

**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 Responses to
Attorney General’s Confidential
Supplemental Set of Data Requests**

March 12, 2015

VERIFICATION

The undersigned, Jeffrey B. Bartsch, being duly sworn, deposes and says he is the Director, Tax Accounting and Regulatory Services for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.

Jeffrey B. Bartsch

Jeffrey B. Bartsch

STATE OF OHIO

)

) Case No. 2014-00396

COUNTY OF FRANKLIN

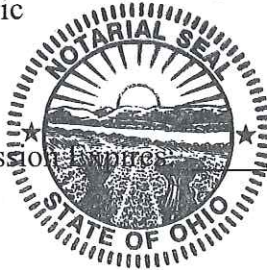
)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jeffrey B. Bartsch, this the 10th day of March, 2015.

Pauline A Lutz

Notary Public

My Commission Expires



PAULINE A LUTZ
NOTARY PUBLIC - OHIO
MY COMM. EXP. 9-12-16

VERIFICATION

The undersigned, Jeffery D. LaFleur, being duly sworn, deposes and says he is Vice President Generating Assets APCO/KY, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief

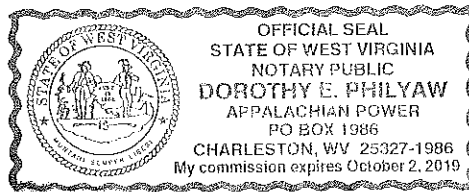
Jeffery D. LaFleur
JEFFERY D. LAFLEUR

STATE OF WEST VIRGINIA)	
)	Case No. 2014-00396
COUNTY OF KANAWHA)	

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jeffery D. LaFleur, this the 9th day of March, 2015.

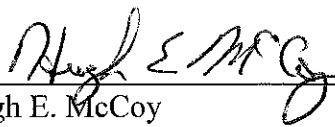
Dorothy E. Philyaw
Notary Public

My Commission Expires: October 2, 2019



VERIFICATION

The undersigned, Hugh E. McCoy, being duly sworn, deposes and says he is the Director, Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth set forth in the forgoing responses for which he is identified as the witness and information contained therein is true and correct to the best of his information, knowledge and belief.



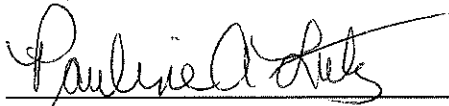
Hugh E. McCoy

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 Hugh E. McCoy, this the 10th day of March, 2015.



Notary Public



My Comm. Expires

PAULINE A LUTZ
NOTARY PUBLIC - OHIO
MY COMM. EXP. 9-12-16

VERIFICATION

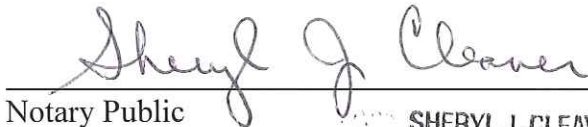
The undersigned, Jason M. Yoder, being duly sworn, deposes and says he is Staff Accountant Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.



Jason M. Yoder

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 Jason M. Yoder, this the 9th day of March, 2015.



Notary Public

SHERYL J. CLEAVER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 6/13/2017

My Commission Expires: _____

VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge, and belief



Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)

) Case No. 2014-00396

COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 11th day of March 2015.


Notary Public 481393

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

g.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 1
Page 3 of 4**

RESPONSE

- a. The land adjoins the existing Big Sandy flyash reservoir complex. The land was purchased for the purpose of building another landfill for the FGD by-product. The existing flyash landfill was not capable of handling the additional flyash from the FGD. The land is currently vacant.
- b. See AG_2_1CS_Attachment1.pdf. Note that the \$769 difference between the amount in the auditor's workpapers and the journal entry are for amounts that were not transferred to account 101.
- c. Of the amount, \$677,394 is recorded in 31000 – Land – Coal Fired. The remaining \$14,247 represents construction overhead charges allocated to various projects and 3XX accounts in February 2013.
- d. There is no depreciation on land. The depreciation expense on the \$14,247 on construction overheads recorded in various 3XX accounts is not readily available.

e.

<u>Cost Component</u>	<u>Amount</u>
Professional Services:	\$26,501
Other Outside Services:	\$20
AEPSC Bill:	\$8,180
Allocations (General):	\$100
Land Purchase:	\$630,376
Construction Overheads	\$14,247
Misc. All Other:	<u>\$12,217</u>
Total	\$691,641

- f. The land value of \$677,394 in account 310 is reflected in the total company amount of \$2,358,530 as shown on Section V Exhibit 1 Schedule 4 page 16 of 96 line 60. The \$14,247 of construction overheads were allocated to various projects and 3XX accounts as discussed in c. above and thus is not specifically identifiable in the Kentucky Power Company cost of service.
- g. See e. above.
- h. i. See a. - f. above.

KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 1
Page 4 of 4

- j. No.
 - (i) N/A
 - (ii) Tax and Book Basis are the same, therefore there is no ADIT.

- k. All costs related to Big Sandy have been removed from this case. The Company has proposed the BS1OR to recover operational costs but the property tax associated with the land discussed above has not been separately identified in the estimated costs used to determine the initial rider rate of the BS1OR.

- l. See d. above.

- m. There are no identified O&M costs related to the specific land.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. The 2011 and 2012 accounting entries referred to in the question relate to Generally Accepted Accounting Principles (GAAP) that required that the transfer of the Mitchell facility be reflected historically for all financial periods presented in Kentucky Power's published financial statements. This presentation was not shown for historical periods in FERC filings or for ratemaking purposes as the transfer did not occur until December 31, 2013.

For SEC reporting purposes, as of 12/31/2012, retrospective journal entries were recorded to transfer 50% of \$1,572,410 of costs related to four Mitchell Plant projects to KPCo. The 4 projects were: Waste Water Treatment study (\$926,394), a Bottom Ash Conversion Study (\$112,850), a HAPS Compliance Evaluation (\$423,053) and a Coal Silo Vent Improvement (\$110,113). KPCo's 50% for these four projects totaled \$786,205.

The transfer of these projects, which was reflected on the 12/31/2012 KPCO retrospective balance sheet, was achieved through the following entry:

Debit Account 1830000	\$786,205
Credit Account 2080000	\$786,205

- b. The projects amounts were in the following accounts at 9/30/2014:
Cooling Tower Blowdown Project (000020312 ML U0 Cooling Tower Blow Down);Account 107; \$1,058,386

Bottom Ash Conversion Study Account 183; \$115,086

Unit 1 and 2 ESP Upgrades Project (000021257 ML U1 ESP Upgrades and 000021259 ML U2 ESP Upgrades);

Account 101 \$1,481,796
Account 107 \$792,144

Coal Silo Vent Improvement Project (ML2MH1201 ML1 MH ROTOCLONE RPL and ML2MH1202 ML2 MH ROTOCLONE RPS);

Account 101 \$691,571

Except for those costs associated with the Bottom Ash Conversion Study, these costs represent the capital spent investment as of 9/30/2014 for those Capital Improvement projects which resulted from the preliminary investigations and engineering work, charged to the 183 account, that was performed prior to and in support of the decision to move forward with these projects. As is discussed in e.ii., the Company at this time has not made a decision to move forward with a Capital Improvement project associated with the Bottom Ash Conversion Study.

See e. for information regarding accumulated depreciation and depreciation expense.

- c. The charges related to the following projects:

Work Order X117944001 "Waste Water Treatment (WWT) Study"

This project was a study commissioned to conduct a data collection program at Mitchell Plant and use that data to build a dynamic computational water balance model. The study then used the modeling results to evaluate different operational options, including increased cycling of the Mitchell Plant Cooling Tower Blowdown (CTBD), with the plant's effluent limits. The result of this study indicated that increased cycling of the CTBD was possible while still meeting the effluent limits. The physical asset associated with this study includes the paper copy of the study. The study is currently used as a point of reference, representing a significant amount of data, for evaluating Mitchell Plant's operating conditions and associated compliance with effluent limits.

Work Order X117948001 "Bottom Ash Conversion Study"

This project was a conceptual study commissioned to evaluate the scope and cost of converting Mitchell Plant from a wet bottom ash handling system to a dry bottom ash handling system. The study was necessitated due to the proposed CCR and ELG Rules and currently provides a point of reference, representing a significant amount of data, for understanding the potential implications of the CCR and ELG Rules at Mitchell Plant. The physical asset associated with this study includes the paper copy of the study.

Work Order X118067001 "HAPS Compliance Evaluation"

This project was a study commissioned prior to the MATS Rule finalization, to perform an initial technology evaluation for compliance with the draft MATS Rule

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 2
Page 5 of 8**

at Mitchell Plant. The study evaluated different compliance options, including their feasibility and costs, to comply with the draft HAPs emissions limits at the time of the study. The physical asset associated with this study includes the paper copy of the study. The study is currently used as a point of reference, representing a significant amount of data, for evaluating Mitchell Plant's operating conditions and associated compliance with emissions limits.

Work Order X118165001 "Coal Silo Vent Improvement"

This project consisted of the front-end engineering and design to improve the ventilation control of the dust and methane emitted from Mitchell Plant coal silos. The goal of this project was to ensure the safety of the plant personnel and equipment from coal dust or methane explosions. The physical asset associated with this project includes the initial engineering drawings and corresponding design calculations. These drawings and design calculations are currently used for reference with the Mitchell Plant Coal Silo.

- d. See response to question (a) above.
- e.(i.) These projects represent the Capital Improvement projects which resulted from the preliminary investigation and engineering which was charged to the 183 account.

Cooling Tower Blowdown Project (000020312 ML U0 Cooling Tower Blow Down)The Company chose to move forward with the CTBD Project at Mitchell Plant, see AG_2_2CS_Attachment1.pdf, and include the costs associated with the Waste Water Treatment Study. The CTBD Project is under construction and is expected to be in service in July of 2015.

Unit 1 and 2 ESP Upgrades Project (000021257 ML U1 ESP Upgrades and 000021259 ML U2 ESP Upgrades)

Based on the study results and the final issuance of the MATS Rule, the Company determined that Mitchell Plant would not be required to make major upgrades to maintain compliance with its emissions limits. The study also identified opportunities for efficiency improvements on the Mitchell Plant ESPs and the Company chose to move forward with the minor upgrades, please see AG_2_2CS_Attachment1.pdf. Modifications to the Unit 1 ESP were completed and put into service in 2013 while modifications to the Unit 2 ESP will be completed in 2015.

Coal Silo Vent Improvement Project (ML2MH1201 ML1 MH ROTOCLONE RPL and ML2MH1202 ML2 MH ROTOCLONE RPS)

The Company chose to move forward with the Coal Silo Vent Improvement Project, see AG_2_2CS_Attachment1.pdf., and include the costs associated with the front-end engineering and design into the cost of the project. Both of the Coal Silo Vent Projects for Units 1 and 2 were completed in 2013.

The project costs in account 101 were provided in b. above. The depreciation expense and accumulated depreciation for each of the projects (were applicable) are as follows for the 12 months ended September 30, 2014:

HAPS Compliance Evaluation (Attachment AG_2_2CS_Attachment2)-

Account 403 \$43,246

Account 108 \$50,288

Coal Silo

Unit 1 (Attachment AG_2_2CS_Attachment3)-

Account 403 \$12,991

Account 108 \$19,490

Unit 2 (Attachment AG_2_2CS_Attachment4)-

Account 403 \$13,980

Account 108 \$20,969

Total Coal Silo

Account 403 \$26,971

Account 108 \$40,459

(ii.) Work Order X117948001 "Bottom Ash Conversion Study"

While the CCR Rule has become final, the ELG Rule has not and the Company is still in the process of evaluating the need to convert Mitchell Plant to a dry bottom ash handling system. The Company will make a decision regarding the need to install a dry bottom ash handling system once it has finished engineering evaluations of the Mitchell Bottom Ash Pond system relative to the CCR Rule and after issuance and analysis of the final ELG Rule. The amounts for this study is provided in b. above.

f. Please see the response to 2.e.(i.).

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 2
Page 7 of 8**

- g. At 12/31/2013, the transfer date, the projects mentioned in the response to (a) above were transferred to KPCo at 100%. This is in compliance with AEP's policy to record the PS&I costs on the ledger of the company operating the plant. Since KPCo assumed the responsibility to operate Mitchell Plant on 12/31/2013, 100% of the project costs were transferred to KPCo. The external auditor's opinion was that 100% of the project costs at 12/31/2012 should have been transferred to KPCo for its retrospective balance sheet for SEC reporting purposes, rather than at 50% as noted in the question and responses in a. above. Note that account 183 does not impact ratemaking therefore, the policy to maintain 100% of the costs on Kentucky Power Company's books (the operator of the Mitchell plant) until a conclusion is reach to proceed or abandon does not impact the cost of service in this filing.
- h. At 12/31/2012, the \$786,205 is the 50% allocated value which was reflected historically in KPCo's financials for SEC reporting purposes as discussed in a. above. The other 50% was reflected historically on AEP Generation Resources.
- i. See AG_2CS_2_i_Attachment5.xls for the journal entries related to the \$786,205 at December 31, 2012.
- j. KPCo transferred 100% of the 1830000 balance at 12/31/2013 from OPCo, the entryon KPCo's ledger was as follows:

Debit Account 1830000	\$1,587,320
Credit Account 2080000	\$1,587,320

See g. above for an explanation of the transfer of 100% of the account balances in account 183 related to the Mitchell facility.

- k. The projects amounts provided in b. and e. are either in the total company amounts at 9/30/2014 used in rate base or in the cost of service with the exception of the amounts in account 183 which are excluded from rate base. The amounts in account 101 are included in property accounts 312 and 314. The amounts included accounts 107 are included in the calculation of rate base. The amounts in account 108 provided in e. is an offset to the rate base calculation and account 403 is included in the cost of service.
- l. See k. above

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 2
Page 8 of 8**

- m. No.
- m. (i) N/A
- m. (ii) Tax and Book Basis are the same, therefore there is no ADIT.

- n. There would be no property taxes associated with the \$786,205 because it was in account 183 as of 12/31/2012.

- o. The \$786,205 was in account 183. as of 12/31/2012 and would have no depreciation or amortization expense related to the costs. See k. for the projects included in ratebase as of September 30, 2014.

- p. The company has not separately identified the O&M associated with these projects.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. (i), a.(ii), a.(iii) See AG_2_3CS_Attachment1.pdf for the transfer of the pension cost related to Mitchell from Ohio Power Company to Kentucky Power Company
a.(iv) See AG_2_3CS_Attachment2.xlsx.
- b. No.
 - i. N/A
 - ii. The previous question in AG_2_2CS is in regard to costs recorded in account 183 and AG_2_3CS is in regard to ADIT associated with pension accounting.
- c. Yes. The ADIT adjustment was recorded as indicated in part a.(iv) above.
- d. Confirmed.
- e. The ADIT adjustment was included as part of the ADIT Balances as of September 30, 2014 and was included in the ADIT Balance as indicated on Section V, Exhibit 1, Schedule 4 - page 15 of the Filing.
- f. See the response to (e) above.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. Yes, the UPA governs the power sold from AEGCo to KPCo and the billings related to the over billings were corrected in the second quarter of 2012.
- b. Confirmed.
- c. Confirmed
- d. The billing changes do not impact the current Company filing because the billing corrections were made in second quarter 2012.
- e. N/A. See response to d.

WITNESS: Jason M Yoder

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 5
Page 2 of 4**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. Please see AG_2_5CS_Attachment1.pdf for copies of the bills.
- b. Please see AG_2_5CS_Attachment2.xls for the Rockport bill journal entries recorded on the KPCo ledger.
- c. See the journal entries provided in b. The journal entries to record corrections like those identified in AG_2_4CS are included in the normal billing process. Primarily these adjustments related to AEG's monthly income tax expense which is estimated each month for billing purposes and then trued-up on the bill in the following month for AEG's prior month actual income tax expense. In addition, see the prior month adjustment section for each bill provided in a. above.
- d. See AG_2_5CS_Attachment1.pdf.
- e. The bill is prepared and reviewed monthly by the AEP Service Corporation's (AEPSC) accounting department in accordance with the FERC approved formula rate included in the Unit Power Agreement. Kentucky Power does not have an accounting department and thus utilizes the AEPSC accounting department to prepare and review the monthly Rockport billings. Each month the AEPSC accounting department verifies that the amount of expenses billed comports with the expenses incurred by AEG Rockport and ensures that the costs are billed out 30% to Kentucky Power and the other 70% to Indiana Michigan Power Company. The AEPSC accounting department, on behalf of Kentucky Power, also ties out the return components on the bill to ensure that the components equal the calculation of the return. The procedures performed by the AEPSC accounting department ensure that the bill is calculated properly are provided in AG_2_5CS_Attachment3.xls.

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 5
Page 4 of 4**

- f. See the Company's response to e. Rockport purchases are utilized in environmental surcharge and fuel filings and KPCo regulatory personnel monitor the cost trend of the monthly purchase data.
- g. AEPSC Corporate Finance administers the financing and capital structure of AEG, which is reflected in the FERC approved Unit Power Agreement. The Unit Power Agreement limits the equity return to a 40% equity cap.
- h. No. The Rockport bill is rendered under the terms of the Unit Power Agreement. Kentucky Power does not own Rockport and the owners do not have an obligation to consult with Kentucky Power Company on any costs that are incurred at the plant. There are discussions between the parties to the Rockport Unit Power Agreement that address issues in general.
 - (i) See the Company's response to part (e).
- i. See the Company's response to parts (e) and (h) above.
- j. Additional monthly review controls were implemented. See AG_2_5CS_Attachment3.xls.
- k. No
- l. No
- m. Yes. AEG recorded an R&D Tax Credit on the 2012 Tax Return in the amount of \$76,362. All monthly income tax expenses of AEG are reflected in the AEG Rockport monthly billings.
- n. No
- o. The bill is prepared in accordance with the FERC formula rate. The "Return on Other Capital" component of the bill is the total interest charges multiplied by the operating ratio. This amount changes each month. See the calculation in the copies of the bills, which were provided in response to a. above.

WITNESS: Jason M Yoder

KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 6
Page 1 of 1

Kentucky Power Company

REQUEST



RESPONSE

The Deloitte recommendation related to combining the individual company Account 236 reconciliations into a single AEP Consolidated Account 236 reconciliation. See AG_2_6CS_Attachment1.xlsx and AG_2_6CS_Attachment2.xlsx.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. In accordance with the Commission's Order in Case No. 2011-00031 and dated April 16, 2012, the Company refunded the over-collection of \$629,577.
- b. Please see AG_2_7CS_Attachment1.xls.
- c. The reviews are initiated by the Commission in accordance with KRS 278.183. The Company has participated and fully complied with the Commission's orders in these cases.
- d-e. The Commission-initiated reviews are of the Company's monthly environmental filings, as well as corresponding data responses submitted during the course of the review. The content and findings of such reviews are publicly available at:

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2014-00322

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2014-00052

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2013-00325

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2013-00141

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2012-00504

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2012-00273

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2011-00031

http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2010-00318

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 7
Page 3 of 3**

- f. The refunds do not require an adjustment of test year amounts. The Company's 2014 Environmental Compliance Plan does include the consumables that gave rise to a portion of the over-collection during 2010 - 2011.

- g-i. Please see the response to subparts d-e above. The Commission has approved the Company's environmental surcharge charges and credits through June 30, 2014, subject to any ordered refunds or recoveries of under-collections, all of which have been made. Subsequent charges and credits will be subject to later Commission review.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 8
Page 2 of 2

RESPONSE

- a. The correcting amounts are provided in AG_2_8CS_Attachment1.xls. Although these amounts were corrected in the fourth quarter 2012 by the Company's property accounting system, there are not individual journal entries that show only the corrections since the system generated journal entries include amounts other than the corrections. The system processes the correction when the in-service date is input into the property accounting system. AG_2_8CS_Attachment2.xls provides the in-service date, the first "CPR" month and the net amount of AFUDC for the work order which includes the reversal of AFUDC. The first CPR month is when the AFUDC reversal is calculated and recorded by the property accounting system.
- b.& c. See AG_2_8CS_Attachment3.xls(Q1-Q3 2013), AG_2_8CS_Attachment4.xls (Q4 2013), AG_2_8CS_Attachment5.xls (Q1-Q3 2014) and AG_2_8CS_Attachment6.xls (Q4 2014)
- d. Amounts recorded during the test year to reverse AFUDC reduced the property values that are used in determining rate base (AG_2_8CS_Attachment4.xls and 5.xls). The impact on the filing due to AFUDC reversal amounts recorded after the test year has not been calculated by Kentucky Power Company but, based on the reversal entries shown in AG_2_8CS_Attachment6.xls any impact from the fourth quarter reversal of \$397 is immaterial.
- e. See AG_2_8CS_Attachment7.xls

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

RESPONSE

- a. The over accrual for the 2012 Incentive Compensation true-up in 2013 was \$618,763. See AG_2_9CS_Attachment1.xlsx. The difference between the \$649,733 and the \$618,763 reflects the difference between the external auditor's estimate and the actual payout and the portion of the true-up related to FICA tax and 401k savings match on ICP which is not included in the \$618,763.
- b. See AG_9CS_Attachment2.xlsx for 2013 Incentive Compensation true-up in 2014. See part d for 2014.
- c. For this filing, the test year per books 12 months ended September 30, 2014 includes the true-up for the 2013 incentive compensation recorded in 2014. For Distribution and Transmission, Kentucky Power adjusted test year per books ICP expense to the 2014 expected ICP at level of 1.

Big Sandy expenses (including ICP) were removed from base rates and an estimated level of Big Sandy Unit 1 operating costs were included in the Big Sandy Unit 1 Operational Rider. The Company also made an adjustment to annualize per books Mitchell Plant expenses (including ICP) and those costs were reviewed by Company witness LaFluer.

**KPSC Case No. 2014-00396 General Rate Adjustment
Attorney General's Supplemental Confidential Data Requests
Dated February 27, 2015
Item No. 9
Page 3 of 3**

The actual level included in the revenue requirement in the test year is not identifiable because the adjustments to remove Big Sandy costs and to annualize Mitchell costs were prepared at the account number level and not by the cost components within each account. Further discussion regarding the Big Sandy and Mitchell Plant adjustments are included in the Company's response to AG 2-72.

In summary, the total ICP true-up for Kentucky Power Company employees and AEPSC employess shown in AG_9CS_Attachment2.xls of \$47,136 (additional expense in the cost of service) does not have a significant impact on the adjustments made for Big Sandy or the Mitchell Plant costs.

- d. 2014 final payout information is expected to be available within seven days. The Company will supplement this response.
- e. See c. above.
- i. See d. above.

WITNESS: Jason M Yoder