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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

# ATTORNEY GENERAL'S FIRST 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 First 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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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 9th day of November, 2005, I have filed the original and seven 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 Initial Request for Information
to Kentucky Power Company
Case No. 2005-00341

1. In its response to KPSC-1-35, page 2, the Company states that it factors its uncollectible electric receivables. In this regard, please provide the following information:

    a. Provide a detailed description of the workings and mechanics of the accounts receivables factoring process and associated costs, including an explanation of how any electric receivable uncollectible accounts are accounted for in this factoring process.
    b. Provide the Company's actual annual uncollectible expenses for the test year and each of the 3 years prior to the test year and an explanation of how these uncollectible expenses are accounted for on the Company's books (including account numbers and titles) and/or in the accounts receivable factoring process.
    c. Provide the Company's actual annual electric accounts receivable write-offs for the test year and each of the 3 years prior to the test year and an explanation of how these charge-offs are accounted for on the Company's books (including account numbers and titles) and/or in the accounts receivable factoring process.

2. With regard to the uncollectible expense information shown on Section V, S-2, page 3, please provide the following information:

    a. How was the test year uncollectible amount of $1,177,282 actually reflected as an uncollectible expense on the Company's books (include accounts number and title)?
    b. If not recorded on the Company's books as an uncollectible expense, in what alternative way was this amount of $1,177,282 reflected as an expense in the test year?

3. With regard to the OH and WVA income tax information shown in footnote 2 of Section V, S-2, page 2, and discussed on pages 14-15 of Mr. Wagner's testimony, please provide the following information:

    a. Provide a more detailed explanation and workpaper in support of the proposed OH phase-out factor of 24%.
    b. Provide a workpaper showing all calculations and assumptions in support of the apportionment factors of 7.59% and 0.47%.
    c. On page 14 of his testimony, lines 20-23, Mr. Wagner states that "KPCo is obligated to pay Ohio state franchise tax on the portion of its apportioned taxable income that relates to the system sales transactions because KPCo receives income from these sales." In this regard, please provide the following information:

1) Is any taxable income from KPCo's system sales transactions reflected in the pro forma adjusted test year operating results used for ratemaking purposes in this case? If so, indicate exactly where in the filing schedules this taxable income is reflected.
2) If the answer to the part c(1) above is negative, explain where and how the taxable income from KPCo's system sales transactions allocable to the ratepayers of KPCo is reflected for book and ratemaking purposes.

4. With regard to the Kentucky state income tax rate, please provide the following information:

   a. Confirm that the current Kentucky state income tax rate of 7% will be reduced to 6% effective 1/1/07.
   b. The Company has proposed to consider state income tax changes, in the form of a tax phase-out, occurring in the next 4 years with regard to the Ohio franchise tax, but has not proposed to consider the Kentucky state income tax phase-down from 7% to 6% effective 1/1/07. Why hasn't the Company proposed a phase-down factor for the 1/1/07 Kentucky state income tax rate change to 6% similar to its proposed phase-out factor of 24% it used for the Ohio franchise taxes?
   c. If the Company agrees that it would be appropriate to reflect a phase-down factor for the Kentucky state income tax reduction to 6% effective 1/1/07, explain how the Company would propose to reflect this and what impact this would have on the revenue requirement in this case.

5. Please provide a detailed description and a supporting workpaper showing the assumptions and calculations used in deriving the 13-month average Accounts Receivable Financing rate of 2.99%.

6. Consistent with all of the pro forma capitalization adjustments shown on Section V, Schedule 3, and consistent with the proposed pro forma rate base deduction adjustment of $2,662,755 shown on Section V, S-5, line 20, explain why the Company has not made a pro forma capitalization reduction adjustment of $2,662,755.

7. With regard to the Hanging Rock-Jefferson pro forma net plant in service additions described on page 3, lines 20-22 of Mr. Wohnhas' testimony, please provide the relevant page(s) of the KPSC Order in Case No. 9061 referring to this item. In addition, provide a workpaper showing the calculations of these pro forma net plant in service additions.

8. Please indicate in which exact expense account shown in the response to KPSC-1-23b the actual test year distribution and transmission O&M expenses shown in Table 3 and the actual 2000 through 2004 distribution and transmission O&M expenses shown in Table 4 of Mr. Phillips' testimony are reflected.

9. With regard to the Reliability Adjustment annual expense and investment levels shown on Section V, S-4, page 29, please provide (1) explanation of the basis of and workpapers showing all assumption and calculations in support of the annual expense and investment levels, and (2) any available actual source documentation (invoices, bids, RFPs, etc.) in support of the annual expense and investment levels.

10. Under the assumption that the KPSC will allow the proposed Reliability Adjustment, what actions and procedures is the Company proposing to provide assurance and verification to the KPSC that the annual expense and investment levels and all of the associated incremental vegetation management activities for which rate recovery would be allowed will indeed be spent and performed by the Company?

11. The Company is proposing a pro forma test year depreciation expense adjustment that increases the adjusted per books test year depreciation expenses by $3,654,912. In this regard, please provide the following information:

    a. Why hasn't the Company proposed to increase its pro forma test year accumulated depreciation reserve balance in rate base to reflect this pro forma annualized depreciation expense adjustment, consistent with previously established KPSC ratemaking policy?
    b. If the Company does not agree that this pro forma rate base adjustment should be made, explain your disagreement.
    c. If the Company agrees that this pro forma rate base adjustment should be made, provide the impact on the Company's proposed rate base, as well as the corresponding impact on the Company's proposed adjusted capitalization shown on Section V, Schedule 3.

12. Please reconcile each of the unadjusted test year depreciation expense amounts shown on Section V, S-4, page 8, column (6), lines 1 through 4 to the corresponding unadjusted test year depreciation expense amounts shown on Section V, Schedule 8, column (3), lines 1 through 4.

13. The Company has proposed an M&S balance of $16,720,225 which represents the actual M&S balance as of the end of the test year, 6/30/05. From the information on Section IV, page 14 it can be derived that the corresponding 13-month average M&S balance for the test year amounts to $14,510,165. Please confirm this. If you do not agree, explain your disagreement.

14. The Company has proposed a test year prepayment balance of $661,934 which represents the actual prepayment balance as of the end of the test year, 6/30/05. In this regard, please provide the following information:

a. From the information on Section IV, page 14, it can be derived that the corresponding 13-month average prepayment balance for the test year amounts to $1,016,099. Please confirm this. If you do not agree, explain your disagreement.
b. From the information on Section IV, page 14, it can be derived that the 13-month average test year prepayment balance associated with prepaid KPSC assessment fees amounts to $213,404. Please confirm this. If you do not agree, explain your disagreement.

15. With regard to the pension fund contributions discussed on page 41, lines 6-12 of Mr. Wagner's testimony and shown on Section V, S-4, page 40, please provide the following information:

a. Do the contributions represent the actual cash contributions of the Company as required by ERISA? If not, explain the basis for these pension funding contributions.
b. Please provide a side-by-side comparison of the Company's (KPCo Electric) actual pension fund contributions (in accordance with ERISA requirements) and the Company's pension expense bookings (in accordance with FASB 87) for the last 10 years, for the test year ended 6/30/05, and as projected for the next 5 years.

16. Please provide the Company's actual short term debt balance for each month in 2001, 2002, 2003, 2004, and 2005.

17. With regard to the Company's coal inventory, please provide the following information:

a. The response to KPSC-1-9, pages 15 and 16 of 114 show that the Days Supply on Hand for the Company's June 2005 coal inventory is 29.2 days. Please reconcile this to the corresponding Days Supply on Hand number of 26.0 days assumed by the Company in the calculations on Section V, S-4, page 28.
b. On Section V, S-4, page 28, the Company has assumed a Daily Burn Rate of 8,000.
    1) Please provide the basis for this assumed number.
    2) Provide the actual Daily Burn Rate for each month of the years 2002, 2003, 2004 and 2005 to date (i.e., through September or October, if available).
c. The Company has used an average cost per ton of $49.32 in the calculations on Section V, S-4, page 28. Please provide the equivalent actual cost per ton numbers for each month of the years 2002, 2003, 2004, and 2005 to date (i.e., through September or October, if available)

18. As shown on Section V, Schedule 15, the Company has proposed to reflect for base rate making purposes in this case the cash working capital associated with the Company's test year System Sales and Various Transmission Agreements of $127,146,896 (Total Electric Utility basis). In this regard, please provide the following information:

a. Confirm that, for purposes of setting the base rates in this case, the Company has removed this same System Sales and Various Transmission Agreement amount of $127,146,896 from the pro forma test year revenues (see Section V, S-6, p.1 and p.4), as well as from the pro forma test year O&M expenses (see Section V, Schedule 7, lines 16-17).
b. Explain why it is appropriate to reflect the cash working capital requirement of revenues and O&M expenses that have been removed for ratemaking purposes in this case.

19. The AFUDC-related Deferred FIT calculation in footnote 1 of Section V, S-4, page 19 assumes that the cost related to A/R Financing in the capital structure is tax-deductible. In this regard, please provide the following information:

 a. Confirm the above-stated fact. If you disagree, explain your disagreement.
 b. If confirmed, explain why the Company has not made the same assumption (i.e., treat the A/R Financing cost component of the proposed overall rate of return as a tax-deductible item in the calculation of the interest synchronization adjustment on Section V, S-4, page 20.

20. The Company has proposed to reduce rate base by $129,276,197 (Total Company per Books) for net Accumulated Deferred Income Taxes. In this regard, please provide the following information:

 a. A schedule showing all of the Total Company per Books ADIT components that make up the total net ADIT balance on the Company's books as of June 30, 2005.
 b. For each of the Total Company per Books ADIT components to be provided in response to part a above, indicate which component has been used as a rate base deduction/addition in this case (the total of these ADIT components should add to $129,276,197) and which component has not been considered for ratemaking purposes in this case.
 c. For each ADIT component that has not been considered for ratemaking purposes, provide a brief explanation for the reason.

21. The response to KPSC-1-12, page 17 shows Other Non-Current Liability balances of $4,625,798 for Account 2283005 SFAS 112 Postemployment Benefits and $7,124,088 for Account 2283006 SFAS 87 Pensions. In this regard, please provide the following information:

 a. Provide a description of the nature and purpose of these liability balances and explain how these balances were accumulated.
 b. Explain whether these liability balances are associated with above-the-line SFAS 112 and SFAS 87 costs.

c. Explain why the Company has not proposed to treat these liability balances as reductions from rate base.

22. The Company has removed $127,146,896 worth of test year System Sales and Various Transmission Agreement revenues for ratemaking purposes in this case and has removed the same $127,146,896 from the test year per books operation and maintenance expenses. In this regard, please provide the following information:

    a. Verify that the impact on the Company's proposed pro forma test year operating income is $0. If not, explain what the correct test year operating income impact is.
    b. Explain the reasons why the Company has made these revenue and O&M expense adjustments.
    c. Describe the nature of each of the Various Transmission Agreements in revenue account 456 shown on Section V, S-6, page 2.

23. For each of the years 2001, 2002, 2003 and 2004, provide a worksheet showing a side-by-side comparison of the actual revenues for the Other Operating Revenue accounts 411, 450, 451, 454 and 456 in the same format and detail as per the response to KPSC-1-12, pages 3 and 4 of 19.

24. Please provide a listing and description of any large commercial, industrial, or special contract customers that were or are expected to be added as customers of KPCo or were lost or are expected to be lost as customers of KPCo that have become known since the time the Company prepared its filing in this case and that, therefore, are not reflected in the pro forma adjusted test year sales and revenues. If so, provide full details and a description of how the annualization of such changes would impact the test period revenue requirement.

25. Please provide KPCo's FERC Form 1 reports for 2002 and 2003.

26. With regard to the Company's payroll distribution, please provide the following information:

    a. In the same format and detail as shown on Section V, S-7, page 3, provide the actual payroll distribution dollars and percentages for each of the years 2000 through 2004 and reconcile this information to the corresponding payroll distribution data shown on page 355 of the Company's FERC Form 1 reports for 2002 through 2004.
    b. In the same format and detail as per pages 354 and 355 of the Company's FERC Form 1 report, provide the actual payroll distribution data for the test year ended 6/30/05.

c. Reconcile the test year labor O&M expenses of $20,137,863 and O&M ratio of 67.65% to the corresponding test year labor O&M expenses of $$18,607,000 and O&M ratio of 62.51% shown on the response to KPSC-1-23c, page 17.

27. With regard to the employee and wage/salary data in the response to KPSC-1-39, page 3, please provide the following information:

a. Reconcile the total wages/salaries for each of the years 2002 through 2004 and for the test year shown on page 3 of 3 to the corresponding total wages/salaries for these same years shown in the response to KPSC-1-23c, page 17.
b. Explain the decrease from 470 total employees in 2000 to 350 total employees in the test year.

28. Please provide a detailed description of all of the incentive compensation programs offered by KPCo to its employees. At a minimum, this description should provide (1) the major terms of each program, (2) the types of awards paid out under each program, (3) the performance criteria and types of goals to be reached to trigger awards under each program, and (4) types of employees eligible to participate in each program. In addition, provide copies of actual source documentation available for each of these incentive compensation programs.

29. For each of the years 2000 through 2004, and for the test year, please provide the following information:

a. Actual incentive compensation expenses booked, in total and broken out by type of incentive program.
b. Portions of the incentive compensation expenses to be provided in response to part a above that are charged to O&M expense and to accounts other than O&M.

30. With regard to the payroll information shown on Section V, S-7, page 3, please provide the following information:

a. Confirm that this information shows that the unadjusted test year O&M expenses include $20,137,863 for payroll expenses. If this is not correct, please explain.
b. Identify the total O&M expense dollar amount included in the $20,137,863 that represents incentive compensation. In addition, provide a breakout of this total test year incentive compensation amount by type of incentive compensation program.
c. To the extent that additional incentive compensation expenses charged to KPCo from AEPSC or other AEP affiliates are included in the unadjusted test year O&M expenses (but not as part of the total payroll expense of $20,137,863), identify such additional incentive compensation expense and provide a breakout of these incentive compensation expenses by type of incentive compensation program.

31. Please reconcile the test year base payroll amount of $25,146,566 shown on Section V, S-4, page 6, line 1 to the test year payroll data shown on Section V, S-7, page 3.

32. With regard to the employee benefit information shown on Section V, S-4, page 4, please provide the following information:

    a. Reconcile the per books test year pension expense amount of $1,038,398 to the corresponding per books test year pension expense amount of $1,051,138 shown in the response to KPSC-1-49, page 2 of 3.
    b. Provide the actual monthly costs (on an equivalent basis as the monthly costs shown on Section V, S-4, page 4, lines 1, 4, 7, 10, 13, and 16) for each month of the test year and for the months of July 2005 through October 2005 for the following employee benefit expenses: Medical Plan, Life Insurance, Dental Plan, Retirement (Pension) Plan, LTD insurance, and OPEB.
    c. Is the pro forma annualized OPEB amount of $2,204,016 net of a similar "OPEB subsidy" amount similar to the unadjusted OPEB subsidy amount of $843,367 in account 9260057? If so, what is the assumed annualized OPEB subsidy amount that has been assumed in the calculations and what is the basis for this amount? If not, why hasn't the annualized OPEB cost amount of $2,204,016 been offset with the appropriate annualized OPEB subsidy amount?

33. The response to KPSC-1-23b, page 16 shows fringe benefit "loading" cost credits of $375,545 (pension), $1,507,472 (group insurance), $417,229 (savings plan) and $1,355,211 (OPEB) in accounts 9260050, 9260051, 9260052 and 9260053. In this regard, please provide the following information:

    a. Provide a detailed description of what each of these "loading" cost credits represent.
    b. This information indicates that the loading for pension costs represents a percentage of 35.7% ($375,545/$1,051,138, for group insurance represents a percentage of 42.88% [$1,507,472/($93,378+$3,118,484+$118,480+$184,881]), for the savings plan represents a percentage of 37.59% ($417,229/ $1,109,927), and for OPEB represents a percentage of 39.91% ($1,355,211/$$3,395,427). If these loading ratios are not correct, provide the correct information.
    c. Confirm that the loading ratios identified in part b above represent the percentages of the identified employee benefit costs that are charged to accounts other than O&M expense. If this is not correct, provide the correct answer.

34. As shown on Section V, S-4, page 4, line 20, the Company has assumed an O&M ratio of 67.65% for each of the employee benefit costs listed on this exhibit. For each of the employee benefits that are listed on this exhibit, provide the actual O&M ratios for each of the years 2002, 2003, and 2004, and for the test year ended 6/30/05.

35. With regard to the proposed annualized pension costs of $1,505,988 shown on line 10 of Section V, S-4, page 4, please provide the following information:

   a. Are these the pro forma pension costs for KPCo-Distribution or for both KPCo-Distribution and KPCo-Transmission?
   b. Reconcile the proposed annualized cost amount of $1,505,988 to the 2005 FAS 87 pension costs for KPCo shown in the middle of the first column of the response to KPSC-1-50, page 49 of 139.
   c. Confirm that this same response to KPSC-1-50, page 49 of 139, indicates that KPCo's projected pension costs for 2006 and the years beyond will experience significant decreases. In addition, explain the reasons for this. If you do not agree, explain your disagreement.

36. With regard to the proposed annualized net OPEB costs of $2,204,016 shown on line 16 of Section V, S-4, page 4, please provide the following information:

   a. Reconcile the proposed annualized net cost amount of $2,204,016 to the 2005 net OPEB costs for KPCo shown in the middle of the last column of the response to KPSC-1-51c, page 50 of 60.
   b. Confirm that this same response to KPSC-1-51c, pages 51 through 53 of 60 indicates that KPCo's projected pension costs for 2006 through 2008 will experience significant decreases. In addition, explain the reasons for this. If you do not agree, explain your disagreement.

37. With regard to the net merger savings adjustment, please provide the following information:

   a. Provide a copy of page 4 of the Settlement Agreement and the relevant pages of the KPSC Order in Case No. 99-149, including Attachment A of that Order, which address this issue.
   b. Is the net merger savings amount of $7,385,000 net of any amortization of costs-to-achieve? If so, provide the gross savings and costs-to-achieve amortization amounts that net out to $7,385,000.

38. With regard to the State Issues Settlement Revenue adjustment shown on Section V, S-4, page 10, please provide the following information:

   a. Provide a copy of the relevant pages of the Settlement Agreement in Case No. 2004-00420 that address this issue.
   b. Indicate where the test year revenues of $2,457,200 are recorded in the revenue accounts shown in the response to KPSC-1-12, pages 3 and 4 of 19.

39. Please provide the expense account number and title in which KPSC assessments are recorded.

40. With regard to the Commission Mandated Consultant costs listed on lines 1-3 on Section V, S-4, page 12, please explain whether the Company expensed or deferred these costs on its books when they were incurred. If they were deferred, indicate in which exact balance sheet account they were deferred.

41. With regard to the Demolition Study Cost amount of $65,700 which the Company has claimed as part of its proposed rate case expenses, please provide the following information:

    a. Nature and purpose of the cost, a copy of the underlying contract, and an explanation as to when this study will be performed.
    b. What is the frequency of such demolition study costs and when was the last time the Company had a similar demolition study performed?

42. Please provide the nature and purpose of the test year Regulatory Commission expenses in expense accounts 9280001 and 9280002.

43. With regard to the Annualized Lease expense adjustment on Section V, S-4, page 14, please provide the following information:

    a. Actual monthly lease expenses (on equivalent basis as the June 2005 lease expense of $277,873) for each month in 2005 to date.
    b. Actual annual lease expenses for each of the years 2002, 2003, and 2004.
    c. Indicate where the actual test year lease expenses of $3,315,751 are recorded in the O&M expense accounts listed in the response to KPSC-1-23b, pages 12-16.

44. With regard to the $103,610 test year Informational and instructional advertising expenses included in account 909, please provide the following information:

    a. Detailed listing of all advertising expense items making up the total amount of $103,610 and a brief description of the nature and purpose of the advertising expense item.
    b. Copies of representative ads used in ad campaigns for the advertising recorded in this account.

45. With regard to the $76,897 test year advertising expenses included in account 921, please provide the following information:

    a. Detailed listing of all advertising expense items making up the total amount of $76,897, a brief description of the nature and purpose of the advertising expense item, and an indication as to which specific advertising expense items were removed for ratemaking purposes in this case.

b. Copies of representative ads used in ad campaigns for the advertising recorded in this account.

46. With regard to the $109,628 test year advertising expenses included in account 930.1, please provide the following information:

c. Detailed listing of all advertising expense items making up the total amount of $109,628, a brief description of the nature and purpose of the advertising expense item, and an indication as to which specific advertising expense items were removed for ratemaking purposes in this case.
d. Copies of representative ads used in ad campaigns for the advertising recorded in this account.
e. Reconciliation of the $109,628 expense to the advertising expense of $92,940 listed on line 3 of the response to KPSC-1-30b, page 4 of 23.
f. Explain the nature and purpose of the $13,282 Sponsorship and Contributions amount included in account 930.1, as shown on line 4 of the response to KPSC-1-30b, page 4 of 23 and an indication as to whether this amount has been excluded for ratemaking purposes in this case.

47. Please provide a listing, descriptions and test year expense dollar amounts of all public relations and community relations expenses included in the test year O&M expenses that are not already reflected in the $290,880 advertising expenses listed in the response to KPSC-1-30, page 1. In addition, indicate in which expense account(s) these expenses are reflected.

48. Please provide a listing, descriptions and test year expense dollar amounts of all promotional expenses included in the test year O&M expenses that are not already reflected in the $290,880 advertising expenses listed in the response to KPSC-1-30, page 1. In addition, indicate in which expense account(s) these expenses are reflected.

49. Please expand the information on Section V, S-4, page 16 by including storm damage expense data and Handy-Whitman Contract Labor Index for the 12-month periods ended June 1996 through June 2002.

50. With regard to the Net Line of Credit Fee adjustment shown on Section V, S-4, page 23, please provide the following information:

a. Explain why they are "net" line of credit fees and explain the nature and purpose of these fees.
b. Provide the equivalent actual net line of credit fees booked by the Company in 2001, 2002, 2003, and 2004.
c. In which expense account are these net line of credit fees recorded?

51. With regard to the Vehicle Fuel cost adjustment on Section V, S-4, page 31, please provide the following information:

   a. Actual vehicle fuel costs (on equivalent basis as the June 2005 cost of $88,488) and actual gallons of vehicle fuel consumed for each month of the test year and each month after the test year through October 2005.
   b. Indicate the O&M expense account in which the test year vehicle fuel expenses of $862,596 are recorded.

52. Please provide the total adjusted Employee Benefit expense amount charged to O&M expense account 926 for the pro forma adjusted test year. Provide this O&M expense amount in total and as broken out between the unadjusted per books expenses and the pro forma expense adjustment amount.

53. Exhibit DMR-1, page 2 shows total adjusted test year operating revenues (prior to the consideration of the YE customer adjustment) of $337,148,564 and total adjusted O&M expenses of $266,838,943. In this regard, please provide the following information:

   a. Confirm that the $337,148,564 adjusted test year revenues include $111,984,770 worth of fuel clause revenues and that the $266,838,943 adjusted O&M expenses include the same amount of $11,984,770 in fuel clause expenses (see Wagner testimony page 37). Please confirm this. If this is not correct, provide the correct information.
   b. Confirm that the Company's fuel clause revenues and associated fuel clause expenses are not recovered in base rates but, rather, are recovered and addressed in a separate rate mechanism, i.e., the Company's fuel adjustment clause.

54. The year-end customer revenue annualization adjustment on Exhibit DMR-1, page 1 is based on the comparison of actual June 30, 2005 customers to average test year number of customers based on the 12-month average from July 2004 through June 2005. Please redo the revenue annualization analysis on Exhibit DMR-1, page 1 by using the 13-month average customer level starting with the actual customers as of June 30, 2004.

55. With regard to the System Sales adjustment shown on Section V, S-4, page 26 and discussed in Mr. Wagner's testimony pages 35-37, please provide the following information:

   a. How exactly was the actual test year System Sales profit level of $26,907,605 recorded on the Company's books and where exactly is this profit level of $26,907,605 reflected in the revenue and/or expense accounts shown in the response to KPSC-1-12.
   b. Mr. Wagner states that $11.3 million of the $26.9 million was reflected as a credit in the cost of service for the test year. Describe in detail how this was

accomplished, in which accounts this $11.3 million was booked and where it is reflected in the expense accounts shown in the response to KPSC-1-12.

c. Is the Company in this case proposing to replace the current $11.3 million cost of service credit built into the base rates with a new cost of service credit level of $24.855 million to be built into the base rates? If so, how exactly is this accomplished? If not, explain why not and what the correct interpretation of the Company's proposal is.

56. In the same format and detail as per Exhibit EKW-1, please provide the actual Capacity Equalization Settlement data shown in columns (1) through (7) for each month of the test year and for July 2005 through September 2005 or October 2005 (if available).

57. With regard to the AEP Capacity Adjustments shown on Section V, S-4, page 30, and Mr. Wagner's testimony pages 38-39, please explain in which expense account the test year AEP Pool capacity payment of $28,750,934 is recorded. If recorded in account 5550004, reconcile the amount of $28,750,934 to the test year account 5550004 amount of $29,084,203.

58. With regard to the 830 MW generation capacity addition associated with CSP's new generating unit shown on Section V, S-4, page 30, please provide the following information:

a. When (year/month) will this generating unit be completed and incorporated in the Capacity Equalization Settlement calculations and what is the basis for this fact?
b. When will the impact of this generating unit addition be reflected as an incremental AEP Pool Capacity charge to KPCo and what is the basis for this fact?
c. Provide workpapers showing all calculations for the monthly incremental charges to KPCo shown in column (5) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
d. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

59. With regard to the 481 MW generation capacity addition associated with APCo's new generating unit shown on Section V, S-4, page 30, please provide the following information:

a. When (year/month) will this generating unit be completed and incorporated in the Capacity Equalization Settlement calculations and what is the basis for this fact?
b. When will the impact of this generating unit addition be reflected as an incremental AEP Pool Capacity charge to KPCo and what is the basis for this fact?

c. Provide workpapers showing all calculations for the monthly incremental charges to KPCo shown in column (6) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
d. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

60. With regard to the net effect of the 289 MW load addition to CSP's system shown on Section V, S-4, page 30, please provide the following information:

a. What is the basis for the assumed 289 MW load addition, when (year/month) will this load addition occur, and please describe the specifics of the load addition?
b. Provide workpapers showing all calculations for the monthly incremental credits to KPCo shown in column (7) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
c. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.
d. Why hasn't the Company made a similar credit adjustment for the load addition to APCo's system that triggered the APCo generating unit addition?

61. With regard to the net effect of removing 250 MW from CSP's capacity shown on Section V, S-4, page 30, please provide the following information:

a. What is the basis for the assumed 250 MW capacity retirement, when (year/month) will this capacity retirement occur, and please describe the specific capacity retirement(s)?
b. Provide workpapers showing all calculations for the monthly incremental credits to KPCo shown in column (8) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
c. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.
d. Why hasn't the Company made a similar credit adjustment for any APCo capacity retirements resulting from APCo generating unit addition or that are anticipated in the near-term future?
e. Are there no capacity retirements for OPCo and I&M anticipated in the near-term future? If so, provide all details regarding these anticipated capacity retirements and what impact they would have on KPCo's near-term AEP Pool capacity costs. If not, how is the Company sure about this?

62. With regard to the Annualization of Load Changes during the test year or shortly thereafter, shown on Section V, S-4, page 30, please provide the following information:

a. Does this adjustment reflect the annualization of load changes during and after the test year for just KPCo or for all of the members of the AEP-System East Zone?
b. How far beyond the end of the test year do the post-test year load changes extend?
c. Describe the methodology used by the Company to annualize the load changes during the test year and the methodology used to annualize the load changes anticipated after the test year.
d. Provide workpapers showing all calculations made in support of the monthly incremental charges in column (9). In addition, provide the assumptions the Company has made in this calculations and the basis for these assumptions.
e. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

63. Please provide the pro forma adjusted monthly KPCo MLR ratios (equivalent to the June 2005 MLR ratio of 7.838%) implicit in the adjusted test year AEP Pool capacity costs shown in column (10) of Section V, S-4, page 30.

64. With regard to the PJM Implicit Congestion costs and FTR revenues shown on RWB Exhibits 1 and 2 and discussed in the testimony of Mr. Bradish, please provide the following information:

a. The actual test year PJM Implicit Congestion costs of $4,597,608 and FTR revenues of $4,287,874 are booked in accounts 4470093 and 4470101, respectively. How have these costs and revenues been treated for ratemaking purposes in this case?
b. Are these dollar amounts included in the test year actual data in column (3) of Section V, S-4, page 32?
c. Mr. Bradish states that the projected annualized PJM Implicit Congestion costs of $4,958,940 and FTR revenues of $7,961,292 were calculated based on the annualization of nine months of actual history ending June 30, 2005. Please provide a workpaper showing the calculations of these annualized amounts.
d. Are these annualized dollar amounts included in the test year forecasted data in column (4) of Section V, S-4, page 32?
e. Mr. Bradish states that the going-forward PJM Congestion costs and FTR revenues should not be treated in base rates but, rather, through a separate Tracking Mechanism. Under this proposal, how would the projected annualized costs of $4,958,940 and revenues of $7,961,292 be treated for ratemaking purposes in this case? And what adjustments has the Company made to remove the impact from base rates of the actual PJM Implicit Congestion costs of $4,597,608 and FTR revenues of $4,287,874 that are booked in accounts 4470093 and 4470101, respectively?

f. What is the impact on the Company's base rate revenue requirement in this case of reflecting the annualized projected costs/revenues vis-à-vis the actual test year costs/revenues for these 4 items?

65. Exhibits RWB 1, 3, and 4 show the actual test year and proposed projected annualized costs for PJM Operating Reserves, PJM Net Synchronous Condensing, Net Reactive Supply, and Net Blackstart. In this regard, please provide the following information:

a. Where are each of the actual costs recorded on the Company's books, using the accounts and account numbers in the response to KPSC-1-12? And how have these costs been treated for ratemaking purposes in this case?
b. Are the actual test year dollar amounts included in the test year actual data in column (3) of Section V, S-4, page 32?
c. Provide workpapers showing how the Company annualized each of these cost elements based on nine months of actual history ending June 30, 2005.
d. Are these annualized dollar amounts included in the test year forecasted data in column (4) of Section V, S-4, page 32?
e. What is the impact on the Company's base rate revenue requirement in this case of reflecting the annualized projected costs vis-à-vis the actual test year costs for these 4 items?

66. Exhibit DWB-1, page 2 shows KPCo MLR ratios of 0.07538 starting in January and declining to 0.07183 to December. In this regard, please provide the following information:

a. Are the months listed the projected months of January 2006 through December 2006? If not, indicate which months they represent.
b. Are the projected KPCo MLR ratios listed equivalent to the June 2005 KPCo MLR ratio of 7.838% shown on Exhibit EKW-1? If not, explain how these MLR ratios differ from the referenced 7.838% ratio.

67. With regard to the amortization of the deferred PJM Expansion costs shown on Section V, S-4, page 35 and discussed on pages 10-11 of Mr. Bethel's testimony, please provide the following information:

a. When exactly were these PJM Expansion costs incurred?
b. When did KPCo defer the allocated PJM Expansion costs of $1.14 million and in which deferral account were these costs booked?
c. Did KPCo request KPSC approval or in any other way receive KPSC approval for the booking of this deferred cost? If not, why not?
d. What was the 1/05 deferred cost starting balance; what amortization period is used to amortize this deferred cost balance; what is the basis for this amortization period; and what was the unamortized deferred cost balance as of 6/30/05?

e. In which expense account in the response to KPSC-1-12 are the actual test year expenses of $85,014 reflected?

68. With regard to the amortization of the deferred Net RTO Formation costs shown on Section V, S-4, page 36 and discussed on pages 11-12 of Mr. Bethel's testimony, please provide the following information:

a. When exactly were these Net RTO costs incurred?
b. When did KPCo defer the allocated PJM Expansion costs of $1.07 million and in which deferral account were these costs booked?
c. Did KPCo request KPSC approval or in any other way receive KPSC approval for the booking of this deferred cost? If not, why not?
d. What was the 1/05 deferred cost starting balance; what amortization period is used to amortize this deferred cost balance; what is the basis for this amortization period; and what was the unamortized deferred cost balance as of 6/30/05?
e. In which expense account in the response to KPSC-1-12 are the actual test year expenses of $62,094 reflected?
f. Reconcile the projected annualized amortization costs of $161,487 on Section V, S-4, page 36, column (4) to the supporting information on Exhibit DWB-3, page 1.
g. Provide a detailed description of the history of AEP's efforts to join an RTO, starting with the initial efforts to create a MidWest ISO, the subsequent efforts of creating the new RTO Alliance and the eventual integration into PJM.
h. Of the total KPCo-allocated deferred cost amount of $1.07 million, provide a breakdown of the cost portions associated with: (1) the "early efforts to create a MidWest ISO;" (2) the start-up of the new RTO Alliance; and (3) the eventual integration into PJM.

69. With regard to the Transmission Equalization Revenue adjustment on Section V, S-4, page 37, please provide the following information:

a. In which revenue accounts in the response to KPSC-1-12 is the actual test year revenue of $4,322,344 recorded and how are these revenues being treated for base ratemaking purposes in this case?
b. Provide the monthly MLR ratios used to calculate the adjusted monthly revenue amounts of $383,218 in column (4).
c. Provide workpapers showing the calculations and assumptions in support of the projected annual revenue amount of $4,598,616.

70. With regard to the Big Sandy Maintenance expense normalization adjustment shown on Section V, S-4, page 38 and discussed on pages 40-41 of Mr. Wagner's testimony, please provide the following information:

a. Expand the data on Section V, S-4, page 38 by providing actual maintenance expenses and corresponding Handy-Whitman Total Steam Production Plant index numbers for each of the 12-month periods ending June 30, 1996 through June 30, 2002.
b. Provide the cycles (in years) in which maintenance on this generating plant was performed during the last 10 years and as projected for the next 10 years.
c. Provide the specific reasons why the total maintenance expense for the 12-months ended June 30, 2003 of $17.2 million was so much higher than the maintenance expenses incurred by KPCo in the years before and after the year ended June 30, 2003.
d. Of the three annual expense amounts of $12,392,698, $11,187,582 and $17,222,534, provide the expense portions represented by labor charges for KPCo's own employees. In addition, provide a breakout of the types of charges that make up the remainder of the total annual dollar amounts.

71. With regard to the Normalization of PJM Administrative Charges shown on Section V, S-4, page 41 and discussed on pages 20-25 of Mr. Bradish's testimony, please provide the following information:

a. In which expense account in the response to KPSC-1-12 is the total actual test year cost of $2,215,551 reflected?
b. It would appear that the projected annualized cost amount of $3,529,848 was calculated by taking 12/9[ths] of the actual test year cost of $2,215,551 and increasing the product by 19.5%. Please confirm that this is correct. If you do not agree, explain your disagreement.
c. Provide all source documentation showing that the "stated rate" filed with FERC on July 1, 2005 is 19.5% higher than the rate that was in effect in the test year that resulted in the actual test year expenses from October 2004 through June 2005.
d. What was the monthly rate in effect for each of the months after the test year through October 2005.
e. Has the stated rate filed with FERC on July 1, 2005 been approved by FERC or does it represent the rate that PJM has requested? If the stated rate has not yet been approved, when is FERC expected to rule on this matter?
f. Why should it be considered reasonable and appropriate for the PJM Administrative costs to incur this very sharp increase of almost 20% from one year to the next?
g. What have been the historic annual increases in PJM's Administrative costs during each of the last 10 years?

72. In Exhibit EKW-11, the Company indicates that it proposes to include $28,106,683 of Monthly Environmental Costs in base rates in this case. In this regard, please provide the following information:

a. What portion of the requested approximate $65 million base rate increase is caused by the proposed $28.1 million roll in to base rates of environmental costs that is shown on shown on Exhibit EKW-11?
b. Explain and show how and where the proposed base cost inclusion of $28,106,683 is included in the filing schedules/exhibits of this case.
c. Explain the impact on the pro forma test year revenues, pro forma test year operating costs and the pro forma test year base rate revenue requirement in this case as a result of this "roll-in" proposal. Show the calculations in support of this revenue requirement.
d. Does the Company's proposed "roll in" proposal mean that the Environmental Surcharge will be set at $0 with the rate effective date of this case? Please explain.

73. Section II, Application Exhibit A, page 341 of 352 shows that $2,336,393 was charged in the test year to KPCo from other AEP companies. In this regard, please provide the following information:

a. For each of the affiliated companies listed, explain what the cost charges to KPCo represent and whether they represent recurring charges.
b. In which accounts in the response to KPSC-1-12 are these charges of $2,336,393 reflected?

74. With regard to the AEPSC test year O&M charges to KPCo of $24,909,863 shown in the response to KPSC-1-42, pages 3-5 of 9, please provide the following information:

a. Identify all charges included in the $24,909,863 that represent: (1) promotional and institutional advertising expenses; (2) expenses related to public relations and/or community relations; (3) lobbying expenses; (4) donations; and (5) expenses related to award banquets, social events, prizes and gifts. For each of the charges identified, provide a brief description of the nature of the charge.
b. Provide a detailed breakout of all of the expense components (dollar amounts and descriptions of nature of the expenses) making up the $118,976 for account 9302000 – Miscellaneous General Expenses.

75. Please provide all non AEPSC O&M expense charges included in the test year cost of service associated with (1) lobbying expenses; (2) donations; (3) spousal expenses (e.g., travel, conferences, etc.); (4) expenses related to award banquets, social events, prized and gifts. For each of the charges identified, provide a brief description of the nature of the charge.

76. Please provide the Company's actual Injury & Damage (I&D) expenses booked in the test year and in each of the 10 years prior to the test year. In addition for each of the 10 historic annual I&D expense amounts prior to the test year, provide that year's CPI-U factor in order to restate the historic year's I&D expense amount in 2005 dollars.

77. With regard to the response to KPSC-1-33, please provide the following information:

   a. The basis for the 16.3% lobbying allocation of Mr. Pauley's salary and a workpaper showing all calculations and assumptions in the derivation of this ratio.
   b. What is Mr. Pauley's test year total compensation, including not only his base salary of $112,900, but also: (1) any bonuses and/or incentive compensation expenses; (2) payroll taxes related to his compensation; and (3) all of his benefits such as pension, OPEB, savings plan, LTD, life insurance, medical and dental premiums, etc.
   c. Considering that Mr. Pauley's "principal functions include lobbying at the local and state level," explain why only 16.3% of his time (salary) has been allocated to lobbying activities.

78. Please explain the nature and purpose of the "ECAR" Association Due charges of $66,958 shown in the response to KPSC-1-30b, page 5.

79. With regard to expenses included in the test year associated with the Edison Electric Institute (EEI), please provide the following information:

   a. Total EEI expenses booked in the test year.
   b. Breakout (in percentages) of the various EEI activities performed on behalf of its members (e.g., legislative advocacy, legislative policy research, regulatory advocacy, regulatory policy research, advertising, marketing, utility operations & engineering, finance, legal, planning & customer service, public relations, etc.)
   c. EEI-sponsored descriptions of the nature and purpose of the various functional activities listed in part b above.

80. With regard to Mr. Bethel's testimony page 6, lines 1 – 8, please provide the following information:

   a. Provide the current status of the referenced settlement discussions. If a settlement has been reached at this time or is expected to be reached shortly, please provide the impact of this settlement on the information shown on Section V, S-4, page 39 and Exhibit DWB-1.
   b. Provide the impact on the information shown on Section V, S-4, page 39 and Exhibit DWB-1 of assuming the use of the rates proposed by AEP to become effective on April 1, 2006.

81. With regard to Mr. Bethel's testimony page 8, lines 3 – 14, please provide a more comprehensive explanation, in more detail than reflected on lines 7 – 12, as to why the AEP Zone, effective 4/1/06, will lose annual transmission revenues of $170 million (and KPCo $9.6 million) without being able or being given the opportunity to *fully*[1]

[1] The net impact of the two transmission revenue adjustments on Section V, S-4, pages 33 and 39 still represents a net revenue loss of almost $8 million ($9.6 million - $1.6 million).

compensate for this revenue loss through the implementation of alternative revenue sources.

82. With regard to Mr. Bethel's testimony page 9, line 9 through line 13, please provide the following information:

   a. Re. lines 9-10: explain where the "transmission rate case you discussed earlier" was discussed in Mr. Bethel's testimony and what the exact mitigation impact of this transmission rate case has been on the data shown on Section V, S-4, page 39 and/or 33.
   b. Under the assumption that AEP's appeal of the FERC decision to eliminate T&O transmission charges will be successful, please identify the impact of this assumption on the data shown on Section V, S-4, page 39 and/or 33. In addition, provide the current status of this appeal and the expected date that a decision will be rendered in this appeal.

83. With regard to Mr. Bethel's testimony page 9, line 14 through page 20, line 2, please provide the following information:

   a. What is the current status of the AEP filing in the complaint proceeding, Docket No. EL05-121-000 to change the PJM transmission rate design?
   b. Under the assumption that AEP is successful in having its proposed change in the PJM transmission rate design approved and, with that, will be successful in obtaining post-SECA revenues under this regional rate proposal, what would be the resulting estimated annual incremental revenues and how would these incremental revenues impact the data currently shown on Section V, S-4, page 39 and/or 33?
   c. Provide the basis for, and all calculations in support of, the incremental revenues to be provided in response to part b above.
   d. When would a decision regarding the AEP's rate design proposal and the potential incremental revenues resulting from a successful outcome of this proceeding likely be rendered? Would this be before or around 4/1/04? And what is the basis for this expected decision date?

84. Please provide a schedule showing where the actual test year NTS revenues of $2,780,637 shown on Section V, S-4, page 33 and the actual PJM PTP transmission revenues shown on Section V, S-4, page 39 are reflected in the revenue/expense accounts in the response to KPSC-1-12.

**<u>Requests concerning depreciation</u>**

85. Provide hard copies of all workpapers underlying the Depreciation Study prepared by Mr. James E. Henderson, and the demolition cost study upon which he bases certain recommendations.

86. Provide all information obtained by Mr. Henderson from Company operating personnel, and separately, financial management personnel, relative to current operations and future expectations in the preparation of the study.

87. Please provide all notes taken during any meetings with Company personnel regarding the study. Identify by name and title all Kentucky Power Company ("Kentucky Power") personnel who provided the information, and explain the extent of their participation and the information they provided.

88. Identify all plant tours taken during the preparation of the Depreciation Study.

    a. Identify those in attendance and their titles and job descriptions.
    b. Provide all conversation notes taken during the tour.
    c. Provide all photographs and images taken during the tour.

89. Provide all internal and external audit reports, management letters, and consultants' reports etc., which address in any way, the Company's property accounting and/or depreciation practices.

90. Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the Company's depreciation rates or retirement unit costs were discussed.

91. Provide copies of all internal correspondence addressing with the Company's retirement unit costs, electric depreciation rates, and/or the Depreciation Study.

92. Provide copies of all external correspondence, including correspondence with Mr. Henderson, addressing the Company's retirement unit costs, electric depreciation rates, and/or the Depreciation Study.

93. Please identify and explain all of Mr. Henderson's prior experience in Kentucky and with Kentucky utilities. List the utility, the Docket Number, the subject of Mr. Henderson's testimony, a summary of the proposal, and the outcome.

94. Provide copies of all industry statistics available to Mr. Henderson and/or the Company relating to electric company depreciation rates.

95. Identify all industry statistics upon which Mr. Henderson relied in formulating the depreciation proposals.

96. Provide copies of Mr. Henderson's filed testimony for the three years ending September 2005, excluding the testimony filed in this proceeding.

97. Provide the remarks of Mr. Henderson at the FERC conference discussed at the bottom of page 2 of Mr. Henderson's testimony.

98. Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave?"

99. What is the impact of the accounting method used, i.e., "location-life" or "cradle-to-grave" on the lives calculated in the Depreciation Study?

100. Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

101. Provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

102. Provide a copy of the Company's capitalization policy.

103. Identify and explain the Company's (including its parent and all affiliates) plans for the provision of Broadband Over Power Lines ("BPL"). Identify and explain all BPL trials in which the Company (including its parent and all affiliates) is involved.

104. Please explain what impact BPL will have upon the following, by FERC USOA account:

a. Plant lives;
b. Plant retirement patterns (Iowa Curves);
c. Gross salvage;
d. Cost of removal;
e. Retirement units;
f. Accounting under FERC Uniform System of Accounts;
g. Accounting under GAAP; and
h. Accounting under SEC rules.

**Data**

105. Please provide on diskette or CD all non-proprietary tabulations included in the Depreciation Study and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact.

106. For each plant account (including ***all*** generation, transmission, distribution, general and common general accounts), and for each year since the inception of the account up to and

including 2004, please provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). Provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

| **Code** | **Data Type** |
|---|---|
| 9 | Addition |
| 0 | Ordinary Retirement |
| 1 | Reimbursement |
| 2 | Sale |
| 3 | Transfer – In |
| 4 | Transfer – Out |
| 5 | Acquisition |
| 6 | Adjustment |
| 7 | Final retirement of life span property (see NARUC Manual, Chapter X) |
| 8 | Balance at Study Date |
| | Initial Balance of Installation |

107. If the depreciation study data provided in response to the preceding question is not the exact set of data used for the depreciation study submitted in this case (for the accounts included in the study), explain all differences and reconcile the amounts provided to those used in the case.

108. If not provided elsewhere, provide the cost of removal and gross salvage data used in the Depreciation Study net salvage analyses. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.

109. Provide the following annual accumulated depreciation amounts for all plant accounts (including ***all*** generation, transmission, distribution, general and common general accounts) for the last 20 years (up to, and including, 2004). If the requested data is not available for the last 20 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).

   a. Beginning and ending reserve balances;
   b. Annual depreciation expense;
   c. Annual retirements;
   d. Annual cost of removal and gross salvage;
   e. Annual third party reimbursements.

110. Provide a summary of annual maintenance expense by USOA account (for all accounts) for the last 20 years. If the requested data is not available for the last 20 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format.

111. Explain what consideration, if any, was given to annual maintenance expense data in Mr. Henderson's estimation of service lives, dispersion patterns, and net salvage.

**Depreciation Rate Calculations**

112. If not provided elsewhere, provide the calculation of the rates proposed in the Depreciation Study in electronic format (Excel) with all formulae intact.

113. Does the Company maintain its book reserve by plant account? If not, explain why not.

114. If the Company does not maintain its book reserve by plant account, provide the calculation of the book reserve shown in the depreciation study.

115. Was reciprocal, harmonic, or ELG weighting used in any of the depreciation rate calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and on diskette.

116. If applicable, calculate all depreciation rates using the same weighting procedure used in the current depreciation rates, i.e., the same procedure used the last time depreciation rates were calculated in the last depreciation study.

117. If not provided elsewhere, please provide all remaining life calculations resulting from the depreciation study in electronic format (Excel) with all formulae intact.

**Net Salvage**

118. If not provided elsewhere, provide electronic (Excel) versions of the net salvage studies included in the depreciation study, with all formulae intact.

119. If not provided elsewhere, provide on diskette or CD all workpapers supporting estimated terminal net salvage estimates for each account for which terminal net salvage is a factor. Please include all calculations in electronic format (Excel), with all formulae intact.

120. Refer to each net salvage study in the Depreciation Study. For each of the five years ending 2004, explain whether it was normal or abnormal and why.

121. Explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

122. Were any retirements, classified as sales or reimbursements, excluded to the extent to which the salvage receipt represents recovery of original cost? If yes:

   a. Provide, by account, the annual retirements and the related salvage that has been excluded for the 10 years ending 2004.
   b. Provide the Commission Orders and Decisions approving this practice.
   c. Demonstrate that the retirements were excluded from the life studies.

123. Explain the Company's procedures for gross salvage and cost of removal.

124. Explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

125. Does Kentucky Power agree that, in the case of a replacement, Kentucky Power has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? Please explain the answer fully.

126. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample workorder for a replacement project, showing these cost assignments.

127. Provide narrative explanations of the Company's aging and pricing procedures.

128. Identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.

129. Provide the retirements cost of removal reflected in the Company's construction budget for the years 2005-2009 inclusive. Provide by account.

130. Explain how the Company accounts for third party reimbursements and how they are reflected in the depreciation study.

131. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

132. Do Mr. Henderson's net salvage recommendations incorporate inflation expected to be incurred in the future? If yes, provide the net present value of all of these ratios.

133. Provide the Company's capital budget for the next five years. Identify all retirements, replacements, new additions and cost of removal reflected in this budget. Provide by account where available and explain how the cost estimates are derived for these items.

134. On an account-by-account basis, provide any available information (studies, reports, etc.) on anticipated future net salvage levels and anticipated levels of increased retirement activity that influenced Mr. Henderson's net salvage recommendations.

135. Provide the fair value of all cost of removal estimates, including production plant demolition, as defined by SFAS No. 143 and FERC Order No. 631. In other words, assume that you have legal AROs for all accounts for which you are proposing to charge cost of removal to depreciation expense. Provide the workpapers in hard copy and Excel format with all formulae in tact.

**Service Lives**

136. If not provided in the workpapers, please provide the retirement rate analysis ranking of best-fit life/curve combinations for each account. If the service life indications resulting from the analyses are not the best-fit life/curves, please explain how they were selected.

137. For any accounts where Mr. Henderson did not base his service life/curve selection on the results of his retirement rate analysis, explain why he did not. Also, explain in detail how those service life/curve combinations were selected.

138. Provide copies of all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.

139. Provide the Company's most recent Integrated Resource Plan dealing with plant lives.

140. Identify and explain all Company programs which might affect plant lives.

141. Provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of its existing plant-in-service. Identify the functions to which these studies relate.

142. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.

   a. Date of retirement
   b. Amount of retirement
   c. Account
   d. Reason for retirement

e. Whether or not retirement was excluded from historical interim retirement rate studies.

143. Please provide the ARO/ARC calculations for each of Kentucky Power's property accounts assuming that Kentucky Power has legal AROs for all of its plant.

144. If not provided elsewhere, provide the calculation of the current average age, and average age of retirements, for each property group shown in the Study. Please provide all of these calculations in electronic format (Excel) with all formulae intact.

**Life Span**

145. Was the life span methodology utilized in this study utilized in the prior studies? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior studies, with the probable retirement year forecasted in the 2004 Study.

146. Please provide the specific calculation of each probable retirement year in the Depreciation Study. Also, please provide the installation date for each location.

147. For all accounts and locations for which the life span method is proposed, provide the following information to support the final retirement dates. Please respond to each item.

a. Economic studies. (NARUC Manual, p. 146)
b. Retirement plans. (NARUC Manual, p. 146)
c. Forecasts. (NARUC Manual, p. 146)
d. Studies of technological obsolescence. (NARUC, p. 146)
e. Studies of adequacy of capacity. (NARUC Manual, p. 146)
f. Studies of competitive pressure. (NARUC Manual, p. 146)
g. Relationship of type of construction to remaining life span.
h. Relationship of attained age to remaining life span.
i. Relationship of observed features and conditions at the time of field visits to remaining life span.
j. Relationship of specific plans of management to remaining life span.

148. Do the life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.

149. Please provide a narrative rationalization and explanation for every life span used in the Company's depreciation study. For example, if you are proposing a 45-year life span for a particular location, why is that any more appropriate than, say, 50, 55, or 60 years?

150. Identify all circumstances unique to Kentucky which influence or have an impact on the life span estimates.

**Existing Rates**

151. Provide a copy of the Company's most recent prior depreciation study and the Order(s) establishing the present deprecation rates.

152. Identify and explain all changes between the current study and the most recent prior study.

153. Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."

**FERC Form 1 Reports and Audits**

154. Provide the Company's FERC Form 1 reports for the years 2000 - 2004.

155. Reconcile the plant balances used to calculate the rates in the depreciation study with the plant balances shown in Column G of pages 204-207 of the 2004 FERC Form 1 report. Please give a full explanation for each difference.

156. Provide all FERC audit reports and the Company's responses thereto during the last 10 years.

**FERC Depreciation Rates**

157. Provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.

158. Identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.

159. Provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 30 years.

160. Provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USOA.

**SFAS No. 143, FERC Order No. 631 and FIN 47**

161. Provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, the FERC NOPR and Order No. 631 in RM-02-7-000, and FIN 47.

162. Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143, FIN 47 and the FERC NOPR and Order 631 in RM02-7-000.

a. External auditors and other public accounting firms.
b. Consultants.
c. External counsel.
d. Federal and State regulatory agencies.
e. Internal Revenue Service.

163. Regarding FASB Statement No. 143, FIN 47, and the FERC NOPR and Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

164. For any asset retirement obligations identified above, provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Provide all assumptions and calculations underlying these amounts.

165. Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's electric plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.

166. Refer to page H-12 of Kentucky Power Company's (AEP) December 31, 2004 Form 10K. Provide the accounting entries (debits and credits) used to implement SFAS No. 143, along with all workpapers supporting those entries, including the workpapers supporting the calculation of the $28.232 million (2004) and $26.140 million (2003) regulatory liabilities for asset cost of removal. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.

167. Provide Kentucky Power's projection of the annual year-end balance in the regulatory liability for non-legal AROs shown in its Form 10K, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not.

a. For this projection, assume that all of Kentucky Power's proposed depreciation rates are approved as requested. Provide in hard copy and in electronic format with all formulae intact.
b. Explain all assumptions used to make this projection.

168. With respect to the Regulatory Liability relating to asset cost of removal which you reclassified out of accumulated depreciation:
a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky and for FERC purposes? If not, please explain why not.
b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
c. Please explain the repayment provisions associated with this regulatory liability.
d. Explain when you expect to spend this money for cost of removal.
e. Explain what you have done with this money as you have collected it. Please provide all evidence in support of expenditures if the response is that the collected money has been spent on plant additions as it has been collected.
f. Identify and explain all other similar examples of Kentucky Power's advance collections of estimated future costs for which it does not have a legal obligation.
g. Does Kentucky Power agree that the Kentucky Public Service Commission will never know whether or not Kentucky Power will actually spend all of this money for cost of removal until and if Kentucky Power goes out of business? If not, why not?
h. Does Kentucky Power believe that amounts recorded in accumulated depreciation represent capital recovery? If not, why not?
i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?

169. For all accounts for which Kentucky Power has collected non-legal AROs, but instead recorded a regulatory liability, please provide the fair value of the related asset retirement cost as of December 31, 2002, December 31, 2003, and December 31, 2004. For the purposes of this question, assume that Kentucky Power has legal AROs for these accounts, and use the life and dispersion assumptions reflected in Mr. Henderson's depreciation study.

170. Provide the calculation of the annual amount of future net salvage incorporated into Kentucky Power's existing depreciation rates and in its proposed depreciation rates by account. If the amount is reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.

171. Does Kentucky Power believe that if the non-legal ARO regulatory liability is recognized, as SFAS No. 143 has done, Kentucky Power will be required to refund the prior collections? If not, please identify Kentucky Power's concern, if any, pertaining to the recognition of a regulatory liability for non-legal asset retirement obligations. Provide all documents upon which Kentucky Power relies to respond to this question.

**Energy Policy Act of 2005**

172. Identify with specificity each section and paragraph of the "Energy Policy Act of 2005" which has or may have an impact upon, or relates to in any way, the following, by FERC USOA account.

    a. Plant lives
    b. Plant retirement patterns (Iowa Curves).
    c. Gross salvage.
    d. Cost of removal.
    e. Retirement units.
    f. Accounting under FERC Uniform System of Accounts.
    g. Accounting under GAAP.
    h. Accounting under SEC rules.
    i. Deferred tax and any tax credits.
    j. Jurisdictional and class cost allocations.

**Study Workpapers**

173. Workpaper page 2 of 443.

    a. Explain and provide documentation of the 'environmental constraints" relating to Big Sandy Unit 1.
    b. Identify and explain the guarantees that the company is providing to the Kentucky Commission that it will actually spend the $32 million demolition cost for Big Sandy, and when it will spend the money.
    c. Identify all alternatives to the conceptual demolition cost that were studied and explain why they were rejected.

174. Workpaper page 95 of 443. Explain the increase in additions for account 355 beginning in 1991.

175. Workpaper page 100 of 443. Explain the 1984 and 1999 additions for account 356.

176. Workpaper 133 of 433 and elsewhere. Explain and provide an example of the "average life group method *limited remaining life*."
    a. How do you determine the limits?

177. Various SPR analyses. Provide aged data sufficient to conduct actuarial analyses for the following accounts: 364, 365, 370, 371, 397.

178. Workpaper 338 of 443. Explain the $8,906,128 retirement amount at age 23.5 for account 390.

**Requests Concerning Cost of Service**

179. Please provide Mr. Foust's Exhibit LCF-1, the Cost of Service Study, in an electronic format. Please also include the type of software with which the study was prepared (ex. EXCEL 97).

180. Please provide all calculations, assumptions, and workpapers used in preparation of the Cost of Service Study (Foust Exhibit LCF-1).

181. Please provide all calculations, assumptions, and workpapers used to develop each of the allocators used in the Cost of Service Study (Foust Exhibit LCF-1).

182. Please provide the coincident peaks for each month in the test year for each of the nine rate classes found in the Cost of Service Study (Foust Exhibit LCF-1).

183. Please provide the non-coincident peaks for each month in the test year for each of the nine rate classes found in the Cost of Service Study (Foust Exhibit LCF-1).

184. Please refer to lines 16 through 18 on page 12 of Mr. Foust's testimony. He states that Forfeited Discounts were assigned based on customer records, while Miscellaneous service revenues were allocated based on distribution electric plant in service.

    a. Please explain the choice of distribution electric plant in service as the basis of the Miscellaneous service revenues allocation.
    b. Why were the figures from accounting records not used for the Miscellaneous service revenues allocation, as was done with Forfeited Discounts?
    c. Please provide the amount of Miscellaneous service revenues that were collected from each rate class during the test year.

185. On page 12 of Mr. Bethel's testimony, he discusses RTO start-up costs associated with AEP's participation in MISO, Alliance, and PJM, as $17.2 million, of which $1.07 million was allocated to Kentucky Power. Please provide a breakdown of these costs into the amount associated with each of the three RTOs.

186. Please provide Mr. Roush's Exhibit DMR-2 in an electronic format.

187. On pages 8-10 of Mr. Roush's testimony, he proposes adding a 60% ratchet demand to replace contracts for smaller customers in the MGS and LGS classes:

    a. Please explain the relationship between eliminating a contract for smaller customers and the use of a ratchet provision in rates.
    b. Would the proposed 60% ratchet be applied to all MGS and LGS customers, or just to those without a contract? If it is to be applied to all customers in this class, please explain why it would be needed for customers with contracts.

c. Please provide all calculations, assumptions, and workpapers, including calculations from the Cost of Service Study, that justify establishing a ratchet at a 60% level.

188. Please provide all calculations, assumptions, and workpapers used to develop the proposed increases in non-recurring charges.

189. In this case, Kentucky Power has proposed to increase reconnection charges between 200% and 300%, and meter check charges by almost 600%. Please explain how these proposed increases are consistent with the principles of continuity and gradualism used by the Kentucky Public Service Commission.

190. On page 49 of his testimony, Mr. Wagner states that the methodology he has proposed for non-recurring charges is consistent with the methodology proposed in the last two Kentucky Power rate cases. For each of these two cases, please provide:

a. The non-recurring charges in place when the case was filed.
b. The proposed increase by Kentucky Power for each non-recurring charge.
c. The amount of increase the Commission approved for each charge.

191. Please provide Mr. Wagner's Exhibits EKW-7, EKW-8, and EKW-9 in an electronic format.

192. Please refer to Volume I, Section II, Application Exhibit-A, page 30 of 352.
a. Part of the reason for the proposed rate increase is an increase in the share of pool costs Kentucky Power will experience as a result of capacity additions by other pool members. Please explain why, when the cost of Kentucky Power's purchase of capacity under the pool agreement is going up, the Company is proposing to reduce the amount it will pay for capacity from COGEN/SPP suppliers.
b. Please supply all calculations, assumptions, and workpapers used to calculate the proposed COGEN/SPP capacity rates.

193. Please refer to Volume II, Section III, page 34 of 373. Kentucky Power is proposing to use a declining block rate structure for the Residential class.
a. Please provide all calculations, assumptions, and workpapers used to calculate this two tier rate structure.
b. Please provide calculations for the cost of service study that justify the declining block rate structure proposed.

194. Please refer to Volume II, Section III, page 34 of 373, concerning Kentucky Power's discounted rate for Storage Water Heating for the Residential class.
a. Please provide all calculations, assumptions, and workpapers used to calculate this discounted rate.

b. Please provide calculations for the cost of service study that justify offering this discount rate at this level for Storage Water Heating.

195. Please refer to Volume II, Section III, page 35 of 373. Kentucky Power is proposing time-of-day rates for the Residential class.

a. Please provide all calculations, assumptions, and workpapers used to calculate this time-of-day rate structure.
b. Please provide calculations for the cost of service study that justify the time-of-day rates at the levels proposed.

196. Please refer to Volume II, Section III, page 37 of 373. Kentucky Power is proposing to use a declining block rate structure for the Small General Service class.

a. Please provide all calculations, assumptions, and workpapers used to calculate this two-tier rate structure.
b. Please provide calculations for the cost of service study that justify the declining block rate structure proposed.

197. Please refer to Volume II, Section III, page 38 of 373. Kentucky Power is proposing time-of-day rates for the Small General Service class.

a. Please provide all calculations, assumptions, and workpapers used to calculate this time-of-day rate structure.
b. Please provide calculations for the cost of service study that justify the time-of-day rates at the levels proposed.

198. Please provide Volume II, Section III, pages 33 through 57 in an electronic format.

199. Please refer to Volume II, Section V, Workpaper S-4, page 30. This exhibit contains test year adjustment to Kentucky Power's AEP Pool costs.

a. Please provide an explanation of charges associated with putting power into and taking power out of the AEP pool.
   1) Are there energy charges, demand charges and periodic fixed charges?
   2) Is billing done based on hourly, daily or monthly demands?
   3) Are costs based on actual costs at the time or a set rate schedule?
   4) If there is a set rate schedule, please provide any schedules or formulas that are used.
   5) Are there separate transmission charges? If so, please provide those charges.
b. Please provide the actual invoices Kentucky Power received during the test year from AEP for both power received from and power put into the pool.
c. Please provide a calculation that contains all the power bought from the AEP pool during the test year and all power sold into the pool. If there are also associated transmissions costs, please provide them too.

d. Are all of the adjustments on page 30 associated only with demand charges? If not, please break these adjustments down into demand, energy and other fixed charges.

200. Please provide Kentucky Power's response to the Commission's First Data Request, Question 8c, page 1 through 54 in an electronic format. Please also include the type of software with which the study was prepared (ex. EXCEL 97).

201. With respect to Kentucky Power's response to the Commission's First Data Request, Question 8c, page 2 of 54:

a. Please provide all calculations, assumptions, and workpapers used to develop the Storage Water Heating rates.
b. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the Storage Water Heating rates.
c. Please provide all calculations, assumptions, and workpapers used to develop the RS-LM-TOD rates.
d. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the RS-LM-TOD rates.
e. Please provide all calculations, assumptions, and workpapers used to develop the RS-TOD rates.
f. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the RS-TOD rates.
g. Please provide all calculations, assumptions, and workpapers used to develop the SGS-LM-TOD rates.
h. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the SGS-LM-TOD rates.

202. With respect to Kentucky Power's response to the Commission's First Data Request, Question 8c, page 3 of 54:

a. Please provide all calculations, assumptions, and workpapers used to develop the MGS-LM-TOD rates.
b. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the MGS-LM-TOD rates.
c. Please provide all calculations, assumptions, and workpapers used to develop the MGS-TOD rates.
d. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the MGS-TOD rates.
e. Please provide all calculations, assumptions, and workpapers used to develop the LGS-LM-TOD rates.
f. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the LGS-LM-TOD rates.

203. With respect to Kentucky Power's response to the Commission's First Data Request, Question 8c, page 8 of 54:

a. Please provide all calculations, assumptions, and workpapers used to develop the "Total Secondary Energy Charge."
b. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the "Total Secondary Energy Charge."
c. Please provide all calculations, assumptions, and workpapers used to develop the "Fixed Cost Adder."
d. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the "Fixed Cost Adder."

204. With respect to Kentucky Power's response to the Commission's First Data Request, Question 8c, page 12 of 54:

a. Please provide all calculations, assumptions, and workpapers used to develop the Off-peak Energy Charge "Energy Revenue Requirement."
b. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the Off-peak Energy Charge "Energy Revenue Requirement."
c. Please provide all calculations, assumptions, and workpapers used to develop the Off-peak Energy Charge "Fixed Cost Adder."
d. Please provide a reference to the figures in the Cost of Service Study that were used as a basis for developing the Off-peak Energy Charge "Fixed Cost Adder."

**<u>Requests directed to Errol K. Wagner</u>**

205. With respect to Workpaper S-2, page 1 of 3, please provide the quarterly capitalization amounts and ratios for the past three years both including and excluding short-term debt. Also, please indicate the current contracted interest rate on short-term debt.

206. With respect to Workpaper S-2, page 1 of 3, please provide copies of all workpapers (in both hard copy and electronic formats) used in developing the capital structure for the twelve months ending 6/30/2005.

207. With respect to Workpaper S-2, page 1 of 3, please provide copies of all reports written by credit reporting agencies on AEP and Kentucky Power for the years 2004 and 2005.

208. With respect to Workpaper S-2, page 1 of 3, Lines 1 and 2, please provide (a) the methodology employed in determining the interest rate on the two Global Notes Payable to Parent Company, (b) copies of all legal documentation regarding the Notes, and (c) copies of correspondence between Kentucky Power and AEP regarding the Notes.

209. Please provide an electronic (Microsoft Excel) version of Workpapers S-2, S-3, and Schedule 3.

**Requests directed to Paul R. Moul**

210. Please provide the following: a list of all rate of return recommendations provided by Mr. Moul to state and federal regulatory bodies during the calendar years 2003, 2004, and 2005. Please include in the list the following: the company name, the docket number, the filing date, Mr. Moul's recommended return on common equity (ROE), the common equity ratio recommended with Mr. Moul's ROE recommendation, and the ROE adopted by the regulatory commission.

211. With reference to page 6, lines 11-22, please provide copies of all studies performed that compare the demand risk for Kentucky Power Company, AEP, and the Electric Group.

212. With reference to page 7, lines 2-14, please provide copies of all studies performed that compare the capital expenditures of Kentucky Power Company, AEP, and the Electric Group.

213. With reference to page 8, lines 8-15, and page 5 of Exhibit PRM-1, please provide a list of the companies eliminated by each of the screens.

214. With reference to page 11, lines 1-7, please provide the individual company data used in computing the coefficients of variation for AEP and the Electric Group.

215. With reference to page 13, lines 7-12, please provide an assessment of the relative riskiness of Kentucky Power Company, AEP, and the Electric Group.

216. With reference to page 19, lines 1-11, please provide copies of all studies performed that compare GDP growth to the earnings growth rates of Kentucky Power Company, AEP, and the Electric Group.

217. With reference to page 20, lines 1-2, please provide copies of the source documents for the GDP forecasts.

218. With reference to page 25, lines 20-23, and Appendix E, please: (a) list all regulatory cases (by name, docket number, and filing date) in which Mr. Moul has provided rate of return testimony and proposed his market value – book value adjustment; ( b) indicate all cases (by name, docket number, and date), other than those cited, in which a regulatory commission has adopted Mr. Moul's market value – book value adjustment in arriving at an overall rate of return; and (c) provide copies of the 'Rate of Return' section of the Commission's decisions for all cases in which a regulatory commission has adopted the adjustment.

219. With reference to page 30, lines 1-14, and Appendix E, please (a) provide copies of the pages from Modigliani and Miller's original published research that support the formulation used to adjust the DCF equity cost rate; and (b) indicate exactly (by page and line numbers) where in these publications these authors prescribe this market value – book value adjustment for rate of return and rate making purposes.

220. With reference to page 32, lines 14-23, please (a) provide copies of the FERC Opinion No. 445 (92FERC61,070) and FERC Opinion 456 (98FERC61,333); (b) indicate the prescribed methodology in the FERC Opinios; (c) demonstrate how Mr. Moul's approach differs from the FERC procedure; and (d) indicate all cases before regulatory commissions (as indicated by company name, the docket number, the filing date) over the 2003-2005 period in which Mr. Moul has employed this alternative DCF approach in estimating an equity cost rate for a utility.

221. With reference to page 37, lines 1-10, please provide copies of the source documents for the interest rate forecasts.

222. With reference to page 40, lines 16-20, please provide copies of all studies conducted to determine that the riskiness of the Company is 96% of that of the S&P Utilities.

223. With reference to page 48, lines 17-23, please provide a copy of the S&P document regarding financial guidelines for assessing credit quality.

224. With reference to Appendix E, please provide copies of all studies used to make: (a) the ex-dividend date adjustment (page E-6); and (b) the quarterly compounding adjustment (page E-8).

225. With reference to Appendix I, (page I-4) please provide (a) the methodology employed by Value Line in estimating the "Median Appreciation Potential," (b) copies of the source documents and the dividend yields and projected EPS growth rates for each of the 500 companies in the S&P 500. For (b), please provide the data in both hard copy and electronic (Microsoft Excel) formats.

226. With respect to Schedules 6 and 7 of Exhibit PRM-1, please provide the individual company data used in developing the historic and projected growth rates. Please provide the data in both hard copy and electronic (Microsoft Excel) formats.

227. With respect to Schedule 9, pages 1 -4, of Exhibit PRM-1, please provide electronic (Microsoft Excel) copies of these pages, keeping all data and equations in tact.

228. With respect to Exhibit PRM-1, please provide electronic (Microsoft Excel) copies of Schedule 10 (page 5 of 5), Schedule 11 (page 1 of 2), and Schedule 13 (both pages 1 and 2). For these electronic copies, please keep all data and equations intact.

229. With reference to Schedule 11 of Exhibit PRM-1, please provide the methodology used to construct the S&P Utility Index, including the following: (1) the weights applied to the stock prices of each company in arriving at the index values; (2) how adjustments are made to the Index when companies are added to or deleted from the Index; (3) how adjustments are made to the Index in the event of stock splits and stock dividends; and (4) the number of companies in the Index each year.