

**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 Supplemental Response  
To Commission Staff's Third Set of Data Requests Item No. 50**

**March 12, 2015**





**KPSC Case No. 2014-00396 General Rate Adjustment  
Commission Staff's Third Set of Data Requests  
Dated February 24, 2015  
Item No. 50  
Page 1 of 1  
Supplemental Response filed March 12, 2015**

**Kentucky Power Company**

**REQUEST**

Refer to Items 28, 29, and 30 of KIUC's First Request and Item 171 of the AG's initial Request regarding the impact of the 50 percent bonus depreciation. Based on Kentucky Power's estimate of the bonus depreciation of \$23.6 million increase in deferred federal income taxes and an additional normalized MACRS Schedule M deduction of \$67,446,000, provide updated schedules for the Company's accumulated deferred income taxes, capitalization, the proposed adjustment 49 listed in Section V, Exhibit 2 of the Application, and any other schedules or exhibits affected by the 50 percent bonus depreciation.

**RESPONSE**

Please see KPSC\_3\_50\_Attachment1.xlsx for the updated Tax Schedules related to the adjustment to the MACRS Normalized Schedule M deduction for 50 percent bonus depreciation. See KPSC\_3\_50\_Attachment2.xlsx for the updated Accumulated Deferred Income Taxes as of September 30, 2014. There is no change to proposed Adjustment 49 as a result of the bonus depreciation.

There is no change in capitalization as a result of bonus depreciation. Capitalization provides the funds needed to maintain the Company's operations. It thus funds the test year and future operations as long as possible before additional debt or equity is needed to operate the Company. Bonus depreciation and ADIT allows the Company to use its capitalization to maintain its operations without having to issue additional debt or equity.

Please see KPSC\_3\_50\_Attachment3.xls for the environmental cost calculations that are affected by bonus depreciation. A formulaic error within the depreciation calculation has also been corrected in this revision.

KPSC\_3\_50\_Attachment4.xls provides a revised exhibit AJE-3 to reflect these revisions.

**WITNESS:** Jeffrey B Bartsch/Amy J Elliott/Ranie K Wohnhas