

Kentucky Power Company
Interest Synchronization Adjustment
Test Year Ended 9/30/2014

KPSC 2014-00396
SECTION V
EXHIBIT 2
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Line No.	Description	Amount
1	LTD, per Capitalization	\$591,360,604
2	LTD Rate (Section V, S-2, P 1 , C 5 , Ln 1)	5.41%
3	Annualized LTD Interest (Ln 1 x Ln 2)	<u>\$31,992,609</u>
4	STD, per Capitalization	\$0
5	STD Rate (Section V, S-2, P 1 , C 5 , Ln 2)	0.25%
6	Annualized STD Interest (Ln 4 x Ln 5)	<u>\$0</u>
7	Accounts Receivable Financing	\$51,835,783
8	Accounts Receivable Financing Rate	1.07%
9	Annualized Accounts Receivable Financing	<u>\$554,643</u>
10	Total Annualization Interest (Ln 3 + Ln 6 + Ln 9)	<u>\$32,547,252</u>
11	Total Interest Charges per Books (Excludes Account 4320000 - ABFUDC)	\$38,665,107
12	Percent Retail (GP-TOT)	0.989
13	Retail Interest (Ln 11 X Ln 12)	<u>\$38,239,791</u>
14	Increase Interest Expense (Ln 10 - Ln 13)	(\$5,692,539)
15	SIT Rate	5.7348%
16	SIT Adjustment (Ln 14 X Ln 15)	<u>\$326,456</u>
17	Net Change for FIT (Ln 14 + Ln 16)	(\$5,366,084)
18	FIT Rate	0.35
19	FIT Adjustment (Ln 17 X Ln 18)	<u>\$1,878,129</u>
20	Total State and Federal Income Tax Expense (Ln 16 + Ln 19)	<u>\$2,204,585</u>

Witness: R. K. Wohnhas