Kentucky Power's Responses to Staff's July 22, 2016 Informal Conference Data Requests

1. Form 3.0, please provide detailed support for the $13,058,749 amount.

   Please see KPCO_R_IC_1_Attachment1 for the detailed support on expenses for Form 3.0, in addition to the revised BS1OR filing.

2. Why is the total return of $4.461M considered demand-related?

   The $4,461,766 shown on the "total return" row of BS1 Form 3.0 reflects the Company's return on and of its investment. As a fixed cost, the "total return" is properly allocated to demand and not energy. This treatment of the Company's return of and on its investment in Big Sandy Unit 1 is consistent with the treatment in the Company's base rate cases of the return on and of other assets, and this treatment is reflected in the Company's base rates.

3. Shouldn't the under-recovery of $6.1 million from the previous year follow the allocation from the previous year rather than the current year?

   No. It is more appropriate for the collection of the under-recovery to follow the allocation of the actual costs and the most recent going level cost of service as reflected in the demand and energy components of rates in effect during the period the under-recovery is being collected. The allocation will not affect the amount collected by Kentucky Power. The proposed methodology for allocating the under-recovery between demand and energy also is consistent with the BS1OR forms provided to Staff and the parties in connection with the May 28, 2015 Informal Conference in Case No. 2014-00396.

4. In general, why was the demand/energy split around 50/50% last year and 93/7% this year?

   Following the reallocation between demand and energy of the amounts in Account 5120000 "Maintenance of Boiler Plant" discussed at the July 22, 2016 telephone conference, the revised allocation of Big Sandy Unit 1 operating and maintenance expenses between demand and energy is 78/22% respectively.

   The reduced allocation to energy reflects decreased PJM energy charges (congestion and loss charges) during the past 12 months as a result of the retirement of generation and enhancement of transmission leading to reduced congestion and loss charges in the Big Sandy area.

5. The estimated amount was around $18 M. What caused the increase?

   The increase the Big Sandy 1 Operating Rider revenue requirement reflects lower sales volumes than projected during the initial year of operation, higher actual O&M expenses than the test year amounts included in the initial revenue requirement calculation, and the inclusion of the return on and of the new gas plant (from the conversion) in service.