, monthly sheet are provided of sales to and from the AEP pool, in which very few demand charges are shown. Please reconcile these differing figures and state which one is correct?

79. Follow-up to Question 199. Please provide the source for the "Purchased Power Demand" which was shown to be $70,249,303 and "Purchased Power Energy" which was shown to be $96,186,225, in the Cost of Service Study, Exhibit LCF-1, page 5 of 20. Provide all calculations, assumptions and workpapers used to generate these two inputs in the Cost of Service Study.

80. Follow-up to Question 199. Please provide the source for the "System Sales" Demand which was shown to be $20,094,132 and "System Sales" Energy which was shown to be $105,379,475, in the Cost of Service Study, Exhibit LCF-1, page 5 of 20. Provide all calculations, assumptions and workpapers used to generate these two inputs in the Cost of Service Study.

81. Follow-up to Question 203 (c) and (d), and 204 (c) and (d). If there were no calculations assumptions or workpapers used to develop the "Fixed Cost Adder," please explain how the $0.01 figure was chosen, as opposed to $0.02 or $0.03?

82. Follow-up to KPSC-2-67(a). This response states that "a declining block residential rate structure does not necessarily result in increased usage at the time of the peak." Please provide any studies or other evidence that would back-up this statement.

83. Follow-up to KPSC-2-67(b). Please provide all calculations, assumptions and workpapers used to generate the $8.69 full customer charge figure provided in this response.

84. Follow-up to KPSC-2-67(c). Would Kentucky Power oppose a flat rate being used for its residential rate tariff?

85. Follow-up to KPSC-2-73. Please provide an update on the status of these negotiations, and whether new contracts are expected to be in place by December 31, 2005. If not, will service continue under the old contracts until new contracts are in place?

86. In response to KIUC-1-92 the company indicates it uses an externally developed cost of service program called TACOS Gold v.5.3.0 (hereinafter TACOS) to perform the class cost of service study. Did Kentucky Power or the American Electric Power Service Corporation or any other entity within the AEP family instruct Threshold Associates Inc. to construct the TACOS cost of service software to implement a specific cost of service methodology (i.e. – zero intercept, base, intermediate, peaking, etc.) that had been utilized by Kentucky Power Company or on KPC's behalf prior to 2000 and/or that was planned to use in the future by KPC or on its behalf?
    a. If so, please describe the cost of service methodology Kentucky Power Company had previously used or that it was to use in the future that was to be incorporated into the TACOS program and describe and explain specifically what steps are included within the TACOS program to insure the functionalization, classification, and allocation of costs in accord with that methodology. To the extent that KPC or its affiliates were provided with documentation concerning the cost of service methodology to be used and how the operation of the TACOS software program would implement this methodology, please provide a copy of all documentation.
    b. If there is any change in the way costs were functionalized, classified, and allocated in the cost of service methodology Kentucky Power utilized before acquiring the right to use of the TACOS software and the way in which they are functionalized, classified and allocated by the TACOS software, please describe all changes specifically, state the reason for the change, and provide the impact of the change(s). To the extent there is documentation of those changes, please provide a copy of all documentation
    c. If the TACOS software is not designed to implement a cost of service methodology whose parameters were established by KPC or an AEP affiliate, what cost of service methodology is the TACOS software designed to implement?
    d. Please provide a copy of any sales solicitation information provided by Threshold Associates, Inc. to KPC or AEP and all operational instructions provided to the purchasing company with the TACOS software.

87. In response to KIUC-1-92 the company indicates it uses an externally developed cost of service program called TACOS Gold v.5.3.0 (hereinafter TACOS) to perform the class cost of service study. Is the TACOS program capable of being tested to assure it is performing in accord with the parameters of the cost of service methodology established by Kentucky Power and/or the AEP Service Corporation or any other entity within the AEP family with rights to use of the program?

a. If so, what are the tests and what are they designed to show, specifically?

b. If the tests replicate a certain procedure or methodology for the allocation of costs, please describe that procedure or methodology in detail including a description of each step in the testing process and how the results are verified for each cost.

c. If the parameters of the cost of service methodology were not established by KPC or the AEP Service Corporation, but the TACOS program is capable of being tested, what is the purpose of the test, how is it done, and how are its results verified?