

July 23, 2013

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: Case No. 2013-00141

Dear Mr. Derouen:

This letter constitutes the Read1st file required by 807 KAR 5:001, Section 8(5):

(a) General Description of the Filing – Kentucky Power is electronically filing herewith:

- (i) The Read1st file required by 807 KAR 5:001, Section 8(5); and
- (ii) The Company's response to the Commission's July 10, 2013 data request.

(b) Materials Not Included In The Electronic Filing – Kentucky Power is filing in paper only:

(i) The paper medium copy of the electronic mail message required to be filed by 807 KAR 5:001, Section 13(12)(2)(b); and

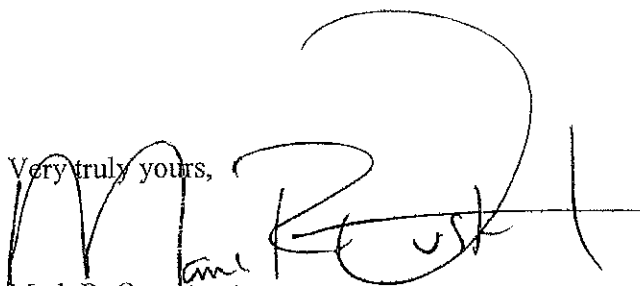
(ii) A copy of the certification required by 807 KAR 5:001, Section 13(7).

(c) Attestation – The electronically-filed documents are a true representation of the original documents.

STITES & HARBISON_{PLLC}
ATTORNEYS

Jeff R. Derouen
July 23, 2013
Page 2

Very truly yours,


Mark R. Overstreet

MRO

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

**AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION ON THE ENVIRONMENTAL)
SURCHARGE MECHANISM OF KENTUCKY) CASE NO. 2013-00141
POWER COMPANY FOR THE SIX-MONTH)
BILLING PERIOD ENDING DECEMBER 31, 2012)**

**KENTUCKY POWER COMPANY FILES RESPONSE
TO COMMISSION STAFF'S SECOND SET OF
DATA REQUEST**

July 25, 2013

VERIFICATION

The undersigned, Lila P. Munsey, being duly sworn, deposes and says she is the Manager, Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Lila P. Munsey
 Lila P. Munsey

COMMONWEALTH OF KENTUCKY)
)
)
 COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lila P. Munsey, this 23rd day of July 2013.

Judy K. Rosquist 481393
 Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Commission Staff's First Request for Information, Item No. 3, Attachment 1, page 17 of 19. Provide the Company's Gross Revenue Conversion Factor along with its weighted average cost of capital (pre-tax) reflecting the Kentucky Public Service Commission Assessment factor for the fiscal year beginning July 1, 2013 of 0.001 785 (or 0.18 percent, rounded).

RESPONSE

Please see Attachment 1 to this response.

WITNESS: Lila P Munsey

ES FORM 3.15

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT
 CURRENT PERIOD REVENUE REQUIREMENT
 BIG SANDY PLANT COST OF CAPITAL

For the Expense month of XXXXXXXX XX, 2013

LINE NO.	Component	Balances	Cap. Structure	Cost Rates		WACC (Net of Tax)	GRCF	WACC (PRE-TAX)	
		As of 10/31/2012							
1	L/T DEBT	\$550,000,000	51.043%	6.48%		3.31%		3.31%	
2	S/T DEBT	\$0	0.000%	0.00%		0.00%		0.00%	
3	ACCTS REC FINANCING	\$46,627,938	4.327%	1.16%		0.05%		0.05%	
4	C EQUITY	\$480,884,806	44.629%	10.50%	1/	4.69%	1.5490	7.259%	
5	TOTAL	\$1,077,512,744	100.000%			8.05%		10.62%	
1/	WACC = Weighted Average Cost of Capital Rate of Return on Common Equity per Case No. 2013 - 00141 dated - XXXXX XX, 2013								
2/	Gross Revenue Conversion Factor (GRCF) Calculation: Case No. 2013 - 00141 dated - XXXXX XX, 2013								
1	OPERATING REVENUE						100.0000		
2	UNCOLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1800		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.5800		
5	STATE INCOME TAX EXPENSE, NET OF 199 DEDUCTION (SEE BELOW)						5.4666		
6	FEDERAL TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						94.1134		
7	199 DEDUCTION PHASE-IN						8.4702		
8	FEDERAL TAXABLE PRODUCTION INCOME						85.6432		
9	FEDERAL INCOME TAX EXPENSE AFTER 199 DEDUCTION (35%)						29.9751		
10	AFTER-TAX PRODUCTION INCOME						55.6681		
11	GROSS-UP FACTOR FOR PRODUCTION INCOME:								
12	AFTER-TAX PRODUCTION INCOME						55.6681		
13	199 DEDUCTION PHASE-IN						8.4702		
14	UNCOLLECTIBLE ACCOUNTS EXPENSE						0.2400		
15	Kentucky Public Service Commission Assessment (0.15%)						0.1800		
16	TOTAL GROSS-UP FACTOR FOR PRODUCTION INCOME (ROUNDED)						64.5583		
17	BLENDEN FEDERAL AND STATE TAX RATE:								
18	FEDERAL (LINE 8)						29.9751		
19	STATE (LINE 4)						5.4666		
20	BLENDEN TAX RATE						35.4417		
21	GROSS REVENUE CONVERSION FACTOR (100.0000 / Line 14)						1.5490		
	STATE INCOME TAX CALCULATION:								
1	PRE-TAX PRODUCTION INCOME						100.0000		
2	COLLECTIBLE ACCOUNTS EXPENSE (0.24%)						0.2400		
3	Kentucky Public Service Commission Assessment (0.15%)						0.1800		
4	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						99.5800		
5	LESS: STATE 199 DEDUCTION						8.4702		
6	STATE TAXABLE PRODUCTION INCOME BEFORE 199 DEDUCTION						91.1098		
7	STATE INCOME TAX RATE						6.0000		
8	STATE INCOME TAX EXPENSE (LINE 5 X LINE 6)						5.4666		

The WACC (PRE - TAX) value on Line 5 is to be recorded on ES FORM 3.10, Line 9.
 Weighted Average Cost of Capital Balances As of 10/31/2012 based on Case No. 2013-00141, dated XXXXX XX, 2013.

Kentucky Power Company

State Tax Expense - Kentucky		<u>2012</u>	
1	Pre-tax production income	Input	100.0000
2	Uncollectible Accounts Expense (0.24%)	Input	0.2400
3	Kentucky Public Service Commission Assessment (0.15%)	Input	<u>0.1800</u>
4	Income after Uncollectible accounts	Ln 1-2-3	99.5800
5	KY - State Income Tax Rate	Input	<u>0.0600</u>
6	State income tax deduction	Ln 4 x 5	5.9748
7	Income after Uncollectible accounts and State income tax	Ln 4 - 6	93.6052
8	Section 199 Rate for Year 2012	Input	<u>0.0900</u>
9	Section 199 deduction	Ln 7 x 8	8.4245
10	Income after Uncollectible accounts and Section 199 Deduction	Ln 4 - 9	91.1555
11	KY - State Income Tax Rate	Ln 5	<u>0.0600</u>
12	State income tax deduction	Ln 10 x 11	5.4693
13	Income after Uncollectible accounts and State income tax	Ln 4 - 12	94.1107
14	Section 199 Rate for Year 2012	Ln 8	<u>0.0900</u>
15	Section 199 deduction	Ln 13 x 14	8.4700
16	Income after Uncollectible accounts and Section 199 Deduction	Ln 4 - 15	91.1100
17	KY - State Income Tax Rate	Ln 5	<u>0.0600</u>
18	State income tax deduction	Ln 16 x 17	5.4666
19	Income after Uncollectible accounts and State income tax	Ln 4 - 18	94.1134
20	Section 199 Rate for Year 2012	Ln 8	<u>0.0900</u>
21	Section 199 deduction	Ln 19 x 20	8.4702
22	Income after Uncollectible accounts and Section 199 Deduction	Ln 4 - 21	91.1098
23	KY - State Income Tax Rate	Ln 5	<u>0.0600</u>
24	State income tax deduction/rate	Ln 22 x 23	<u>5.4666</u>
25	Income after Uncollectible accounts and State income tax	Ln 4 - 24	94.1134
26	Section 199 Rate for Year 2012	Ln 8	<u>0.0900</u>
27	Section 199 deduction	Ln 25 x 26	<u>8.4702</u>