

**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 KIUC 1-45, KIUC 1-63 And Commission Staff 2-99**

April 8, 2015

VERIFICATION

The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services 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/her information, knowledge and belief.



John A. Rogness III

COMMONWEALTH OF KENTUCKY)
)
)
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the 8th day of April, 2015.




Notary Public

My Commission Expires: January 23, 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 2 day of April, 2015



Notary Public



Ann Dawn Clark
Notary Public-State of Ohio
My Commission Expires
November 16, 2015

My Commission Expires: November 16, 2015

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

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 7th day of April, 2015.

Sheryl J. Cleaver

Notary Public

SHERYL J. CLEAVER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES _____

My Commission Expires: 6/13/2017

**KPSC Case No. 2014-00396 General Rate Adjustment
KIUC First Set of Data Requests
Dated January 29, 2015**

Item No. 45

Page 1 of 1

Corrected Response filed April 8, 2015

Kentucky Power Company

REQUEST

Please confirm that the amount of its Company's receivables financing will not be reduced due to the retirement of Big Sandy 2 and conversion of Big Sandy 1, all else equal.

RESPONSE

The Company agrees its receivables financing will not be reduced due to the retirement of Big Sandy 2 and conversion of Big Sandy 1, all else equal.

WITNESS: John A Rogness

**KPSC Case No. 2014-00396 General Rate Adjustment
KIUC First Set of Data Requests
Dated January 29, 2015**

Item No. 63

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Corrected Response filed April 8, 2015

Kentucky Power Company

REQUEST

Refer to Exhibit JMY 1. Please explain why the Company did not reflect ADIT on the "Additions" shown on that schedule in Years 1-17, including the removal and salvage costs shown in Year 17 or on the deferred carrying costs accumulated each year.

RESPONSE

The "additions" on Exhibit JMY 1 are the future cash outlays related primarily to asset retirement costs and cost of removal.

The Company inadvertently failed to reflect the ADIT on the additions shown on Exhibit JMY 1. The calculation of the ADIT is based on the net change in the future regulatory asset which will be the difference between the net amortization expense (net of earned carrying charges) of the regulatory asset and future incurred costs. This updated ADIT calculation is included in KIUC_1_63_RetirementCostUpdate_Attachment1.xls summarized on page 5 of 18 "WACC Amortization" tab in the electronic workpaper.

There are no deferred carrying charges and therefore there are no deferred taxes related to carrying charges since there is no difference in the book versus tax treatment of carrying charges. As noted in Company witness Yoder's testimony on page 19 lines 13 – 17 current month BSRR revenues recover current month carrying charges first.

In the preparation of this response related to the treatment of ADIT in the BSRR calculations, the Company noted certain additional calculations that needed to be updated which are summarized below with respect to how these items should be treated in this proceeding:

1. The Company included the ADIT in the carrying charge calculation only instead of netting it against retirement costs to be recovered as originally filed. These updates are shown on page 1 and 2 of 18 ("Summary" and "Components" tabs of the electronic workpapers) of KIUC_1_63_RetirementCostUpdate_Attachment1.xls.

KPSC Case No. 2014-00396 General Rate Adjustment

KIUC First Set of Data Requests

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2. The Company adjusted the beginning ADIT as of June 30, 2015 related to the regulatory asset for the retirement costs to 35% of the total regulatory asset balance (including the ARO asset which had not been tax-effected as originally filed) as of June 30, 2015 as shown on page 2 of 18 ("Components" tab).

3. The Company updated the retirement cost estimate to change the WACC rate from 7.70% originally used in the carrying charge calculation to the 7.71% as filed. The slight change was due to a difference between the filed capital structure and the capital structure used for purposes of estimating the retirement costs. The capital structure is shown on page 12 of 18 "WACC" tab shown in KIUC_1_63_RetirementCostUpdate_Attachment1.xls.

The net impact of all these updates is an annual increase of \$1,082,274 (the updated value is \$23,248,584) as compared to the original filed amount as shown on page 1 of 18 ("Summary" tab) shown in KIUC_1_63_RetirementCostUpdate_Attachment1.xls

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 16, lines 11-13, which state that PJM charges “. . . can vary greatly and they are largely out of the Company's control.” Provide a breakdown of these charges and credits by year for each of the past five calendar years.

RESPONSE

Please see KPSC_2_99_Attachment1.

WITNESS: Alex E Vaughan