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DEC 13 2005

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

December 12, 2005

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2005-00341

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Second Set of Data Requests of Kentucky Industrial Utility Customers, Inc. in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, and electronic mail, (when available) to all parties on the 12th day of December, 2005.

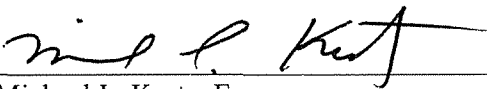
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DEFINITIONS

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 of 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.
11. "AEP" means Kentucky Power Co. d/b/a American Electric Power and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "KP" means Kentucky Power Co. d/b/a American Electric Power, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

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 Industrial Utility Customers. 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.

**KIUC SECOND SET OF DATA REQUESTS
PSC CASE NO. 2005-00341**

1. Please provide a copy of all studies, analyses, correspondence, and all other documents that address the retirement of Big Sandy 1.
2. Please provide a copy of all studies, analyses, correspondence, and all other documents that address the life extension of Big Sandy 1 beyond its scheduled retirement date of 2015.
3. Please identify each other coal generating unit on the AEP system, its capacity, its in-service year, and its present scheduled retirement date.
4. Please provide a copy of all studies, analyses, correspondence, and all other documents that address the replacement of the Big Sandy 1 capacity in 2015. If there are no responsive documents, then please explain why not.
5. Please explain why the Ohio franchise tax should be included in the gross-up factor for the Company's operating income deficiency given that this tax is limited to system sales transactions. Also, please explain why the Ohio franchise tax should not decrease after any Kentucky rate increase due to the lower apportionment caused by the increased revenues and income.
6. Refer to page 14 lines 20-23 of Mr. Wagner's testimony. Please provide a copy of the Company's Ohio franchise tax return for the most recent tax year and provide any workpapers relied on to determine the "apportioned taxable income that relates to the system sales transactions" for that tax year.
7. Please provide the amount of Ohio state franchise tax expense in the test year and provide a schedule showing the derivation of this tax expense based on the taxable income for the system sales transactions in the test year.
8. Please provide the amount of West Virginia income tax expense in the test year and provide a schedule showing the derivation of this tax expense based on the taxable income apportioned to the Company in the test year.
9. Please explain why the Company did not include the Ohio franchise tax and the West Virginia income tax in the gross-up factor in prior rate proceedings.
10. Refer to the Company's response to Staff 2-71c WV page 1 of 4. Provide this same information for the most recent five years.
11. Refer to the Company's response to Staff 2-71c OH page 1 of 4. Provide this same information for the most recent five years.

12. Refer to the Company's response to Staff 2-71c OH page 1 of 4. Please describe what the \$161 million represents. Does it represent KPC's MLR share of total AEP off-system sales revenues?
13. Does the Company reflect the Ohio franchise tax in the System Sales Clause computations? If so, please describe how it does so.
14. Refer to Section V Workpaper S-2 page 2 of 3. Provide the Company's workpapers supporting the apportionment factors for Ohio and West Virginia.
15. Refer to the Company's response to KIUC 1-15. There were no workpapers and source documents referenced in support of Section V of the Company's filing. Please confirm that there were none or provide the information requested in this question for Section V of the filing
16. Refer to the last paragraph on page 2 of the Company's response to KIUC 1-23. Please provide an electronic version, with formulas intact, of the Company's most recent cash flow forecast based on its most recent Financial Forecast. Identify and describe all assumptions on the timing of receipts and disbursements reflected in this cash forecast.
17. Refer to the Company's response to Staff 2-60. Please describe why the cyclic vegetation management approach is superior to the performance based approach. Address why the performance based approach is not more cost cost-effective than the cyclic approach.
18. Please describe when and why the Company switched to a performance based vegetation management approach.
19. Please provide a copy of all studies, analyses, and correspondence that addressed the economics and/or cost-effectiveness of the performance based versus cyclic vegetation management approach previously relied on by the Company to determine that a performance based approach was superior and should be adopted.
20. Please provide a copy of all studies, analyses, and correspondence that addresses the economics and/or cost-effectiveness of the performance based versus cyclic vegetation management approach relied on by the Company to determine that a cyclic approach is superior and should be adopted.
21. Refer to the Company's response to Staff 2-61. Please indicate whether widening of the ROW is dependent upon adoption of a cyclic approach to vegetation management or if cost-effective widening could be incorporated in the performance based approach.
22. Please provide a copy of all studies, analyses, and correspondence that addresses the increased revenue and reduce expenses resulting from expanded vegetation management activities.
23. Refer to the Company's response to Staff 2-63. Please provide a 5 year monthly and annual history of the CAIDI, SAIFI, and SAIDI reliability indices and customer complaints calculated for vegetation related outages.

24. Refer to the Company's response to Staff 2-69. Please provide the Company's actual (November) and projected (December) MLR for the remaining months of 2005.
25. Refer to the Company's response to Staff-2-70. Please explain why the Company's chargeoffs appear to have significantly decreased during the test year starting in November 2004 compared to the same months in prior years. Please address any changes in the Company's service, credit, and collection policies that contributed to this reduction.
26. Refer to the Company's response to Staff 2-74. Please provide a copy of or cite the specific pages of the Commission's Case No. 91-066 Order that the Company relied upon to conclude that deferred state income taxes are not recorded for ratemaking purposes.
27. Refer to the Company's response to Staff 2-74. Is it the Company's position that only federal deferred income taxes are subtracted from ECR rate base? Is it the Company's position that the current income tax benefit of accelerated tax depreciation is flowed through in the Company's ECR revenue requirement?
28. Refer to the Company's response to Staff 2-81. Has the Company ever reflected a pension liability as a reduction to rate base? If not, please explain why not.
29. Refer to the Company's response to Staff 2-81. Please provide the Company's test year OPEB liability quantified on the same methodological basis as the Company's proposed adjustment for prepaid pension expense.
30. Refer to the Company's response to AG 1-178. Please provide the date of the retirement of the office building in Ashland, KY, describe the disposition of the building and the land, and describe the sale of the building and the land, including a description and quantification of any gain or loss on the disposition.
31. Refer to the Company's response to AG 1-178. Please provide all accounting entries related to the retirement of the office building in Ashland, KY, including, but not limited to, retirement, cost of removal, salvage, current federal and state income tax expense, deferred federal and stated income tax expense and ADIT, gain or loss on disposition, and transfer from plant in service to plant held for future use or any other balance sheet account.
32. Refer to the Company's response to AG 1-185. Please provide the Company's computation of carrying charges shown in this response and provide the amount of carrying charges by RTO. In addition, please provide the carrying charge rate(s) and the source of those rates.
33. Refer to the Company's response to AG 1-185. Please provide a copy or citation to each Kentucky Commission and FERC order and the relevant pages of those orders relied on to defer the RTO start-up costs. If none, then please so state.
34. Please provide the average daily balance of short term debt outstanding by type of debt (Money Pool, bank loans, intercompany loans other than the Money Pool) for each month June 2004 through the most recent month for which actual amounts are available. In addition, please provide the average cost of short term debt by type of debt outstanding for each month.

35. Please provide the month end capitalization amounts outstanding by type, including current maturities of long-term debt, for the months June 2004 through the most recent month for which actual amounts are available.
36. Please provide the monthly short term investments outstanding by type of investment (Money Pool, intercompany receivables other than through the Money Pool, etc.) for the months June 2004 through the most recent month for which actual amounts are available. In addition, please provide the average return on short term investments by type of investment outstanding for each month.
37. Refer to the Company's response to Staff 1-51. Please identify each Kentucky Power Company proceeding wherein the Kentucky Commission adopted or utilized SFAS 106 for ratemaking purposes. Cite the Case No. and relevant pages of that order. If none, then please explain the reference in the response to Staff 1-51 to the phrase "For ratemaking purposes."
38. Please provide a five year history of Kentucky jurisdictional uncollectible accounts expense in dollars and as a percentage of Kentucky jurisdictional total revenues. In addition, please indicate whether the Company's uncollectible accounts expense is the net writeoff amount or is an accrual expense amount.
39. Please provide a five year history of the Company's Kentucky jurisdictional uncollectible accounts expense and balance sheet reserve account showing beginning balance, expense, writeoffs, recoveries, and ending balance.
40. Refer to Section V Workpaper S-3 of the company's filing. Please provide a copy of all studies or analyses which demonstrate that the Global Note to Parent, which carries a 6.50% interest rate, was the lowest cost debt financing option available to the Company at that time.
41. Refer to Section V Workpaper S-3 of the Company's filing. Please explain why the Company did not refinance or could not have refinanced the Global Note to Parent, which carries a 6.50% rate, at a lower interest rate. Provide a copy of all studies or analyses that demonstrate that the Company could not have refinanced at a lower interest rate.
42. Refer to the Company's response to AG 1-29(b). Please provide the information requested by incentive program.
43. Refer to Section V Workpaper S-10 page 2B of 3, line 89 Manufacturing Deduction. Please provide the workpaper support for the amounts per financials, including all detail of the actual computations, including each component of the computations, the application of any limitations, and the allocation or assignment to the Company (in the event the computations were performed on a consolidated basis). Provide all assumptions, data, and computations that were utilized in detail sufficient to replicate the Company's interpretation and application of §199.
44. Refer to Section V Workpaper S-10 page 2B of 3, line 89 Manufacturing Deduction. Please provide the workpaper support for the adjustment amount, including all detail of the actual computations, including each component of the computations, the application of any limitations,

and the allocation or assignment to the Company (in the event the computations were performed on a consolidated basis). Provide all assumptions, data, and computations that were utilized in detail sufficient to replicate the Company's interpretation and application of §199.

45. Refer to the Company's response to KIUC 1-32. Provide a history of the Company's storm damage expense for the most recent 10 calendar years. Identify the years in which the Company experienced major storms and the names of those storms (if they were named).
46. Refer to the Company's response to KIUC 1-36. Please update this response for the months of October and November 2005.
47. Refer to the Company's response to KIUC 1-45. Please provide the cost of dismantling each of the units indicated as retired on the attached schedule. If this information is not available, then please explain why it is not available and describe the Company's efforts to obtain the information. In addition, if this information is not available, then please describe how CSP and I&M accounted for the cost of removal in their property accounting records.
48. Refer to the Company's response to KIUC 1-58. The Company's response to Staff 2-83 does not provide the information requested. Please respond to KIUC 1-58. More specifically, provide the following information:
 - a. Please describe the criteria relied upon to select the gross salvage and cost of removal percentages selected for each FERC account referred to above as based on "judgment".
 - b. Please describe why the same gross salvage and cost of removal percentages were not used for each of the FERC accounts within each functional plant level given that individual account data was not available.
 - c. Please provide a copy of all analysis performed that would help to justify the selection of the above referenced percentages by individual FERC account.
49. Please refer to data files provided in the Company's response to Item No. 105 of the Attorney General's First Set of Data Requests.
 - a. Please refer to the file PSALV.DAT. Please provide a detailed explanation of why the removal costs charged to the reserve account in 10810000 in 2004 of \$4,362,183 were so high and in fact higher than the original plant costs of \$3,134,846 retired in 2004. Please describe any special events in that year that contributed to these removal costs, such as severe storms.
 - b. Please refer to the file PSALV.DAT. Please provide a detailed explanation of why the removal costs for reserve account 10810000 in 1998 of \$2,094,579 were so high and in fact higher than the original plant costs of \$1,885,004 retired in 1998. Please describe any special events in that year that contributed to these removal costs, such as severe storms.

- c. Please refer to the file PSALV.DAT. Please provide a detailed explanation of why the removal costs for reserve account 10810000 in 1996 of \$2,268,116 were so high in comparison to the original plant costs of \$2,883,635 retired in 1996. Please describe any special events in that year that contributed to these removal costs, such as severe storms.
 - d. Please refer to the file TSALV.DAT. Please provide a detailed explanation of why the removal costs for reserve account 10850000 in 2003 of \$1,074,786 were so high and in fact almost double the original plant costs of \$590,516 retired in 2003. Please describe any special events in that year that contributed to these removal costs, such as severe storms.
 - e. Please refer to the file TSALV.DAT. Please provide a detailed explanation of why the removal costs for reserve account 10850000 in 2001 of \$823,970 were so high and in fact almost triple the original plant costs of \$243,225 retired in 2001. Please describe any special events in that year that contributed to these removal costs, such as severe storms.
 - f. Please refer to the files TranNetSal.xls and TSALV.DAT. Please explain why the total retirements for each year listed in column J of file TranNetSal.xls do not always match the yearly retirement amounts listed in the third column of file TSALV.DAT. Please include a reconciliation of any differences in the two amounts for each year.
 - g. Please refer to the files DistNetSal.xls and DSALV.DAT. Please explain why the total retirements for each year listed in column M of file DistNetSal.xls do not always match the yearly retirement amounts listed in the third column of file DSALV.DAT. Please include a reconciliation of any differences in the two amounts for each year.
 - h. Please refer to the files GeneralPltSalvTest.xls and GSALV.DAT. Please explain why the total retirements for each year listed in column K of file DistNetSal.xls do not always match the yearly retirement amounts listed in the third column of file GSALV.DAT. Please include a reconciliation of any differences in the two amounts for each year.
50. Refer to the Company's response to KIUC 1-24. Please provide the information requested on CD. The request for copies of the studies does not extend to the underlying workpapers and voucher reviews, which should substantially reduce any concerns regarding volume. The studies should include the summary results and any supporting schedules that show the derivation of the lead/lag days.
51. With regard to the response to AG First Set, Item No. 64, Part C, please describe the methodology used to develop the 29.66% decline in congestion costs and the 19.28% decline in FTR revenues due to the operation of the W-J Ferry 765 kV line. Please provide supporting workpapers for the percentages.
52. With regard to the electronic spreadsheet provided by the Company in support of Mr. Bethel's exhibits entitled "Bethel KY Exhibits and MLR For DR", tab "DWB-1 pg1-PTP", line 10, please provide an explanation for the 23.42783% "% of Point-to-Point Revenue to AEP after April 1, 2006". Provide supporting work papers for the 23.42783% value.

53. With regard to the response to Staff 2nd Set, Item No. 6, please explain in detail the ratemaking treatment and accounting that will accompany a specific KPCO off-system sale. In particular, please address the following:
- a. If KPCO makes such a sale, does AEP schedule the sale with PJM, sell the energy to PJM at LMP, then purchase the energy required for the sale from PJM at LMP, and finally, then sell to the third party buyer at the agreed contractual sale price. If this is the case, please confirm. If not, please provide the correct explanation.
 - b. How is the decision made within AEP regarding whether a third party sale is specifically assigned to an operating company (e.g., KPCO) or made as an AEP system sale, with the margins allocated to all AEP East Companies.
54. With regard to a new 150mW transaction to supply Indiana Municipal Utilities, entered on or about October 7, 2005 by I&M, has this transaction been included in the projected MLR computations used by KPCO in its filing in this case? If not, is the Company intending to update its filing to reflect this transaction? If not, why not?
55. With regard to a new 40mW transaction to supply the City of Lebanon, Ohio, entered on or about August 22, 2005 by AEP, has this transaction been included in the projected MLR computations used by KPCO in its filing in this case? If not, is the Company intending to update its filing to reflect this transaction? If not, why not?

Respectfully submitted,



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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

December 12, 2005