

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

Application Of Kentucky Power Company For)	
A General Adjustment Of Its Rates For Electric)	
Service; (2) An Order Approving Its 2014)	
Environmental Compliance Plan; (3) An Order)	Case No. 2014-00396
Approving Its Tariffs And Riders; And (4) An)	
Order Granting All Other Required Approvals)	
And Relief)	

**Kentucky Power Company Response to
Commission Staff's Post Case Correspondence Letter**

Dated September 7, 2017

September 13, 2017

VERIFICATION

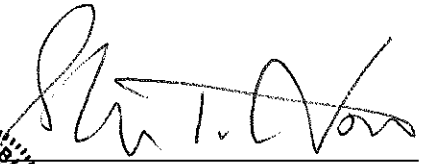
The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Manager, Regulatory Pricing and Analysis that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.




Alex E. Vaughan

STATE OF OHIO)
) Case No. 2014-00396
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Alex E. Vaughan, this the 11th day of September 2017.



Notary Public  STEVEN T. NOURSE, Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Section 147.03 R.C.
My Commission Expires: _____

Kentucky Power Company
Case No. 2014-00396 General Rate Adjustment
Post Case Correspondence Dated September 7, 2017
201 BSRR Annual Report

DATA REQUEST

KPSC_1_001 Indicate the impact, in dollar amount and percentage change, the update will have on an average residential customer's bill.

RESPONSE

Please refer to KPCO_R_KPSC_2017_BSRR_Typical_Bill.xlsx for the requested information.

Witness: Alex E Vaughan

Kentucky Power Company
Case No. 2014-00396 General Rate Adjustment
Post Case Correspondence Dated September 7, 2017
2017 BSRR Annual Report

DATA REQUEST

KPSC_1_002

On the "WACC" tab in the spreadsheet entitled "BSRR_2017 Support_1_Components", footnote 7 states:

The weighted average cost of capital used in these calculations will be updated coincident with Commission orders affecting the

Company's WACC and capital structure. The rate will next be update with the Company's August 15, 2018 filing.

Indicate whether, upon a Commission Order affecting the weighted average cost of capital and capital structure, Kentucky Power would immediately update the weighted average cost of capital used in the calculation or whether it would wait until the August 15, 2018 filing.

RESPONSE

The pre-tax weighted average cost of capital ("WACC") carrying charge used in the calculation of Retirement Costs identified in paragraph 1 of Tariff B.S.R.R. will be modified for accounting purposes to reflect any changes to the Company's WACC as a result of the Commission's final order in Case No. 2017-00179 coincident with the effective date of the rates approved by the Commission's final order in Case No. 2017-00179. The B.S.R.R. adjustment rate will not be modified coincident with the effective date of the rates approved by the Commission's final order in Case No. 2017-00179.

Consistent with paragraph 5 of Tariff B.S.R.R., and paragraph 6(e) of the Settlement Agreement approved by the Commission's June 22, 2015 Order in Case No. 2014-00396, the B.S.R.R. adjustment rate will be modified effective Cycle 1 of the Company's October 2018 billing cycle. The October 2018 modified B.S.R.R. adjustment rate will reflect, as of the effective date of the rates approved by the Commission's final order in Case No. 2017-00179, any changes to the Company's WACC as a result of the Commission's final order in Case No. 2017-00179.

Witness: Amy J Elliott

Kentucky Power Company
Case No. 2014-00396 General Rate Adjustment
Post Case Correspondence Dated September 7, 2017
2017 BSRR Annual Report

DATA REQUEST

KCTA_1_003

For the "Tariff Revenues" tab in the spreadsheet entitled " BSRR_2017 Support_3_Rev", explain the inclusion of columns D through H and explain the differences between columns C and D, columns F and I , columns G and J, and columns H and K.

RESPONSE

Columns D through K are necessary to calculate column M (billed and accrued revenue without percentage of revenue riders) which is the billing basis for the Big Sandy Retirement Rider surcharge factors.

Column C revenues are on a billed and accrued basis which matches the Company's financial statements. Column D revenues are on a billed basis which excludes accounting estimates and accruals that occur monthly. Billed and accrued is equal to billed + estimates + accruals. That is why column C is equal to column D plus column E.

Columns F, G and H are the BSRR, PPA and Environmental Surcharge billed revenues respectively. Columns I, J and K are the BSRR, PPA and Environmental Surcharge billed revenues plus an allocated amount of the total estimated and accrued revenues.

Witness: Alex E Vaughan