

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

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

**KENTUCKY POWER COMPANY
RESPONSES TO KIUC
SECOND SET OF DATA REQUEST**

December 22, 2005

Kentucky Power Company

REQUEST

Please provide a copy of all studies, analyses, correspondence, and all other documents that address the retirement of Big Sandy 1.

RESPONSE

The Company is unaware of any specific studies, analyses, correspondence or other documents that specifically address the retirement of Big Sandy Unit 1.

WITNESS - James E. Henderson

Kentucky Power Company

REQUEST

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.

RESPONSE

Please refer to the response to the Attorney General's first set of data requests, Question No. 141

WITNESS - James E. Henderson

Kentucky Power Company

REQUEST

Please identify each other coal generating unit on the AEP system, its capacity, its in-service year, and its present scheduled retirement date.

RESPONSE

Attached is a spreadsheet with the requested information.

WITNESS – Errol K. Wagner

**AEP System - East Zone
 Existing Generation Capacity
 (as of 12/01/05)**

Plant Name	Unit No.	In-Service Date	Winter Capability (MW)	Summer Capability (MW)	Retirement Date
Amos	1	1971	800	800	--
Amos	2	1972	800	800	--
Amos	3	1973	1,300	1,300	--
Beckjord	6	1969	53	52	--
Big Sandy	1	1963	260	260	--
Big Sandy	2	1969	800	800	--
Cardinal	1	1967	600	585	--
Clinch River	1	1958	235	230	--
Clinch River	2	1958	235	230	--
Clinch River	3	1961	235	230	--
Conesville	1	1959	125	115	12/31/05
Conesville	2	1957	125	115	12/31/05
Conesville	3	1962	165	165	--
Conesville	4	1973	339	339	--
Conesville	5	1976	375	375	--
Conesville	6	1978	375	375	--
Gavin	1	1974	1,300	1,300	--
Gavin	2	1975	1,300	1,300	--
Glen Lyn	5	1944	95	90	--
Glen Lyn	6	1957	240	235	--
Kammer	1	1958	210	200	--
Kammer	2	1958	210	200	--
Kammer	3	1959	210	200	--
Kanawha River	1	1953	200	195	--
Kanawha River	2	1953	200	195	--
Mitchell	1	1971	800	800	--
Mitchell	2	1971	800	800	--
Mountaineer	1	1980	1,300	1,300	--
Muskingum River	1	1953	205	190	--
Muskingum River	2	1954	205	190	--
Muskingum River	3	1957	215	205	--
Muskingum River	4	1958	215	205	--
Muskingum River	5	1968	585	575	--
Picway	5	1955	100	90	--
Rockport	1	1984	1,300	1,300	--
Rockport	2	1989	1,300	1,300	--
Sporn	1	1950	150	145	--
Sporn	2	1950	150	145	--
Sporn	3	1951	150	145	--
Sporn	4	1952	150	145	--
Sporn	5	1960	450	440	--
Stuart	1	1971	152	152	--
Stuart	2	1970	152	152	--
Stuart	3	1972	152	152	--
Stuart	4	1974	152	152	--
Tanners Creek	1	1951	145	140	--
Tanners Creek	2	1952	145	140	--
Tanners Creek	3	1954	205	200	--
Tanners Creek	4	1964	500	500	--
Zimmer	1	1991	330	330	--

Kentucky Power Company

REQUEST

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.

RESPONSE

At this time, there are no analyses or other documents addressing the replacement of Big Sandy 1 capacity in 2015. There has not been a prior need to perform this type of analysis.

WITNESS – James Henderson

Kentucky Power Company

REQUEST

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.

RESPONSE

See response to Commission 2nd Set No. 71d for an explanation of why the Ohio franchise tax should be included in the gross-up factor.

All other factors remaining equal, the Ohio franchise tax should decrease after any Kentucky rate increase due to the lower apportionment caused by the increased revenues and income.

WITNESS – Sandra Keller

Kentucky Power Company

REQUEST

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.

RESPONSE

See attached pages for a copy of the return and for the apportionment workpapers

WITNESS – Sandra Keller

	7300090	7305090	7308090	7303090	7304090	7309090	7306090			
	OPERATING REVENUES [A/C 440,458]	DIVIDEND INC BEFORE SPEC DEDUCTIONS [A/C 419]	INTEREST INC [A/C 419]	RENTAL INC [A/C 418,421 & 454;1,454.2]	ROYALTY INC [A/C 455,421]	MISC INC. [A/C 421]	TOTAL INCOME	SCHEDULE D/ FORM 4797 PROCEEDS	DIVIDEND SPECIAL DEDUCTIONS	APPORTION INCOME
INCOME BY COMPANY AND STATE										
KENTUCKY POWER CO - DIST										
1DC110	0	0	0	0	0	0	0	0	0	0
1DC110	3 INDIANA	0	0	0	0	0	0	0	0	0
1DC110	3 KENTUCKY	324,842,308	0	0	3,657,343	25,714	328,425,363	1,184,359	0	329,619,722
1DC110	3 MICHIGAN	0	0	0	0	0	0	0	0	0
1DC110	3 OHIO	0	0	847,380	0	26,424	873,804	0	0	873,804
1DC110	3 OKLAHOMA	0	0	0	0	0	0	0	0	0
1DC110	3 TENNESSEE	0	0	0	0	0	0	0	0	0
1DC110	3 VIRGINIA	0	0	0	0	0	0	0	0	0
1DC110	3 WEST VIRGINIA	0	0	0	0	0	0	0	0	0
1DC110	3	324,842,308	0	847,380	3,657,343	52,138	329,399,167	1,194,359	0	330,593,626
KENTUCKY POWER CO - GEN										
1DC117	3 ARKANSAS	2,690	0	0	0	0	2,690	0	0	2,690
1DC117	3 INDIANA	149,377,882	0	0	0	353,341	149,731,223	0	0	149,731,223
1DC117	3 KENTUCKY	212,194,795	0	0	156,680	2,528,839	214,880,314	(8,043)	0	214,872,271
1DC117	3 LOUISIANA	38,606,750	0	0	0	0	38,606,750	0	0	38,606,750
1DC117	3 MICHIGAN	25,594,361	0	0	0	0	25,594,361	0	0	25,594,361
1DC117	3 NORTH CAROLINA	5,318,228	0	0	0	0	5,318,228	0	0	5,318,228
1DC117	3 OHIO	245,887,091	0	(1,505,428)	0	0	244,381,663	0	0	244,381,663
1DC117	3 OKLAHOMA	22,880	0	0	0	0	22,880	0	0	22,880
1DC117	3 TENNESSEE	4,519,258	0	0	0	0	4,519,258	0	0	4,519,258
1DC117	3 TEXAS	31,968,313	0	0	0	0	31,968,313	0	0	31,968,313
1DC117	3 VIRGINIA	14,396,416	0	0	0	0	14,396,416	0	0	14,396,416
1DC117	3 WEST VIRGINIA	11,137,290	0	0	235	0	11,137,525	(8)	0	11,137,519
1DC117	3 OTHER	178,007,928	0	0	0	0	178,007,928	0	0	178,007,928
1DC117	3	915,033,860	0	(1,505,428)	156,915	2,882,180	915,567,527	(8,049)	0	915,559,478
KENTUCKY POWER CO - TRANS										
1DC180	3 INDIANA	722,407	0	0	0	0	722,407	0	0	722,407
1DC180	3 KENTUCKY	35,223,617	0	0	15,125	0	35,238,742	(17,730)	0	35,221,012
1DC180	3 MICHIGAN	78,765	0	0	0	0	78,765	0	0	78,765
1DC180	3 OHIO	18,149,552	0	1,019,955	0	271,969	19,441,476	0	0	19,441,476
1DC180	3 TENNESSEE	19,496	0	0	0	0	19,496	0	0	19,496
1DC180	3 VIRGINIA	315,582	0	0	0	0	315,582	0	0	315,582
1DC180	3 WEST VIRGINIA	398,247	0	0	0	0	398,247	0	0	398,247
1DC180	3	54,907,866	0	1,019,955	15,125	271,969	56,214,715	(17,730)	0	56,196,985
EVERYWHERE		1,294,783,832	0	461,907	3,729,383	3,206,287	1,302,181,409	1,168,580	0	1,303,349,989
OHIO		264,036,643	0	461,907	0	288,393	264,796,943	0	0	264,796,943

OHIO

EVERYWHERE

OPERATING REVENUE

264,036,643

1,294,783,832

OPERATING REV. ELIM

(9,693,172)

(245,499,169)

MISC. INCOME

298,393

3,206,287

MISC. INCOME ELIM

0

0

254,641,864

1,052,490,950



AEP SYSTEM
2004 SALES FACTOR WORKPAPER
ELIMINATIONS

08/11/05 2:08 PM FINAL

09/20/05
2:21:20 PM

State & Local Tax Income Franchise Tax Apportionment 2004 Apportionment Eliminations (ELIM) BY STATE 2004, XL, SELIM BY CO

	7300090	7303090	7304090	7308090	7308090	7308090	7308090	7308090	7308090	7308090	7308090
OPERATING REVENUES [A/C 440-458]	(235,805,987)										
DIVIDEND BEFORE SPEC DEDUCTIONS [A/C 418]	(9,693,172)										
INTEREST INC [A/C 419]	0	0	0	0	0	0	0	0	0	0	0
ROYALTY INC [A/C 459,421]	0	0	0	0	0	0	0	0	0	0	0
MISC INC. [A/C 421]	0	0	0	0	0	0	0	0	0	0	0
TOTAL INCOME	(235,805,987)	(545,059)									
SCHEDULE D/ FORM 4797 PROCEEDS	0	0	0	0	0	0	0	0	0	0	0
DIVIDEND SPECIAL DEDUCTIONS	0	0	0	0	0	0	0	0	0	0	0
APPORTION INCOME	(235,805,987)	(545,059)									
	(9,693,172)										
	(245,499,159)	(545,059)									
	(236,351,056)										
	(9,693,172)										
	(246,044,228)										
	(236,351,056)										
	(9,693,172)										
	(246,044,228)										

3 KFCO CORP ELIMINATIONS

KENTUCKY
OHIO

1DE003
1DE003
1DE003
1DE003

D²

Mail with remittance to: Ohio Department of Taxation, P.O. Box 27, Columbus, Ohio 43216-0027

Item 6b
 Rev. 12/04 **OHIO** Corporation Franchise Tax Report **2005**

FOR DEPARTMENT USE ONLY

Based upon calendar year 2004 or other taxable year beginning

and ending , 2004.

Ohio franchise tax I.D. number <i>This field MUST be completed.</i>	Federal employer I.D. number 61-0247775 <i>This field MUST be completed.</i>	Check appropriate box below if: <input type="checkbox"/> Amended report (if the amendment reflects a refund, attach form FT REF and see instruction booklet, general instructions 10 & 26). <input checked="" type="checkbox"/> This taxpayer is a member of an Ohio combined report. Attach FT 1120C and FT OTAS to the Ohio franchise tax report of the "lead" taxpayer shown in column (2) of Form FT 1120C whose Ohio franchise tax identification number is 0058 6328 . <input type="checkbox"/> This report is an income-based exit tax report (see instructions). <input type="checkbox"/> This taxpayer is a qualifying holding company (attach FT QHC). <input type="checkbox"/> This taxpayer is an Ohio Revised Code (O.R.C.) section 5733.06(C) high-tech, start-up company (that is, an "eligible corporation"). <input type="checkbox"/> This taxpayer is an electric company or a combined (electric) company. See O.R.C. section 5733.04(P). Attach supplemental Schedules B, C, and A-1 for electric companies. <input type="checkbox"/> This taxpayer is a local exchange "telephone company" as defined in O.R.C. section 5727.01. Attach supplemental Schedule A-1 for telephone companies.
Ohio charter or license number 01230960	North American Industry Classification System (NAICS code) 221100	
Corporation name Kentucky Power Company		
Address (check box if you are not receiving forms at the proper mailing address) <input checked="" type="checkbox"/> P.O. Box 16428, AEP Tax Department		
City Columbus, OH	State OH	ZIP code 43216-6428
<input checked="" type="checkbox"/> Statutory Agent Check the box if both the below-reported statutory agent and address are the same as were reported on the 2004 franchise tax report. C T Corporation System		<input type="checkbox"/> Corporate Officers Check the box if all the below-reported corporate officers are the same as were reported on the 2004 franchise tax report.
Name 441 Vine St	President Timothy C. Mosher	
Address Cincinnati OH 45202	Secretary Heather L. Geiger	
City Cincinnati	State OH	ZIP code 45202
	Treasurer Stephen p. Smith	

Schedule A - Net Income Basis Instructions for this form are on our web site at www.tax.ohio.gov.

Whole Dollars Only

1. Federal taxable income (from I.R.S. form 1120, line 28 or 1120A, line 24). Consolidated federal filers, see instructions	1. 8,465,157.00
2. Ohio Schedule B adjustments (from Schedule B, line 3). Combined franchise filers, skip to line 6	2. 00
3. Base Income (line 1 plus line 2)	3. 00
4. Allocable income everywhere (from Schedule C, line 3)	4. 00
5. Apportionable income (line 3 minus line 4)	5. 00
6. Ohio separate company apportionment ratio from Schedule D, line 4 (even if a member of a combined report)	6. 0.145165
7. Apportioned income (line 5 multiplied by line 6 or from FT-1120C, Schedule B (combined), line 7)	7. 6,630,056.00
8. Allocable income within Ohio (from Schedule C, line 4)	8. 00
9. Income (loss) from transferor corporation. O.R.C. section 5733.053	9. 00
10. Related entity and related member adjustments (from Schedule B-3 or Schedule B-3 (combined))	10. 00
11. Ohio taxable income before net operating loss deduction (add lines 7, 8, 9 and 10)	11. 6,630,056.00
12. Ohio net operating loss deduction (attach schedule showing computation). O.R.C. section 5733.04(I)(1)	12. 00
13. Ohio taxable income (line 11 minus line 12)	13. 6,630,056.00
14. Tax on net income basis (from Schedule G, line (c))	14. 563,507.00

Schedule A - Net Worth Basis

15. Net value of stock (from Schedule F, line 5)	15. 304,346,633.00
16. Tax on net worth basis (from Schedule G, line (d)) - not to exceed \$150,000	16. 150,000.00

Schedule A - Computation of Total Tax

17. Tax due (greater of lines 14 or 16, but not less than the minimum fee, see page 6)	17. 563,507.00
18. Tier one and tier two litter tax (from Schedule G, line (n))	18. 492.00
19. Total nonrefundable credits (from Schedule A-1, line 18)	19. 13,583.00
20. Amount due after nonrefundable credits (lines 17 & 18 minus line 19, not less than minimum fee, see page 6)	20. 550,416.00
21. Overpayment carryforward from 2004	21. 00
22. Estimated payments made in 2005: E 29,000.00 , ER 26,800.00 , EX 28,000.00	22. 83,800.00
23. Refundable credits	23. 00
24. Total payments and refundable credits (add lines 21, 22 and 23)	24. 83,800.00
25. Tax due (line 20 minus line 24)	25. 466,616.00
26. Interest 3,848.00 , Penalty 0.00 . Total interest and penalty 3,848.00 . Stmt. 1.	26. 3,848.00
27. Balance due (make payable to Ohio Treasurer of State). Check box if payment made by EFT <input checked="" type="checkbox"/>	27. 470,464.00
28. Overpayment	28. 00
29. Amount of line 28 to be credited to year 2006 estimated tax (if an amended report, enter -0-)	29. 00
30. Amount of line 28 to be refunded (if an amended report, attach form FT REF)	30. 00

FOR DEPARTMENT USE ONLY



OGT RECEIVED 2005

CHECK AMOUNT

PROCESSING CODE

Name Kentucky Power Company	Item 6b Page 5 of 21	Franchise tax I.D. number	2005
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Schedule B Adjustments to Federal Taxable Income O.R.C. Section 5733.04(I)

Additions:	
(a) Valuation limitation on losses from capital or 1231 assets (form FT 1120VL)	1a. _____
(b) Losses from sale of Ohio public obligations	1b. _____
(c) Amount claimed as a credit for taxes paid by a qualifying pass-through entity	1c. _____
(d) Net loss from an "exempt investment" in a public utility	1d. _____
(e) Depreciation expense adjustment from Schedule B-4, line 1 and miscellaneous federal tax adjustments	1e. 12,196,931.
(f) Total additions (add lines 1a through 1e)	1f. 12,196,931.
2. Deductions:	
(a) Net income from foreign sources (Schedule B-2, line 5)	2a. _____
(b) Valuation limitation on gains from capital or 1231 assets (form FT 1120VL)	2b. _____
(c) Dividends received (I.R.C. section 243 and O.R.C. sections 5733.04(I)(7) and (I)(8))	2c. _____
(d) Adjustment for targeted jobs tax credit or work opportunity tax credit	2d. _____
(e) Net interest income from exempt U.S. obligations	2e. _____
(f) Interest on Ohio public and purchase obligations and gain from the sale of Ohio public obligations	2f. _____
(g) Contributions to an individual development account program	2g. _____
(h) Net income from an "exempt investment" in a public utility	2h. _____
(i) Depreciation expense adjustment from Schedule B-4, line 13 and miscellaneous federal tax adjustments	2i. 13,581,124.
(j) Total deductions (add lines 2a through 2i)	2j. 13,581,124.
3. Net adjustments:	
Line 1f minus line 2j. If negative, put in parentheses. Enter here and on Schedule A, line 2	3. (1,384,193.)

Schedule B-2 Foreign Source Income Deduction O.R.C. Section 5733.04(I)(2)

1. I.R.C. section 78 and 951 income	1. _____
2. Foreign dividends x 100% =	2. _____
3. Foreign royalties x 90% =	3. _____
4. (a) Income from technical and other services	_____
(b) Reimbursed expenses for personal services performed for subsidiaries	_____
(c) Line 4a minus line 4b	_____ x 90% =
4c. _____	4c. _____
5. Foreign source income deduction (add lines 1, 2, 3 and 4c). Enter here and on Schedule B, line 2a.	5. _____

Schedule B-3 Related Entity and Related Member Adjustments

Note: If the taxpayer is a member of a combined franchise group, complete Schedule B-3 (combined) on form FT 1120C.

1. Related entity gains (losses) from sale of investments in stock or debt. O.R.C. section 5733.04(I)(12)(a)	1. _____
2. Related entity gains (losses) from sale of other intangible property. O.R.C. section 5733.04(I)(12)(b)	2. _____
3. Total related entity gains (losses) (add lines 1 and 2.)	3. _____
4. Allocable portion of line 3	4. _____
5. Apportionable related entity gains (losses). (Subtract line 4 from line 3.)	5. _____
6. Interest expense and intangible expense paid to related members. O.R.C. sections 5733.04(I)(13) and 5733.042	6. _____
7. Add lines 5 and 6	7. _____
8. Ohio apportionment ratio (Schedule D, line 4)	8. _____
9. Apportioned income (multiply line 7 by line 8)	9. _____
10. Related entity gains (losses) allocable to Ohio	10. _____
11. Add excess related entity loss (if loss deducted in all states exceeds total loss). O.R.C. section 5733.054(B)	11. _____
12. Excess related entity gain (if gain taxed by all states exceeds total gain). O.R.C. section 5733.054(A)	12. (_____)
13. Related members' net interest income and net intangible income taxed by other states. O.R.C. section 5733.055. (Enter the lesser of (i) such income taxed by other states or (ii) the product of line 6 times line 8.)	13. (_____)
14. Related entity and related member adjustment. (add lines 9, 10, 11, 12 and 13). Enter here and on Sched. A, line 10.	14. _____

Name Kentucky Power Company	Item 6b Page 6 of 21	Franchise tax I.D. number	2005
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Schedule B-4 Bonus Depreciation and Section 179 Adjustment O.R.C. Section 5733.04(I)(17) and (I)(18)

	Schedule B (a)	To Schedule C Allocable to Ohio (b)	To Schedule C Allocable Everywhere (c)
1. Enter in column (a) and on Schedule B, line 1(e) the sum of (i) 5/6 of the IRC section 168(k) bonus depreciation amount deducted in determining federal taxable income for the taxable year and (ii) 5/6 of the "qualifying section 179 depreciation expense"¹ deducted in determining federal taxable income for the taxable year. However, if a member of a combined report, enter here and on Schedule B (combined), line 2(e).	12,196,931.		
2. Enter in column (b) the portion of the amount on line 1 that is related to Schedule C nonbusiness income² allocable to Ohio.			
3. Enter in column (c) the portion of the amount on line 1 that is related to Schedule C nonbusiness income allocable everywhere.			
4. Enter in column (a) 1/5 of the amount entered on Schedule B-4, line 1 of the 2004 franchise tax report. That is, enter 1/5 the sum of (i) IRC section 168(k) bonus depreciation amount included on Schedule B-4, line 1 of the 2004 franchise tax report and (ii) the "qualifying section 179 depreciation expense" amount included on Schedule B-4, line 1 of the 2004 franchise tax report.	12,486,897.		
5. If on the 2004 report the taxpayer entered an amount in Schedule B-4, line 2, enter in column (b) 1/5 of that amount.			
6. If on the 2004 report the taxpayer entered an amount in Schedule B-4, line 3, enter in column (c) 1/5 of that amount.			
7. Enter in column (a) 1/5 of the IRC section 168(k) bonus depreciation amount added back on Schedule B, line 1(e) of the 2003 franchise tax report.	1,017,383.		
8. If on the 2003 report the taxpayer increased its rental income allocated to Ohio by the bonus depreciation add-back related to Ohio rental property, then in column (b) enter 1/5 of the add-back made to rental income allocated to Ohio on Schedule C of the 2003 report regardless of whether that rental income was business income³ or nonbusiness income⁴ for 2003.			
9. If on the 2003 report the taxpayer increased its rental income allocated everywhere by the bonus depreciation add-back related to rental property everywhere, then in column (c) enter 1/5 of the add-back made to rental income allocated everywhere on Schedule C of the 2003 report regardless of whether that rental income was business income or nonbusiness income for 2003.			
10. Enter in column (a) 1/5 of the IRC section 168(k) bonus depreciation amount added back on schedule B of the 2002 franchise tax report.	76,844.		
11. If on the 2002 report the taxpayer increased its rental income allocated to Ohio by the bonus depreciation add-back related to Ohio rental property, then in column (b) enter 1/5 of the add-back made to rental income allocated to Ohio on Schedule C of the 2002 report regardless of whether that rental income was business income or nonbusiness income for 2002.			
12. If on the 2002 report the taxpayer increased its rental income allocated everywhere by the bonus depreciation add-back related to rental property everywhere, then in column (c) enter 1/5 of the add-back made to rental income allocated everywhere on Schedule C of the 2002 report regardless of whether that rental income was business income or nonbusiness income for 2002.			
13. Add lines 4, 7 and 10. Enter the sum here and on Schedule B, line 2(f). If the taxpayer is a member of a combined report, enter here and on Schedule B (combined), line 2(o).	13,581,124.		
14. Add lines 5, 8 and 11.			
15. Subtract line 14 from line 2. If negative, put in parentheses. Enter here and in the Ohio column of Schedule C, line 1.			
16. Add lines 6, 9 and 12.			
17. Subtract line 16 from line 3. If negative, put in parentheses. Enter here and in the everywhere column of Schedule C, line 1.			

Name Kentucky Power Company	Page 7 of 21	Franchise tax ID number	2005
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Endnotes for Schedule B-4 Bonus Depreciation and Section 179 Adjustment

Qualifying section 179 depreciation expense" means the difference between (i) the amount of depreciation expense directly or indirectly allowed to the taxpayer under section 179 of the Internal Revenue Code I.R.C., and (ii) the amount of depreciation expense directly or indirectly allowed to the taxpayer under I.R.C. section 179 as that section existed on December 31, 2002. See O.R.C. sections 5733.04(l)(17)(a)(ii). This is, "qualifying section 179 depreciation expense" is the amount of section 179 expense allowed the taxpayer under current federal income tax law minus the amount of section 179 expense that the taxpayer would have been allowed if I.R.C. section 179, as it existed on December 31, 2002, had not been amended. In computing the taxpayer's qualifying section 179 depreciation expense (i) "component members" of a federal controlled group are treated as one taxpayer for purposes of the annual I.R.C. section 179 limitation and (ii) the 179 limitation applies at both the pass-through entity level and at the owner-investor level.

²"Nonbusiness income" means all income other than business income. (See O.R.C. section 5733.04(Q)).

³"Business income" means income arising from transactions, activities, and sources in the regular course of a trade or business and includes income from real property, tangible personal property, and intangible personal property if the acquisition, rental, management, and disposition of the property constitute integral parts of the regular course of a trade or business operation. Busi-

ness income includes income, including gain or loss, from a partial or complete liquidation of a business, including, but not limited to, gain or loss from the sale or other disposition of goodwill. See O.R.C. section 5733.04(Q).

⁴If on the 2002, 2003 or 2004 franchise tax report the taxpayer made a 5/6 bonus depreciation add-back or a section 179 add-back and allocated all or a portion of that add-back to Ohio in Schedule C (because, for example, all or a portion of the add-back was attributed to property that generated rental income which the taxpayer allocated to Ohio on those franchise tax reports), then for the five tax years following the add-back year the taxpayer is entitled to allocate to Ohio the bonus depreciation deduction on that same equipment even if that same rental property generates apportionable business income on the 2005 report.

Similarly, if on the 2002, 2003 or 2004 franchise tax report the taxpayer made a 5/6 bonus depreciation add-back and allocated all or a portion of that add-back outside Ohio in Schedule C (because, for example, all or a portion of the add-back was attributed to property that generated rental income which the taxpayer allocated outside Ohio), then for the five tax years following the add-back year the taxpayer is required to allocate outside Ohio the bonus depreciation deduction on that same equipment even if that same rental property generates apportionable business income on the 2005 report.

**Bonus Depreciation and/or
I.R.C. Section 179 Add-back Years and Deduction Years**

Add-back Year	Franchise Tax Report Years during each of which 1/5 of the Bonus Depreciation and 1/5 of the I.R.C. section 179 Add-back is Deducted									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
2002	1/5	1/5	1/5	1/5	1/5					
2003		1/5	1/5	1/5	1/5	1/5				
2004			1/5	1/5	1/5	1/5	1/5			
2005				1/5	1/5	1/5	1/5	1/5		
2006					1/5	1/5	1/5	1/5	1/5	

Name Kentucky Power Company	Item 6b Page 8 of 21	Franchise tax I.D. number	2005
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CAUTION: For taxable years ending on or after June 26, 2003 all income, gain, loss and expense, other than the amounts from Schedule B-4, lines 15 and 17, are presumed to be business income. See instructions.

Schedule C Allocable Income - O.R.C. Section 5733.051

Within Ohio

Total Everywhere

1. Amounts from Schedule B-4, lines 15 and 17
2. Nonbusiness income (attach explanation)
3. Total everywhere (If negative, put in parentheses. Enter here and on Schedule A, line 4)
4. Total Ohio. (If negative, put in parentheses. Enter here and on Schedule A, line 8) . . .

1.	
2.	
3.	
4.	

1.	
2.	
3.	
4.	

Schedule D Net Income Apportionment - O.R.C. Section 5733.05(B)(2)

In computing the property, payroll and sales factors do not include the portion of property, payroll and sales to the extent such portion relates to, or is used in connection with, the production of nonbusiness income.

Compute Schedule D on a separate company basis even if the taxpayer is a member of a combined report.

(a) Within Ohio	(b) Total Everywhere	(c) Ratio	Weight	(d) Weighted Factor
--------------------	-------------------------	--------------	--------	------------------------

Note: Any request for deviation from the statutory allocation and apportionment provisions must be in writing. If the denominator of any factor is zero, the weight given to the other factors must be proportionately increased so that the total weight given to the combined number of factors used is 100%.

1. Property

- (a) Owned (average cost) 1,346,106,930.
- (b) Rented (annual rental x 8) 41,467,224. (carry to six decimal places)
- (c) Total property 1,387,574,154. = NONE x .20 =

2. Payroll

- (a) Payroll 27,466,957. = NONE x .20 =

3. Sales

- (a) Sales 254,641,864. ÷ 1,052,490,950. = .241942 x .60 =

4. Total apportionment ratio (add weighted factor column (d), lines 1c, 2 and 3. Enter here and on Schedule A, line 8 and, if applicable, Schedule F, line 6 (see note following Schedule F).

1c.	NONE
2.	NONE
3.	.145165
4.	.145165

CAUTION: Schedule D-2 applies only if you have nonbusiness income.

Schedule D-2 Net Worth Apportionment - O.R.C. Section 5733.05(C)(2)

In apportioning net worth, the numerator and denominator of the apportionment ratio must be adjusted to include the portion of any real and tangible personal property, payroll and sales related to, or used in connection with, the production of nonbusiness income allocated under O.R.C. section 5733.051.

Compute Schedule D-2 on a separate company basis even if the taxpayer is a member of a combined report.

(a) Within Ohio	(b) Total Everywhere	(c) Ratio	Weight	(d) Weighted Factor
--------------------	-------------------------	--------------	--------	------------------------

1. Property

- (a) Owned (from Sched. D) 1,346,106,930.
- (b) Adjustments
- (c) Rented (from Sched. D) 41,467,224. (carry to six decimal places)
- (d) Adjustments
- (e) Total adjusted property 1,387,574,154. = NONE x .20 =

2. Payroll

- (a) From Schedule D 27,466,957.
- (b) Adjustments
- (c) Total adjusted payroll 27,466,957. = NONE x .20 =

3. Sales

- (a) From Schedule D 254,641,864. 1,052,490,950.
- (b) Adjustments
- (c) Total adjusted sales 254,641,864. ÷ 1,052,490,950. = .241942 x .60 =

4. Total apportionment ratio (add weighted factor column (d), lines 1e, 2c, and 3c). Enter here and on Schedule F, line 6, even if the taxpayer is a member of a combined report.

1e.	NONE
2c.	NONE
3c.	.145165
4.	.145165

Name Kentucky Power Company	Franchise tax I.D. number 2005
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Schedule E Balance Sheet

Attach to this franchise tax report a balance sheet (e.g., I.R.S. form 1120, Schedule L) that reflects the books of the taxpayer on a separate company basis as of the beginning and the end of the taxable year.

Schedule F Computation of Taxable Value O.R.C. Section 5733.05(C)

1. Net worth (assets minus liabilities)	1.	320,980,311.
2. Qualifying amount (if the taxpayer is a related member to a qualifying holding company) O.R.C. section 5733.05(C)(2)	2.	-16,633,678.
3. Adjusted net worth (add lines 1 and 2)	3.	304,346,633.
4. Exempted assets (net book value)		
(a) civil defense shelters	4a.	
(b) land in Ohio devoted exclusively to agriculture	4b.	
(c) Total exempted assets	4c.	
5. Net value of stock (line 3 minus line 4c). Enter here and on Schedule A, line 15.	5.	304,346,633.
6. Ohio apportionment ratio (from Schedule D or D-2, line 4, see note below)	6.	0.145165
7. Taxable value (multiply line 5 by line 6). Enter here and on Schedule G, lines (d), (l) and (l)	7.	44,180,479.

Note: Taxable value is determined on a separate company basis even if the taxpayer is a member of a combined report. Multiply the taxpayer's separate company net value of stock by the taxpayer's separate company apportionment ratio.

Minimum Fee Requirements

Minimum Fee	Thresholds
\$1,000	1. The sum of the taxpayer's gross receipts from activities within and without Ohio during the taxable year equals or exceeds \$5 million; or 2. The total number of the taxpayer's employees within and without Ohio during the taxable year equals or exceeds 300. Note: In determining these thresholds, the taxpayer must include its proportionate share of the gross receipts of any pass-through entity in which the taxpayer has a direct or indirect ownership interest and its proportionate share of the number of employees of the pass-through entity. Gross receipts include receipts that generate business income or nonbusiness income.
\$50	If the taxpayer's gross receipts and number of employees are less than the thresholds above.

Name Kentucky Power Company	Franchise tax I.D. number 2005
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Schedule G Tax Computation Worksheet

Section 1: Franchise Tax Computation

Net Income Basis

Note: All related Ohio taxpayer corporations that as of January 1 of the report year meet the ownership or control requirements to file as members of a combined report must share one \$0 to \$50,000 net income basis tax bracket to which the 5.1% rate applies. Such related taxpayers must share one \$0 to \$50,000 tax bracket regardless of whether those related taxpayer corporations actually file a combined report (see O.R.C. section

5733.06(F)). Each taxpayer's Ohio taxable income that exceeds the prorated amount is taxable at the higher franchise tax and litter tax rates. Related taxpayers must prorate the \$0 to \$50,000 bracket on form FT OTAS, Ohio Taxpayer Affiliation Schedule. The proration, however made, applies to both the franchise tax and the litter tax.

(a) First \$50,000 of Ohio taxable income (see note above)	<u>1,393.</u> x .051 =	a. <u>71.</u>
(b) Ohio taxable income greater than \$50,000 (see note above).	<u>6,628,663.</u> x .085 =	b. <u>563,436.</u>
(c) Tax on net income basis. (Add lines (a) and (b). Enter here and on Schedule A, line 14.)		c. <u>563,507.</u>

Net Worth Basis (The tax on net worth basis is not to exceed \$150,000.)

(d) Taxable value (from Schedule F, line 7). (Enter product here and on Schedule A, line 16.)	<u>44,180,479.</u> x .004 =	d. <u>150,000.</u>
---	-----------------------------	--------------------

Tax Due

(e) Greater of lines (c) or (d), but not less than the minimum fee. (Enter here and on Sched. A, line 17.)	e. <u>563,507.</u>
--	--------------------

Section 2: Litter Tax Computation

Tier One Litter Tax (Complete tier one if the amount on line (e) is greater than the minimum fee.)

Net Income Basis

(f) First \$50,000 of Ohio taxable income (see note above)	<u>1,393.</u> x .0011 =	f. <u>2.</u>
(g) Ohio taxable income greater than \$50,000 (see note above).	<u>6,628,663.</u> x .0022 =	g. <u>14,583.</u>
(h) Add lines (f) and (g)		h. <u>14,585.</u>

Net Worth Basis

(i) Taxable value (from Schedule F, line 7)	<u>44,180,479.</u> x .00014 =	i. <u>6,185.</u>
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Tier One Litter Tax

(j) Greater of lines (h) or (i) but not greater than \$5,000. If the taxpayer is a member of a combined report, see FT 1120C for limitation	j. <u>492.</u>
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Tier Two Litter Tax (Complete tier two only if the taxpayer manufactures or sells litter stream products. See instructions.)

Net Income Basis

(k) Ohio taxable income greater than \$50,000 (see note above)	x .0022 =	k. <u> </u>
--	-----------	--------------------------------

Net Worth Basis

(l) Taxable value (from Schedule F, line 7)	x .00014 =	l. <u> </u>
---	------------	--------------------------------

Tier Two Litter Tax

(m) Greater of lines (k) or (l) but not more than \$5,000. If the taxpayer is a member of a combined report, see FT 1120C for limitation	m. <u> </u>
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(n) Total Litter Tax - Add lines (j) and (m). Enter here and on Schedule A, line 18	n. <u>492.</u>
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Name Kentucky Power Company	Franchise tax I.D. number	2005
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Schedule A-1 Nonrefundable Credits

Credits must be claimed in the order listed. O.R.C. section 5733.98

Ohio Revised Code Section

	Ohio Revised Code Section	
1. Credit for taxes paid by a qualifying pass-through entity	5733.0611	1.
2. Credit for qualifying affiliated groups (due to related entity and related member adjustments)	5733.068	2.
3. Credit for recycling and litter prevention donations	5733.064	3.
4. Credit for maintaining railroad crossing warning devices	5733.43	4.
5. Job retention credit	5733.0610(B)	5.
6. Second credit for purchases of new manufacturing machinery and equipment (7.5%-13.5% credit)	5733.33	6.
7. Job Training Credit	5733.42	7. 13,583.
8. Credit for qualified research expenses	5733.351	8.
9. Credit for eligible new employees in an enterprise zone	5709.66	9.
10. Credit for eligible costs associated with voluntary action (brownfield site clean-up) (carryforward amount only)	5733.34	10.
11. Credit for employers that establish an on-site child daycare center	5733.37	11.
12. Ethanol plant investment credit	5733.46	12.
13. Credit for grape production property	5733.32	13.
14. Export sales credit (carryforward amount only)	5733.069	14.
15. Technology investment credit. (Attach credit certificate from Technology and Enterprise Advisory Board)	5733.35	15.
16. Enterprise zone daycare and training credits	5709.65	16.
17. Research and development loan repayment credit	5733.352	17.
18. Total nonrefundable credits. (Enter here and on Schedule A, line 19.)		18. 13,583.

Questionnaire (you must complete this schedule)

1. Corporation tax records are in care of (name) AEP Service Corporation
 Telephone number 614-716-2795 E-mail address _____
2. Is this corporation a member of a consolidated U.S. 1120? Yes No. If "yes," enter the name and FEIN of the common parent:
 (Name) AEP Co., Inc. & Affiliated Corps (FEIN) 13-4922640
 and the number of corporations that are included in the consolidated U.S. group 79
3. Is the corporation currently under audit by the I.R.S.? Yes No. If yes, what years? 1997-2003
 Does the corporation currently have I.R.S. audits under appeal? Yes No. If yes, what years? 1991-1996
 What was the last year the I.R.S. redetermined the corporation's federal taxable income? 1990
4. During the taxable year, did this corporation make payments to, or receive payments from, a "related member" as defined in O.R.C. section 5733.042? Yes No
5. During 2003 or 2004 was this corporation the survivor of a merger with another corporation that was subject to the Ohio franchise tax? Yes No
6. If you entered any nonbusiness income on page 1, line 4, indicate the state(s) to which you reported such income as business income: _____
7. Is the taxpayer a "related member" to a Real Estate Investment Trust (REIT) or is a REIT a related member to the taxpayer? Yes No. If "yes," please identify the REIT by name, address, and FEIN. _____
8. During the taxable year, did the taxpayer have a direct or indirect equity interest of 20% or more in any pass-through entity? Yes No
9. During the taxable year or any of the three preceding taxable years, did the taxpayer, directly or indirectly, participate in any tax shelter with respect to which registration is required under IRC section 6111? Yes No

Declaration/Signatures (an officer or managing agent of the corporation must sign this declaration)

I declare under penalties of perjury that this report (including any accompanying schedule or statement) has been examined by me and to the best of my knowledge and belief is a true, correct and complete return and report and that this corporation has not, during the preceding year, except as permitted by section 3517.082, 3599.03 and 3599.031 of the Ohio Revised Code, directly or indirectly paid, used or offered, consented, or agreed to pay or use any of its money or property

for or in aid of or opposition to a political party, a candidate for election or nomination to public office, or a political action committee, legislation campaign fund, or organization that supports or opposes any such candidate or in any manner used any of its money for any partisan political purpose whatever, or for reimbursement or indemnification of any person for money or property so used.

▶ 10/17/05 *Mark J. Gile*
 Date Signature of officer or managing agent

Vice President - Tax
 Title

▶ _____
 Date Signature of preparer other than taxpayer based on all information of which preparer has knowledge (See notice in instructions, page 1.)

Title

Kentucky Power Company

61-0247775

Form 1120 (2004)

Page 4

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
	Cash		3,545,736.		2,091,995.
	Trade notes and accounts receivable	46,601,586.		61,402,326.	
b	Less allowance for bad debts	(736,031.)	45,865,555.	(33,659.)	61,368,667.
3	Inventories		26,066,046.		25,601,585.
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)		23,429,934.		28,967,074.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)		1,021,508.		421,723.
10a	Buildings and other depreciable assets	1,350,720,702.		1,362,543,861.	
b	Less accumulated depreciation	(382,022,449.)	968,698,253.	(398,607,703.)	963,936,158.
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)		4,594,778.		4,594,574.
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)		191,519,668.		156,264,910.
15	Total assets		1,264,741,478.		1,243,246,686.
Liabilities and Shareholders' Equity					
16	Accounts payable		45,450,181.		44,979,504.
17	Mortgages, notes, bonds payable in less than 1 year		38,095,519.		
18	Other current liabilities (attach schedule)		44,478,500.		81,701,695.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		499,964,463.		507,695,875.
21	Other liabilities (attach schedule)		319,614,648.		287,889,301.
	Capital stock: a Preferred stock				
	b Common stock	50,450,000.	50,450,000.	50,450,000.	50,450,000.
23	Additional paid-in capital		208,750,000.		208,750,000.
24	Retained earnings-Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		64,150,562.		70,555,281.
26	Adjustments to shareholders' equity (attach schedule)		-6,212,395.		-8,774,970.
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		1,264,741,478.		1,243,246,686.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions)

1	Net income (loss) per books	25,904,691.	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	8,974,183.		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				11,109,702.
		4,046,688.	8	Deductions on this return not charged against book income this year (itemize):	
5	Expenses recorded on books this year not deducted on this return (itemize):		a	Depreciation \$	10,724,992.
a	Depreciation	2,072,755.	b	Charitable contributions \$	
b	Charitable contributions	486,844.			
c	Travel and entertainment	144,088.			
		22,863,589.	9	Add lines 7 and 8	58,311,943.
6	Add lines 1 through 5	64,392,838.	10	Income (page 1, line 28) - line 6 less line 9	6,080,895.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	64,150,562.	5	Distributions: a Cash	19,499,995.
2	Net income (loss) per books	25,904,691.		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	2.
		25.	7	Add lines 5 and 6	19,499,997.
4	Add lines 1, 2, and 3	90,055,278.	8	Balance at end of year (line 4 less line 7)	70,555,281.

Form 1120 (2004)

Ohio FT-1120 Page 1 Detail

Interest on Underpayments

1 Total Tax Liability after new jobs credit			550,416.
2 Due Date	01/31/2005	03/31/2005	05/31/2005
3 Amount Due	183,472.	183,472.	183,472.
4 Date Paid	01/31/2005	03/31/2005	05/31/2005
5 Amount Paid	29,000.	26,800.	28,000.
6 Ovrpd Prev. Inst.			
7 Total Pmt	29,000.	26,800.	28,000.
8 Underpayment (Overpayment)	154,472.	156,672.	155,472.
9 Days from Due Date to Date Paid			
10 Int. ((Ln 3 - Ln 6) X 5% X Line 9)			
11 Final Payment Date	05/31/2005	05/31/2005	05/31/2005
12 Days from Date Paid to Final Pmt Date	120	61	
13 Int (Ln 8X5%XLn 12)	2,539.	1,309.	
14 Total Int (L10+L13)	2,539.	1,309.	
15 Int. on Underpayments			3,848.

"JEFF BORELLI"
<BORELLJ@odjfs.state.oh.us>

03/02/2005 02:27 PM

To <Terracina.Pavkov@ey.com>
cc <karen.terry@ey.com>, "DWIGHT GARNER" <GARNED@odjfs.state.oh.us>,
"LINDA OCONNOR" <OCONNL@odjfs.state.oh.us>
Subj Kentucky Power Company/Ohio Training Tax Credit Certificate
ect

In accordance with section 5725.31, 5729.07, 5733.42 or 5747.39 of the Ohio Revised Code, Kentucky Power Company, FEIN: 61-0247775, is eligible to claim a \$13,582.50 nonrefundable credit against the tax imposed by section 5733.06, 5742.02, 5725.13, 5725.18, or 5729.03 of the Ohio Revised Code. If Kentucky Power Company is a pass-through entity, then the equity investors in the equity can claim their proportionate share of the credit issued to Kentucky Power Company.

The Ohio Department of Job and Family Services has issued this nonrefundable tax credit for payment of training which employees of Kentucky Power Company completed in calendar year 2004.

Use of this credit is subject to all conditions and limitations set forth in the law. Nothing herein modifies those conditions and limitations.

Please review the information contained within for accuracy. If you find an error or have any questions or concerns, please contact ODJFS via e-mail at OWD_Contact@ODJFS.State.OH.US.

Sincerely,

Dwight E. Garner, Bureau Chief
Ohio Training Tax Credits

KENTUCKY POWER CO
 BONUS DEPRECIATION

	FEDERAL DEDUCTION	2002	2003	2004	2005	2006	2007	2008	2009	2010
2001	(461,064)	384,220	(76,844)	(76,844)	(76,844)	(76,844)	(76,844)			
2002	(6,104,300)		5,086,917	(1,017,383)	(1,017,383)	(1,017,383)	(1,017,383)	(1,017,383)		
2003	(74,921,381)			62,434,484	(12,486,897)	(12,486,897)	(12,486,897)	(12,486,897)	(12,486,897)	
2004	(14,636,317)				12,196,931	(2,439,386)	(2,439,386)	(2,439,386)	(2,439,386)	(2,439,386)
		384,220	5,010,073	61,340,257	(1,384,193)	(16,020,510)	(16,020,510)	(15,943,666)	(14,926,283)	(2,439,386)

2004 Sales Apportionment
 Kentucky Power - Distribution

	TOTAL PER FINANCIAL <u>REPORT</u>	STATE/COUNTRY <u>KY</u>	<u>OH</u>
Operating Revenues			
4400001 Residential Sales-W/Space Htg	83,678,402	83,678,402	
4400002 Residential Sales-W/O Space Ht	45,303,711	45,303,711	
4420001 Commercial Sales	56,532,395	56,532,395	
4420002 Industrial Sales (Excl Mines)	64,639,591	64,639,591	
4420004 Ind Sales-NonAffil(Incl Mines)	45,126,964	45,126,964	
4420006 Sales to Pub Auth - Schools	9,872,929	9,872,929	
4420007 Sales to Pub Auth - Ex Schools	9,178,952	9,178,952	
4440000 Public Street/Highway Lighting	1,009,595	1,009,595	
4470027 Whsal/Muni/Pb Ath Fuel Rev	1,280,311	1,280,311	
4470033 Whsal/Muni/Pub Auth Base Rev	1,738,289	1,738,289	
4500000 Forfeited Discounts	1,413,521	1,413,521	
4510001 Misc Service Rev - Nonaffil	292,627	292,627	
4540002 Rent From Elect Property-NAC	2,482,346	2,482,346	
4540004 Rent From Elect Prop-ABD-Nonaf	76,088	76,088	
4560007 Oth Elect Rev - DSM Program	1,681,131	1,681,131	
4560015 Other Electric Revenues - ABD	2,107,010	2,107,010	
4540001 Rent From Elect Property - Af	948,067	948,067	
Total Operating Revenue	327,361,929	327,361,929	0
Less Items Included Elsewhere			
4540001, 4540002, 4540003, 4540004	(3,506,501)	(3,506,501)	0
4210013 to 4210019, 4210021,4210023 to 4210028	272,855	272,855	0
Net Operating Revenue	324,128,283	324,128,283	0
Plus/Minus Schedule M Items			
CIAC Receipts	703,903	703,903	
Customer Advance Income for Tax	10,119	10,119	
Operating Revenue Per return	324,842,305	324,842,305	0

2004 Sales Apportionment
 Kentucky Power - Distribution

	TOTAL PER FINANCIAL <u>REPORT</u>	STATE/COUNTRY <u>KY</u>	<u>OH</u>
Other Income			
4150001 Rev Mrchdsng & Cntr Wk	26,366		26,366
4180001 Non-Operatng Rental Income	50,475	50,475	
4190001 Interest Inc - Assoc Non CBP	943,273		943,273
4190002 Int & Dividend Inc - Nonassoc	4,107		4,107
4191000 Allw Oth Fnds Usd Drng Cnstr	47,859		47,859
4210001 Misc Non-Operating Inc-Assoc	58		58
4210007 Misc Non-Op Inc - NonAsc - Oth	25,714	25,714	
4210013 Int Rate Hedge Unrealized Gain	272,855	272,855	
Total Other Income	1,370,707	349,044	1,021,663
Less Items Included Elsewhere			
4190001, 4190002,4190005 to 4190007	(947,380)	0	(947,380)
4180001, 41800007 4210002	(50,475)	(50,475)	0
4210013 to 4210019, 4210021,4210023 to 4210028	(272,855)	(272,855)	0
Net Other Income	99,997	25,714	74,283
Plus/Minus Schedule M Items			
AOFUDC	(47,859)	0	(47,859)
Other Income per Return	52,138	25,714	26,424

TOTAL PER FINANCIAL REPORT	KY	OH	TX	IN	WV	AR	STATE/COUNTRY						XX	Exception Accts	
							LA	MI	NC	OK	TN	VA			
Operating Revenues															
4470002 Sales for Resale - NonAssoc	21,355,294	34,384	3,548,775		7,905,032	1,255,964		4,827,804	1,049,875			646,028	2,088,432		
4470004 Sales for Resale-NonAll-Ancill	555,270				109,052			146,356				19,852	64,176		
4470005 Sales for Resale-NonAll-Transm	7,871,702		12,673		1,308,040			1,279,477				238,119	769,775		
4470006 Sales for Resale-Bookout Sales	446,988,640	4,370,655	74,855,680	33,733,786	109,030,363	4,762,217	2,682	38,498,238	1,137,586	447	22,796	1,243,522	3,807,450	175,513,218	
4470007 Sales for Resale-Option Sales	6,428,021	10,349	1,068,184		2,379,332	378,032		1,453,118				194,448	628,596		
4470010 Sales for Resale-Bookout Purch	(438,903,283)													(438,903,283)	
4470011 Sales for Resale-Option Purch	(9,340,920)													(9,340,920)	
4470028 Sale/Resale - NA - Fuel Rev	58,788,325	94,649	9,788,856		21,760,498	3,457,341						1,778,347	5,748,911		
4470064 Purch Pwr PhysTrad - Non Assoc	(26,102,205)							13,289,689	2,890,034					(26,102,205)	
4470066 PWR Trading Trans Exp-NonAssoc	(679,104)													(679,104)	
4470072 Sales for Resale - Hedge Trans	(1,588,950)		(1,588,950)												
4470081 Financial Spark Gas - Realized	(2,497,897)		(2,497,897)												
4470082 Financial Electric Realized	153,549														
4470093 PJM Energy Sales Margin	267,685	431	44,514		99,158	15,754		60,558	13,169			8,104	26,197		
4470090 PJM Spot Energy Purchases	(7,674,493)													(7,674,493)	
4470091 PJM Explicit Congestion Cost	(134,280)													(134,280)	
4470092 PJM Implicit Congestion-OSS	(323,864)													(323,864)	
4470093 PJM Implicit Congestion-LSE	(1,317,698)													(1,317,698)	
4470094 PJM Transm. Loss-OSS	(14,849)	(24)	(2,467)		(5,496)	(873)		(3,357)	(730)			(449)	(1,453)		
4470095 PJM Ancillary Serv.-Reg	150,171	242	24,954		55,586	8,832		33,948	7,382			4,543	14,684		
4470096 PJM Ancillary Serv.-Sphn	1,288	2	214		477	76		291	63			39	126		
4470098 PJM Oper. Reserve Rev-OSS	42,453	68	7,054		15,714	2,497		9,597	2,087			1,284	4,152		
4470099 PJM Capacity C. Net Sales	929	1	154		344	55		210	45			28	91		
4470100 PJM FTR Revenue-OSS	80,642	130	13,400		29,850	4,743		18,230	3,954			2,439	7,886		
4470101 PJM FTR Revenue-LSE	719,476	1,158	119,555		266,314	42,312		162,645	35,369			21,764	70,359		
4470103 PJM Energy Sales Cost	10,747,301	17,303	1,785,879		3,978,113	632,049		2,429,535	528,337			325,106	1,050,979		
4470106 PJM PI2PI Trans. Purch.NonAff.	(427,325)													(427,325)	
4470107 PJM NITS Purch-NonAff.	(1,246)													(1,246)	
4470108 PJM Oper. Reserve Rev-LSE	(106,876)													(106,876)	
4470110 PJM TO Admin. Exp.-NonAff.	(10,529)													(10,529)	
4470112 Non-ECR Phys. Sales-OSS	1,133,029	1,824	188,275		419,391	66,633		256,133	55,700			34,274	110,799		
4470114 PJM Transm. Loss - LSE	(7,775)	(116)	(11,927)		(26,568)	(4,221)		(16,225)	(3,528)			(2,171)	(7,019)		
4470115 PJM Meter Corrections-OSS	3,021	5	502		1,118	178		683	149			91	295		
4470116 PJM Meter Corrections-LSE	12,727	20	2,115		4,711	748		2,877	626			385	1,245		
4560041 Miscellaneous Revenue-NonAff	34,488		34,488												
4560049 Month Generation Finan -Realizd	(321,669)		(321,669)												
4560050 Oth Elec Rev-Coal Trd Rlzd G-L	5,180,163	5,180,164				(21)									
4560059 PJM NITS - Allstate	(46,573)		(46,573)												
4560061 PJM TO Adm. Serv. - Affil.	(1,646)		(1,646)												
4560063 PJM PI2PI Transm. Serv. - Affil.	(404,552)		(404,552)												
4560064 Buckeye Admin. Fee Revenue	26,951		26,951												
4560067 OthElecRev Phys Coal Purch Exp	(5,125,866)	(5,125,866)													
4470001 Sales for Resale - Assoc Cos	961,987		961,987												
4470014 Sis Resale-Ancillary Trans-Aff	20,802		20,802												
4470015 Sis Resale-Transmission-Affil	225,982		225,982												
4470035 Sis for Rsl - Fuel Rev - Assoc	3,997,562		3,997,562												
4470074 Sale for Resale - Aff - Trml Price	202,100,361	202,100,361													
4470086 Sales for Resale-Affil Pool	35,914,023		35,914,023												
4470088 Pool Sales to Dow Plt- Affil	66,340		66,340												
4560043 Oth Elec Riv - Trm-Aff-Trml Price	1,324,602		1,324,602												
Total Operating Revenue	310,159,384	206,699,490	130,705,747	33,733,786	149,070,565	11,123,867	2,682	38,498,238	25,591,155	5,318,227	22,796	4,515,753	14,385,683	175,513,218	(485,021,823)
Less Items Included Elsewhere															
Purchases & Expenses	485,021,823	0	0	0	0	0	0	0	0	0	0	0	0	0	485,021,823
4210013 to 4210019, 4210021, 4210023 to 4210028, 4210031, 4210033	114,494,981	137,613	115,181,344	(1,765,473)	307,317	13,423	8	108,512	3,206	1	64	3,505	10,733	494,708	0
Net Operating Revenue	909,676,168	206,837,103	245,887,091	31,968,313	149,377,882	11,137,290	2,690	38,606,750	25,594,361	5,318,228	22,860	4,519,258	14,396,416	176,007,926	0
Plus/Minus Schedule M Items															
Mark to Market Bk Gain Below Line	5,192,515		5,192,515												
Mark to Market Bk Gain Above Line	(5,589,713)		(5,589,713)												
Mark and Spread Account 283	(331,337)		(331,337)												
Mark and Spread Account 190	3,231,543		3,231,543												
Prov for Trading Credit Risk Below Line	(534,870)		(534,870)												
Prov for Trading Credit Risk Above Line	(356,522)		(356,522)												
Reg Liab - Unreal Mark to Market Gain	2,422,035		2,422,035												
ACRS/MACRS Gain/Loss	1,324,041		1,324,041												
Operating Revenue Per return	915,033,660	212,194,795	245,887,091	31,968,313	149,377,882	11,137,290	2,690	38,606,750	25,594,361	5,318,228	22,860	4,519,258	14,396,416	176,007,926	0

	TOTAL PER FINANCIAL REPORT	KY	OH	IN	STATE/COUNTRY		VA	WV	Exception Accts
					MI	IN			
Operating Revenues									
4540002 Rent From Elect. Property-NAC	15,125	15,125							
4560013 Oth Elect Rev-Trans-NonAffl	7,828,874	65,028	7,763,846						
4560014 Oth Elect Revenues - Ancillary	700,545		700,545						
4560015 Other Electric Revenues - ABD	250,639	250,639							
4560058 PJM NITS Revenue-NonAffl	1,005,643	77,837	334,175	279,468	30,471	7,542	122,085	154,065	
4560059 PJM NITS - Affiliate	46,573		46,573						
4560060 PJM P2P Trans Rev - NonAffl	711,067	55,037	236,288	197,606	21,545	5,333	86,324	108,934	
4560061 PJM TO Adm. Serv. - Affl	1,645		1,645						
4560062 PJM TO Adm. Rev. - NonAffl	58,907	4,559	19,575	16,370	1,785	442	7,151	9,025	
4560063 PJM P2P Transm. Serv. - Affl	404,552		404,552						
4560068 SECA Transmission Revenue	823,904	63,770	273,783	228,963	24,964	6,179	100,022	126,223	
4560043 Oth Elec Rv - Trm-Aff-Trnf Price	42,074,205	33,705,635	8,368,570						
Total Operating Revenue	53,921,679	34,237,630	18,149,552	722,407	78,765	19,496	315,582	398,247	0
Less Items Included Elsewhere									
4540001, 4540002, 4540003, 4540004	(15,125)	(15,125)	0	0	0	0	0	0	0
4210013 to 4210019, 4210021, 4210023 to 4210028	216,278	216,278	0	0	0	0	0	0	0
Net Operating Revenue	54,122,832	34,438,783	18,149,552	722,407	78,765	19,496	315,582	398,247	0
Plus/Minus Schedule M Items									
CIAC Receipts	784,834	784,834							
Operating Revenue Per return	54,907,666	35,223,617	18,149,552	722,407	78,765	19,496	315,582	398,247	0

	TOTAL PER FINANCIAL REPORT						
	KY	OH	IN	MI	TN	Exception Accts	
Other Income							
4180005 Non-Opating Rental Inc-Depr	(6,670)						(6,670)
4190001 Interest Inc - Assoc Non CBP	1,019,955		1,019,955				
4191000 Altw Oth Fnds Usd Dmg Crstr	38,789		38,789				
4210007 Misc Non-Op Inc - NonAsc - Oth	64,602		64,602				
4210009 Misc Non-Op Exp - NonAssoc	(5)						(5)
4210013 Int Rate Hedge Unrealized Gain	216,278	216,278					
Total Other Income	1,332,949	216,278	1,123,346	0	0	0	(6,675)
Less Items Included Elsewhere							
4190001, 4190002, 4190005 to 4190007	(1,019,955)	0	(1,019,955)	0	0	0	0
4210013 to 4210019, 4210021, 4210023 to 4210028	(216,278)	(216,278)	0	0	0	0	0
Purchases & Expenses	6,675	0	0	0	0	0	6,675
Net Other Income	103,391	0	103,391	0	0	0	0
Plus/Minus Schedule M Items							
AOFUDC	(38,789)	0	(38,789)	0	0	0	0
Deld Book Contract Revenue	207,367		207,367				
Other Income per Return	271,969	0	271,969	0	0	0	0

Kentucky Power Company

REQUEST

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.

RESPONSE

See attached page.

WITNESS – Sandra Keller

Kentucky Power Company
 Ohio Franchise Tax for Kentucky Rate Case
 Test Period 7/1/04 - 6/30/05

Journal	Date	Acct	ST	Amount
TXACCDAT	2004-07-31	408100804	OH	1,900
TXACCDAT	2004-07-31	408100804	OH	1,900
TXACCDAT	2004-07-31	408100804	OH	1,500
TXACCDAT	2004-08-31	408100804	OH	1,900
TXACCDAT	2004-08-31	408100804	OH	1,900
TXACCDAT	2004-08-31	408100804	OH	1,500
TXACCDAT	2004-09-30	408100804	OH	1,900
TXACCDAT	2004-09-30	408100804	OH	1,900
TXACCDAT	2004-09-30	408100804	OH	1,500
TXACCDAT	2004-10-31	408100804	OH	3,600
TXACCDAT	2004-10-31	408100804	OH	5,000
TXACCDAT	2004-10-31	408100804	OH	2,500
TXACCDAT	2004-11-30	408100804	OH	3,600
TXACCDAT	2004-11-30	408100804	OH	5,000
TXACCDAT	2004-11-30	408100804	OH	2,500
TXACCDAT	2004-12-31	408100804	OH	3,567
TXACCDAT	2004-12-31	408100804	OH	4,965
TXACCDAT	2004-12-31	408100804	OH	2,448
TXACCALK	2005-01-31	408100805	OH	2,400
TXACCALK	2005-01-31	408100805	OH	2,800
TXACCALK	2005-01-31	408100805	OH	1,800
TXACCALK	2005-02-28	408100805	OH	2,400
TXACCALK	2005-02-28	408100805	OH	2,800
TXACCALK	2005-02-28	408100805	OH	1,800
TXACCALK	2005-03-31	408100805	OH	2,400
TXACCALK	2005-03-31	408100805	OH	2,800
TXACCALK	2005-03-31	408100805	OH	1,800
TXACCALK	2005-04-30	408100805	OH	2,400
TXACCALK	2005-04-30	408100805	OH	2,800
TXACCALK	2005-04-30	408100805	OH	1,800
TXACCALK	2005-05-29	408100805	OH	2,400
TXACCALK	2005-05-29	408100805	OH	2,800
TXACCALK	2005-05-29	408100805	OH	1,800
TXACCALK	2005-06-30	408100805	OH	2,400
TXACCALK	2005-06-30	408100805	OH	2,800
TXACCALK	2005-06-30	408100805	OH	1,800
				<u>91,080</u>

Net Worth (per 2004 Ohio Return)	317,138,167
Qualifying Holding Company Adjust	<u>(50,658,300)</u>
Adjusted Net Worth	266,479,867
Ohio Apportionment %	<u>7.5878%</u>
Ohio Taxable Value	20,219,959
Ohio Tax Rate	<u>0.4000%</u>
Ohio Tax	80,880
Accrual true ups(Oct-Dec 2004) and 2005 rounded accruals	<u>10,200</u>
	<u>91,080</u>

Kentucky Power Company

REQUEST

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.

RESPONSE

See attached page.

WITNESS – Sandra Keller

Kentucky Power Company
 West Virginia Tax for Kentucky Rate Case
 Test Period 7/1/04 - 6/30/05

Journal	Date	Acct	ST	Amount
TXACCALK	2005-01-31	409100205	WV	(680)
TXACCALK	2005-01-31	409100205	WV	(4,610)
TXACCALK	2005-01-31	409100205	WV	8,470
TXACCALK	2005-02-28	409100205	WV	1,340
TXACCALK	2005-02-28	409100205	WV	8,320
TXACCALK	2005-02-28	409100205	WV	(7,840)
TXACCALK	2005-03-31	409100205	WV	230
TXACCALK	2005-03-31	409100205	WV	(4,090)
TXACCALK	2005-03-31	409100205	WV	1,200
TXACCALK	2005-04-30	409100205	WV	820
TXACCALK	2005-04-30	409100205	WV	(770)
TXACCALK	2005-04-30	409100205	WV	890
TXACCALK	2005-05-29	409100205	WV	(50)
TXACCALK	2005-05-29	409100205	WV	(300)
TXACCALK	2005-05-29	409100205	WV	840
TXACCALK	2005-05-30	409100205	WV	300
TXACCALK	2005-05-30	409100205	WV	(300)
TXACCALK	2005-05-31	409100205	WV	50
TXACCALK	2005-05-31	409100205	WV	(50)
TXACCALK	2005-05-31	409100205	WV	(840)
TXACCALK	2005-05-31	409100205	WV	840
TXACCALK	2005-06-30	409100205	WV	60
TXACCALK	2005-06-30	409100205	WV	(2,270)
TXACCALK	2005-06-30	409100205	WV	970
TXACCDAT	2004-07-31	409100204	WV	(12,880)
TXACCDAT	2004-07-31	409100204	WV	26,180
TXACCDAT	2004-07-31	409100204	WV	11,160
TXACCDAT	2004-08-31	409100204	WV	4,910
TXACCDAT	2004-08-31	409100204	WV	6,770
TXACCDAT	2004-08-31	409100204	WV	15,820
TXACCDAT	2004-09-30	409100204	WV	(7,170)
TXACCDAT	2004-09-30	409100204	WV	(24,860)
TXACCDAT	2004-09-30	409100204	WV	4,270
TXACCDAT	2004-10-31	409100204	WV	1,750
TXACCDAT	2004-10-31	409100204	WV	1,020
TXACCDAT	2004-10-31	409100204	WV	(26,400)
TXACCDAT	2004-11-30	409100204	WV	(6,740)
TXACCDAT	2004-11-30	409100204	WV	(9,920)
TXACCDAT	2004-11-30	409100204	WV	4,050
TXACCDAT	2004-12-31	409100204	WV	3,420
TXACCDAT	2004-12-31	409100204	WV	45,300
TXACCDAT	2004-12-31	409100204	WV	(75,400)
TXOUADAT	2004-12-25	409100203	WV	(74)
TXOUADAT	2004-12-25	409100203	WV	(25,035)
TXOUADAT	2004-12-25	409100203	WV	27,760
				<u>(33,539)</u>

Taxable Income	11,177,783
Apportionment %	<u>0.469%</u>
West Virginia Taxable Income	52,457
West Virginia Tax Rate	<u>9.000%</u>
Estimated WV tax for test period	4,721
2003 Accrual True Up (December 2004)	2,651
YTD 2004 Accrual true up for change in apportionment (6.9% to .47%)	<u>(40,911)</u>
Total WV recorded tax during test period	<u>(33,539)</u>

Kentucky Power Company

REQUEST

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.

RESPONSE

KPC was not subject to any Ohio franchise tax or West Virginia income tax at the time of the last rate proceeding.

WITNESS – Sandra Keller

Kentucky Power Company

REQUEST

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.

RESPONSE

See attached.

WITNESS – Sandra Keller

Kentucky Power - West Virginia Apportionment
 As Last Filed - 2004 Tax Year

PROPERTY FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>1,387,574,155</u>	<u>523,312</u>	0.000377	0.000094

PAYROLL FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>27,466,957</u>	<u>44,342</u>	0.001614	0.000404

SALES FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 50%</u>
<u>1,057,305,761</u>	<u>11,535,766</u>	0.010911	0.005455

TOTAL
 OF
FACTORS
0.005953

Kentucky Power - West Virginia Apportionment
 As Last Filed - 2003 Tax Year

PROPERTY FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>1,286,014,271</u>	<u>635,230</u>	0.000494	0.000123

PAYROLL FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>29,177,440</u>	<u>57,851</u>	0.001983	0.000496

SALES FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 50%</u>
<u>1,231,183,978</u>	<u>10,029,222</u>	0.008146	0.004073

TOTAL
 OF
FACTORS
0.004692

Kentucky Power - West Virginia Apportionment
As Last Filed - 2002 Tax Year

<u>PROPERTY FACTOR</u>			
<u>TOTAL</u>	<u>WV AMOUNT</u>	<u>WV %</u>	<u>WV % @ 25%</u>
<u>1,184,103,706</u>	<u>762,683</u>	0.000644	0.000161

<u>PAYROLL FACTOR</u>			
<u>TOTAL</u>	<u>WV AMOUNT</u>	<u>WV %</u>	<u>WV % @ 25%</u>
<u>28,884,526</u>	<u>190,545</u>	0.006597	0.001649

<u>SALES FACTOR</u>			
<u>TOTAL</u>	<u>WV AMOUNT</u>	<u>WV %</u>	<u>WV % @ 50%</u>
<u>2,068,743,429</u>	<u>4,512,385</u>	0.002181	0.001091

TOTAL
OF
FACTORS

0.002901

Kentucky Power - West Virginia Apportionment
 As Last Filed - 2001 Tax Year

PROPERTY FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>1,140,476,623</u>	<u>611,411</u>	0.000536	0.000134

PAYROLL FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>28,828,520</u>	<u>321,142</u>	0.011140	0.002785

SALES FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 50%</u>
<u>2,226,865,027</u>	<u>9,962,805</u>	0.004474	0.002237

TOTAL
 OF
FACTORS

0.005156

Kentucky Power - West Virginia Apportionment
As Last Filed - 2000 Tax Year

PROPERTY FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>1,112,627,565</u>	<u>714,464</u>	0.000642	0.000161

PAYROLL FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 25%</u>
<u>28,268,600</u>	<u>0</u>	0.000000	0.000000

SALES FACTOR			
	WV		WV %
<u>TOTAL</u>	<u>AMOUNT</u>	<u>WV %</u>	<u>@ 50%</u>
<u>1,664,834,744</u>	<u>19,315,519</u>	0.011602	0.005801

TOTAL OF FACTORS
<u>0.005962</u>

