

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

ADJUSTMENT OF RATES OF)
KENTUCKY POWER COMPANY) **Case No. 2009-00459**

KENTUCKY POWER RESPONSES TO ATTORNEY GENERAL'S
FIRST SET OF DATA REQUESTS

February 26, 2010

Kentucky Power Company

REQUEST

Please provide a summary of the efforts KP has undertaken to secure additional energy resources for its Kentucky-based generation, including renewable sources.

- a. Has the company ever conducted or considered conducting a study or studies to determine whether costs would be reduced if it had more in-state generation capacity? If it has not conducted any study would it consider one?
- b. If the company is able to secure enough alternative energy resources (whether renewable or not) in a cost-effective manner, would it consider increasing its Kentucky-based generation capabilities?
- c. If so, would the company consider amending its operating agreement with the other AEP (East) member companies [hereinafter: "Operating Agreement"] to insure that as much of the Kentucky-based generation remains in the Commonwealth as possible?
- d. Is the company willing to consider any and all other cost-effective measures with the goal of changing the company's status as a deficit company among the other members, and instead allowing the company to export more energy than its customers consume? If not, explain in detail why not.
- e. Would it ever be conceivable that the construction of more Kentucky-based generation could in the long run lead to lower rates for the company's Kentucky-based customers? In your response, please consider projected increases in transmission costs and right of way maintenance, and the difficulties in obtaining new transmission resources, including right of way.
- f. Would it ever be conceivable that remaining a deficit company among the AEP (East) member companies could result in lower rates for KP's Kentucky-based customers? If so, does the same hold true when costs borne by Kentucky ratepayers for environmental compliance at out-of-state plants are taken into consideration?
- g. Could the situation arise in which it might be more cost effective to retire older generating units among the other member companies and build new, more energy efficient generation plant that is also more compliant with existing and proposed environmental regulations? If so, could the new generation facilities be constructed in

Kentucky? Include in your response costs to address and mitigate risks posed by ash ponds, carbon emissions and any other environmental hazards.

RESPONSE

- a. The Company has not conducted any studies to determine whether costs would be reduced if it had more in-state generation. The Company is a member of the AEP-East Pool which plans on an AEP-East System basis. When additional capacity is required the Company would perform siting studies that potentially could consider sites in Kentucky.
- b. At this time the AEP-East System does not foresee the need for new traditional capacity prior to 2018, other than what is currently planned. Renewable resources are being considered at this time to meet potential Federal renewable mandates and to take advantage of the soon-to-expire PTC.
- c. At this time the AEP is not considering amending its AEP Interconnection Agreement.
- d. AEPSC recognizes KPCo's capacity deficit position in the Pool and will consider cost effective measures to improve its capacity position provided such measures are also economic on an AEP-East System basis.
- e. The Company has not performed any studies or analysis to form a conclusion regarding the difference in future rates for KPCo customers based on the location of an as yet undefined generating resource. At the time a resource addition decision needs to be made, site specific studies will be performed to determine the most economic choice. (See response to "b." above).
- f. The Company assumes the question is asking if KPCo's rates would be lower by remaining a deficit company than by becoming a surplus company as defined by the Interconnection Agreement. That would depend on the cost difference, at some future point in time, between KPCo's rates after adding sufficient capacity to become a surplus Pool member compared to KPCo's rates based on projected capacity equalization payments should KPCo remain deficit.
- g. A situation could arise where it would be more cost effective to retire older generating units among the other member companies and build new, more energy efficient generating plants that are compliant with new and proposed environmental regulations. While ownership of this new capacity would be assigned to the most deficit company, these hypothetical, new generating units could be constructed in Kentucky pending the results of future siting studies. Any decision to construct generating units would need to consider a number of factors including environmental control costs and emissions costs. These costs will be considered in determining both the retirement of existing generating units and the construction of new generating units.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

To what extent, if any, does the Operating Agreement serve as a hindrance to procuring renewable energy generation located within Kentucky's borders?

RESPONSE

The Operating Agreement does not influence the capacity resource locations.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

If the company is able to secure additional renewable cost-effective energy resources located within Kentucky, and if use of those resources proved more cost-effective than obtaining power from other AEP member companies located out-of-state, state what, if anything, would prevent KP from utilizing those renewable resources in lieu of power from other AEP members.

RESPONSE

Assuming KPCo was the owner of the energy resource (the physical asset or through a PPA), then that resource would serve KPCo customer load first in lieu of energy from other AEP Pool Member companies.

WITNESS: Scott C Weaver

Kentucky Power Company

REQUEST

Please state, in detail, to what extent the proposed rate increase in the instant matter is driven by increased costs which other AEP member companies are facing in other states. Are they related to environmental requirement costs, renewable portfolio stands, etc.?

RESPONSE

All of the cost included in KPCo's cost to serve its customers are Kentucky Power costs for rate making purposes.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Please state, in detail, to what extent the proposed rate increase in the instant matter is driven by increased costs from PJM.

RESPONSE

The proposed rate increase in the instant matter is "driven" by increased costs from many sectors. See Testimony of Timothy C. Mosher, page 6 for a description of the major components of the increase.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Please break down the need for the proposed revenue increase as follows: (a) the percentage needed to meet costs KP incurs solely for its Kentucky-based generation, transmission, distribution and other plant necessary to provide service to customers residing within Kentucky; and (b) the percentage needed to meet costs of other AEP member companies dedicated to providing service to non-Kentucky residents. With regard your answer to (b), provide the name of the member company to which the revenue collected from Kentucky customers will be devoted.

RESPONSE

One hundred percent of the proposed rate increase is needed to meet the cost KPCo incurs to provide service to its Kentucky retail customers. Please see the Company's response to AG-1st Set, Item No. 4.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Please explain why KP has only been able to earn a 2.9% return on equity during the test year.

RESPONSE

The Company's financial results for the reporting period for the twelve months ending September 30, 2009 yielded a net income level which produced a 2.9% return on equity.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Please explain fully why the company is seeking no additional income from cable TV rates. Provide a table showing KP's competitive cable rates in comparison to the cable providers in KP's service territory.

RESPONSE

KPCo does not provide cable TV services to its retail customers. Thus, KPCo can not provide a table showing KPCo's competitive cable rates in comparison to the cable providers' rates in KPCo's service territory.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide the dollar amounts the company has earned in off-system sales for each of the past five (5) years.

- a. Provide any and all analyses the company has conducted regarding forecasts for off-system sales in dollar amounts for the next five (5) years.

RESPONSE

Page 2 of this response provides the dollar amount the company has earned in off-system sales for each of the past five (5) years.

- a. The off-system sales forecast for 2010-2013 is shown on Page 3 of this response. At this time we have not conducted forecasts beyond 2013.

WITNESS: Errol K. Wagner

Kentucky Power Company
 Off System Sales Margins
 Years 2005 to 2009

Month	Year 2009	Year 2008	Year 2007	Year 2006	Year 2005
January	1,559,042	5,144,466	3,936,280	4,187,099	3,674,868
February	1,405,018	4,273,413	2,911,080	4,049,188	1,840,112
March	1,328,862	3,075,288	4,277,970	4,437,747	(389,264)
April	797,692	3,283,321	3,765,051	3,357,274	3,333,982
May	646,768	3,636,818	2,954,780	3,104,186	3,622,195
June	2,162,000	5,385,019	5,653,449	4,994,179	3,151,393
July	1,858,472	7,763,492	6,014,017	7,227,394	2,571,386
August	1,753,385	6,557,531	5,448,132	6,462,817	2,163,651
September	1,566,609	3,697,501	5,647,635	3,011,963	2,755,486
October	1,471,103	1,602,812	3,631,657	3,269,198	2,355,770
November	1,272,675	563,591	4,111,374	2,516,000	2,559,653
December	1,301,625	369,904	2,933,668	3,274,713	5,525
Total	17,123,251	45,353,156	51,285,093	49,891,758	27,644,757

Kentucky Power Company
Off System Sales
Years 2010 to 2013
(\$000)

Month	Year 2010	Year 2011	Year 2012	Year 2013
January	1,882	2,352	3,995	5,745
February	2,015	1,829	3,302	4,926
March	1,682	2,634	2,612	4,355
April	1,796	2,715	3,231	3,620
May	1,420	2,089	2,969	4,100
June	3,004	2,953	4,228	6,962
July	3,985	4,208	5,572	8,884
August	4,497	5,179	6,588	10,341
September	2,040	2,432	3,096	6,955
October	1,257	727	2,077	4,412
November	1,608	802	2,296	4,960
December	1,610	1,574	3,671	5,342
Total	26,796	29,494	43,637	70,602

Kentucky Power Company

REQUEST

Please explain the cost justification for increasing the reconnection fee from \$12.94 to \$40.00.

- a. How much additional revenue will the company raise from this increase?
- b. What percentage of total revenue will the increase comprise?
- c. Please state whether KP believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

RESPONSE

Please see Exhibit EKW-6 column 1.

- a. Based on the number of transactions during the twelve months ended September 30, 2009 of 10,970, the total annual revenue increase would be \$296,848.
- b. This increase would be 0.0469% of the total requested revenue of \$633,391,276.
- c. KPCo does not have any basis to believe or disbelieve, that its customers can afford (or not afford) the increase in the reconnect charge. The rates KPCo charges its customers are based upon the cost to provide the service to its customers.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please explain the cost justification of increasing the reconnect for non-payment fee when work continues into overtime from the existing \$17.26 to the proposed \$47.00? How was the this number determined? Was rounding used?

- a. How much additional revenue will the company raise from this increase?
- b. What percentage of total revenue will the increase comprise?
- c. Please state whether KP believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

RESPONSE

Please see Exhibit EK.W-6 column 2.

Yes, the rate was rounded to the nearest dollar.

- a. Based on the number of transactions during the twelve months ended September 30, 2009 of 775, the total annual revenue increase would be \$23,049.
- b. This increase would be 0.0036% of the total requested revenue of \$633,391,276.
- c. KPCo does not have any basis to believe or disbelieve, that its customers can afford (or not afford) the increase in the "into overtime reconnect charge". The rates KPCo charges its customers are based upon the cost to provide the service to its customers.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please explain the cost justification for increasing the reconnect when call-out is required from the existing \$35.95 to the proposed \$83. Was rounding used?

- a. How much additional revenue will the company raise from this increase?
- b. What percentage of total revenue will the increase comprise?
- c. Please state whether KP believes its customers can afford such a large increase, especially for those customers who have been disconnected due to an inability to pay their bills.

RESPONSE

Please see Exhibit EKW-6 column 3.

Yes, the rate was rounded to the nearest dollar.

- a. Based on the number of transactions during the twelve months ended September 30, 2009 of 539, the total annual revenue increase would be \$25,360.
- b. This increase would be 0.004% of the total requested revenue of \$633,391,276.
- c. KP Co does not have any basis to believe or disbelieve, the its customers can afford (or not afford) the increase in the "overtime reconnect charge". The rates KP Co charges its customers are based upon the cost to provide the service to its customers.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please explain how the company can justify not increasing the returned check fee, which is currently only \$7. Provide the costs the company incurs for returned checks.

- a. How much would the company have to charge to recoup its actual costs incurred for returned checks?

RESPONSE

Please see Exhibit EKW-6 column 6.

- a. The Company's actual cost of a return check during the September 2009 test year was \$6.71. The Company rounded the proposed rate to the nearest dollar.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please state whether KP maintains any ash ponds located in whole or in part within Kentucky's borders. If so, identify the location, and whether the pond facilities are in compliance with all existing and proposed environmental regulations.

- a. If KP does maintain ash ponds within the state, please describe the measures including insurance policies KP and / or AEP has in place to insulate ratepayers from environmental costs associated with any potential leakage. Also provide the extent and limits of any self-insurance and / or self-retention of risk.

RESPONSE

Kentucky Power Company maintains two coal ash ponds at the Company's Big Sandy Generating Plant. The plant maintains a coal fly ash pond on the north side of U.S. Route 23, and a smaller coal bottom ash pond adjacent to the generating plant. Attached to this response is a map showing the Big Sandy Generating Plant site, and also shows the location of the coal fly ash pond.

There are no current or pending environmental enforcement issues with regard to the coal ash ponds at Kentucky Power's Big Sandy Power Plant. Although EPA has announced its intent to issue new proposed rules governing coal ash ponds, those rules have not yet been issued.

- a. AEP maintains excess liability insurance which includes coverage for "pollution liability" subject to various terms, conditions and exclusions within the policy. Kentucky Power is a named insured under this policy. Coverage under the policy for environmental costs associated with a leakage would be evaluated based on the specific circumstances of the occurrence and the insurance policy provisions applicable to the occurrence.

WITNESS: Errol K. Wagner

Big Sandy
1,675 Acres +/-
Lawrence County, KY

Fly Ash Pond Location

Big Sandy Power Plant Location



23

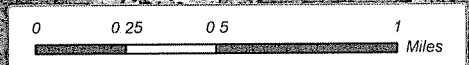
52

Legend



AEP Boundary

*Disclaimer: This drawing is not an actual survey,
and is for general information purposes only.*



February 22, 2010

Cartography: AEP Real Estate Asset Management Dept.

Kentucky Power Company

REQUEST

Does KP recognize the legal duty to act in the best interest of its ratepayers?

- a. Does the Operating Agreement ever act so as to place the best interest of AEP above those of KP's ratepayers?
- b. Has KP ever sought any modifications to the Operating Agreement? If so, state when, identify the type of modification, the persons responsible for proposing the modification(s) and their position(s) within KP or AEP.

RESPONSE

KPCo complies with all applicable statutory requirements concerning its practices.

- a. The AEP Interconnection Agreement (IA) was formulated in 1951 and is a FERC-approved wholesale power pooling agreement. IA member companies collectively participate to supply capacity. Due to AEP's election to participate in the Fixed Resource Requirement (FRR) option and as a result of the pool construct and FRR participation, the cost to purchase capacity from other Pool Members is based on the embedded cost of installed capacity. The capacity factor for AEP's coal units has been increasing since the time AEP joined PJM in 2004. If the operating companies were to operate on a stand-alone basis, fulfilling the reserve requirement would depend on each company's position of capacity length. From a cost of energy perspective, the Pool member companies sell or buy surplus energy to/from other members at a cost-based primary energy rate in addition to purchasing from or selling to the market at the Locational Marginal Price (LMP). As a stand-alone entity, each company would purchase from or sell to the PJM market at the LMP. Whether a particular operating company gives or takes benefits from the IA at any particular time depends on a number of variables, including matters such as market price and unit outages. But individual components of the IA should not be viewed in isolation or judged based only on a specific point in time. It is the IA as a whole and over time that has provided benefits to KPCo and its customers.
- b. No.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Reference Exhibit A, p. 349 of 367, Schedule 10 (6)(t)1, p. 2 of 2. Identify fully the reason for Appalachian Power's increased charge to KP from the average of \$550,374 during the two-year period 2006-2007, to the average of \$1,666,926 during the period from 2008 to the end of the test year, an increase of 203%.

- a. Do any of these costs include storm-related costs? If so, were they already included in the regulatory asset that recorded storm-related costs?

RESPONSE

The increase in Appalachian Power's charges to Kentucky Power over the four year period shown in Exhibit A of the Application, page 349 of 367 is due primarily to Appalachian Power Company's payment of an invoice for Kentucky Power in the 4th quarter of 2008 for a transformer and related materials for the Dwale, KY substation.

- a. The \$1,527,500 charges from Appalachian Power to Kentucky Power for the 12 months ended September 30, 2009 include \$48,200 for storm damage restoration expenses related to severe storms in January 2009, February 2009 and May 2009. In December 2009, Kentucky Power recorded a regulatory asset for the incremental January, February and May 2009 storm restoration O&M expenses that exceeded the storm-related expenses included in base rates. The total incremental storm restoration O&M expenses include \$48,200 charged from APCo.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Is KP required to sell all of the energy generated in-state to PJM? If so, why? Is KP required to purchase from PJM the energy needed to serve its Kentucky -based load?

- a. If so, has the company ever conducted any studies to determine whether it would be more cost effective to use power generated in Kentucky to serve its Kentucky based load, and then purchase the remaining power it needs to accomplish that task from PJM?

RESPONSE

AEP Service Corporation, acting on behalf of Kentucky Power Company, is not required to sell all of the energy generated in-state by Kentucky Power to PJM. AEP Service Corporation, acting on behalf of Kentucky Power, is not required to purchase from PJM the energy needed to serve its Kentucky-based load.

Although AEPSC can transact for energy outside of PJM, all such transactions entail settlement at the PJM delivery and receipt points as the energy exits or enters AEP's system. In addition, these transactions are subject to PJM congestion and transmission loss charges and credits.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Please explain why the net merger savings credit is being discontinued.

RESPONSE

This is in accordance with the Net Merger Saving Credit Tariff and the Commission's June 14, 1999 Order in Case No. 99-149. The Attorney General Office of Rate Intervention was a party and a signatory to the Stipulation and Settlement Agreement in that proceeding.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Regarding the proposed reliability enhancement program, to what extent, if at all, would it go to alleviating or mitigating outages such as those encountered during the December 2009 snow storm that caused wide-spread outages of long duration?

RESPONSE

A fully implemented four-year vegetation management cycle, which is part of the proposed Reliability and Service Enhancement Plan, may have reduced the number of tree-related outages and the duration of outages experienced in the December 2009 snow storm. Most of the outages experienced in the December 2009 snow storm were due to ice/snow laden trees falling into the line from outside the ROW. While the Enhanced Vegetation Initiative would undoubtedly identify some hazard trees that would fall during an event such as the December 2009 snow storm, it would not identify and remove all such trees. As stated on Page 19 of Company witness Phillips' Direct Testimony, the key benefits for customers, of implementing a four-year vegetation management cycle, are a reduction in sustained tree-related outages, improved power quality with fewer momentary interruptions from trees contacting power lines, and faster restoration after storm outages.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Reference the Bethel testimony. Of the seven (7) transmission-related cost components identified, state whether any component is new since the company's last rate case.

- a. Explain fully why a tracker is required.
- b. Explain fully the legal justification for the establishment of a tracker.
- c. Explain how the company has handled and addressed these costs up to this time without a tracker.
- d. State whether the company would face bankruptcy or material impairment to its credit or operations if it did not have a tracker for these costs items.
- e. State whether the company would no longer be able to provide service if it does not have a tracker for these costs items.
- f. Please identify what percentage of the transmission related costs the company proposes to be tracked were incurred during the test year.
- g. Please identify the percentage of the test year's total Kentucky jurisdictional revenue the proposed costs to be tracked would represent.

RESPONSE

- a. See the testimony of Dennis W. Bethel, pages 5 and 6, for the explanation as to why it is appropriate for transmission related costs to be recovered through a tracker.
- b. Kentucky Power Company objects to this subpart because it seeks a legal opinion and hence is not properly the subject of a data request. Nor is it appropriate to subject a sponsoring witness to cross-examination, which would be allowed under Commission practice, with respect to a legal opinion. Kentucky Power anticipates that the parties will have an opportunity to brief all legal questions following the hearing.

- c. Kentucky Power Company has generally recovered these costs as a base rate item along with other ordinary operating costs.
- d. Kentucky Power Company does not anticipate bankruptcy or material impairment to its credit or operations if it did not have a tracker for these costs items. This answer assumes that full cost recovery will occur in base rates and periodic base rate filings to capture increases and decreases in costs.
- e. Kentucky Power Company will be able to provide service if it does not have a tracker for these cost items assuming full cost recovery in base rates and periodic base rate filings to capture increases and decreases in costs..
- f. The Company has proposed to track 100% of future transmission related costs. The test year transmission costs establish the base, and it is the difference between the actual costs and the costs included in the base that will flow through the tracker.
- g. The Company proposed to track approximately 8.3% of the test year's total Kentucky Jurisdictional revenue. $\$42,475,930/509,765,263=8.3\%$. See Testimony of David M. Roush Exhibit DMR 4, line 6 and Exhibit DMR-3 Page 4 of 4, Column 2.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

State what percentage of the proposed rate increment would go toward the purchase of wind power.

RESPONSE

Based on Section V, Workpaper S-4, Page 46, Line 5 amount of \$14,479,700 and Section V, Schedule 1, Column 4, Line No. 1 amount of \$123,626,013 the percentage is 11.71%.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

State what percentage of the proposed rate increment would go toward increased PJM costs.

RESPONSE

Zero percentage of the proposed rate increment would go toward increased PJM costs. See also response to AG-5 and the testimony of Dennis W. Bethel pages 12-13 explaining that the PJM administrative fees are projected to increase by 26% over the next 5 years.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Reference the Gregory testimony, pp. 9-10. Does the expense for the regulatory asset/liability referenced therein, which the company apparently will seek, fall within any of the following categories:

- a. An extraordinary, nonrecurring expense which could not reasonably be anticipated or included in the utility's planning;
- b. An expense resulting from a statutory or administrative directive;
- c. An expense in relation to an industry sponsored initiative; or
- d. An extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.

RESPONSE

No. The expenses will not fall within the categories listed in a, b, c, or d.

WITNESS: Diana L Gregory

Kentucky Power Company

REQUEST

Is KP aware that in Case No. 2005-00096, the Kentucky PSC disallowed Duke Energy's (f/k/a The Union Light, Heat and Power Company) application to approve a regulatory asset and / or liability for certain MISO-related costs? Is the company aware of any cases in which the Kentucky PSC has approved any trackers or regulatory assets/liabilities for transmission-related costs?

RESPONSE

- a. Yes.
- b. No.

WITNESS: Dennis W Bethel

Kentucky Power Company

REQUEST

Reference the Myers testimony. Provide the total dollar amounts credited to customers during the test year under the existing system sales clause. Using the same test year data, provide the amounts that would have been credited to customers if the changes had been in effect during that period.

- a. Provide the same figures based on operating results for the two years preceding the test year.
- b. Give that one of the reasons for the proposed change is the economic downturn, in the event the PSC approves the proposed change, and in the event the economy improves, would the company be willing to restore the OSS sharing mechanism to its current status in its next rate case?

RESPONSE

The total dollar amount credited to customers during the test year under the existing system sales clause and the amount that would have been credited to customers under the proposed system sales clause are included in the table below, in the company's response to part 'a'.

- a. See Page 2 of this response as to the monthly Off System Sales Margins shared with the retail customers in the test year and preceding two years. In addition, please see the table below for a comparison of the existing SSC and the proposed SSC.

	Q4 2006 - Q3 2007		Q4 2007 - Q3 2008		Test Year	
	Customer	Company	Customer	Company	Customer	Company
Existing SSC	41,128,189	8,540,116	43,492,723	10,000,845	18,453,177	(3,162,814)
Proposed SSC	24,834,153	24,834,153	26,746,784	26,746,784	7,645,182	7,645,182

- b. The company believes that the proposed modification to the OSS sharing mechanism better balances the risks and rewards associated with wholesale power markets than does the existing system sales clause. The company believes the proposed system sales clause will be effective and better balance the risks and rewards under all economic conditions, including an improving economy.

WITNESS: Thomas M. Myers

Kentucky Power Company
 Off System Sales Margins Shared
 Years 2007 and 2008

Expense Month	Revenue Month	Monthly Amount of Off System Sales Margin Currently in Base Rates	Off System Sales Margins Shared		
			Year 2009	Year 2008	Year 2007
November	January	2,661,693	(417,113)	1,711,557	754,333
December	February	2,236,268	(993,211)	545,047	749,674
January	March	1,732,591	(661,591)	1,489,664	764,752
February	April	2,706,860	(581,875)	1,426,002	472,368
March	May	2,365,563	(282,610)	939,888	1,781,765
April	June	3,101,556	(1,336,418)	403,523	740,734
May	July	2,658,364	(1,203,157)	889,879	415,452
June	August	1,660,434	(657,689)	1,598,424	1,786,325
July	September	1,497,772	(559,924)	3,573,590	2,348,957
August	October	950,190	65,066	3,131,106	2,580,180
September	November	1,258,779	48,186	1,319,837	2,489,918
October	December	2,025,256	364,639	391,573	1,608,880
	Total	24,855,326	(6,215,697)	17,420,090	16,493,338

Kentucky Power Company

REQUEST

Reference the Phillips testimony. Explain the measures the company already undertakes, and is prepared to undertake, to address issues posed by Kudzu and other non-indigenous invasive vegetation.

RESPONSE

Contractor spray crews are dispatched each summer to cut Kudzu and other vines growing on our facilities and to treat the area in the immediate vicinity with herbicides. This work typically commences in late June. Other invasive species that often impact or affect access to our facilities (e.g. Tree-of-Heaven, Mimosa, Princess tree, Russian & Autumn Olive, Multi flora rose, etc.) are cut and/or treated with herbicides during scheduled maintenance activities.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Regarding the quarterly customer satisfaction survey conducted by Market Strategies, Inc., is KP satisfied that it is obtaining a representative sample of its customer base?

- a. How are the surveys conducted? Were any conducted by telephone? If so, what percentage of the total surveys?
- b. What percentage of the customers contacted actually responded?
- c. How many of KP's customers do not have telephones?
- d. If surveys were conducted telephonically, were they limited to land lines?
- e. What margin of error do the surveys have?
- f. When will the first survey following the December winter storm be conducted?
- g. Provide a copy of the most recent Market Strategies, Inc. customer satisfaction survey.
- h. State whether the data collected in these surveys includes questions regarding satisfaction with cost of service. If not, why not?
- i. State whether the data collected from these surveys includes questions regarding reliability and outages. If not, why not?

RESPONSE

- (a) The residential study is fully (100%) administered by telephone using random-digit-dialing within the telephone exchanges located in our service territory. The commercial study also uses a telephone methodology (100%), with sampling of commercial customers with demands of less than 750 kW. Each year about 400 residential and small commercial customers are surveyed.

- (b) For the 2009 survey, sixty-six percent of customers contacted responded (300 of 457).
- (c) Neither our vendor or Kentucky Power maintains data that indicates how many of the company's customers do not have telephone lines.
- (d) Yes. Currently all surveys are conducted via land lines. Our vendor, MSI, has begun to work with utilities to conduct surveys on cellular phones. AEP is currently considering a pilot of cellular phone surveys in 2010.
- (e) The annual residential and commercial surveys have a margin of error of +/- 4.9% and 5.4%, respectively.
- (f) The first surveys following the December winter storm occurred and continue to occur during January and March 2010.
- (g) See the following pages for a copy of the 2009 MSI survey.
- (h) Both residential and commercial surveys include questions that inquire specifically about reasonableness of rates and the keeping electric rates as low as possible.
- (i) Both residential and commercial surveys include questions that inquire specifically about providing reliable electric service, providing good electric power quality, and restoring electric service when outages occur.

WITNESS: Everett G Phillips

**SUMMARY TABLE OF KENTUCKY POWER YTD'S RESIDENTIAL BENCHMARKING PERFORMANCE
 ON POSITIVE RATINGS**
 2009 YE

	Kentucky Power YTD's Percent Positive Rating	Kentucky Power YTD Versus the MSI Database				Kentucky Power YTD's Quartile
		MSI Average Positive Rating	Kentucky Power YTD Minus MSI Average (+/-)	Kentucky Power YTD's Rank	Number of Utilities Rated	
Accessible By Phone During Outage	82	61	21	1	83	1
Following Through On Promises	84	64	20	2	96	1
Helping Customers Use Energy Safely	89	70	19	1	93	1
Reliable Estimates of Power Restored	82	64	18	3	87	1
Being Well-Managed	80	62	18	5	102	1
Protecting the Environment	71	55	16	3	100	1
Being Responsive To Customer Needs	87	72	15	3	93	1
Value of Things Done in the Community	67	53	14	9	93	1
Showing Concern And Caring (Toward Customers)	81	68	13	5	96	1
Letting You Know What Caused Outage	63	50	13	4	82	1
Being a Good Corporate Citizen in the Communities Served	76	64	12	12	101	1
Being An Energy Expert	80	68	12	5	84	1
Meeting Expectations	74	62	12	11	100	1
Having Knowledgeable And Well-Trained Employees	86	74	12	6	94	1
Likelihood to Recommend	82	70	12	9	87	1
Doing Things Right the First Time	88	76	12	2	95	1
Being A Company You Can Trust	82	70	12	11	102	1
Being Believable	79	68	11	13	99	1
Being Easy To Do Business With	88	77	11	6	101	1
Overall Satisfaction	88	77	11	8	104	1
Value of Customer Service	84	74	10	8	96	1
Keeping Electric Rates as Low as Possible	59	50	9	23	87	2
Restoring Electric Service When Outages Occur	88	79	9	7	90	1
Having Bills That Are Easy To Understand	89	81	8	14	99	1
Reasonableness of Electric Rates	67	59	8	25	90	2
Value of Electric Product Delivered	84	76	8	14	89	1
Being Easy To Reach	78	71	7	15	94	1
Comparison with Ideal	69	63	6	24	99	1
Providing Accurate Bills	85	80	5	16	99	1
Overall Favorability	75	70	5	33	104	2
Providing Good Electric Power Quality	87	82	5	19	84	1
Providing Reliable Service	87	86	1	42	102	2

**SUMMARY TABLE OF KENTUCKY POWER YTD'S COMMERCIAL BENCHMARKING PERFORMANCE
 ON POSITIVE RATINGS**
 2009 YE

	Kentucky Power YTD's Percent Positive Rating	Kentucky Power YTD Versus the MSI Database				Kentucky Power YTD's Quartile
		MSI Average Positive Rating	Kentucky Power YTD Minus MSI Average (+/-)	Kentucky Power YTD's Rank	Number of Utilities Rated	
Letting You Know What Caused Outage	71	52	19	2	75	1
Being Well-Managed	84	66	18	2	89	1
Following Through On Promises	89	71	18	1	84	1
Value of Things Done in the Community	73	56	17	7	81	1
Accessible By Phone During Outage	84	69	15	3	75	1
Reliable Estimates of Power Restored	82	68	14	7	76	1
Comparison with Ideal	86	72	14	6	88	1
Protecting the Environment	70	56	14	5	88	1
Being Believable	84	71	13	11	86	1
Having Bills That Are Easy To Understand	93	80	13	1	87	1
Showing Concern And Caring (Toward Customers)	84	71	13	7	83	1
Being A Company You Can Trust	87	74	13	11	89	1
Value of Electric Product Delivered	91	78	13	4	80	1
Being a Good Corporate Citizen in the Communities Served	79	67	12	11	86	1
Being Responsive To Customer Needs	88	76	12	9	84	1
Value of Customer Service	90	78	12	4	84	1
Meeting Expectations	81	70	11	10	89	1
Keeping Electric Rates as Low as Possible	63	52	11	13	79	1
Having Knowledgeable And Well-Trained Employees	90	80	10	4	82	1
Likelihood to Recommend	84	74	10	10	79	1
Providing Accurate Bills	90	81	9	5	85	1
Being Easy To Do Business With	89	80	9	9	88	1
Being An Energy Expert	82	73	9	8	75	1
Restoring Electric Service When Outages Occur	90	81	9	9	80	1
Overall Favorability	86	78	8	14	91	1
Overall Satisfaction	92	84	8	9	91	1
Reasonableness of Electric Rates	64	56	8	16	80	1
Doing Things Right the First Time	89	81	8	13	85	1
Being Easy To Reach	81	74	7	15	85	1
Providing Good Electric Power Quality	90	84	6	11	78	1
Providing Reliable Service	92	90	2	25	89	2

Kentucky Power MSI Residential and Small Commercial 2009 YE Survey Results

Notes:

1. Results based on responses from a sample of Kentucky Power residential and small commercial customers
2. Results indicate respondents responding favorably (4 or 5) on 1 to 5 scale
3. Benchmarking based on questions asked to differing sets of utilities (based on their level of survey participation, some utilities may not ask customers all questions) varying in size/service territory
4. Results from all benchmarkable questions in MSI surveys (numerous questions/responses not provided are specific to AEP)

Breakdown of Data Provided by Column

Questions - Specific topic area in which respondent is asked about favorability on 1 to 5 scale
Kentucky Power's % Positive Rating - % of respondents delivering favorable response to question (4-5)
MSI Average Positive Rating - % favorable response from all respondents in MSI national peer group
Kentucky Power YTD Minus MSI Average - Kentucky Power rating minus MSI Average Positive Rating
Kentucky Power YTD's Rank - Based on score, Kentucky Power's placement among peer group
Number of Utilities Rated - Indication of peer group size for each question
Kentucky Power YTD's Quartile Ranking - Quartile ranking based on placement amongst peer group for each question

Kentucky Power Company

REQUEST

In KP's last rate case; it proposed the implementation of a vegetation management program having the capability of identifying every tree in the company's right of way. It is the Attorney General's understanding that this program was not implemented due to cost concerns. Is the program the company proposes to implement in the instant rate case the same as the one it attempted to implement in the last case?

- a. Will the cost be comparable to the cost for that prior contemplated program?
- b. If the cost is the same or comparable, explain the necessity of identifying and inventorying all vegetation?
- c. What alternatives exist? For example, would it be possible to grade the vegetation in a given area on a numeric scale based upon growth rate?
- d. How large of an area would be involved in the collection, inventory, storage, prediction, and analysis of specific vegetation data? Would it be by circuit? Would it require every tree to be inventoried? How much time would be required to conduct all the measures outlined above with regard to each single tree?
- e. What requirement does the company have to put into place such a comprehensive system?
- f. Is KP looking for a perfect system, or one that is reasonable? Does KP think its customers want a perfect system or one that is reasonable based on current industry standards?

RESPONSE

- (a) The 2010 Enhanced Vegetation Initiative proposal is comparable to the program proposed in the last rate case. However, additional vegetation growth has occurred on our system since 2005. American Electric Power Service Corporation (AEPSC) has also improved its models used to estimate the costs in transitioning to a cycle-based approach to vegetation management.

- (b) The 2010 proposal includes a vegetation inventory as part of the first year transition from a performance-based to a cycle-based approach. This inventory will be a sample of the vegetation along distribution ROWs. Growth rates of the prominent tree species on our system will be determined at this time also. This inventory will allow us to develop a five-year plan that will allow us to maximize the allocation of resources.
- (c) Grading the vegetation in a given area on a numeric scale based on growth rate would not take into account other important aspects of the proposed vegetation inventory as discussed in the Direct Testimony of Company witness Phillips at page 14.
- (d) As part of the current work planning process, data is collected on which trees need to be trimmed or removed. As part of the proposal, there would be an additional step of entering this data into the new program, which would form the basis for the vegetation inventory. This information will be used to develop future vegetation management plans to address these locations before they grow back into the Company's power lines. This vegetation inventory would be completed for the whole system as each circuit is reviewed and planned for vegetation management during each four-year cycle.
- (e) KPCo wants to provide a safe and reliable distribution system that meets the expectations of its customers. The proposed Enhanced Vegetation Initiative will take reliability to the next level, moving the Company to a four-year vegetation management cycle. The Company's customers want and deserve reliable service and the Enhanced Vegetation Initiative is the method to help meet that expectation.
- (f) A perfect, storm-proof system in the heavily forested and steep terrain of eastern Kentucky would not be economically feasible.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Mr. Phillips at p. 24 states that long term costs will decrease once a four-year cycle is achieved. If costs do so decrease and assuming the PSC approves the program, would the company agree to re-assess the program in its next rate case?

RESPONSE

Yes, the Company would agree to re-assess the program in its next base rate case, if necessary.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Mr. Phillips at p. 30 states with regard to the Enhanced Inspection and Mitigation program that the AEPSC recommends an approximate 10-year inspection cycle. Explain fully why the company has failed to adhere to the recommended inspection cycle.

- a. Based upon the levels of O & M and capital built into the company's base rates since the last rate case, what kind of inspection cycle would be supported?
- b. Provide the amount of the additional revenue increment KP obtained in its last rate case. State whether any amounts of that revenue increment were utilized in any manner to enhance the degree and / or frequency of right of way maintenance.

RESPONSE

Due to inflationary pressures and limited funding, it has been difficult for the Company to maintain the desired inspection cycle. In addition, management decisions regarding the most appropriate use of what funding is available has resulted in the redirection of funds to inspection and mitigation programs, as well as vegetation management.

- a) The Company is unable to identify the level of O&M and capital built into base rates specifically for the Equipment Inspection Program.
- (b) No incremental revenue associated with the last rate case was designated for right-of-way maintenance; however funds were increased by 24% for R/W maintenance as stated in Phillips' direct testimony on page 22.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

As a result of the merger of AEP with Central & South Western Corp. (PSC Case No. 1999-0149), KP agreed to file a variety of reliability information with the PSC. Identify what, if any such reliability information provided to the PSC revealed the trend of deteriorating reliability stated in the company's testimony filed in the instant case, and provide copies of any documents revealing that deterioration.

RESPONSE

The following table summarizes the reliability information provided to the PSC:

Kentucky Power Reliability Indices						
	Includes all Sustained Interruptions			Excludes IEEE-defined Major Events		
Year	SAIFI	CAIDI	SAIDI	SAIFI	CAIDI	SAIDI
2005	2.580	159.6	411.6	2.576	159.3	410.4
2006	2.900	204.4	592.8	2.757	182.2	502.1
2007	2.409	170.5	410.6	2.276	146.9	334.2
2008	2.991	177.6	531.2	2.904	170.9	496.3
2009	4.079	996.6	4,065.2	2.556	194.5	497.1

Notes:

- CAIDI and SAIDI are provided in minutes.
- Sustained interruption is an outage that exceeds five minutes in duration.
- Kentucky Power is utilizing the major event day methodology that is outlined in IEEE Std. 1366™-2003, IEEE Guide for Electric Power Distribution Reliability Indices as its "major event" definition for this response.

This information was provided as per PSC Case No. 1999-0149 and PSC Case No. 2006-0494 and is available on the PSC's website.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Provide a copy of all studies, analyses, and correspondence that address the economics and/or cost effectiveness of the performance-based versus cyclic vegetation management approach relied on by the Company in its assertions that a cyclic approach is superior and should be adopted. Please make certain that the produced materials reference the cost-effectiveness of the company's proposals in this regard.

RESPONSE

The cost effectiveness of a performance-based or a cycle-based vegetation management program is determined by the associated level of customer satisfaction and the reliability of the distribution system. It has been proven that moving from a performance-based approach to a cycle-based approach to vegetation management significantly improves reliability. This point was made in the Direct Testimony of Company witness Phillips at page 21 describing the significant improvement in reliability realized by Public Service Company of Oklahoma. The cost effectiveness of the Company's Enhanced Vegetation Initiative will be measured by improvements in reliability and customer satisfaction with a more reliable system.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

State whether the proposed enhancements to the company's vegetation management program will: (a) reduce O & M expense, and if so, by what amount; (b) reduce both recurring annual transmission and distribution plant investment and removal costs due to longer line and equipment life; and (c) increase revenues due to increased usage which otherwise would have been foregone during outages.

RESPONSE

- a) The proposed enhancement to the Company's vegetation management program is focused on increasing the Company's reliability. With an increase in reliability, there is the possibility of a reduction in O&M expenses related to service restoration. No analyses or calculations have been conducted to determine what, if any, these reductions may be.
- b) The proposed enhancement to the Company's vegetation management program is focused on increasing the Company's reliability. With an increase in reliability, there is the possibility of a reduction in capital expenses related to service restoration. No analyses or calculations have been conducted to determine what, if any, these reductions may be.
- c) The Company does not anticipate any material increase in revenues due to increased usage which otherwise would have been foregone during outages.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Will the proposed "Gridsmart" initiative allow the company to complete disconnections remotely without any human involvement at the point of utility connection? If so, explain whether the company will be reducing or eliminating charges for disconnects, and if reduced, the amount thereof.

RESPONSE

No, AMI is not included in the Company's proposal. The proposed gridSMART initiative includes Station SCADA, Distribution SCADA, IVVC, and DA as explained in the testimony of Company witness Phillips on pages 33 to 40.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

In PSC Case No. 2006-00494, the company's response to PSC 1-12 indicated that it utilizes audits, the results of which are entered into the RWM Program (which is owned by AEP). Would it be more cost effective to modify this existing program rather than adopting the apparent new software and attendant human input necessary to comprehensively inventory all vegetation and every tree in the company's right of way?

RESPONSE

The RWM software was developed to specifically track the actual work completed and is used to calculate time required to complete certain units of work performed during vegetation management activities. The data housed in RWM is input from the work crew's daily timesheet. Considerable effort would be required to modify this program to include the additional functionality of accumulating and tracking vegetation inventory information. Based on options analyzed by the Company, using a third-party software package is the most cost-effective method for the inventories to be performed with the proposed vegetation management program.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

In PSC Case Nos. 2005-00090 and 2006-00494 (in particular, PSC 2-2 in that latter case), the company stated its acceptable SAIDI level was 7.87. Does the company intend to remain at this level or to improve it?

- a. If the company does not intend to improve its SAIDI level, explain fully why it is necessary to spend more funds for improved programs when the level of funds previously budgeted to achieve that level of SAIDI was already achieving that level.
- b. For each \$1 million spent in the proposed enhancement program, state the percentage improvement the company expects to receive in the CAIDI, SAIFI, SAIDI indices.
- c. Will the company's proposed enhancements give any priority to its 10 worst-performing circuits, or would all circuits receive the same priority?

RESPONSE

- a. The Company intends to improve its SAIDI, through the implementation of the Reliability and Service Enhancement Plan.
- b. The Company can not correlate improvements to CAIDI, SAIFI and SAIDI to \$1 million increments spent on the proposed enhancement plan. The benefits of implementing a cycle-based program can only be realized once the first cycle has been completed. On lines 16 through 18 on page 13 of his testimony, Company witness Phillips further illustrates the goal of this program when he identifies that the Company intends to maintain vegetation such that, over the four-year cycle, vegetation will not grow into the Company's lines. Further, as Phillips states on line 4 of page 20 a 47% reduction of tree-caused sustained outages could be realized once the program is fully implemented.
- c. As the Company transitions from a performance-based approach to a cycle-based approach, it will give priority to those circuits that have the highest volume of customer and/or tree-related outage concerns.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Excluding major events, are KP's SAIFI, CAIDI, and SAIDI indices within or outside of industry norms? Provide complete details.

RESPONSE

The Company's SAIFI, CAIDI, and SAIDI are higher as compared to the other IOU's within Kentucky (Duke Kentucky, Kentucky Utilities, and Louisville Gas & Electric). However, it should be noted that KPCo does not necessarily consider these IOU's as peer companies for purposes of those measures. Comparisons of these indices are not definitive given the many differences between utilities, such as geography, topography, customer density, weather, urban vs. rural territory, level of forestation, differences in local ordinances, ability to access electric facilities, etc.

Regardless of comparisons, KPCo's SAIFI, CAIDI, and SAIDI have shown a negative trend when benchmarked against itself over the past few years. It is for this reason, which the Company is seeking to implement its proposed Reliability and Service Enhancement Plan in order to improve reliability.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Provide the company's line loss figures for each of the past ten (10) years.

RESPONSE

See Pages 2 thru 9 of this response.

WITNESS: Errol K. Wagner

KENTUCKY POWER COMPANY													
Line Loss Calculation													
BILLED & ACCRUED - MWH													
INTERCHANGE	Pool	System Sales	Bill. & Accrd. Loss	Total Disposition	Billed Only ---Loss---	MONTH	YR	DISPOSED	ASSOC. COMPANY INTERCHANGE	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	ENERGY LOST &	% LINE LOSS
#####	#####	#####	#####	#####	#####			1	2	3	(1-2-3=4)	5	(6=5/4)
	268,915	142,674	58,794	1,167,033	156,588	JAN	00	current month	268,915	142,674	755,444	58,794	7.783%
								12 mos. ending	3,888,780	1,044,593	7,129,232	509,335	7.144%
	314,775	157,752	67,825	1,116,719	(90,865)	FEB	00	current month	314,775	157,752	644,192	67,825	10.529%
								12 mos. ending	3,944,196	1,135,264	7,166,924	544,721	7.600%
	107,686	143,397	30,900	827,006	11,125	MAR	00	current month	107,686	143,397	575,923	30,900	5.365%
								12 mos. ending	3,872,094	1,217,081	7,087,083	534,439	7.541%
	53,307	151,337	41,774	744,109	24,117	APR	00	current month	53,307	151,337	539,465	41,774	7.744%
								12 mos. ending	3,570,829	1,302,477	7,119,923	545,529	7.662%
	351,291	165,342	36,822	1,053,900	37,379	MAY	00	current month	351,291	165,342	537,267	36,822	6.854%
								12 mos. ending	3,553,188	1,329,747	7,143,569	555,954	7.783%
	324,483	159,241	43,241	1,068,264	60,077	JUN	00	current month	324,483	159,241	584,540	43,241	7.397%
								12 mos. ending	3,481,751	1,424,466	7,172,687	557,159	7.768%
	280,478	164,262	44,628	1,042,063	56,480	JUL	00	current month	280,478	164,262	597,323	44,628	7.471%
								12 mos. ending	3,346,185	1,513,234	7,156,189	565,771	7.906%
	281,747	201,493	51,990	1,103,801	81,938	AUG	00	current month	281,747	201,493	620,561	51,990	8.378%
								12 mos. ending	3,265,150	1,622,139	7,172,132	575,142	8.019%
	432,847	203,316	3,406	1,125,363	(59,031)	SEP	00	current month	432,847	203,316	489,200	3,406	0.696%
								12 mos. ending	3,483,996	1,738,019	7,145,622	500,142	6.999%
	262,850	236,870	49,642	1,051,743	55,359	OCT	00	current month	262,850	236,870	552,023	49,642	8.993%
								12 mos. ending	3,376,876	1,879,187	7,176,393	530,126	7.387%
	300,019	219,052	45,703	1,162,669	138,452	NOV	00	current month	300,019	219,052	643,598	45,703	7.101%
								12 mos. ending	3,311,086	2,050,180	7,223,427	513,865	7.114%
	190,950	196,407	65,837	1,218,379	244,843	DEC	00	current month	190,950	196,407	831,027	65,837	7.922%
								12 mos. ending	3,169,348	2,141,143	7,370,558	540,562	7.334%
	226,587	211,225	53,349	1,224,485	(74,966)	JAN	01	current month	226,587	211,225	786,673	53,349	6.782%
								12 mos. ending	3,127,020	2,209,694	7,401,787	535,117	7.230%
	256,338	208,445	49,411	1,086,851	(18,185)	FEB	01	current month	256,338	208,445	622,068	49,411	7.943%
								12 mos. ending	3,068,583	2,260,387	7,379,663	516,703	7.002%
	318,351	272,010	56,693	1,259,438	74,246	MAR	01	current month	318,351	272,010	669,077	56,693	8.473%
								12 mos. ending	3,279,248	2,389,000	7,472,817	542,496	7.260%
	247,706	247,558	47,642	1,045,654	(9,663)	APR	01	current month	247,706	247,558	550,390	47,642	8.656%

KENTUCKY POWER COMPANY													
Line Loss Calculation													
BILLED & ACCRUED - MWH													
INTERCHANGE	System	Bill. & Accrd. Loss	Total Disposition	Billed Only ---Loss---	MONTH	YR	TOTAL ENERGY	ASSOC. COMPANY	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	ENERGY LOST &	% LINE LOSS	INTERNAL
Pool	#####	#####	#####	#####	-----	-----	DISPOSED	INTERCHANGE	3	DISPOSED (1-2-3=4)	UNACCOUNTED	(6=5/4)	
#####	#####	#####	#####	#####	-----	-----	1	2			5		
							12 mos. ending	3,473,647	2,485,221	7,483,742	548,364	7.327%	
319,588	219,877	42,868	1,072,287	24,750	MAY	01	1,072,287	319,588	219,877	532,822	42,868	8.045%	
330,595	213,959	38,932	1,069,997	14,223	JUN	01	13,460,997	3,441,944	2,539,756	7,479,297	554,410	7.413%	
349,501	209,690	39,224	1,136,344	30,019	JUL	01	1,069,997	330,595	213,959	525,443	38,932	7.409%	
239,144	193,279	35,951	1,093,258	91,957	AUG	01	13,462,730	3,448,056	2,594,474	7,420,200	550,101	7.414%	
324,059	132,766	38,269	1,019,065	17,978	SEP	01	1,136,344	349,501	209,690	577,153	39,224	6.796%	
276,596	187,876	54,601	1,070,645	102,941	OCT	01	13,557,011	3,517,079	2,639,902	7,400,030	544,697	7.361%	
159,123	206,667	32,466	943,777	41,487	NOV	01	1,093,258	239,144	193,279	660,835	35,951	5.440%	
277,498	223,016	31,200	1,169,402	84,765	DEC	01	13,546,468	3,474,476	2,631,688	7,440,304	528,658	7.105%	
210,324	206,126	36,466	1,170,211	37,181	JAN	02	13,440,170	3,365,688	2,561,138	7,513,344	563,521	7.500%	
132,287	114,523	43,783	920,385	48,409	FEB	02	1,070,645	276,596	187,876	606,173	54,601	9.007%	
148,330	200,215	42,231	993,730	31,812	MAR	02	13,459,072	3,379,434	2,512,144	7,567,494	568,480	7.512%	
167,005	233,161	36,473	958,930	(13,049)	APR	02	943,777	159,123	206,667	577,987	32,466	5.617%	
283,811	210,547	42,388	1,066,992	70,982	MAY	02	13,240,180	3,238,538	2,499,759	7,501,883	555,243	7.401%	
281,244	229,554	34,260	1,103,974	78,662	JUN	02	1,169,402	277,498	223,016	668,888	31,200	4.664%	
314,679	222,603	71,704	1,208,552	91,538	JUL	02	13,191,203	3,325,086	2,526,368	7,339,749	520,606	7.093%	
							13,170,211	210,324	206,126	753,761	36,466	4.838%	
							13,136,929	3,308,823	2,521,269	7,306,837	503,723	6.894%	
							920,385	132,287	114,523	673,575	43,783	6.500%	
							12,970,463	3,184,772	2,427,347	7,358,344	498,095	6.769%	
							993,730	148,330	200,215	645,185	42,231	6.546%	
							12,704,755	3,014,751	2,355,552	7,334,452	483,633	6.594%	
							958,930	167,005	233,161	558,764	36,473	6.527%	
							12,618,031	2,934,050	2,341,155	7,342,826	472,464	6.434%	
							1,066,992	283,811	210,547	572,634	42,388	7.402%	
							12,612,736	2,898,273	2,331,825	7,382,638	471,984	6.393%	
							1,103,974	281,244	229,554	593,176	34,260	5.776%	
							12,646,713	2,848,922	2,347,420	7,450,371	467,312	6.272%	
							1,208,552	314,679	222,603	671,270	71,704	10.682%	
							12,718,921	2,814,100	2,360,333	7,544,488	499,792	6.625%	

KENTUCKY POWER COMPANY													
Line Loss Calculation													
BILLED & ACCRUED - MWH													
INTERCHANGE	System Sales	Bill. & Accrd. Loss	Total Disposition	Billed Only ---Loss---	MONTH	YR	DISPOSED	ASSOC. COMPANY INTERCHANGE	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	ENERGY LOST &	% LINE LOSS	INTERNAL (6=5/4)
Pool	#####	#####	#####	#####			1	2	3	(1-2-3=4)	5		
287,590	221,037	40,309	1,156,018	49,795	AUG	02	1,156,018	287,590	221,037	647,391	40,309	6.226%	
175,081	201,252	44,268	944,259	(3,488)	SEP	02	12,781,681	2,862,546	2,388,091	7,531,044	504,150	6.694%	
67,843	298,861	82,717	967,920	81,608	OCT	02	944,259	175,081	201,252	567,926	44,268	7.795%	
50,472	107,872	34,109	758,418	72,220	NOV	02	12,706,875	2,713,568	2,456,577	7,536,730	510,149	6.769%	
42,644	182,206	61,960	976,320	80,849	DEC	02	967,920	67,843	298,861	601,216	82,717	13.758%	
134,595	215,095	59,071	1,175,550	102,522	JAN	03	12,604,150	2,504,815	2,567,562	7,531,773	538,265	7.147%	
176,874	238,311	52,616	1,109,988	15,492	FEB	03	758,418	50,472	107,872	600,074	34,109	5.694%	
189,191	300,750	39,173	1,094,092	(19,866)	MAR	03	12,418,791	2,396,164	2,468,767	7,553,860	539,908	7.147%	
231,597	305,590	30,076	1,047,372	6,889	APR	03	976,320	42,644	182,206	751,470	61,960	8.245%	
298,229	262,747	31,370	1,074,183	33,057	MAY	03	12,225,709	2,161,310	2,427,957	7,636,442	570,668	7.473%	
246,123	275,616	13,024	1,031,198	27,910	JUN	03	1,175,550	134,595	215,095	825,860	59,071	7.153%	
293,294	282,025	47,023	1,175,513	72,875	JUL	03	12,231,048	2,085,581	2,436,926	7,708,541	593,273	7.696%	
248,227	252,918	61,071	1,118,627	72,010	AUG	03	1,109,988	176,874	238,311	694,803	52,616	7.573%	
212,192	289,743	46,380	1,029,469	(21,422)	SEP	03	12,420,651	2,130,168	2,560,714	7,729,769	602,106	7.789%	
193,064	254,327	94,559	1,003,891	54,373	OCT	03	1,094,092	189,191	300,750	604,151	39,173	6.484%	
285,859	223,452	36,016	1,082,238	67,392	NOV	03	12,521,013	2,171,029	2,661,249	7,688,735	599,048	7.791%	
							1,047,372	231,597	305,590	510,185	30,076	5.895%	
							12,609,455	2,235,621	2,733,678	7,640,156	592,651	7.757%	
							1,074,183	298,229	262,747	513,207	31,370	6.113%	
							12,616,646	2,250,039	2,785,878	7,580,729	581,633	7.673%	
							1,031,198	246,123	275,616	509,459	13,024	2.556%	
							12,543,870	2,214,918	2,831,940	7,497,012	560,397	7.475%	
							1,175,513	293,294	282,025	600,194	47,023	7.835%	
							12,510,831	2,193,533	2,891,362	7,425,936	535,716	7.214%	
							1,118,627	248,227	252,918	617,482	61,071	9.890%	
							12,473,440	2,154,170	2,923,243	7,396,027	556,478	7.524%	
							1,029,469	212,192	289,743	527,534	46,380	8.792%	
							12,558,650	2,191,281	3,011,734	7,355,635	558,590	7.594%	
							1,003,891	193,064	254,327	556,500	94,559	16.992%	
							12,594,621	2,316,502	2,967,200	7,310,919	570,432	7.802%	
							1,082,238	285,859	223,452	572,927	36,016	6.286%	

KENTUCKY POWER COMPANY																
Line Loss Calculation																
BILLED & ACCRUED - MWH																
INTERCHANGE Pool	System Sales	Bill.& Accrd. Loss	Total Disposition	Billed Only ---Loss---	MONTH	YR	TOTAL ENERGY	ASSOC. COMPANY	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	INTERNAL ENERGY & UNACCOUNTED	% LINE LOSS	DISPOSED	DISPOSED	DISPOSED	INTERNAL (6=5/4)
#####	#####	#####	#####	#####	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
					12 mos. ending		12,918,441	2,551,889	3,082,780	7,283,772	572,339	7.858%				
236,837	246,348	37,203	1,207,306	96,155	DEC	03	1,207,306	236,837	246,348	724,121	37,203	5.138%				
					12 mos. ending		13,149,427	2,746,082	3,146,922	7,256,423	547,582	7.546%				
202,903	279,818	50,724	1,269,308	68,310	JAN	04	1,269,308	202,903	279,818	786,587	50,724	6.449%				
					12 mos. ending		13,243,185	2,814,390	3,211,645	7,217,150	539,235	7.472%				
155,161	246,739	48,871	1,129,355	31,217	FEB	04	1,129,355	155,161	246,739	727,455	48,871	6.718%				
					12 mos. ending		13,262,552	2,792,677	3,220,073	7,249,802	535,490	7.386%				
114,665	211,781	62,754	992,612	43,584	MAR	04	992,612	114,665	211,781	666,166	62,754	9.420%				
					12 mos. ending		13,161,072	2,718,151	3,131,104	7,311,817	559,071	7.646%				
257,970	235,302	73,426	1,054,462	10,021	APR	04	1,054,462	257,970	235,302	561,190	73,426	13.084%				
					12 mos. ending		13,168,162	2,744,524	3,060,816	7,362,822	602,421	8.182%				
212,420	245,682	35,527	1,041,760	50,208	MAY	04	1,041,760	212,420	245,682	583,658	35,527	6.087%				
					12 mos. ending		13,135,739	2,658,715	3,043,751	7,433,273	606,578	8.160%				
295,234	300,214	(35,850)	1,109,118	(42,199)	JUN	04	1,109,118	295,234	300,214	513,670	-35,850	-6.979%				
					12 mos. ending		13,213,659	2,707,826	3,068,349	7,437,484	557,704	7.499%				
318,481	313,694	(33,392)	1,192,405	(17,666)	JUL	04	1,192,405	318,481	313,694	560,230	-33,392	-5.960%				
					12 mos. ending		13,230,551	2,733,013	3,100,018	7,397,520	477,289	6.452%				
228,264	276,713	47,784	1,134,234	65,309	AUG	04	1,134,234	228,264	276,713	629,257	47,784	7.594%				
					12 mos. ending		13,246,158	2,713,050	3,123,813	7,409,295	464,002	6.262%				
239,386	275,254	58,304	1,077,475	28,199	SEP	04	1,077,475	239,386	275,254	562,835	58,304	10.359%				
					12 mos. ending		13,294,164	2,740,244	3,109,324	7,444,596	475,926	6.393%				
195,911	172,859	60,681	928,107	51,898	OCT	04	928,107	195,911	172,859	559,337	60,681	10.849%				
					12 mos. ending		13,218,380	2,743,091	3,027,856	7,447,433	442,048	5.936%				
209,740	206,670	142,383	1,035,717	186,738	NOV	04	1,035,717	209,740	206,670	619,307	142,383	22.991%				
					12 mos. ending		13,171,859	2,666,972	3,011,074	7,493,813	548,415	7.318%				
187,688	284,940	16,753	1,243,794	71,819	DEC	04	1,243,794	187,688	284,940	771,166	16,753	2.172%				
					12 mos. ending		13,208,347	2,617,823	3,049,666	7,540,858	527,965	7.001%				
178,066	283,548	60,497	1,229,857	38,575	JAN	05	1,229,857	178,066	283,548	768,243	60,497	7.875%				
					12 mos. ending		13,168,896	2,592,986	3,053,396	7,522,514	537,738	7.148%				
199,736	241,064	56,679	1,129,920	(9,214)	FEB	05	1,129,920	199,736	241,064	689,120	56,679	8.225%				
					12 mos. ending		13,169,461	2,637,561	3,047,721	7,484,179	545,546	7.289%				

KENTUCKY POWER COMPANY													
Line Loss Calculation													
BILLED & ACCRUED - MWH													
INTERCHANGE	System Sales	Bill. & Accrd. Loss	Total Disposition	Billed Only	MONTH	YR	TOTAL ENERGY	ASSOC. COMPANY	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	ENERGY LOST &	% LINE LOSS	INTERNAL (6=5/4)
Pool	#####	#####	#####	---Loss----			DISPOSED	INTERCHANGE	3	DISPOSED (1-2-3=4)	UNACCOUNTED		
#####	#####	#####	#####	#####			1	2			5		
262,333	303,148	56,538	1,298,676	76,712	MAR	05	current month	262,333	303,148	733,195	56,538	7.711%	
285,709	233,477	47,006	1,089,920	(10,742)	APR	05	current month	2,785,229	3,139,088	7,551,208	539,330	7.142%	
156,783	237,405	44,943	976,304	56,559	MAY	05	current month	285,709	233,477	570,734	47,006	8.236%	
233,082	239,089	53,881	1,107,412	79,524	JUN	05	current month	2,812,968	3,137,263	7,560,752	512,910	6.784%	
258,564	261,086	54,871	1,187,161	83,845	JUL	05	current month	156,783	237,405	582,116	44,943	7.721%	
207,091	245,179	63,355	1,164,270	93,821	AUG	05	current month	2,757,331	3,128,986	7,559,210	522,326	6.910%	
298,266	248,574	53,122	1,155,362	6,295	SEP	05	current month	233,082	239,089	635,241	53,881	8.482%	
265,357	187,940	43,404	1,052,788	46,874	OCT	05	current month	2,695,179	3,067,861	7,680,781	612,057	7.969%	
197,881	204,599	66,800	1,062,418	97,818	NOV	05	current month	258,564	261,086	667,511	54,871	8.220%	
175,337	174,146	64,342	1,201,194	126,787	DEC	05	current month	2,635,262	3,015,253	7,788,062	700,320	8.992%	
226,657	180,807	37,315	1,133,614	(30,447)	JAN	06	current month	207,091	245,179	712,000	63,355	8.898%	
197,969	233,870	75,719	1,183,392	70,989	FEB	06	current month	2,614,089	2,983,719	7,870,805	715,891	9.096%	
257,553	226,681	54,266	1,200,512	73,930	MAR	06	current month	298,266	248,574	608,522	53,122	8.730%	
281,185	221,781	98,758	1,077,711	3,245	APR	06	current month	2,672,969	2,957,039	7,916,492	710,709	8.978%	
129,331	191,082	56,870	906,998	66,154	MAY	06	current month	265,357	187,940	599,491	43,404	7.240%	
283,427	254,340	65,193	1,146,790	62,242	JUN	06	current month	2,742,415	2,972,120	7,956,646	693,432	8.715%	
								197,881	204,599	659,938	66,800	10.122%	
								2,730,556	2,970,049	7,997,277	617,849	7.726%	
								175,337	174,146	851,711	64,342	7.554%	
								2,718,205	2,859,255	8,077,822	665,438	8.238%	
								226,657	180,807	726,150	37,315	5.139%	
								2,766,796	2,756,514	8,035,729	642,256	7.993%	
								197,969	233,870	751,553	75,719	10.075%	
								2,765,029	2,749,320	8,098,162	661,296	8.166%	
								257,553	226,681	716,278	54,266	7.576%	
								2,760,249	2,672,853	8,081,245	659,024	8.155%	
								281,185	221,781	574,745	98,758	17.183%	
								2,755,725	2,661,157	8,085,256	710,776	8.791%	
								129,331	191,082	586,585	56,870	9.895%	
								2,728,273	2,614,834	8,089,725	722,703	8.934%	
								283,427	254,340	609,023	65,193	10.705%	

KENTUCKY POWER COMPANY													
Line Loss Calculation													
BILLED & ACCRUED - MWH													
INTERCHANGE	System Sales	Bill. & Accrd. Loss	Total Disposition	Billed Only	MONTH	YR	TOTAL ENERGY	ASSOC. COMPANY	SYSTEM SALES FOR RESALE	INTERNAL ENERGY	ENERGY LOST &	% LINE LOSS	INTERNAL (6=5/4)
Pool	#####	#####	#####	---Loss---			DISPOSED	INTERCHANGE	3	DISPOSED (1-2-3=4)	UNACCOUNTED		
311,334	198,535	23,537	1,026,127	(16,804)	OCT	07	1,026,127	2	198,535	516,258	23,537	4.559%	
251,195	195,880	28,505	1,068,393	122,452	NOV	07	13,297,815	2,837,503	2,626,221	7,834,091	552,223	7.049%	
232,105	216,358	27,351	1,139,587	31,637	DEC	07	1,068,393	2,801,596	195,880	621,318	28,505	4.588%	
253,100	254,383	30,501	1,316,081	63,662	JAN	08	13,232,466	2,839,885	2,638,097	7,792,773	533,825	6.850%	
216,275	203,154	25,186	1,109,625	(17,237)	FEB	08	1,139,587	216,358	216,358	691,124	27,351	3.957%	
275,951	189,243	25,374	1,122,763	(13,872)	MAR	08	13,236,988	2,839,885	2,668,315	7,728,488	508,370	6.578%	
340,603	172,459	21,729	1,062,010	(36,241)	APR	08	1,316,081	253,100	254,383	808,598	30,501	3.772%	
94,539	221,986	21,051	861,638	15,554	MAY	08	13,378,826	2,903,682	2,721,836	7,753,308	473,026	6.101%	
164,671	227,757	19,760	981,968	39,745	JUN	08	1,109,625	216,275	203,154	690,196	25,186	3.649%	
286,657	281,480	18,822	1,181,907	32,182	JUL	08	13,383,668	3,010,522	2,739,778	7,633,368	434,280	5.689%	
205,681	239,743	30,639	1,066,251	27,014	AUG	08	861,638	94,539	221,986	545,113	21,051	3.862%	
252,399	230,939	10,091	1,043,775	(27,788)	SEP	08	13,270,218	3,135,495	2,663,646	7,471,077	307,458	4.115%	
161,966	169,405	8,119	908,557	40,235	OCT	08	981,968	164,671	227,757	589,540	19,760	3.352%	
52,698	110,741	17,450	822,832	89,924	NOV	08	13,199,369	3,052,666	2,657,956	7,488,747	284,557	3.800%	
89,593	106,193	26,781	926,870	14,039	DEC	08	1,181,907	286,657	281,480	613,770	18,822	3.067%	
136,529	99,316	27,263	1,030,791	35,251	JAN	09	13,189,124	3,026,101	2,664,458	7,498,565	280,009	3.734%	
							1,066,251	205,681	239,743	620,827	30,639	4.935%	
							13,043,893	2,949,693	2,647,832	7,446,368	292,839	3.933%	
							1,043,775	252,399	230,939	560,437	10,091	1.801%	
							12,980,125	2,884,510	2,631,917	7,463,698	282,546	3.786%	
							908,557	161,966	169,405	577,186	8,119	1.407%	
							12,862,555	2,735,142	2,602,787	7,524,626	267,128	3.550%	
							822,832	52,698	110,741	659,393	17,450	2.646%	
							12,616,994	2,536,645	2,517,648	7,562,701	256,073	3.386%	
							926,870	89,593	106,193	731,084	26,781	3.663%	
							12,404,277	2,394,133	2,407,483	7,602,661	255,503	3.361%	
							1,030,791	136,529	99,316	794,946	27,263	3.430%	

KENTUCKY POWER COMPANY												
Line Loss Calculation												
BILLED & ACCRUED - MWH												
INTERCHANGE Pool	System Sales	Bill. & Accrd. Loss	Total Disposition	Billed Only ---Loss---	MONTH	YR	TOTAL ENERGY DISPOSED	ASSOC. COMPANY INTERCHANGE	SYSTEM SALES FOR RESALE	INTERNAL ENERGY DISPOSED	ENERGY LOST & UNACCOUNTED	% LINE LOSS
#####	#####	#####	#####	#####			1	2	3	(1-2-3=4)	5	(6=5/4)
							12 mos. ending	2,277,562	2,252,416	7,589,009	252,265	3.324%
							current month	149,622	100,521	654,868	16,515	2.522%
					FEB	09	11,914,373	2,210,909	2,149,783	7,553,681	243,594	3.225%
							12 mos. ending	279,062	114,111	631,349	-14,503	-2.297%
					MAR	09	1,024,522	279,062	114,111	7,527,461	203,717	2.706%
							12 mos. ending	2,214,020	2,074,651	540,346	12,892	2.386%
					APR	09	998,573	342,354	115,873	7,518,859	194,880	2.592%
							12 mos. ending	2,215,771	2,018,065	535,782	1,366	0.253%
					MAY	09	878,745	254,971	87,992	7,509,528	175,185	2.333%
							12 mos. ending	2,376,203	1,884,071	560,635	(13,883)	-2.476%
					JUN	09	904,793	203,677	140,481	7,480,623	141,542	1.892%
							12 mos. ending	2,415,209	1,796,795	567,387	23,327	4.111%
					JUL	09	789,654	96,930	125,337	7,434,240	146,047	1.965%
							12 mos. ending	2,225,482	1,640,652	592,447	(2,789)	-0.471%
					AUG	09	971,630	229,115	150,068	7,405,860	112,619	1.521%
							12 mos. ending	2,248,916	1,550,977	527,483	21,635	4.102%
					SEP	09	798,017	155,736	114,798	7,372,906	124,163	1.684%
							12 mos. ending	2,152,253	1,434,836	540,434	(1,408)	-0.261%
					OCT	09	837,897	194,727	102,736	7,336,154	114,636	1.563%
							12 mos. ending	2,185,014	1,368,167	591,716	-6,412	-1.084%
					NOV	09	876,409	175,976	108,717	7,268,477	90,774	1.249%
							12 mos. ending	2,308,292	1,366,143	720,414	26,746	3.713%
					DEC	09	1,042,912	221,330	161,169	7,257,807	90,739	1.250%
							12 mos. ending	2,440,029	1,421,119			

Kentucky Power Company

REQUEST

State whether the company maintains any insurance policies to cover lost revenues due to outages. If so, provide a copy of any and all applicable declarations pages. Provide a summary of all claims and any insurance proceeds to cover such losses for the last five (5) years.

RESPONSE

No, Kentucky Power does not maintain any insurance policies to cover lost revenues due to outages.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

State whether the company engages in any type or sort of hedging operations to mitigate any lost revenues due to outages. If so, provide copies of any and all relevant documents. Provide a summary of all proceeds received or earned to mitigate any such losses for the last five (5) years.

RESPONSE

Kentucky Power Company is a member of the AEP East pool. Forced outages and curtailments to the Companies' generating resources, as well as other impacts due to weather or load variations are managed on an AEP East basis along with those of the other AEP East pool members. Many "hedging" transactions or short-term transactions are based on AEP's load and generating unit commitment profiles. In this sense, hedging is a continuous process of optimization that AEPSC performs relative to its responsibilities as Agent to provide for economic purchases and sales of electric energy in the wholesale markets, functions that need to be performed if native load customers of the AEP East pool are to receive reliable electric service at the lowest reasonable costs. While replacement power may be secured if needed to minimize the effects of any generation or load variations on an AEP East fleet basis, replacement power is not categorized as replacing any specific generating capacity.

WITNESS: Thomas M. Myers

Kentucky Power Company

REQUEST

State whether the company maintains any insurance policies to cover any type or sort of expenses incurred due to outages, including additional contract labor and materials necessary to complete restoration. If so, provide a copy of any and all applicable declarations pages. Provide a summary of all claims and any insurance proceeds to cover such losses for the last five (5) years.

RESPONSE

Kentucky Power does not maintain insurance policies that cover expenses incurred due to outages from damage to distribution or transmission lines beyond 1,000 ft. of our substations and generating stations.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

As a result of the Operating Agreement KP maintains with other AEP affiliates, state whether KP receives any remuneration or reimbursement of any type or sort for outages or line loss. If so, provide complete details.

RESPONSE

The Company is not sure what is meant by the term "Operating Agreement KP maintains with other AEP affiliates". If the questioner is referring to the AEP Interconnection Agreement, KPCo's primary capacity is not reduced when KPCo's primary capacity resources (Big Sandy, Rockport) are in an outage state. Consequently, KPCo is not required to pay more for pool capacity during these outage periods than if the generation was available for dispatch. PJM outage-associated penalties and costs, if any as a result of such an outage, are MLR-allocated among the five East Operating Companies, so KPCo incurs an MLR share of any such costs. KPCo is also able to acquire cost-based power and energy from the other East Companies during such an outage when it is available and less costly than purchases in the market.

Regarding line loss, PJM moved to a financial settlement of losses with the implementation of marginal losses in 2007. Since losses are paid on a marginal basis, more revenues are collected by PJM than the total cost of PJM losses, which results in a surplus. KPCO receives an allocation of both the PJM charges incurred by the East Pool and an allocation of the PJM surplus credit. These line losses are allocated between Off System Sales (OSS) and Load Serving Entity (LSE). Both the line loss charge and the line loss surplus are reflected in the monthly System Sales Tracker and the monthly Company's FAC.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Identify what portions of the proposed enhancement program have been incurred during the test year. If none, state in detail why the company did not implement any sort or type of enhanced program during the test year, especially in light of the trend of deteriorating reliability of which the company, and its customers have all taken note.

- a. Is the company aware that its customers are outraged at the company for not performing adequate right of way maintenance, which has led to increased frequency of outages and duration of outages?

RESPONSE

While the Company has invested in reliability programs in the test year, it has not implemented any of the incremental Reliability and Service Enhancement programs. KPCo is proposing a Reliability and Service Enhancement Plan to improve reliability on its distribution system and has asked for additional funding in this proceeding.

- a.) KPCo is aware of customers' complaints concerning reliability and addressed all complaints as they were received. In addition, the Company has been in frequent communications with the County Judge Executives of Pike and Letcher Counties. Again, it is due to these complaints and the deteriorating reliability that KPCo is asking for additional funds to improve its reliability and address these concerns.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Please state the levels of accumulated depreciation and accumulated deferred income taxes that would be created associated with the additional plant investment created during the time frame of the proposed enhancement program.

RESPONSE

The levels of accumulated depreciation and accumulated deferred income tax that would be created associated with the additional plant investment created during the time frame (5 years) of the proposed enhancement program are attached.

WITNESS: Errol K Wagner

Kentucky Power Company
Analysis of Reliability Adjustment

	Capital Expenditures By Year					
	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Year One Capital Expenditures	4,720,000	4,720,000	4,720,000	4,720,000	4,720,000	4,720,000
Year Two Capital Expenditures	8,190,000		8,190,000	8,190,000	8,190,000	8,190,000
Year Three Capital Expenditures	8,480,000			8,480,000	8,480,000	8,480,000
Year Four Capital Expenditures	7,530,000				7,530,000	7,530,000
Year Five Capital Expenditures	7,350,000					7,350,000
Total Capital Expenditures @ End of Each Year	36,270,000	4,720,000	12,910,000	21,390,000	28,920,000	36,270,000
Book Depreciation Recorded by Year	Book Rates					
Year 1	3.960%	93,456	186,912	186,912	186,912	186,912
Year 2	3.960%		162,162	324,324	324,324	324,324
Year 3	3.960%			167,904	335,808	335,808
Year 4	3.960%				149,094	298,188
Year 5	3.960%					145,530
Total Book Depreciation By Year		93,456	349,074	679,140	996,138	1,290,762
Accumulated Book Depreciation @ End of Year		93,456	442,530	1,121,670	2,117,808	3,408,570
Tax Depreciation Recorded by Year	Tax Rates					
Year 1	3.750%	177,000	340,737	314,824	291,554	269,654
Year 2	7.219%		307,125	591,236	546,273	505,896
Year 3	6.670%			318,000	612,171	565,616
Year 4	6.177%				282,375	543,591
Year 5	5.713%					275,625
Total Tax Depreciation By Year		177,000	647,862	1,224,060	1,732,373	2,160,382
Accumulated Tax Depreciation @ End of Year		177,000	824,862	2,048,922	3,781,295	5,941,677
Accumulated Excess Tax vs. Book Depreciation		(83,544)	(382,332)	(927,252)	(1,663,487)	(2,533,107)
Federal Income Tax Rate		35%	35%	35%	35%	35%
Accumulated DFIT Asset <Liability> @ End of Year		(29,240)	(133,816)	(324,538)	(582,220)	(886,587)

Kentucky Power Company

REQUEST

With regard to KP's proposed 11.75% return on equity, please identify any comparable utilities actually earning such a rate.

RESPONSE

Please refer to the response to Attorney General 1st Set, Item No. 49 for financial returns earned by comparable utilities.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Confirm that pursuant to AEP's latest quarterly SEC filing, corporate net income rose 57% based on higher utility rates.

- a. Confirm the statement of AEP Chief Executive Michael Morris that, "Residential and Commercial sales -- an area of significant year-to-year growth before the recession -- have stalled but haven't declined as much as expected . . . [t]hese factors have us cautiously optimistic for improvement in the months ahead."

RESPONSE

Based on the AEP press release on Form 8K filed on January 28, 2010, earnings on a GAAP basis for the 4th quarter of 2009 vs. the 4th quarter of 2008 were 57% higher.

Also included in that press release on page 2 is the quote from Michael G. Morris. See attached for a copy of the press release.

WITNESS: Errol K Wagner



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FOR IMMEDIATE RELEASE

AEP REPORTS 2009 FOURTH-QUARTER AND YEAR-END EARNINGS

- Fourth-quarter earnings \$0.50 per share GAAP and ongoing
- 2009 year-end earnings \$2.96 per share GAAP, \$2.97 per share ongoing
- AEP reaffirms its 2010 ongoing guidance range of between \$2.80 and \$3.20 per share

AMERICAN ELECTRIC POWER						
Preliminary, unaudited results						
	4th quarter ended Dec. 31			12 months ended Dec. 31		
	2008	2009	Variance	2008	2009	Variance
Revenue (\$ in billions)	3.2	3.3	0.1	14.4	13.5	(0.9)
Earnings (\$ in millions):						
GAAP	152	238	86	1,380	1,357	(23)
Ongoing	237	238	1	1,301	1,362	61
EPS (\$):						
GAAP	0.38	0.50	0.12	3.43	2.96	(0.47)
Ongoing	0.59	0.50	(0.09)	3.24	2.97	(0.27)

EPS based on 404mm shares in Q4 2008, 478mm in Q4 2009, 402mm in 12 mo. 2008 and 459mm in 12 mo. 2009

COLUMBUS, Ohio, Jan. 28, 2010 – American Electric Power (NYSE: AEP) today reported 2009 year-end earnings, prepared in accordance with Generally Accepted Accounting Principles (GAAP), of \$1.357 billion or \$2.96 per share, compared with \$1.380 billion or \$3.43 per share in 2008. Ongoing earnings (earnings excluding special items) for 2009 were \$1.362 billion or \$2.97 per share, compared with \$1.301 billion or \$3.24 per share in 2008.

GAAP and ongoing earnings for fourth-quarter 2009 were \$238 million or \$0.50 per share, compared with fourth-quarter 2008 GAAP earnings of \$152 million or \$0.38 per share and fourth-quarter 2008 ongoing earnings of \$237 million or \$0.59 per share.

The per-share results for the year and the fourth quarter reflect the dilutive effect of additional shares outstanding, which reduced ongoing earnings for 2009 by \$0.42 per share for the year and \$0.09 per share for the quarter as compared with the prior periods.

For the year, GAAP earnings were \$5 million lower than ongoing earnings, primarily because of the reapplication of cost-of-service regulation for the generation portion of electric utility service for

the Texas jurisdiction of AEP's Southwestern Electric Power Co. utility.

A full reconciliation of GAAP earnings with ongoing earnings for the quarter and year is included in tables at the end of this news release.

"We're pleased with our results for the quarter and year when considering the economic conditions we faced," said Michael G. Morris, AEP chairman, president and chief executive officer. "We anticipated reduced sales in 2009 and took steps to maintain our levels of service while tightly controlling costs. The success of this effort is evident in our operations and maintenance expenses for 2009. We kept these expenses virtually flat with 2008 and would have been below 2008 levels without the costly recovery efforts after winter storms in our eastern utilities in late December.

"The economy remains a concern," Morris said. "The best news is that we aren't seeing a continued decline in sales. Industrial sales in the fourth quarter were consistent with what we saw in the third quarter and actually showed a slight uptick in December, although one month definitely doesn't represent a trend. Residential and commercial sales – an area of significant year-to-year growth before the recession – have stalled but haven't declined as much as expected. These factors have us cautiously optimistic for improvement in the months ahead."

EARNINGS GUIDANCE

AEP reaffirmed its ongoing guidance range for 2010 of between \$2.80 and \$3.20 per share. In providing ongoing earnings guidance, there could be differences between ongoing earnings and GAAP earnings for matters such as, but not limited to, divestitures or changes in accounting principles. AEP management is not able to estimate the impact, if any, on GAAP earnings of these items. Therefore, AEP is not able to provide a corresponding GAAP equivalent for earnings guidance.

SUMMARY ONGOING RESULTS BY SEGMENT

\$ in millions except EPS

	Q4 08	Q4 09	Variance	12 mo. 08	12 mo. 09	Variance
Utility Operations	182	207	25	1,212	1,321	109
Ongoing EPS	0.45	0.44	(0.01)	3.02	2.88	(0.14)
AEP River Operations	34	25	(9)	55	47	(8)
Ongoing EPS	0.09	0.05	(0.04)	0.14	0.10	(0.04)
Generation and Marketing	22	8	(14)	65	41	(24)
Ongoing EPS	0.05	0.02	(0.03)	0.16	0.09	(0.07)
All Other	(1)	(2)	(1)	(31)	(47)	(16)
Ongoing EPS	0.00	(0.01)	(0.01)	(0.08)	(0.10)	(0.02)
Ongoing Earnings	237	238	1	1,301	1,362	61
Ongoing EPS	0.59	0.50	(0.09)	3.24	2.97	(0.27)

EPS based on 404mm shares in Q4 2008, 478mm in Q4 2009, 402mm in 12 mo. 2008 and 459mm in 12 mo. 2009

Ongoing earnings from Utility Operations increased by \$25 million during fourth-quarter 2009 compared with fourth-quarter 2008. This reflects increased retail rates throughout AEP's utility service territory, which were somewhat offset by lower sales to industrial customers and increased expenses.

For the 12-month period, ongoing earnings from Utility Operations increased by \$109 million

from 2008 because of increased retail rates and increases in transmission and other margins. These improvements were partially offset by lower off-system sales, lower sales to industrial customers and higher expenses.

AEP's River Operations results were \$9 million lower during fourth-quarter 2009 than in the same period the prior year because of lower grain rates and reduced imports, which weakened freight demand. This was partially offset by lower operating expenses. For the year, results were \$8 million lower than 2008 because of the continued lack of imports, which reduced northbound loadings, freight demand and rates.

Generation and Marketing, which includes AEP's non-regulated generating, marketing and risk management activities, primarily in the Electric Reliability Council of Texas (ERCOT) area, decreased to \$8 million in the fourth-quarter 2009 from \$22 million during the same period in 2008, primarily because of reduced gross margins from marketing activities. For the year, earnings decreased to \$41 million from \$65 million in 2008 because of lower gross margins at the Oklaunion Power Station, attributed primarily to lower power prices in the ERCOT region, and decreased generation from AEP's wind farms.

All Other, which includes the Parent Company and other investments, was lower in 2009 compared with 2008 primarily because of lower interest income and favorable tax adjustments in the prior year, partially offset by lower interest expense, all at the Parent.

ONGOING RESULTS FROM UTILITY OPERATIONS

\$ in millions except EPS

	Q4 08	Q4 09	Variance	12 mo. 08	12 mo. 09	Variance
East Regulated Integrated Utilities	657	613	(44)	2,278	2,461	183
Ohio Companies	607	670	63	2,431	2,733	302
West Regulated Integrated Utilities	237	260	23	1,057	1,160	103
Texas Wires	127	137	10	537	571	34
Off-System Sales	59	68	9	845	337	(508)
Transmission Revenue - 3rd Party	82	85	3	329	354	25
Other Operating Revenue	130	175	45	569	767	198
Utility Gross Margin	1,899	2,008	109	8,046	8,383	337
Operations & Maintenance	(933)	(1,007)	(74)	(3,368)	(3,411)	(43)
Depreciation & Amortization	(351)	(388)	(37)	(1,450)	(1,561)	(111)
Taxes Other Than Income Taxes	(180)	(178)	2	(749)	(751)	(2)
Interest Expense & Preferred Dividend	(219)	(238)	(19)	(871)	(919)	(48)
Other Income & Deductions	34	39	5	171	133	(38)
Income Taxes	(68)	(29)	39	(567)	(553)	14
Utility Operations Ongoing Earnings	182	207	25	1,212	1,321	109
Ongoing EPS	0.45	0.44	(0.01)	3.02	2.88	(0.14)

EPS based on 404mm shares in Q4 2008, 478mm in Q4 2009, 402mm in 12 mo. 2008 and 459mm in 12 mo. 2009

Retail Sales – Results for the fourth quarter improved from the same period in 2008 primarily because of rate increases in Virginia, Indiana and Oklahoma and the implementation of the Ohio Electric Security Plan, which includes the activation of a fuel clause at the Ohio Companies. The positive impact of the rate changes was somewhat offset by lower sales to industrial customers.

Fourth-quarter heating degree days were 3 percent below normal and 13 percent lower than in the same period in 2008 in AEP's eastern service territory. In AEP's western service area, heating degree days were 11 percent higher than normal and 6 percent higher than in the same period in 2008. Unfavorable weather, primarily in AEP's eastern service areas, decreased margins in the quarter by \$18 million.

For the year, retail margins were higher than in 2008 because of rate increases and the activation of a fuel clause at the Ohio Companies, offset by lower sales to industrial customers and unfavorable weather, primarily during the summer months. In AEP's eastern service territory, cooling degree days for 2009 were 19 percent below normal and 14 percent below 2008. In the western portion of the service territory, cooling degree days were 12 percent below normal and 5 percent below 2008. The effect of the unfavorable weather reduced margins by approximately \$52 million from the prior year.

Off-System Sales – Gross margins from Off-System Sales for the fourth quarter were higher than in fourth-quarter 2008 primarily because of increased trading and marketing margins, partially offset by lower prices on physical sales. For the year, volumes and prices were depressed by weak market demand, reflecting the struggling economy and mild weather in the eastern territory.

Transmission Revenues – 3rd Party – Transmission revenues increased in fourth-quarter 2009 compared with the same period in 2008 primarily because of higher ERCOT revenues. For the year, the increase in revenues over 2008 was the result of higher revenues in both ERCOT and the Southwest Power Pool.

Other Operating Revenue – Other operating revenues were higher during 2009 compared with 2008 primarily because of the accidental-outage insurance payments related to the September 2008 turbine vibration and subsequent outage at the Donald C. Cook Nuclear Plant in Bridgman, Mich. A portion of these insurance proceeds was used to reduce bills to Indiana and Michigan customers. The unit returned to service in December 2009.

Operations & Maintenance – Operations and maintenance expenses increased \$74 million during fourth-quarter 2009 compared with the same period in 2008 primarily because of storm restoration expenses incurred during December 2009 in AEP's eastern service areas, increased plant outage costs and higher employee benefit expenses. These increases were somewhat offset by a reduction in other operating expenses. For the year, O&M expenses increased \$43 million, or about 1 percent, from 2008, demonstrating the effectiveness of the company's continued cost-control efforts. The 2009 expenses, which included the December 2009 storm-related costs and the increased employee benefit expenses, are compared with 2008 O&M expenses that were reduced by the establishment of a regulatory asset to recover storm expenses incurred in 2007 by Public Service Company of Oklahoma.

Depreciation & Amortization – Depreciation expenses were higher in 2009 than in 2008 for

both the fourth quarter and year, primarily because of an increase in plant balances and higher depreciation rates at Ohio Power.

Interest Expense & Preferred Dividends – The increase in Interest Expense for the fourth quarter and year over the same periods in 2008 is primarily because of increased long-term debt borrowings.

Other Income & Deductions – The decrease in Other Income & Deductions for the year compared with the same period in 2008 is primarily because of lower interest income and lower carrying-cost income. These decreases were partially offset by increased Allowance for Funds Used During Construction.

WEBCAST

American Electric Power's quarterly conference call with financial analysts will be broadcast live over the Internet at 10 a.m. EST today at <http://www.aep.com/go/webcasts>. The webcast will include audio of the conference call and visuals of charts and graphics referred to by AEP management during the call. The charts and graphics will be available for download at <http://www.aep.com/go/webcasts>.

The call will be archived on <http://www.aep.com/go/webcasts> for those unable to listen during the live webcast. Archived calls also are available as podcasts.

Minimum requirements to listen to broadcast: Windows Media Player software, free from <http://windowsmedia.com/download>, and at least a 56Kbps connection to the Internet.

American Electric Power is one of the largest electric utilities in the United States, delivering electricity to more than 5 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and approximately 11 percent of the electricity demand in ERCOT, the transmission system that covers much of Texas. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP's headquarters are in Columbus, Ohio.

AEP's earnings are prepared in accordance with accounting principles generally accepted in the United States and represent the company's earnings as reported to the Securities and Exchange

Commission. AEP's management believes that the company's ongoing earnings, or GAAP earnings adjusted for certain items as described in the news release and charts, provide a more meaningful representation of the company's performance. AEP uses ongoing earnings as the primary performance measurement when communicating with analysts and investors regarding its earnings outlook and results. The company also uses ongoing earnings data internally to measure performance against budget and to report to AEP's board of directors.

This report made by AEP and its Registrant Subsidiaries contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: electric load and customer growth; weather conditions, including storms; available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters; availability of necessary generating capacity and the performance of AEP's generating plants, including AEP's ability to restore Indiana Michigan Power's Donald C. Cook Nuclear Plant Unit 1 in a timely manner; AEP's ability to recover regulatory assets and stranded costs in connection with deregulation; AEP's ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; AEP's ability to build or acquire generating capacity, including the John W. Turk Jr. Plant, and transmission line facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are canceled) through applicable rate cases or competitive rates; new legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances that could impact the continued operations of AEP's plants; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance); resolution of litigation (including the dispute with Bank of America); AEP's ability to constrain operation and maintenance costs; the economic climate and growth or contraction in AEP's service territory and changes in market demand and demographic patterns; inflationary or deflationary interest rate trends; volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing AEP's ability to finance new capital projects and refinance existing debt at attractive rates; the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material; AEP's ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities; changes in the creditworthiness of the counterparties with whom AEP has contractual arrangements, including participants in the energy trading market; actions of rating agencies, including changes in the ratings of debt; volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities; changes in utility regulation, including the implementation of the recently passed utility law in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP; accounting pronouncements periodically issued by accounting standard-setting bodies; the impact of volatility in the capital markets on the value of the investments held by AEP's pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements; prices and demand for power that AEP generates and sells at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events.

American Electric Power
Financial Results for 4th Quarter 2009 Actual vs 4th Quarter 2008 Actual

		<u>2008 Actual</u>		<u>2009 Actual</u>	
		<u>(\$ millions)</u>	<u>EPS</u>	<u>(\$ millions)</u>	<u>EPS</u>
UTILITY OPERATIONS:					
Gross Margin:					
1	East Regulated Integrated Utilities	657		613	
2	Ohio Companies	607		670	
3	West Regulated Integrated Utilities	237		260	
4	Texas Wires	127		137	
5	Off-System Sales	59		68	
6	Transmission Revenue - 3rd Party	82		85	
7	Other Operating Revenue	130		175	
8	Utility Gross Margin	1,899		2,008	
9	Operations & Maintenance	(933)		(1,007)	
10	Depreciation & Amortization	(351)		(388)	
11	Taxes Other than Income Taxes	(180)		(178)	
12	Interest Exp & Preferred Dividend	(219)		(238)	
13	Other Income & Deductions	34		39	
14	Income Taxes	(68)		(29)	
15	Utility Operations Ongoing Earnings	182	0.45	207	0.44
NON-UTILITY OPERATIONS:					
16	AEP River Operations	34	0.09	25	0.05
17	Generation & Marketing	22	0.05	8	0.02
18	Parent & Other Ongoing Earnings	(1)	-	(2)	(0.01)
19	ONGOING EARNINGS	<u>237</u>	<u>0.59</u>	<u>238</u>	<u>0.50</u>

Note: For analysis purposes, certain financial statement amounts have been reclassified for this effect on earnings presentation.

American Electric Power

**Financial Results for the 4th Quarter 2009
Reconciliation of Ongoing to Reported Earnings**

2009						
Utility	AEP River Operations	Generation and Marketing (\$ millions)	Parent & All Other	Total	EPS	
Ongoing Earnings	207	25	8	(2)	238	\$ 0.50
Total Special Items	-	-	-	-	-	\$ -
Reported Earnings	207	25	8	(2)	238	\$ 0.50

**Financial Results for the 4th Quarter 2008
Reconciliation of Ongoing to Reported Earnings**

2008						
Utility	AEP River Operations	Generation and Marketing (\$ millions)	Parent & All Other	Total	EPS	
Ongoing Earnings	182	34	22	(1)	237	\$ 0.59
Dispositions:						
Gain on Sale of UK Operations	-	-	-	12	12	\$ 0.03
Other:						
FERC ruling on Allocation of Off-system Sales	(97)	-	-	-	(97)	\$ (0.24)
Total Special Items	(97)	-	-	12	(85)	\$ (0.21)
Reported Earnings	85	34	22	11	152	\$ 0.38

**American Electric Power
 Summary of Selected Sales Data**

(Data based on preliminary, unaudited results)

ENERGY & DELIVERY SUMMARY	Three Months Ending December 31,		
	2008	2009	Change
Retail Electric (in millions of kWh):			
Residential	13,906	13,501	-2.9%
Commercial	12,283	12,152	-1.1%
Industrial	15,592	13,866	-11.1%
Miscellaneous	734	757	3.1%
Total Retail (a)	42,515	40,276	-5.3%
Wholesale Electric (in millions of kWh): (b)	7,181	7,447	3.7%
Total KWHs	49,696	47,723	-4.0%

(a) Includes energy delivered to customers served by AEP's Texas Wires Companies

(b) Includes Off-System Sales, Municipalities and Cooperatives, Unit Power, and Other Wholesale Customers.

American Electric Power
Financial Results for YTD December 2009 Actual vs YTD December 2008 Actual

		<u>2008 Actual</u>		<u>2009 Actual</u>	
		<u>(\$ millions)</u>	<u>EPS</u>	<u>(\$ millions)</u>	<u>EPS</u>
UTILITY OPERATIONS:					
Gross Margin:					
1	East Regulated Integrated Utilities	2,278		2,461	
2	Ohio Companies	2,431		2,733	
3	West Regulated Integrated Utilities	1,057		1,160	
4	Texas Wires	537		571	
5	Off-System Sales	845		337	
6	Transmission Revenue - 3rd Party	329		354	
7	Other Operating Revenue	<u>569</u>		<u>767</u>	
8	Utility Gross Margin	8,046		8,383	
9	Operations & Maintenance	(3,368)		(3,411)	
10	Depreciation & Amortization	(1,450)		(1,561)	
11	Taxes Other than Income Taxes	(749)		(751)	
12	Interest Exp & Preferred Dividend	(871)		(919)	
13	Other Income & Deductions	171		133	
14	Income Taxes	<u>(567)</u>		<u>(553)</u>	
15	Utility Operations Ongoing Earnings	<u>1,212</u>	3.02	<u>1,321</u>	2.88
NON-UTILITY OPERATIONS:					
16	AEP River Operations	55	0.14	47	0.10
17	Generation & Marketing	65	0.16	41	0.09
18	Parent & Other Ongoing Earnings	<u>(31)</u>	<u>(0.08)</u>	<u>(47)</u>	<u>(0.10)</u>
19	ONGOING EARNINGS	<u>1,301</u>	<u>3.24</u>	<u>1,362</u>	<u>2.97</u>

Note: For analysis purposes, certain financial statement amounts have been reclassified for this effect on earnings presentation.

American Electric Power

**Financial Results for Year-to-Date 2009
Reconciliation of Ongoing to Reported Earnings**

2009						
Utility	AEP River Operations	Generation and Marketing (\$ millions)	Parent & All Other	Total	EPS	
Ongoing Earnings	1,321	47	41	(47)	1,362	\$ 2.97
Other						
SWEPCo SFAS 71	(5)	-	-	-	(5)	\$ (0.01)
Total Special Items	(5)	-	-	-	(5)	\$ (0.01)
Reported Earnings	1,316	47	41	(47)	1,357	\$ 2.96

**Financial Results for Year-to-Date 2008
Reconciliation of Ongoing to Reported Earnings**

2008						
Utility	AEP River Operations	Generation and Marketing (\$ millions)	Parent & All Other	Total	EPS	
Ongoing Earnings	1,212	55	65	(31)	1,301	\$ 3.24
Dispositions:						
Tractebel Settlement	-	-	-	164	164	\$ 0.40
Gain on Sale of UK Operations	-	-	-	12	12	\$ 0.03
Other						
FERC ruling on Allocation of Off-system Sales	(97)	-	-	-	(97)	\$ (0.24)
Total Special Items	(97)	-	-	176	79	\$ 0.19
Reported Earnings	1,115	55	65	145	1,380	\$ 3.43

**American Electric Power
Summary of Selected Sales Data**

(Data based on preliminary, unaudited results)

ENERGY & DELIVERY SUMMARY	Twelve Months Ending December 31,		
	2008	2009	Change
Retail Electric (in millions of kWh):			
Residential	58,892	58,232	-1.1%
Commercial	50,382	49,925	-0.9%
Industrial	64,508	54,428	-15.6%
Miscellaneous	3,114	3,048	-2.1%
Total Retail (a)	176,896	165,633	-6.4%
Wholesale Electric (in millions of kWh): (b)	43,085	29,679	-31.1%
Total KWHs	219,981	195,312	-11.2%

(a) Includes energy delivered to customers served by AEP's Texas Wires Companies

(b) Includes Off-System Sales, Municipalities and Cooperatives, Unit Power, and Other Wholesale Customers.

Kentucky Power Company

REQUEST

Please provide copies of all presentations made to rating agencies and/or investment firms by KP between January 1, 2008 and the present.

RESPONSE

Please refer to the attachment for copies of the presentations made to the rating agencies and/or investment firms by KP between January 1, 2008 and the present. Confidential protection of portions of the attachment is being requested in the form of a Motion for Confidential Treatment.

WITNESS: Errol K Wagner

STANDARD & POOR'S
2008 RATINGS UPDATE

1 Riverside Plaza
Columbus, Ohio
July 31, 2008





Kentucky Power Company Highlights

Regulatory Update

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- Scrubber construction to commence in 2011

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Kentucky Power (KPCo)

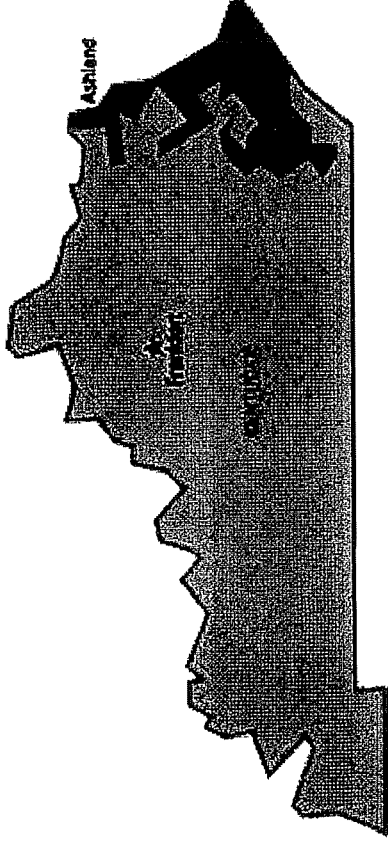


President: Timothy Mosher

Status of Regulation: Regulated/Bundled Rates

Overview: Organized in Kentucky in 1919, KPCo encompasses a service territory of 4,813 square miles and at December 31, 2007, KPCo had 471 employees. Among the principal industries served are petroleum refining, coal mining, primary metals, chemicals, and electronic/gas/sanitary services. KPCo is a member of PJM.

	5 Year CAGR
Residential	0.1%
Commercial	1.3%
Industrial	1.0%
TOTAL	0.8%



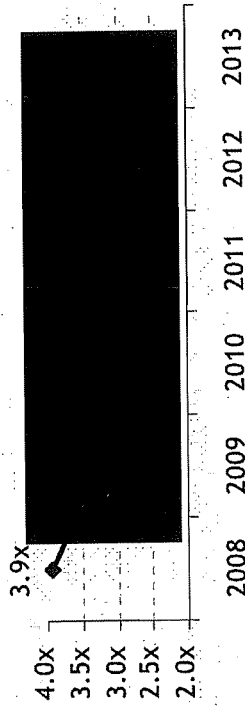
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Generating Capacity by Fuel Mix:	
•Coal:	100%
Transmission:	1,235 Miles
Distribution:	9,848 Miles
Customers:	175,000

Kentucky Power Financial Summary

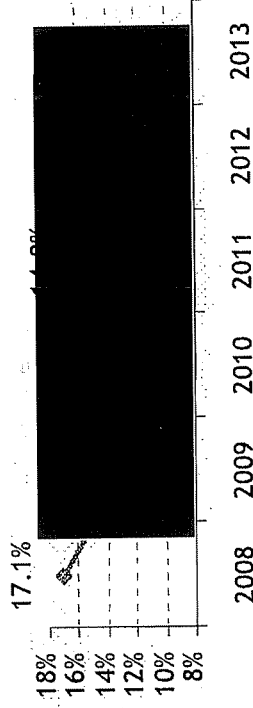


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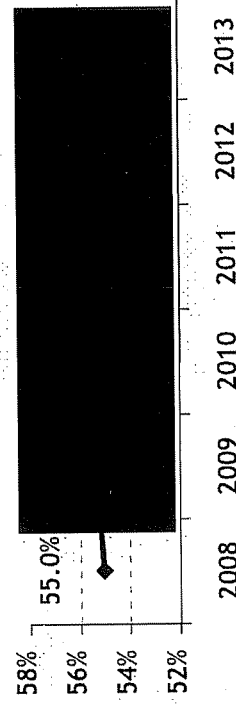
FFO to Interest Coverage



FFO to Total Debt



Total Debt to Total Capitalization



Regulatory Environment - KPCo



Key Strategic Initiatives

- Plan for potential 2010 rate case.

Rate Case Activity

- Last formal rate case was approved March 31, 2006 providing for \$41 million in new revenue.
- Rate cases are normally driven by a deterioration of earnings caused mainly by large construction projects and significant increases in O&M expenses.
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Overall Regulatory Commission Environment

- The Commission does monitor SAIFI and CAIDI and requires an annual filing in April.
- Kentucky has a fair relationship with the State Commission regarding reliability due mainly to an open Management Audit that began in 2002. Of 23 specific issues, 5 still require annual filings.

Regulatory Issues

- This Commission has 3 commissioners, 2 of whom are brand new.
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Financial Snapshot - Return on Equity	
Authorized ROE	<input type="checkbox"/> 10.5%, 2006

Regulatory Toolbox

Environmental Surcharge: allowed recovery of environmental costs at Big Sandy and share of environmental costs incurred from AEP Power Pool capacity settlements.

System Sales Tracker: Monthly

DSM Adjustment Clause: Monthly

Fuel Adjustment Clause: Monthly

Off-System Sales Sharing: Yes, above and below base levels. Sharing above annual profits of approx. \$25 million. Between that amount and \$30 million, ratepayers receive 70%; above \$30 million, 60%.

Jurisdictional Filing Requirements

Time limitations between cases	<input type="checkbox"/> None
Timing of rates in effect subject to refund	<input type="checkbox"/> None, rates suspended for 6 months
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Regulatory Plan - KPSC

2008	2009	2010	2011	2012	2013
------	------	------	------	------	------

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Rate Relief Pre-Tax Earnings Impact (\$ in Millions)	2008	2009	2010	2011	2012	2013
<u>Approved:</u>						
Increase in Rockport Return	-	-	1	1	1	1
Total: Approved	-	-	1	1	1	1
<u>Future:</u>						
General Rate Case - 2010	-	-	53	53	53	53
Total: Future	-	-	53	53	53	53
Total Kentucky	-	-	54	54	54	54

MOODY'S INVESTORS SERVICE
2008 RATINGS UPDATE

1 Riverside Plaza
Columbus, Ohio
July 30, 2008



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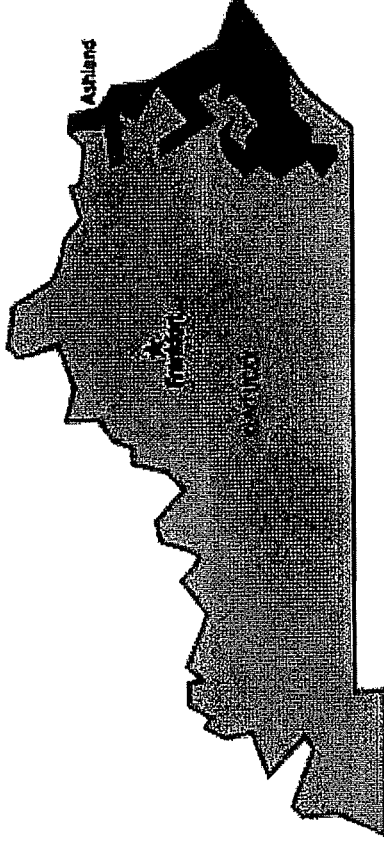


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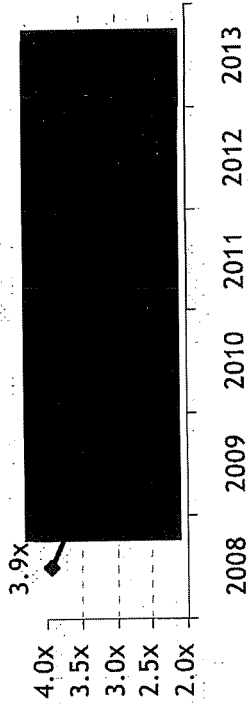
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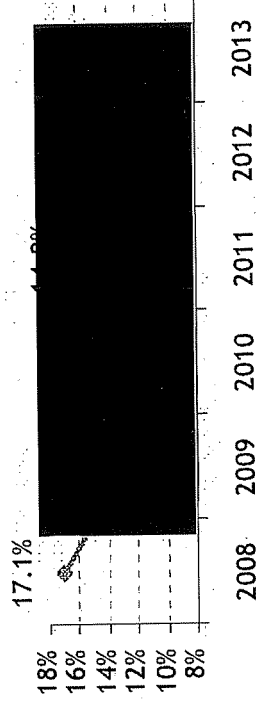


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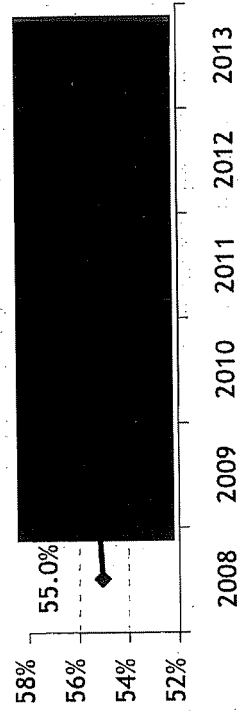
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FITCH RATINGS
2008 RATINGS UPDATE

1 Riverside Plaza
Columbus, Ohio
August 4, 2008



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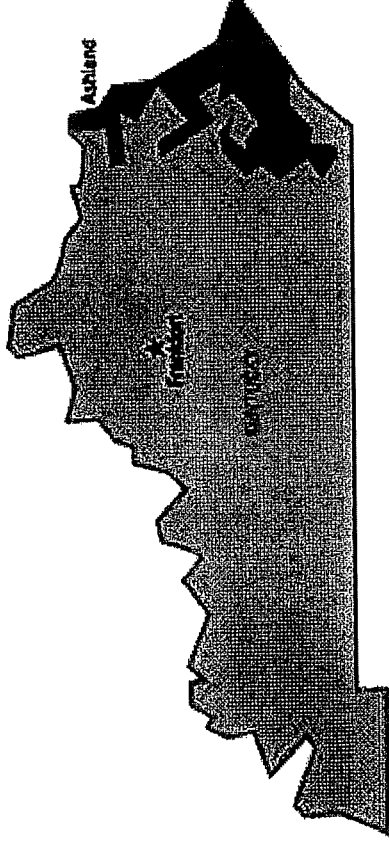


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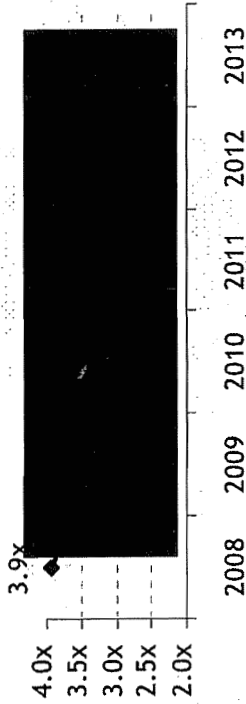
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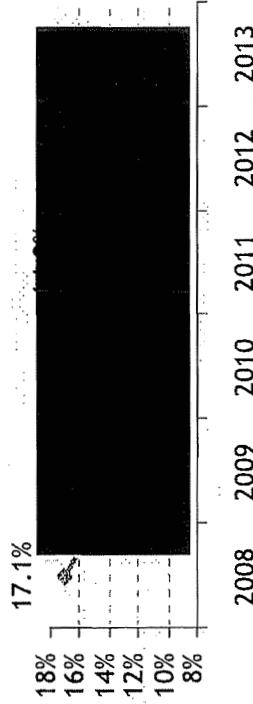
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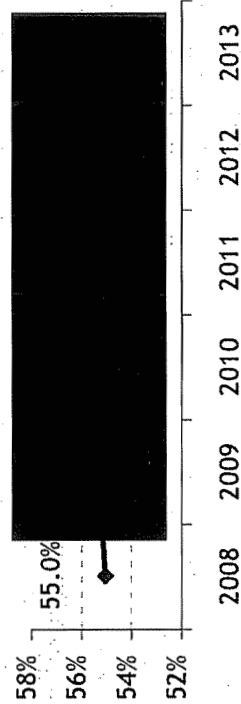
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Kentucky Power Company

\$100,000,000 Senior Unsecured Notes
Private Placement Investor Presentation

May 21, 2009

Timothy Mosher
President and COO
Kentucky Power Company

Errol Wagner
Director of Regulatory Services
Kentucky Power Company

Everett Phillips
Director of Distribution Regional Operations
Kentucky Power Company

Ranie Wohnhas
Director of Business Operations Support
Kentucky Power Company

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995



This presentation contains forward-looking statements, which are subject to risks and uncertainties. These factors include electric load and customer growth; weather conditions, including storms; available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters; availability of generating capacity and performance of generating plants; the ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; the ability to build or acquire generating capacity and transmission lines (including our ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates; new legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance); resolution of litigation; our ability to constrain operation and maintenance costs; the economic climate and growth or contraction in our service territory and changes in market demand and demographic patterns; inflationary or deflationary interest rate trends; volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impacting our ability to finance new capital projects and refinance existing debt at attractive rates; the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurred costs and recovery is long and the costs are material; our ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy related commodities; changes in the creditworthiness of the counterparties with whom we have contractual arrangements, including participants in the energy trading market; actions of rating agencies, including changes in the ratings of debt; volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities; changes in utility regulation, and the allocation of costs within regional transmission organizations, including PJM; accounting pronouncements periodically issued by accounting standard-setting bodies; the impact of volatility in the capital markets on the value of the investments held by our pension, other postretirement benefit plans and the impact on future funding requirements; prices for power we generate and sell at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events; and other factors discussed in the reports, including Forms 10-K and 10-Q, filed from time to time by American Electric Power Company, Inc. with the SEC.



Agenda

1. Offering Overview
2. Company Overview
3. Regulation and Rates
4. Financial Summary
5. Investment Highlights
6. Transaction Timeline
7. Q&A

Offering Overview



Issuer	▪ Kentucky Power Company (the "Company" or "KPCo")
Issue	▪ Senior Unsecured Notes (the "Notes")
Amount	▪ US\$100,000,000
Final Maturity	▪ 12 and 20 year bullets from the date of funding (other maturities may be available)
Rankings	▪ <i>Pari passu</i> with all other senior unsecured debt of the Company
Interest Payments	▪ Interest will be payable semi-annually in arrears (30/360)
Ratings	▪ The Notes will not be rated prior to the issuance ▪ The Company currently holds senior unsecured ratings of Baa2/BBB/BBB by Moody's, S&P and Fitch, respectively
Covenants	▪ Debt / Capitalization < 70% ▪ Limitation on Liens < 15% of Net Tangible Assets
Use of Proceeds	▪ Refinance existing indebtedness, capital expenditures and/or for general corporate purposes
Investors' Counsel	▪ Chapman & Cutler LLP



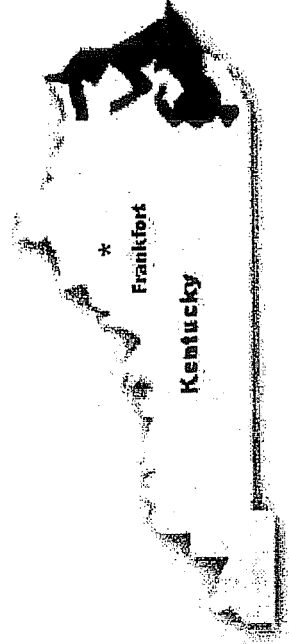
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Company Overview

- KPCo is a regulated, vertically integrated electric utility in Kentucky
- A wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"), one of the largest utility holding companies in the U.S
- Headquartered in Frankfort, Kentucky
- Owns or has long-term contracts for 1,450 MW of 100% coal fired generating capacity
 - Owns Big Sandy, a 1,060 MW coal-fired steam plant
 - KPCo, through a Unit Power Agreement between KPCo and AEP Generating Company that expires in December 2022, purchases 390 MW of Rockport Plant capacity (or 15% of total plant output)
- Serves approximately 176,000 retail customers in eastern Kentucky, and supplies and markets electric power at wholesale to other electric utility companies, municipalities and other market participants
- Revenues are based on a cost-of-service methodology as authorized by the Kentucky Public Service Commission ("KPSC")
- 2008 revenues of \$665.6 million and EBITDA of \$117 million
- Senior unsecured ratings of Baa2 (outlook stable) / BBB (outlook stable) by Moody's / S&P / Fitch, respectively
- KPCo is a member of PJM





Stable Rate-Regulated Customer Base

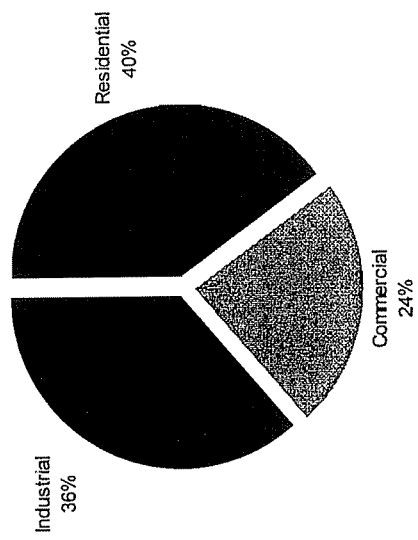
Retail

- The majority of KPCo's total sales in 2008 were made to retail customers (approximately 80% or 7,245,000 MWh of total volume sold)
- Approximately 67.5% of revenues generated in 2008 were from retail sales
- Retail sales consist of sales to residential, commercial and industrial customers
 - Other retail (less than 1% of revenues) includes sales of electric power for lighting public streets and highways

Wholesale

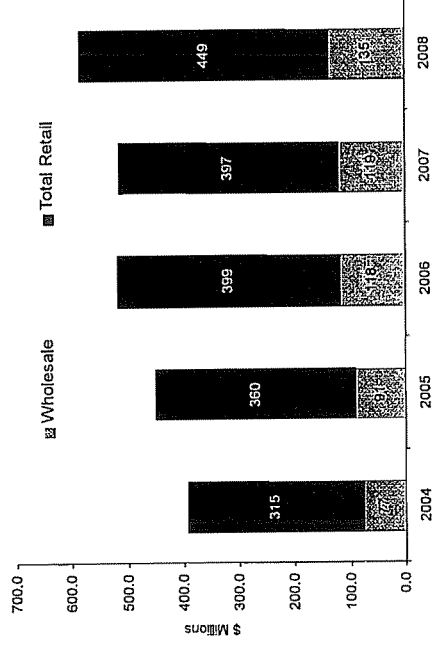
- Wholesale sales are power sales to other electric utility companies, municipalities and other market participants and also include affiliated and non-affiliated transmission revenues
- Wholesale sales were approximately 20% of total volume and 20% (\$135 million) of revenues in 2008
 - KPCo's 1Q09 wholesale revenues were \$18 million
 - Off-system sales margins for the AEP System are projected to be down significantly in 2009 reflecting weak market demand and lower natural gas prices

2008 Retail Revenues



Source: KPCo

Historical Revenues* by Segment (\$ in millions)



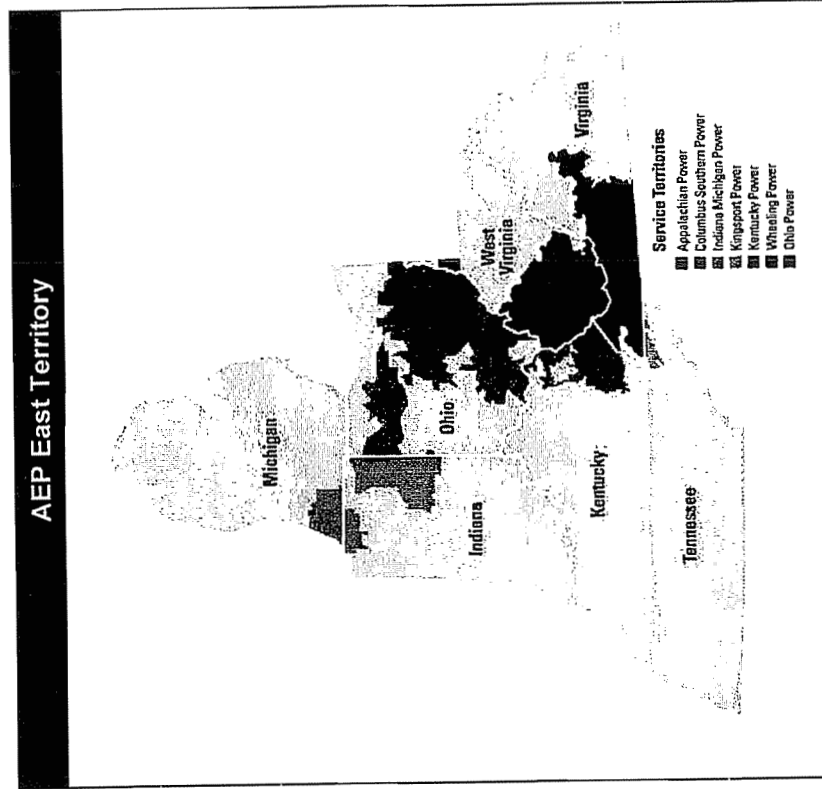
Source: KPCo

*Historical revenues exclude other electric and operating revenues and sales to AEP affiliates

KPCo is Integrated in the AEP East System...



- Highly integrated with the AEP East System
 - Consists of AEP operating subsidiaries Appalachian Power Company, Columbus Southern Power Company, Kentucky Power Company, Indiana Michigan Power Company, Ohio Power Company
- Participates in the AEP Power Pool
 - As of December 31, 2008, KPCo's member load ratio was 7.1%
- Interconnected with Kentucky Utilities Company, East Kentucky Power Cooperative Inc., and the Tennessee Valley Authority
- Member of PJM



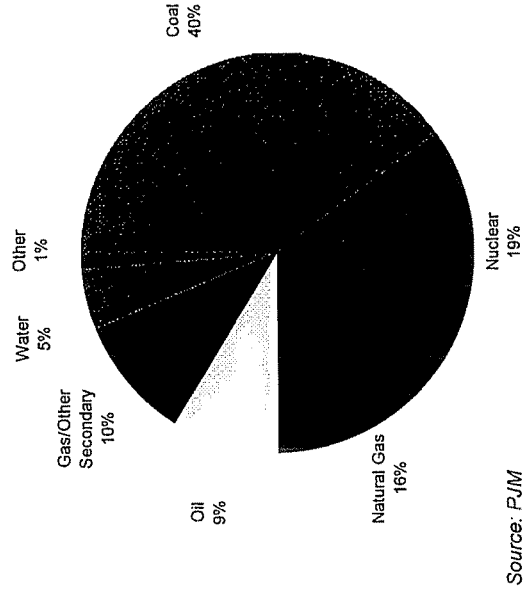
Source: AEP

...and a Member of PJM Transmission



- PJM Transmission is the Regional Transmission Organization ("RTO") operating in the east service territory
 - The largest electric power system in the United States
 - Ensures non-discriminatory, open access to the transmission assets and facilitates competitive operation of wholesale power markets
 - Serves 13 states (Delaware, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia) and the District of Columbia
 - Covers 168,500 square miles
 - Population of approximately 51 million
 - Coal-fired generation represents 40% of PJM's fuel type, the largest category

2008 PJM Electric Generation by Fuel Type





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Regulation and Rates



KPCo has a constructive regulatory environment

Kentucky Public Service Commission ("KPSC")

- Responsible for ensuring public utilities provide safe, adequate and reliable services at reasonable prices
- KPSC has regulatory authority over:
 - Setting rates for retail electric service
 - Extensions and abandonments of service facilities
 - Classification of accounts
 - Transmission siting
 - Issuance of long-term debt
- Three commissioners selected by gubernatorial appointment
 - Members serve staggered four-year terms
- Traditional cost-of-service framework
- Base rates last approved on March 31, 2006
- Most recent environmental case approved on May 14, 2009
 - 10.5% return on equity ("ROE") for purposes of calculating KPCo's environmental cost recovery rider and AFUDC
 - Authorized Debt/Equity: 57.4%/42.60%
- Net Invested Capital of \$1,127 million as of March 31, 2009
- Approved rate adjusting mechanisms both inside and outside traditional rate cases

Federal Energy Regulatory Commission ("FERC")

- FERC has regulatory authority over:
 - Pricing of wholesale sales of electricity
 - Pricing of transmission of electric power
 - Issuance of short-term debt
 - Mergers involving utilities and utility holding companies
 - Sales of certain utility assets
- Regulates the AEP Power Pool
 - Defines how AEP East companies share costs and benefits associated with generating plants based upon each company's member-load ratio
- Regulates the System Interconnection Agreement ("SIA")
 - Defines how AEP subsidiaries allocate off-system sales
- Regulates the Transmission Equalization Agreement ("TEA")
 - Defines how AEP subsidiaries share costs associated with their relative ownership of extra-high-voltage transmission system (facilities rated 345 kV and above) and certain facilities operating at lower voltages (138 kV and above)

Cost Recovery Through Rates



Mechanisms outside of a traditional rate case...

Mechanism	Method of Recovery	Benefits
Fuel and purchased power adjustment clause	<ul style="list-style-type: none"> Automatic fuel adjustment clause that allows for monthly recovery of fuel and purchased power costs 	<ul style="list-style-type: none"> Allows timely recovery of actual fuel and purchased power costs Reduces KPCo's exposure to fuel price volatility, fluctuations in plant performance and fuel delivery risk
Off-system sales credit rider	<ul style="list-style-type: none"> Rider stipulates how profits from off-system sales are shared with ratepayers through the fuel clause 	<ul style="list-style-type: none"> Allows for reimbursement by ratepayers if off-system sales margins falls short of the monthly base level Reduces KPCo's exposure to volatile off-system sales <ul style="list-style-type: none"> KPCo is currently billing ratepayers for shortfalls
Environmental cost recovery mechanism ("ECR")	<ul style="list-style-type: none"> ECR allows KPCo to recover environmental-related investments without having to file a full rate case 	<ul style="list-style-type: none"> Protects KPCo against any potential increased costs of environmental investments as a result of amendments to the Clean Air Act

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Financial Highlights



	2008	2007	2006	2005	2004
Income Statement					
Operating Revenues	\$666	\$588	\$586	\$531	\$449
<i>% Growth</i>	13%	0%	10%	18%	24%
EBITDA	117	120	119	106	107
<i>EBITDA Margin</i>	18%	20%	20%	20%	24%
Interest Expense	(35)	(29)	(29)	(29)	(29)
Net Income	25	32	35	21	26
Balance Sheet					
Total Assets	1,468	1,311	1,311	1,320	1,243
Cash and Cash Equivalents	1	1	1	1	0
Total Debt	550	468	478	493	508
Shareholders' Equity	398	387	370	348	321
Total Capitalization	948	854	847	841	829
Cash Flow Statement					
Operating Cash Flow	61	94	107	59	90
Construction Expenditures	(130)	(68)	(78)	(57)	(37)
Key Ratios					
Total Debt/Capitalization	58%	55%	56%	59%	61%
EBITDA/Interest Expense	3.34X	4.14X	4.10X	3.66X	3.69X

Debt and Liquidity Summary as of April 30, 2009



Conservative leverage profile and access to liquidity

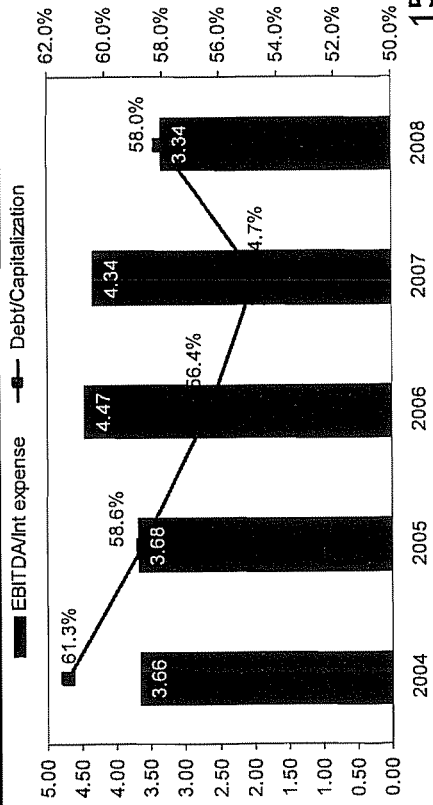
- Total Debt/Capitalization ratio of 58% in 2008
- \$420 million in total debt outstanding including \$20 million of borrowings from AEP due in 2015
- Access to three credit facilities:
 - \$650 million three-year credit agreement with certain AEP affiliates
 - As of April 30, there was \$255 million of liquidity available
 - KPCo may borrow up to \$65 million under this facility
 - Revolving credit facilities through AEP
 - \$1.5 billion that matures in March 2011
 - \$1.5 billion that matures in April 2012
 - \$3.4 billion in liquidity as of April 30, 2009

Debt Schedule

(\$ in millions)	Amount
Unsecured Senior Notes	
6.00% due 2017	325
5.625% due 2032	75
Notes Payable to Affiliates	
5.25% due 2015	20
Total Long-Term Debt	\$420

Source: KPCo Annual Reports

Historical Debt Ratios



Source: KPCo Annual Reports

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Investment Highlights



- **Conservative Leverage and Consistent Profitability**
 - KPCo enjoys strong, conservative key credit metrics
 - At December 31, 2008, KPCo had a Total Debt/Capitalization ratio of 58% and EBITDA to Interest Expense Ratio was 3.34x
 - EBITDA margins averaged 20% over the past five years
- **Constructive Regulatory Environment**
 - KPCo benefits from the use of incentive mechanisms that provide an opportunity to earn in excess of the authorized return outside of a traditional rate case
 - KPCo utilizes mechanisms to recover fuel, purchased power, and environmental compliance costs between rate proceedings
- **Largely Rate-Regulated Customer Base**
 - KPCo benefits from a relatively stable retail customer base
 - A majority of KPCo's total sales (approximately 80%) are made to retail customers
 - Rate-regulated contract customers are a significant mitigant to fluctuations in the macroeconomic environment
- **Strong Liquidity Position**
 - KPCo has access to the AEP Utility Money Pool, which allows AEP subsidiaries with excess short-term liquidity to lend to affiliates in need of cash
 - KPCo also has the backing of its parent's \$3.4 billion in available cash and credit facilities as of April 30, 2009
- **Experienced Utility Management and Key Member of AEP East System**
 - KPCo is a member of the AEP East System
 - Leverage the scale of AEP's operations and asset base, its expansive economic and geographic footprint, as well as an experienced utility management team
- **Favorable Low Cost Generation**
 - KPCo's operations are 100% concentrated in low-cost and efficient coal-fired generation
 - Overall low production costs allows KPCo to pass on low rates to its retail customers

Agenda





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Transaction Timeline



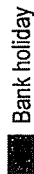
May 2009

June 2009

M	T	W	T	F	S	S	M	T	W	T	F	S	S
				1	2	3	1	2	3	4	5	6	7
4	5	6	7	8	9	10	8	9	10	11	12	13	14
11	12	13	14	15	16	17	15	16	17	18	19	20	21
18	19	20	21	22	23	24	22	23		25	26	27	28
	26	27	28	29	30	31	29	30					



Central Bank rate announcement



Bank holiday

- May 21** • Investor Conference Call
- May 27** • Indications of Interest Due, 2pm EST
- May 28** • Pricing, 12pm EST
- Week of June 8** • Investor Due Diligence
- Mid June** • Closing and Funding



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Q&A



A unit of American Electric Power

Kentucky Power Company

REQUEST

Please provide copies of all prospectuses for any security issuances by KP since January 1, 2008.

RESPONSE

Kentucky Power Company issued three series of Senior Notes on June 18, 2009:

7.25% Senior Notes, Series A, due June 18, 2021

8.03% Senior Notes, Series B, due June 18, 2029

8.13% Senior Notes, Series C, due June 18, 2039

The notes were issued as private placement securities; therefore, no official prospectuses were issued.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please provide copies of all studies performed by KP and/or by consultants or investment firms hired by KP to assess (1) KP's financial performance, (2) the performance of KP relative to other utilities, or (3) the adequacy of KP's return on equity or overall rate of return.

RESPONSE

Kentucky Power objects to this data request to the extent that it is not limited in time. However, attached is an analysis performed by AEP Service Corporation in September 2009 showing financial Return on Equity for AEP's operating companies and their in-state utility peers, as well as ROE for certain other electric utility companies operating in other states.

During the test year, and subsequent to the test year through the date this answer was filed, KP did not hire any consultant or investment firm to assess KP's financial performance, the performance of KP relative to other utilities or the adequacy of KP's return on equity or overall rate of return.

WITNESS: Errol K Wagner



**Regulatory Outcomes —
AEP vs. Peers**

September 28, 2009

Introduction

- This presentation provides an overview of how AEP and its operating companies compare to other companies from a regulatory return and capital structure standpoint
- Section 1 provides a state-by-state comparison of AEP's operating companies and their in-state utility peers, ranked in descending order by their three-year average ROE. Section 2 provides an overview of returns for other utility peers and their operating company subsidiaries
- Unless otherwise noted, the operating company ROEs in Section 1 are for the operating company as a whole and are not specific to a particular jurisdiction. For example, the ROEs listed for SWEPCO in Arkansas, Louisiana and Texas are identical and do not represent the specific returns in the individual states.
- The utility peer returns in Section 1 are book ROEs based on FERC Form-1 filings. There may be differences between these returns and a utility peer's on-going ROE due to one-time charges, etc
- The authorized ROEs for each operating company are based upon each respective company's last rate case. In some cases, these decisions are over a decade old, or in the case of OH and PA, pre-date a state's move to a deregulated retail power market
- Information contained in the Regulatory Overview for each state comes from SNL – Regulatory Research Associates (RRA), filings from each state commission, and from internal sources



Section 1: State-by-State Operating Company Performance

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Arkansas

State	Operating Company	Holding Company	2008 Net Utility Plant: Authorized (\$ millions)	Year Authorized	2008 ROE ⁽¹⁾	3-Year Average ROE ⁽¹⁾	2008 Equity/Total Capital ⁽²⁾
AR	Oklahoma Gas and Electric Co.	OGE	3,083	2009	12.18%	11.74%	46.73%
AR	Entergy Arkansas Inc.	Entergy	3,996	2007	3.10%	7.84%	53.31%
AR	Southwestern Electric Power Co	AEP	3,104	1999	7.40%	8.62%	46.83%

(1) ROE numbers are calculated by dividing the end of year net income by the average annual total book equity.
 (2) Equity/Total Capital is equal to the end of year book equity divided by the sum of the end of year book equity and long-term debt.

*The most recent ROE decision was awarded to Oklahoma Gas & Electric for 10.25% ROE in 2009.
 **SWEPCO's current proceeding proposes an 11.5% ROE; the PSC Staff recommends a 10.25% equity return.

Regulatory Overview:

- The APSC consists of three commissioners that are appointed by the Governor and confirmed by the Senate to six-year terms.
- Recovery of fuel and purchased power costs are generally allowed through an Energy Cost Recovery (ECR) rider, which is updated annually
- The state's utilities are required to file integrated resource plans.
- On April 1, 2009, House Bill (H.B.) 1712 was enacted. H.B. 1712, among other things, will allow the utilities to request PSC approval to issue bonds to securitize the restoration costs associated with severe storms that occur after Jan. 1, 2009. The proceeds from such a bond issuance could be used to repair the utility's infrastructure or to fund/replenish a storm damage reserve.
- Cash return on Construction Work in Progress (CWIP) and the associated rate of return are authorized on a case-by-case basis



Indiana

State	Operating Company	Holding Company	2008 Net Utility Plant: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
IN	Indianapolis Power and Light	AES	1,859	13.50%	1986	15.15%	18.16%	52.55%
IN	Northern Indiana Public Service Co	NISource	3,018	13.50%	1987	10.31%	12.13%	51.10%
IN	Indiana Michigan Power Co.	AEP	3,515	10.25%	2009	7.74%	9.98%	51.17%
IN	Southern Indiana Gas & Elec Co	Vectren	1,335	10.40%	2007	9.31%	9.17%	53.94%
IN	Duke Energy Indiana Inc.	Duke	5,555	10.50%	2004	9.96%	8.74%	47.73%

*The most recent electric rate decision in which a return on equity (ROE) was established was issued on March 4, 2009, when the URC authorized American Electric Power subsidiary Indiana Michigan Power a 10.25% ROE following a settlement. Additionally, the URC ordered I&M to implement an OSS margin tracker, such that all margins above \$37.5 million are to be shared equally by ratepayers and shareholders; however, there is no impact on the initial \$25.1 million credit that is to flow to ratepayers through this tracker. I&M is permitted to implement: a Pennsylvania-New Jersey-Maryland (PJM) tracker; an environmental compliance tracker; and, a DSM/EE tracker. The settlement required the company-proposed reliability enhancement tracker to be withdrawn.

The ROE request currently pending before the Indiana Utility Regulatory Commission (IURC) is Northern Indiana Public Service Company (NIPSCO) for 12.0%.

Regulatory Overview:

- > The IURC consists of five commissioners that are appointed by the Governor to four-year terms
- > By law, the state's utilities are subject to a "net operating income (NOI) test," whereby the utility's actual NOI during a given evaluation period is compared to the NOI authorized by the URC in the company's last base rate proceeding. If the company's actual NOI exceeds its authorized NOI, refunds would be required, via the electric fuel adjustment clause or gas cost adjustment, to eliminate any overage. Use of an "earnings bank" that records any over- or under-earnings is permitted. To the extent any "excess earnings" realized during a given period are offset by a cumulative earnings bank shortfall, refunds would not be required.
- > State law requires the URC to review each utility's rates at least once every four years, whereby the utility's actual return is compared to that of a "representative industry group" and to the utility's authorized return. At that point, the Staff may proceed with informal discussions with the utility and can recommend that a formal earnings investigation be opened.
- > Fuel adjustment clauses are common, usually with a three-month true-up mechanism
- > In recent years, the URC has authorized electric and gas utilities to establish economic development rates and to offer large customers special contracts, to attract new load or to retaining existing load
- > Senate Bill 36 was introduced on Jan. 7, 2009. This bill would create a renewable portfolio standard (RPS) requiring that 25% of the supply used to serve Indiana customers be sourced from renewable resources by 2026, with phase-in beginning in 2011 at 2%. At this time the bill remains in Committee - 1st House, 8/7/09.
- > Construction Work in Progress (CWIP) is generally not allowed to be included in base rates, with the exception of pollution control projects, with the rate of return decided on a case-by-case basis



Kentucky

State	Operating Company	Holding Company	2008 Net Utility Plant: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
KY	Kentucky Utilities Co.	E.ON US	3,596	10.63%	2009	9.00%	11.78%	53.23%
KY	Louisville Gas & Electric Co.	E.ON US	2,565	10.63%	2009	7.29%	9.20%	57.1%
KY	Kentucky Power Co	AEP	1,092	10.50%	2006	6.16%	8.07%	48.74%
KY	Duke Energy Kentucky Inc.	Duke	862	11.50%	1992	9.51%	7.23%	54.76%

*The most recent electric decision in which a return on equity (ROE) was established was issued On Feb. 5, 2009, in LG&E's/KU's electric rate proceeding.

Regulatory Overview:

- The KPSC consists of three commissioners appointed by the Governor and confirmed by the Senate to four-year terms
- Fuel adjustment clauses, including purchased power costs (energy-only) are common, although a recent court decision has called the legality of most of the cost recovery mechanisms being used by all of the state's utilities into question. The Kentucky Power fuel clause includes the recovery of PJM Marginal Losses and is updated monthly
- Kentucky Power's 2006 base rate settlement includes \$24.9 million of OSS, with variations from this level shared 70% to the rate payer and 30% to Kentucky Power. Duke Energy Kentucky flows the first \$1.0 million of OSS to rate payers, with any additional amounts shared 50/50
- Louisville Gas & Electric, Kentucky Utilities and Kentucky Power are allowed to recover environmental compliance costs through an Environmental Cost Recovery mechanism
- The KPSC has historically allowed electric utilities to earn a cash return on CWIP at a rate of return equal to the weighted average cost of capital (WACC), with some allowance for funds used during construction (AFUDC) offset



Louisiana

State	Operating Company	Holding Company	2008 Net Utility Plant: Authorized (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
LA	Cleco Power LLC	CLECO	2,023	11.25%	2006	12.25%	10.63%	45.07%
LA	Entergy Louisiana LLC	Entergy	4,378	10.25%	2005	9.22%	9.52%	55.17%
LA	Southwestern Electric Power Co	AEP	3,104	10.57%	2008	7.40%	8.62%	46.83%
LA	Entergy New Orleans Inc.	Entergy	489	10.75%	2005	15.11%	10.48%	45.87%
LA	Entergy Gulf States Louisiana LLC	Entergy	3,297	10.65%	2005	10.87%	11.75	39.40%

*The most recent ROE decision awarded SWEPCO a 10.565% ROE with a +/- 50 bps dead band in 2008. ROE requests pending before the Louisiana Public Service Commission (LPSC) include Cleco Power (12.25%) and Entergy New Orleans (11.75%).

Regulatory Overview:

- The LPSC consists of five commissioners elected by statewide election to six-year terms
- SWEPCO operates under a Formula Rate Plan (FRP), effective Aug. 2008 through Dec. 2011, that allows for a 10.565% ROE with a dead band of +/- 50 bps. If the previous year ROE was above the dead band, SWEPCO must return 60% of the overage to rate payers, and if the previous year ROE was below the dead band SWEPCO may recover 60% of the shortfall. Currently, SWEPCO is earning less than the authorized ROE. In a rising-cost environment, it becomes very hard to earn the authorized return, even with the recovery of prior-year shortfalls, since the utility is perpetually trying to catch up to the allowed ROE. Other utilities have similar FRPs, although the authorized ROEs and the size of the dead bands vary
- Fuel and purchased power (energy only) costs are recovered through the fuel adjustment clause (FAC). The demand component of purchased power costs related to "economy" purchases (entered into by a company when the price of the purchased power is below the cost of the company's own generation) may also be recovered through the FAC. Monthly filings are required for implementation of changes in the adjustment factor. The major utilities accrue over- or under-recoveries, with the bulk of the accumulated balances refunded/recovered over subsequent 12-month periods. The PSC may audit a utility's purchased power and fuel acquisition practices, and if the Commission determines that the charges passed through the FAC were unreasonable, refunds may be required. For certain utilities, the PSC requires that revenues related to off-system sales be recognized through the FAC.
- As part of the settlement approved by the New Orleans City Council on April 2, 2009, Entergy New Orleans is also to implement certain demand side management programs (the specific programs are to be addressed in a separate proceeding [Docket No. UD-08-02]).
- In May 2007, the LPSC adopted rules relating to the development of new nuclear generation in Louisiana. These rules include a cash return on CWIP (at the WACC), recovery of prudently incurred costs in the event of a cancellation for reasons beyond a utility's control, and an annual prudence review



Michigan

State	Operating Company	Holding Company	2008 Net Utility Plant: Authorized (\$ millions)	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
MI	Indiana Michigan Power Co.	AEP	3,515	1991	13.00%	9.54%	51.17%
MI	Upper Peninsula Power Co.	Integrus	124	2006	10.75%	7.93%	32.6%
MI	Detroit Edison Co.	DTE Energy	8,926	2008	11.00%	9.41%	54.94%
MI	Consumers Energy Co.	CMS	7,803	2008	10.70%	8.11%	47.13%

*The most recent ROE decision awarded Consumers Energy a 10.70% ROE in 2008. ROE requests pending before the Michigan Public Service Commissions (MPSC) include Detroit Edison (11.50%)

Regulatory Overview:

- The MPSC consists of three commissioners appointed by the Governor and confirmed by the Senate to six-year terms
- House Bill (H.B.) 5524, enacted on Oct. 6, 2008, establishes a 12-month deadline for the PSC to complete a general rate case, or the requested rate increase would be automatically approved.
- The PSC does not have authority over utility securities issuances. However, the PSC's code of conduct prohibits an electric utility from financing or co-signing a loan for an affiliate
- On 2/3/09 Gov. Granholm stated that by 2020, Michigan will reduce reliance on fossil fuels for generating electricity by 45%. To that end, the Governor has directed the Department of Environmental Quality, in consultation with the PSC, to evaluate both the need for additional electricity generation and all feasible and prudent alternatives before approving new coal-fired plants in Michigan.
- I&M has two jurisdictions in Michigan: St. Joseph and Three Rivers. In the St. Joseph jurisdiction, I&M has an Expanded Net Energy Costs clause that allows for the recovery of fuel costs, capacity costs, purchased power costs, emissions costs, and other items. In the Three Rivers jurisdiction, I&M recovers fuel costs only. OSS also treated differently in the two jurisdictions. In St. Joseph, the customer keeps 100% of OSS margin, while I&M keeps 100% in the Three Rivers jurisdiction
- House Bill 5524, enacted in Oct. 2008, establishes a Certificate of Need (CON) process for capital projects exceeding \$500 million. Once a utility has an approved CON, it will be allowed to earn a cash return on CWIP, with the rate established at the time the CON is granted. Prior to H.B. 5524, a cash return on CWIP was generally not authorized, with the exception of pollution control projects

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Ohio

State	Operating Company	Holding Company	2008 Net Utility Plan: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
OH	Dayton Power and Light Co.	DPL	2,700	13.00%	1992	19.35%	19.74%	56.4%
OH	Columbus Southern Power Co.	AEP	3,187	12.46%	1992	18.90%	19.87%	46.39%
OH	Cleveland Elec Illuminating Co	FirstEnergy	1,378	12.59%	1996	17.73%	19.08%	50.09%
OH	Toledo Edison Co.	FirstEnergy	455	12.59%	1996	15.60%	18.39%	61.57%
OH	Ohio Power Co.	AEP	6,024	12.81%	1995	9.47%	11.05%	47.41%
OH	Ohio Edison Co.	FirstEnergy	1,526	13.21%	1990	16.36%	12.72%	53.20%
OH	Duke Energy Ohio Inc.	Duke	6,631	15.00%	2008	5.30%	4.02%	61.30%

ROE requests pending before the Public Utility Commission of Ohio (PUCO) include Cleveland Electric Illuminating (11.75%), Ohio Edison (11.75%) and Toledo Electric (11.75%), although these filings would be resolved by a decision on FirstEnergy's Electric Security Plan (ESP). On December 17, 2008, the PUCO approved Duke Energy Ohio's proposed ESP settlement which caps ROE at 15.00%.

Regulatory Overview:

- The PUCO consists of five commissioners appointed by the Governor to five-year terms
- Fuel clauses were eliminated as part of electric industry restructuring in 2001, although FirstEnergy and Duke have had the equivalent of a fuel clause since 2006
- Senate Bill 221 includes a RPS of 25% by 2025, with at least half of this to be located in Ohio and at least half to come from sustainable resources
- Ohio Power and Columbus Southern Power are not currently required to share OSS margins with rate payers
- Ohio Power and Columbus Southern Power currently have a transmission rider in place that allows for the pass through of the PJM Open Access Transmission Tariff (OATT) and PJM transmissions charges. This rider is updated annually
- State law allows for a cash return on CWIP once a project is 75% complete, at the discretion of the PUCO

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Oklahoma

State	Operating Company	Holding Company	2008 Net Utility Plant: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
OK	Oklahoma Gas and Electric Co.	OGE	3,083	10.75%	2005	11.78%	11.60%	54.2%
OK	Public Service Co. of OK	AEP	2,221	10.50%	2009	10.41%	7.19%	45.91%

*The most recent ROE decision awarded was 10.50% ROE for Public Service Co. of OK on 1/14/2009.

Regulatory Overview:

- The OCC consists of three commissioners elected by statewide elections to six-year terms
- PSO has an active fuel clause in Oklahoma which is adjusted annually. OSS are shared 75% to the rate payer and 25% to PSO
- Companies have been allowed a cash return on CWIP (at the WACC) for projects that will be placed in service within one year of the end of the test year and on CWIP associated with the replacement or improvement of an existing plant. However, the more common policy is a six-month post-test year update to the net plant-in-service with no cash return on CWIP. Although House Bill 1910 enacted in 2005 grants the OCC the authority to pre-approve construction projects and grant a return on CWIP for environmental and transmission projects, the OCC has not exercised this authority to date



Tennessee

State	Operating Company	Holding Company	2008 Net Utility Plan: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
TN	Kingsport Power Company	AEP	75	12.00%	1992	7.31%	10.59%	55.08%

*TVA supplies most of the electricity in the State of Tennessee; Kingsport Power is the only investor-owned utility in the state.
 **The most recent ROE decision awarded Kingsport Power a 12.00% ROE in 1992.

Regulatory Overview:

- The Tennessee Regulatory Authority (TRA) consists of four commissioners appointed by the Governor to six-year terms
- Kingsport Power has an active fuel clause which is adjusted monthly
- Kingsport Power is allowed to recover all purchased power costs through a recovery clause
- Kingsport Power was recently authorized to raise its retail rates in order to pass through increases in purchased power costs to its customers. The increase will occur in three steps, with a \$24 million increase in Jan. 2009, an additional \$3 million increase in Jan. 2010 and an additional \$9 million increase in Jan. 2011



Texas – Utilities Operating in ERCOT

State	Operating Company	Holding Company	2008 Net Utility Plant (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
TX	CenterPoint Energy Houston	CenterPoint	4,302	11.25%	2001	13.50%	13.91%	45.13%
TX	Oncor	Energy Future Holdings	8,069		2001	6.07%	10.11%	56.6%
TX	AEP Texas North Co.	AEP	887	9.96%	2007	10.40% ⁽¹⁾	9.16%	46.89%
TX	AEP Texas Central Co.	AEP	2,270	9.96%	2007	16.50% ⁽¹⁾	13.36%	43.95% ⁽²⁾

(1) AEP Texas Central Company (TCC) and Texas North Company (TNC) ROE numbers include non-ongoing items; ongoing TCC ROE is 11.33% and ongoing TNC ROE is 9.93%.

(2) The TCC securitization bonds are not included in the long-term debt figures shown on the FERC Form-1.

*The most recent ROE decision awarded TCC a 9.96% ROE in 2007. Oncor's rate settlement is undisclosed.

Regulatory Overview:

- The PUCT consists of three commissioners appointed by the Governor and confirmed by the Senate to six-year terms
- Senate Bill 20, which passed in 2005, requires that 5,880 MW of renewable resource capacity be located in the State of Texas by 2015
- Transmission Cost of Service (TCOS) filings can be made on an interim basis, not more than once per year. This provision allows a utility to update its net plant investment from the last full cost of service filing, but does not allow any updates to O&M expenses, the cost of debt or the cost of equity. An interim filing is generally approved in 90-120 days after filing. A full TCOS filing allows a firm to update all inputs into the revenue requirement and results in updated rates 185 days after filing
- The PUCT has generally not allowed utilities to earn a cash return on CWIP, and has only allowed it following a finding that it was required to maintain a utility's financial integrity. A cash return on CWIP has not been authorized since the early 1990s

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Texas – Utilities Outside of ERCOT

State	Operating Company	Holding Company	2008 Net Utility Plant (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
TX	El Paso Electric	El Paso Electric	1,587	13.25%	1991	11.50%	12.08%	48.42%
TX	Southwestern Electric Power Co	AEP	3,104	11.10% ⁽¹⁾	1999 ⁽¹⁾	7.40%	8.62%	46.83%
TX	Southwestern Public Service Co	XCEL	2,042	10.40% ⁽²⁾	2007	3.41%	4.51%	47.64%
TX	Entergy Texas	Entergy	2,064		1998	6.43%	N/A ⁽³⁾	50.72%

(1) Southwestern Electric Power Company's (SWEPCO) authorized ROE is derived from Texas Senate Bill 7 line 109-6 which directs electric utilities to use a cost of capital of 9.60% in their annual filings with the PUCT. SWEPCO's last base rate case was in 1983 and resulted in an authorized a ROE of 15.70%.

(2) Southwestern Public Service (SWPS) settled a rate case in July 2007. The settlement included a \$23 million revenue increase, but was silent regarding the authorized ROE. In their Q3 2007 Financial Update, EEI estimated the ROE implied by the settlement at 10.40%. SWPS currently has a rate case pending before the PUCT requesting a ROE of 11.25%, while the various interveners in that case (including PUCT Staff) have suggested ROEs between 9.50% and 10.32%.

(3) Entergy Texas was formed on Dec. 31, 2007 by the breakup of Entergy Gulf States inc. into two separate entities: Entergy Gulf States Louisiana LLC and Entergy Texas Inc.

*The most recent PUCT decision regarding a vertically integrated utility was the SWPS settlement mentioned in Note (2) above. In Dec. 2008, the parties to this case filed a proposed settlement to this case with the PUCT that is silent regarding the authorized ROE.

Regulatory Overview:

- The PUCT consists of three commissioners appointed by the Governor and confirmed by the Senate to six-year terms
- Fuel clauses are common. SWEPCO's fuel clause is a six-month clause that includes the pass-through of purchased power costs (energy-only). OSS are shared 90% to the rate payer and 10% to SWEPCO
- Senate Bill 20, which passed in 2005, requires that 5,880 MW of renewable resource capacity be located in the State of Texas by 2015
- The PUCT has generally not allowed utilities to earn a cash return on CWIP, and has only allowed it following a finding that it was required to maintain a utility's financial integrity. A cash return on CWIP has not been authorized since the early 1990s



Virginia

State	Operating Company	Holding Company	2008 Net Utility Plant: Authorized (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
VA	Potomac Edison Co.	Allegheny	1,115	11.50%	1995	-4.70%	3.32%	48.75%
VA	Appalachian Power Co.	AEP	6,322	10.20% ⁽¹⁾	2008	5.13% ⁽²⁾	7.06%	42.99%
VA	Virginia Electric & Power Co.	Dominion	14,087	11.40%	1994	13.20%	9.64%	50.61%

(1) Appalachian Power's ROE is per a settlement adopted in November 2008. Appalachian Power's (APCo) previous approved ROE was 10.00%.

(2) APCo's 2007 on-going ROE. APCo's book ROE is 2.61%. APCo and Wheeling Power combined on-going ROE is 8.15%. APCo's 2007 on-going ROE in Virginia was 2.93%.

*The most recent rate base decision is the Nov. 2008 APCo settlement mentioned in Note (1) above.

Regulatory Overview:

- The Virginia State Corporation Commission (VSCC) consists of three commissioners elected by the General Assembly to six-year terms
- Under Senate Bill 1416/House Bill 3068, the VSCC is to initiate a comprehensive review of electric utility base rates in the first half of 2009. This legislation requires the VSCC to authorize each utility a "fair" ROE based on comparison to investment-grade, vertically integrated peers in the Southeast. This "fair" ROE may be adjusted +/- 100 bps based upon a utility's operating performance. Utilities will also be given a +/- 50 bps dead band around their authorized ROE. If they under-earn by 50 or more bps, they will be allowed to recover the shortfall, and if they over-earn by 50 bps or more, they will be required to refund 60% of the overage. If a utility over-earns by 50 bps or more for 2 consecutive periods, they will be required to undergo a new base rate case
- The VSCC may also approve ROE adders for certain new plant investments. In March 2008, the VSCC approved a 12.12% ROE on Virginia Electric & Power Company's (VEPCO) proposed 585 MW coal facility. This ROE included a 100 bps adder. The VSCC also has the authority to approve adders for new nuclear and carbon capture-compatible clean coal facilities, as well as a cash return on CWIP
- There is no RPS in Virginia. However, utilities are eligible for a 50 bps ROE adder if they meet certain renewable goals, the first of which is 4% of energy sold by 2010
- APCo has an active fuel clause, which is adjusted annually. OSS margins are shared 75% to the rate payer and 25% to APCo, by statute
- APCo currently has an Environmental & Reliability rider in place in Virginia which allows it to defer and recover all incremental environmental and reliability costs incurred through 12/31/2008, and post-2008 for environmental costs only
- By statute, utilities are authorized a cash return on CWIP, with the rate of return equal to the WACC



West Virginia

State	Operating Company	Holding Company	2008 Net Utility Plant: (\$ millions)	Authorized ROE	Year Authorized	2008 ROE	3-Year Average ROE	2008 Equity/Total Capital
WV	Potomac Edison Co.	Allegheny	1,115	10.50%	2007	-4.7%	3.32%	48.75%
WV	Monongahela Power Co.	Allegheny	1,679	10.50%	2007	5.69%	9.10%	42.43%
WV	Appalachian Power Co.	AEP	6,322	10.50%	2008	5.13% ⁽¹⁾	7.06%	42.99%

(1) APCo's 2007 on-going ROE is 2.61%. APCo and Wheeling Power combined on-going ROE is 8.15%. APCo's 2007 on-going ROE in West Virginia was 9.02%, not including Wheeling Power.

*The most recent ROE decisions awarded Potomac Edison and Monongahela Power ROEs of 10.5% in 2007.

Regulatory Overview:

- The Public Service Commission of West Virginia (PSCWV) consists of three commissioners appointed by the Governor and confirmed by the Senate to six-year terms
- Fuel clauses are common. APCo's fuel clause is a 12-month clause, with over or under-recoveries deferred until the next fuel adjustment clause hearing. APCo's fuel clause includes purchased power costs, capacity purchases, transmission charges, PJM Marginal Losses, as well as other adjustments
- By statute, utilities are authorized a cash return on the CWIP associated with environmental projects, at a rate of return equal to the utility's WACC. The PSCWV can approve a cash return on the CWIP associated with other types of projects on a case-by-case basis. The PSCWV has recently approved a cash return on CWIP for APCo's Wyoming-Jackson Ferry transmission line and new plant scrubber investments, as well as its Integrated Gasification Combined Cycle (IGCC) project



Section 2: Utility Peer Regulatory Performance

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Utility Peer Regulatory Performance⁽¹⁾

Ticker	Company	2008 Net Fixed Assets/Net Utility Plant (\$ millions) ⁽²⁾	2008 ROE ⁽³⁾	3-Year Average ROE ⁽³⁾	State	Authorized ROE	2008 Equity/Total Capital ⁽⁴⁾
AYE	Allegheny Energy Inc	8,002	13.87%	15.69%			40.91%
	Monongahela Power Co	1,679	5.69%	9.10%	WV	10.50%	42.43%
	Potomac Edison Co (The)	1,115	-4.70%	3.32%	WV	11.90%	48.75%
	West Penn Power Co	1,208	8.40%	11.76%	PA	10.50%	30.40%
AEE	Ameren Corp	16,567	8.68%	8.75%			51.51%
	AmerenCILCO ⁽⁵⁾	1,734	10.08%	9.95%	IL	10.65%	71.02%
	AmerenCIPS ⁽⁵⁾	1,212	2.26%	4.12%	IL	10.65%	55.68%
	AmerenIP ⁽⁵⁾	2,329	4.23%	2.19%	IL	10.65%	65.87%
	AmerenUE ⁽⁶⁾	8,995	7.04%	9.41%	MO	10.20%	49.23%
AEP	American Electric Power Inc.	32,987	12.90%	11.57%			40.76%
	AEP Texas Central Co	2,270	16.50%	13.36%	TX	9.96%	43.95%
	AEP Texas North Co	887	10.40%	9.16%	TX	9.96%	46.89%
	Appalachian Power Co	6,322	5.13%	7.06%	VA	10.20%	42.99%
	Columbus Southern Power Co	3,187	18.90%	19.87%	OH	10.50%	46.39%
	Indiana Michigan Power Co	3,515	9.13%	9.54%	IN	10.25%	51.17%
	Kentucky Power Co	1,092	6.16%	8.07%	MI	13.00%	48.74%
	Kingsport Power Co	75	7.31%	10.59%	KY	10.50%	55.58%
	Ohio Power Co	6,024	9.47%	11.05%	TN	12.00%	47.41%
	Public Service Co of Oklahoma	2,221	10.41%	7.19%	OH	10.00%	45.91%
	Southwestern Electric Power Co	2,512	7.40%	8.62%	OK	10.00%	46.83%
	Wheeling Power Co	92	58.31%	44.70%	TX	11.10%	
					AR	10.75%	
					LA	11.10%	
					WV	10.50%	60.28%

Notes:

- (1) Parent Company data from 2008 10-K. Operating data from FERC Form 1, as reported at www.ferc.gov
- (2) Parent company value equal to end-of-year Net Fixed Assets. Operating company value equal to end-of-year Net Utility Plant, as reported on FERC Form 1
- (3) ROE numbers are calculated by dividing the end of year net income by the average annual total book equity.
- (4) Equity/Total Capital is equal to end of year book equity divided by the sum of end of year book equity and long-term debt
- (5) Rate Case pending for CILCO for 12.25; CIPS for 11.75; IP for 12.25; action on all cases by 5/10
- (6) Rate Case pending for UE for 11.50, action by 6/10



Utility Peer Regulatory Performance

Ticker	Company	2008 Net Fixed Assets/Net Utility Plant (\$ millions)	2008 ROE	3-Year Average ROE	State	Authorized ROE	2008 Equity/Total Capital
CNP	CenterPoint Energy Inc	10,296	19.58%	23.68%			15.84%
	CenterPoint Energy Houston Electric LLC	4,302	13.50%	13.91%	TX	11.25%	45.13%
D	Dominion Resources Inc.	21,352	19.61%	22.11%			41.87%
	Virginia Electric & Power Co	14,087	13.20%	9.64%	VA	11.40%	50.61%
DPL	DPL Inc.	2,777	19.61%	22.11%			62.17%
	Dayton Power & Light Co	2,700	19.35%	19.74%	OH	13.00%	63.91%
DTE	DTE Energy Company	12,231	9.10%	11.17%			42.60%
	Detroit Edison Co	8,926	8.95%	9.41%	MI	11.00%	54.94%
DUK	Duke Energy Corp.	34,036	7.13%	6.65%			61.30%
	Duke Energy Carolinas	15,949	9.43%	11.07%	NC	11.00%	50.00%
						12.25%	
	Duke Energy Indiana	5,555	9.96%	8.74%	IN	10.50%	47.73%
	Duke Energy Kentucky	862	9.51%	7.23%	KY	11.50%	54.76%
	Duke Energy Ohio	6,631	5.30%	4.02%	OH	15.00%	81.84%
ED	Consolidated Edison Inc	20,853	12.33%	10.37%			51.23%
	Consolidated Edison Co of New York Inc	19,214	8.62%	9.68%	NY	9.10%	50.58%
	Orange & Rockland Utilities Inc	949	9.66%	11.42%	NY	9.40%	54.60%
	Pike County Light & Power Co	11	7.86%	10.58%	PA		57.70%
	Rockland Electric Co	183	6.80%	8.20%	NJ	9.75%	100.00%

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Utility Peer Regulatory Performance

Ticker	Company	2008 Net Fixed Assets/Net Utility Plant (\$ millions)	2008 ROE	3-Year Average ROE	State	Authorized ROE	2008 Equity/Total Capital
ETR	Entergy Corp	18,595	18.60%	15.87%			34.50%
	Entergy Arkansas Inc	4,332	3.10%	7.84%	AR	9.90%	48.37%
	Entergy Gulf States Louisiana LLC	3,297	10.87%	11.75%	LA	10.65%	39.40%
	Entergy Gulf States Inc	N/A	N/A	N/A% ⁽¹⁾	LA	N/A	N/A
	Entergy Louisiana LLC	4,378	9.22%	9.52%	LA	10.25%	55.17%
	Entergy Mississippi Inc	2,022	8.34%	8.81%	MS	11.75%	50.71%
	Entergy New Orleans Inc	489	15.11%	10.48%	LA	11.25%	45.87%
	Entergy Texas Inc	2,064	6.43%	N/A	TX	11.40%	50.72%
EXC	Exelon Corp	25,813	24.77%	22.61%			46.73%
	Commonwealth Edison Co	13,116	2.98%	1.26%	IL	10.30%	57.72%
	PECO Energy Co	5,062	14.32%	15.42%	PA	12.75%	40.89%
FE	FirstEnergy Corp	17,723	13.87%	14.87%			41.69%
	Cleveland Electric Illuminating Co	1,378	17.73%	19.08%	OH	12.59%	50.09%
	Jersey Central Power & Light Co	2,863	6.85%	6.30%	NJ	9.75%	45.96%
	Metropolitan Edison Co	1,318	8.76%	-1.88%	PA	10.10%	49.07%
	Ohio Edison Co	1,526	16.36%	12.72%	OH	13.21%	53.20%
	Pennsylvania Electric Co	1,481	9.28%	7.13%	PA	10.10%	54.94%
	Toledo Edison Co	455	15.60%	18.39%	OH	12.59%	32.90%
FPL	FPL Group	32,411	12.90%	13.21%			45.78%
	Florida Power & Light Co	16,624	9.75%	10.56%	FL	12.80%	59.20%
ITC	ITC Holdings	2,304	11.73%	10.44%			29.24%
	ITC Midwest LLC	608	N/A	N/A	MI	12.38%	43.40%
	ITC Transmission		%	%	MI	13.88%	N/A%
	Michigan Electric Transmission Co	550	N/A	N/A	MI	13.38%	N/A%

Notes:

(1) Unable to obtain information regarding Entergy Gulf States, Inc.; ITC Midwest and ITC Transmission



Utility Peer Regulatory Performance

Ticker	Company	2008 Net Fixed Assets/Net Utility Plant (\$ millions)	2008 ROE	3-Year Average ROE	State	Authorized ROE	2008 Equity/Total Capital
NU	Northeast Utilities	8,207	8.60%	11.23%			42.39%
	Connecticut Light & Power Co (The)	4,743	8.51%	10.85%	CT	9.40%	52.57%
	Public Service Co of New Hampshire	1,512	9.16%	9.08%	NH	9.67%	47.99%
	Western Massachusetts Electric Co	602	7.69%	8.35%	MA	9.85%	48.93%
POM	Pepco Holdings Inc	8,314	7.15%	7.59%			46.30%
	Atlantic City Electric Co	1,549	11.92%	12.61%	NJ		33.98%
	Delmarva Power & Light Co	1,617	9.34%	7.34%	DE		48.45%
	Potomac Electric Power Co	3,111	9.42%	9.50%	DC	10.00%	45.25%
					MD	10.00%	
PCG	PG&E Corp.	26,261	14.26%	13.08%			50.14%
	Pacific Gas & Electric Co	23,506	12.24%	11.60%	CA	11.35%	47.48%
PPL	PPL Corp	12,605	24.46%	19.06%			44.64%
	PPL Electric Utilities Corp	3,279	10.72%	11.18%	PA	10.70%	47.90%
PGN	Progress Energy Inc.	18,293	9.55%	7.49%			45.54%
	Progress Energy Carolinas	8,006	12.41%	13.26%	NC	12.75%	52.82%
	Progress Energy Florida	8,790	11.32%	11.52%	FL	12.00%	44.83%
PEG	Public Service Enterprise Group Inc	14,433	15.28%	15.08%			53.99%
	Public Service Electric & Gas Co	7,863	9.74%	9.85%	NJ	9.75%	51.41%
SO	Southern Co.	35,878	13.83%	13.85%			44.11%
	Alabama Power Co	12,064	11.83%	12.38%	AL	13.75%	48.61%
	Georgia Power Co	16,151	12.88%	13.11%	GA	11.25%	49.74%
	Gulf Power Co	2,025	11.36%	11.49%	FL	12.00%	52.01%
	Mississippi Power Co	1,282	12.54%	11.21%	MS	12.88%	39.5%

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Utility Peer Regulatory Performance

Ticker	Company	2008 Net Fixed Assets/Net Utility Plant (\$ millions)	2008 ROE	3-Year Average ROE	State	Authorized ROE	2008 Equity/Total Capital
WEC	Wisconsin Energy Corp.	8,517	10.73%	10.92%			54.97%
	Wisconsin Electric Power Co	5,354	10.76%	10.86%	WI	10.75%	58.01%
XEL	Xcel Energy Inc.	16,676	9.37%	7.78%			50.35%
	Northern States Power Co (Minnesota)	6,284	9.30%	9.83%	MIN	10.54%	50.85%
	Northern States Power Co (Wisconsin)	907	9.93%	9.19%	ND	11.00%	51.45%
	Public Service Co of Colorado	7,160	9.49%	8.93%	CO	10.50%	59.38%
	Southwestern Public Service Co	2,042	3.41%	4.51%	NM	10.40%	47.64%

Kentucky Power Company

REQUEST

Please provide copies of credit reports for KP from the major credit rating agencies published since January 1, 2007.

RESPONSE

Please refer to KIUC 1st Set Item No. 3 for the requested information.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Please provide copies of all correspondence between KP and any of the three major bond rating agencies (S&P, Moody's, and Fitch) from January 1, 2007 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.

RESPONSE

The presentations to the agencies are included in the response to Item No. 47. Attached, please find the portions of the correspondence relating to Kentucky Power. Kentucky Power searched, in good faith, for all correspondence. In the event that additional correspondence is identified, this response will be supplemented. Confidential protection of portions of the attachment is being requested in the form of a Motion for Confidential Treatment.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Please provide the corporate credit and bond ratings assigned to KP since the year 2000 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.

RESPONSE

Please refer to the attachment for the corporate credit and bond ratings assigned to Kentucky Power since the year 2000 by S&P, Moody's, and Fitch. The requested credit reports were not available for distribution from the rating agencies' websites; therefore, they have not been included in this response.

WITNESS: Errol K Wagner

Kentucky Power Company

Standard & Poor's Rating History

Rating Date	Rating Action	Sr. Unsecured Rating	CreditWatch/Outlook
Current Rating	Affirmed	BBB	Stable
07-Mar-2003	Downgrade, CreditWatch/Outlook	BBB	Stable
23-May-2002	CreditWatch/Outlook	BBB+	Watch Neg
23-May-2002	Downgrade	BBB+	Stable
15-Jun-2000	Upgrade, CreditWatch/Outlook	A-	Stable

Moody's Rating History

Rating Date	Rating Action	Sr. Unsecured Rating	CreditWatch/Outlook
Current Rating	Affirmed	Baa2	Stable
15-Feb-95	New Rating	Baa2	Stable

Fitch Rating History

Rating Date	Rating Action	Sr. Unsecured Rating	CreditWatch/Outlook
Current Rating	Affirmed	BBB	Stable
1-Jun-00	New Rating	BBB	Stable

Kentucky Power Company

REQUEST

Please provide KP's authorized and earned return on common equity over the past five (5) years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

RESPONSE

KPCo's most recent base rate case in which the Kentucky Public Service Commission authorized a return on common equity was Case No.9061 in which the Commission found a 16.5% for common equity (at page 52 of the Commission Order Dated December 4, 1984) as reasonable. Each base rate case since then has been a settled case in which a return on equity was not specifically stated for base rate purposes.

KPCo does not make adjustments to its net income/or common equity in calculating its financial return on common equity. If the requester is asking for the adjustments to net income and/or common equity to convert the Company actual book return to a rate making return, the Company does not perform the requested analysis.

Attached is a copy of the Company's financial or book return on common equity for the past five years.

WITNESS: Errol K Wagner

KENTUCKY POWER COMPANY
 THIRTEEN MONTHS AVERAGE RETURN ON EQUITY

LINE NO	MONTH /Year	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL	13 MONTH TOTAL	13 MONTH AVERAGE	NET INCOME	12 MONTH TOTAL		13 MONTH AVG. ROE	DIVIDENDS
									NET INCOME	INCOME		
1	OCT 04	50,450,000	200,716,449	68,377,805	319,544,254	4,136,239,918	318,172,301	(1,612,084)	32,768,710	32,768,710	10.30%	0
2	NOV 04	50,450,000	201,700,408	65,656,269	317,806,677	4,152,360,075	319,412,313	778,463	30,111,712	30,111,712	9.43%	3,499,999
3	DEC 04	50,450,000	199,975,030	70,555,280	320,980,310	4,168,258,452	320,635,266	4,899,011	25,904,691	25,904,691	8.08%	0
4	JAN 05	50,450,000	198,843,242	76,331,389	325,624,631	4,176,744,895	321,288,069	5,776,109	25,491,955	25,491,955	7.93%	0
5	FEB 05	50,450,000	198,235,919	78,482,223	327,168,142	4,180,623,192	321,586,399	2,150,834	24,048,485	24,048,485	7.48%	0
6	MAR 05	50,450,000	197,347,640	79,739,925	327,537,565	4,187,981,119	322,152,394	1,958,274	24,178,924	24,178,924	7.51%	0
7	APR 05	50,450,000	197,568,847	81,024,432	329,043,279	4,195,280,271	322,713,867	583,935	23,883,985	23,883,985	7.40%	0
8	MAY 05	50,450,000	198,565,170	82,262,210	331,277,380	4,203,887,218	323,375,940	1,237,779	23,466,320	23,466,320	7.26%	0
9	JUN 05	50,450,000	198,018,634	82,885,847	331,354,481	4,217,466,665	324,420,513	623,637	22,556,237	22,556,237	6.95%	0
10	JUL 05	50,450,000	197,932,283	86,161,380	334,543,663	4,232,655,646	325,588,896	3,275,532	21,985,830	21,985,830	6.75%	0
11	AUG 05	50,450,000	196,818,749	88,354,908	335,623,657	4,244,931,080	326,533,160	2,193,528	21,633,740	21,633,740	6.63%	0
12	SEP 05	50,450,000	197,127,024	90,612,820	338,189,844	4,260,665,486	327,743,499	2,257,912	24,122,930	24,122,930	7.36%	0
13	OCT 05	50,450,000	198,457,860	91,763,189	340,671,049	4,279,364,932	329,181,918	1,150,369	26,885,383	26,885,383	8.17%	0
14	NOV 05	50,450,000	198,203,654	89,692,734	338,346,388	4,298,167,066	330,628,236	429,545	26,536,465	26,536,465	8.03%	2,500,000
15	DEC 05	50,450,000	208,526,726	88,864,680	347,841,406	4,328,201,795	332,938,600	(828,054)	20,809,400	20,809,400	6.25%	0
16	JAN 06	50,450,000	208,786,163	94,343,127	353,579,290	4,360,800,775	335,446,213	5,478,447	20,511,738	20,511,738	6.11%	0
17	FEB 06	50,450,000	211,172,944	95,463,052	357,085,996	4,392,262,140	337,866,318	3,619,925	21,980,829	21,980,829	6.51%	2,500,000
18	MAR 06	50,450,000	210,148,214	96,193,721	356,791,935	4,421,885,933	340,145,072	730,669	20,753,224	20,753,224	6.10%	0
19	APR 06	50,450,000	210,107,419	97,461,627	358,019,046	4,452,367,414	342,489,801	1,267,906	21,437,195	21,437,195	6.26%	0
20	MAY 06	50,450,000	210,786,758	97,083,576	358,320,334	4,481,644,469	344,741,882	2,121,949	22,321,365	22,321,365	6.47%	2,500,000
21	JUN 06	50,450,000	211,270,794	98,745,391	360,466,185	4,510,833,274	346,987,175	1,661,815	23,359,543	23,359,543	6.73%	0
22	JUL 06	50,450,000	209,072,076	104,369,362	363,881,438	4,543,360,231	349,489,249	5,613,971	25,697,982	25,697,982	7.35%	0
23	AUG 06	50,450,000	209,648,334	103,811,260	363,909,594	4,572,726,162	351,748,166	4,451,898	27,956,352	27,956,352	7.95%	5,000,000
24	SEP 06	50,450,000	209,970,222	103,614,147	364,034,369	4,601,136,874	353,933,606	(197,113)	25,501,327	25,501,327	7.21%	0
25	OCT 06	50,450,000	209,448,351	105,723,095	365,621,446	4,628,568,476	356,043,729	2,108,948	26,459,906	26,459,906	7.43%	0
26	NOV 06	50,450,000	208,948,076	104,371,423	363,769,499	4,651,666,926	357,820,533	3,648,328	29,678,689	29,678,689	8.29%	5,000,000
27	DEC 06	50,450,000	210,302,160	108,899,709	369,651,869	4,682,972,407	360,228,647	4,528,286	35,035,029	35,035,029	9.73%	0
28	JAN 07	50,450,000	209,166,019	114,737,242	374,353,261	4,709,484,262	362,268,020	5,837,533	35,394,115	35,394,115	9.77%	0
29	FEB 07	50,450,000	209,106,502	117,172,719	376,729,221	4,732,634,193	364,048,784	7,435,476	39,209,666	39,209,666	10.77%	5,000,000
30	MAR 07	50,450,000	208,259,264	118,324,591	377,033,855	4,752,582,052	365,583,235	1,937,602	40,416,599	40,416,599	11.06%	0
31	APR 07	50,450,000	207,744,110	120,144,110	378,338,220	4,774,128,337	367,240,641	1,819,519	40,968,212	40,968,212	11.16%	0
32	MAY 07	50,450,000	207,542,019	116,432,372	374,424,391	4,790,533,682	368,502,591	288,262	39,134,525	39,134,525	10.62%	4,000,000
33	JUN 07	50,450,000	213,567,041	115,554,839	379,571,880	4,811,785,228	370,137,325	(877,533)	36,595,177	36,595,177	9.89%	0

**KENTUCKY POWER COMPANY
 THIRTEEN MONTHS AVERAGE RETURN ON EQUITY**

LINE NO	MONTH /Year	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL	13 MONTH TOTAL	13 MONTH AVERAGE	NET INCOME	12 MONTH TOTAL NET INCOME	13 MONTH AVG. ROE	DIVIDENDS
34	JUL 07	50,450,000	213,112,881	121,009,547	384,572,428	4,835,891,471	371,991,652	5,454,708	36,435,914	9.79%	0
35	AUG 07	50,450,000	213,074,318	121,965,256	385,489,574	4,857,499,607	373,653,816	2,955,710	34,939,726	9.35%	2,000,000
36	SEP 07	50,450,000	208,551,282	120,039,673	379,040,955	4,872,630,988	374,817,767	(1,925,583)	33,211,256	8.86%	0
37	OCT 07	50,450,000	207,265,923	119,811,474	377,527,397	4,886,123,996	375,855,692	(228,199)	30,874,109	8.21%	0
38	NOV 07	50,450,000	208,050,533	123,245,892	381,746,425	4,902,248,975	377,096,075	4,434,418	31,660,199	8.40%	1,000,000
39	DEC 07	50,450,000	207,936,452	128,583,536	386,969,988	4,925,449,464	378,880,728	5,337,643	32,469,556	8.57%	0
40	JAN 08	50,450,000	207,473,975	133,366,873	391,290,848	4,947,088,443	380,545,265	4,783,337	31,415,360	8.26%	0
41	FEB 08	50,450,000	205,553,711	132,903,688	388,907,399	4,961,642,581	381,664,814	2,402,583	26,382,467	6.91%	2,500,000
42	MAR 08	50,450,000	205,600,658	136,861,909	392,912,567	4,977,825,927	382,909,687	3,958,221	28,403,086	7.42%	0
43	APR 08	50,450,000	205,607,793	138,953,181	395,010,974	4,995,803,046	384,292,542	2,091,272	28,674,839	7.46%	0
44	MAY 08	50,450,000	205,823,972	135,767,133	392,041,105	5,009,505,931	385,346,610	(686,048)	27,700,529	7.19%	2,500,000
45	JUN 08	50,450,000	204,599,892	145,291,791	400,341,683	5,035,423,223	387,340,248	9,524,658	38,102,720	9.84%	0
46	JUL 08	50,450,000	207,756,883	149,611,372	407,818,255	5,063,669,598	389,513,046	4,319,581	36,967,593	9.49%	0
47	AUG 08	50,450,000	208,145,962	150,955,987	409,551,949	5,088,649,119	391,434,548	3,844,615	37,856,498	9.67%	2,500,000
48	SEP 08	50,450,000	208,375,205	150,243,243	409,068,448	5,112,227,993	393,248,307	(712,743)	39,069,338	9.94%	0
49	OCT 08	50,450,000	208,706,694	155,110,354	414,267,048	5,147,454,086	395,958,007	4,867,111	44,164,648	11.15%	0
50	NOV 08	50,450,000	208,767,854	150,220,921	409,438,775	5,179,365,464	398,412,728	1,610,567	41,340,797	10.38%	6,500,000
51	DEC 08	50,450,000	208,809,584	138,749,089	398,008,673	5,195,627,712	399,663,670	(11,471,833)	24,531,321	6.14%	0
52	JAN 09	50,450,000	208,824,430	143,984,670	403,259,100	5,211,916,824	400,916,679	5,235,581	24,983,565	6.23%	0
53	FEB 09	50,450,000	208,995,236	135,509,989	394,955,225	5,215,581,201	401,198,554	(1,724,681)	20,856,301	5.20%	6,750,000
54	MAR 09	50,450,000	209,058,103	141,453,172	400,961,275	5,227,635,077	402,125,775	5,943,193	22,841,263	5.68%	0
55	APR 09	50,450,000	209,074,763	144,820,373	404,345,136	5,239,067,646	403,005,204	3,367,201	24,117,192	5.98%	0
56	MAY 09	50,450,000	208,961,424	139,981,269	399,392,693	5,243,449,365	403,342,259	1,910,896	26,714,136	6.62%	6,750,000
57	JUN 09	50,450,000	238,734,860	140,911,264	430,096,124	5,281,504,384	406,269,568	929,995	18,119,473	4.46%	0
58	JUL 09	50,450,000	238,524,560	143,658,353	432,632,913	5,313,795,614	408,753,509	2,747,089	16,546,981	4.05%	0
59	AUG 09	50,450,000	238,381,361	144,374,345	433,205,706	5,339,183,065	410,706,390	715,992	13,418,358	3.27%	0
60	SEP 09	50,450,000	238,371,882	142,220,208	431,042,090	5,360,673,206	412,359,477	(2,154,136)	11,976,965	2.90%	0
61	OCT 09	50,450,000	238,232,263	141,650,145	430,332,408	5,381,937,166	413,995,167	(570,063)	6,539,791	1.58%	0
62	NOV 09	50,450,000	238,114,236	136,133,022	424,697,258	5,392,367,376	414,797,490	482,877	5,412,101	1.30%	6,000,000
63	DEC 09	50,450,000	238,149,058	143,184,639	431,783,697	5,414,712,298	416,516,331	7,051,616	23,935,550	5.75%	0
64	JAN 10	50,450,000	237,942,242	148,242,029	436,634,271	5,453,337,896	419,487,530	5,057,390	23,757,359	5.66%	0

Kentucky Power Company

REQUEST

Provide the names of the top five (5) highest paid executives of KP, their salaries for the last (5) years, any applicable bonuses, the reasons for any such bonuses, and any applicable incentives.

- a. Of those five people so identified, have any ever toured KP's service territory?

RESPONSE

For the names of the top five highest paid executives of KP and their respective salaries and applicable bonuses for the last 5 years, please see the attached page. In addition, please refer to the response to KIUC 1st Set, Item No. 27 for a description of each incentive compensation program, including applicable plan measures.

Michael G. Morris, Robert P. Powers, and Susan Tomasky have all toured KP's service territory.

WITNESS: Timothy C Mosher

NAME	Title	Annual Salary				
		2005	2006	2007	2008	2009
Morris, Michael G	Chairman, President & CEO	1,150,000	1,200,000	1,200,000	1,250,000	1,250,000
English, Carl L	Chief Operating Officer	500,000	500,000	510,000	550,000	550,000
Tomasky, Susan	President AEP Transmission	500,000	500,000	500,000	510,000	510,000
Powers, Robert P	President AEP Utilities	450,000	475,000	490,000	510,000	510,000
Akins, Nicholas K	EVP Generation	234,600	340,000	340,000	450,000	450,000

NAME	Title	Incentive				
		2005	2006	2007	2008	2009
Morris, Michael G	Chairman, President & CEO	1,250,000	2,250,000	2,200,000	1,800,000	1,654,071
English, Carl L	Chief Operating Officer	125,000	575,000	510,000	400,000	450,000
Tomasky, Susan	President AEP Transmission	350,000	575,000	450,000	425,000	400,000
Powers, Robert P	President AEP Utilities	404,932	500,000	431,200	400,000	415,000
Akins, Nicholas K	EVP Generation	84,333	155,649	200,000	250,000	340,000

Kentucky Power Company

REQUEST

State the amount by which the average residential bill increased as a result of the approval of the settlement in KP's last rate case.

RESPONSE

The average residential bill increased by \$11.06 as a result of the approved settlement in Case No. 2005-00341.

WITNESS: David M Roush