

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF: THE APPLICATION OF KENTUCKY POWER :
COMPANY FOR (1) GENERAL ADJUSTMENT OF ITS RATES FOR : **Case No. 2014-00396**
ELECTRIC SERVICE; (2) AN ORDER APPROVING ITS 2014 :
ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER :
APPROVING ITS TARIFFS AND RIDERS; AND (4) AN ORDER :
GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF :

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s
SECOND SET OF DATA REQUESTS
TO
KENTUCKY POWER COMPANY**

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Dated: February 24, 2015

DEFINITIONS

1. "Document(s)" is used in its customary broad sense and includes electronic mail and all written, typed, printed, electronic, computerized, recorded or graphic statements, memoranda, reports, communications or other matter, however produced or reproduced, and whether or not now in existence, or in your possession.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion whether preliminary or final.
3. If any document requested herein was at one time in existence, but has been lost, discarded or destroyed, identify such document as completely as possible, including the type of document, its date, the date or approximate date it was lost, discarded or destroyed, the identity of the person (s) who last had possession of the document and the identity of all persons having knowledge of the contents thereof.
4. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
5. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
6. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
7. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
8. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
9. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
10. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
11. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
12. "Kentucky Power" or "KPCo" means Kentucky Power Company and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s
SECOND SET OF DATA REQUESTS TO
KENTUCKY POWER COMPANY
Docket No. 2014-00396**

Q.2-1. Refer to the Company's response to KIUC 1-18. Please provide all calculations in support of each amount shown on the attachment spreadsheet in electronic spreadsheet format and with all formulas intact. Please describe each component of the calculation and source the data used in the calculation. If there are any input values, then provide the source and/or calculation of these values as well.

Q.2-2. Refer to the Company's response to KIUC 1-21(c). The question asked:

Please confirm that the Company agrees that income tax expense should reflect a reduction for the PCLA. If the Company does not agree, then please provide all reasons why it does not agree and why the Company believes this Commission should treat it differently than Appalachian Power Company's proposal in West Virginia.

The Company's response stated:

Should the Kentucky Commission determine that it would now be appropriate to include the PCLA adjustment as a reduction to income tax expense in this proceeding, the Company would comply.

Please respond to the question that was asked in KIUC 1-21(c). The question did not ask if the Company would comply, but rather, it asked the Company to confirm that income tax expense should reflect a reduction for the PCLA.

Q.2-3. Refer to the Company's response to KIUC 1-29. The Company was asked to provide the effects of the 2014 extension of bonus depreciation and to provide revised schedules and calculations. The Company provided a quantification of \$23.6 million, but did not provide any revised schedules or calculations.

- a. Please provide the revised schedules, including all calculations in electronic spreadsheet format with all formulas intact.
- b. Please provide the calculation of the \$23.6 million cited in the response in electronic spreadsheet format with all formulas intact.
- c. In its response, the Company referred to "hypothetical revisions" to the schedules. Please explain what the Company means by the use of this term.
- d. Please confirm that the Company agrees that the capitalization at September 30, 2014 should be revised to reflect the additional federal ADIT resulting from the 2014 extension of bonus depreciation. If the Company does not agree, then please provide all reasons why it does not agree and why it believes that the Commission should provide a return on amounts that the Company has not invested.
- e. Please provide the accounting entries related to the 2014 extension of bonus depreciation in December 2014 and the underlying calculations in electronic spreadsheet format with all formulas intact. Provide the calculation of the incremental tax depreciation and ADIT for each month based on the plant additions in each month January 2014 through September 2014.

- Q.2-4. Refer to the Company's response to KIUC 1-32. The question asked for the amount of incentive compensation expense pursuant to the LTIP included in the revenue requirement in the test year. The response did not provide this information. Please provide it, along with all calculations and supporting documentation.
- Q.2-5. Refer to the Company's response to KIUC 1-34. The question asked for amortization expense associated with each regulatory asset for each year 2010 – 2014 and the test year. The Company provided the beginning and ending balances as well as the net debits and net credits in each year. However, it did not provide the amortization expense that was requested. Please provide this information in the format requested.
- Q.2-6. Refer to the Company's response to KIUC 1-35. Please provide a copy of the depreciation study, underlying workpapers, and witness testimony resulting in the depreciation rates approved in Case No. 91-066.
- Q.2-7. Refer to the Company's response to KIUC 1-38, which confirms that the Company had \$0 in short term debt at year-end, but that it issued short-term debt throughout the test year.
- a. Please indicate if the Company opposes using a 13-month average or 12-month daily average of short-term debt in lieu of the test year-end level to determine the capital structure and weighted cost of capital used for the return on capitalization.
 - b. If the response to part (a) of this question is yes, then please provide all reasons why the use of a 13 month average or 12 month daily average of short term debt to determine the capital structure and weighted cost of capital used for the return on capitalization would not be appropriate.
- Q.2-8. Refer to the Company's response to KIUC 1-41, which shows a short-term investment in the AEP Utility Money Pool of \$9.577 million at September 30, 2014.
- a. Please confirm that the investment in the Money Pool is not a rate base investment.
 - b. Please provide all reasons why the Company did not reduce capitalization at September 30, 2014 for the investment in the Money Pool.
- Q.2-9. Please confirm that on any day when the Company holds a short term investment in the AEP Utility Money Pool it cannot be financing Big Sandy coal related assets, Big Sandy M&S, Big Sandy CWIP or Mitchell FGD with short term debt borrowed through the Money Pool. If the Company does not agree, then please provide all reasons why this is not correct.
- Q.2-10. Refer to Section V Sch 3. The Company proposes an adjustment to reduce capitalization for the CARRS site.
- a. Please explain why it did not propose similar adjustments to reduce capitalization for IGCC and CCS/FEED.
 - b. Please confirm that the IGCC and CCS/FEED deferred costs are not included in the per books capitalization because the Company wrote-off (or established an offsetting "regulatory provision") these costs.
 - c. Please describe the Company's writeoffs of the IGCC and CCS/FEED costs and provide the journal entries, including the related tax effects.
- Q.2-11. Refer to Section V Exhibit 2 W31 and the spreadsheet provided in response to KIUC 1-17 labeled KIUC_1_17_Attachment66_31_33_Remove_BS_O_M_AnnualizeMitchell. Please provide all calculations of the Big Sandy generation per books for each A&G expense account/subaccount. Start with the total per books expense for each A&G expense

account/subaccount, show any allocations to generation, any direct assignments to Big Sandy and any other direct assignments, and then show amounts allocated to Big Sandy. For amounts allocated to Big Sandy, start with the total per books after functionalization to generation and direct assignments for each account/subaccount and then provide each calculation resulting in an allocation to Big Sandy. Provide all allocation factors used, including the data used to develop the allocation factors and the source data used for this purpose.

Q.2-12. Refer to the Company's response to KIUC 1-53 wherein the question asked if the Company was seeking a "reversal" of the Commission's decision in Case No. 2012-00578 on the recovery of the Big Sandy 2 FGD deferred costs. The response referred to the Company's response to Staff 2-107, which explained why the Company sought recovery again in this case.

- a. Please confirm or deny that the Company seeks a reversal of the Commission's decision on the recovery of the Big Sandy 2 FGD deferred costs in Case No. 2012-00578.
- b. Is it the Company's position that each component of the Commission's decision on the recovery of Mitchell and Big Sandy costs in Case No. 2012-00578 can be revisited in this proceeding? If not, then please identify which components can be revisited and which ones cannot and the basis for the distinction on each such component.

Q.2-13. Refer to the response to KIUC 1-57.

- a. When does the Company plan to file such a CPCN? For example, does it plan to file a CPCN in the next year or does it plan to wait until a few years prior to retiring BS1 or does it plan some other timing?
- b. Please confirm that if dismantling and ARO costs are included in the BSRR at the levels and on the basis sought by the Company in this proceeding, it will effectively pre-determine and affirm the Company's decision to not consider a lower cost retirement in place alternative. Please explain your response.

Q.2-14. Please refer to the spreadsheet provided in response to KIUC 1-17 labeled KIUC_1_17_Attachment69_56_Removalcoalrelatedassets.

- a. Please explain why there are no assets in the general plant accounts.
- b. Please confirm that there are BS1 and BS2 assets in the general plant accounts.
- c. Please quantify the BS1 coal-related and BS2 assets in the general plant accounts that should be removed from the base revenue requirement. Provide the gross plant in service, accumulated depreciation and ADIT at September 30, 2014.
- d. Please quantify the BS1 coal-related and BS2 assets in the general plant accounts that would or should be included in the BSRR at June 1, 2015, assuming they are removed from the base revenue requirement. Provide the gross plant in service, accumulated depreciation and ADIT quantified in the same manner as the Company quantified the BS1 coal-related and BS2 assets in the functional plant accounts for this purpose.

Q.2-15. Refer to the Company's response to KIUC 1-8, Attachment 1. Please explain why there are two entries (a revenue account 456... and an expense account 565...) for: Network Integrated Transmission Service, Schedule 1a Charges and Transmission Enhancement Charges. Also explain why Firm and Non-Firm PTP revenues are included as a credit and assigned directly to KPCo.

Q.2-16. Refer to Section V Exhibit 2 W34.

- a. Please provide the same information for the twelve months ending September 30, 2010 and September 30, 2011.
- b. Please provide the same information for each calendar year 2010 through 2014.
- c. Please provide a narrative description of the reasons for the variations in Mitchell maintenance expense for each 12-month ending September 30 and each calendar year compared to the prior year.

Q.2-17. Please provide the rating agency financial ratios for Kentucky Power over that last five years. Please provide all work papers and supporting calculations with spreadsheets and cell formulas intact. The response should include the ratios used by Standard and Poor's and Moody's used to evaluate Kentucky Power's bond and credit ratings and show each component part of the ratio is calculated. Please include any items such as purchased power obligations that are considered in the calculation of the financial ratios.

Q.2-18. Regarding Adjustment W09 sponsored by Company Witness Vaughan.

- a. Please provide all workpapers electronically, with all formulas intact, that were used to develop the -\$14.3 million adjustment for Total Sales for Resale.
- b. Please provide a spreadsheet that reconciles electronically, with all formulas intact, the -\$14.3 million adjustment for Total Sales for Resale with the support the Company provided in response to KIUC 1-64 for the level of margins from off-system sales, which was \$24,288,344.
- c. Please indicate where in the Company's filing of exhibits, the off-system sales margin of \$24,288,344 may be found.
- d. Please provide all workpapers electronically, with all formulas intact, that were used to develop the -\$24.8 million adjustment to Total Purchase Power.

Q.2-19. Regarding Adjustment W09 sponsored by Company Witness Vaughan. Please refer to the Company's response to DR 1-66. Alex Vaughan's October 6, 2014 email stated "We need to come to a consensus on how to best calculate the "normal" level of annual OSS margins KPCo can expect after Big Sandy 2 retires. Our test year obviously is going to be a little over-stated due to the Mitchell acquisition Whatever we decide on, it needs to be understandable and "known and measurable" if we want it to stand a chance of being adopted by the Commission in the base case."

- a. Mr. Vaughan indicated that the OSS margins would be a little overstated, what did he mean by that?
- b. Please confirm that the level of OSS margins that the Company assumed in the filing was \$24,288,344, and the adjustment was \$14,295,833, which adjustment is 58% of the amount assumed in the filing. If these values are not accurate, please provide the accurate information. If the values are correct, please explain how the Company believes this is just a little overstatement.
- c. Please supply all workpapers that were created in the development of the annual OSS margins.
- d. Please provide a narrative explanation of the methodology used to calculate the OSS margins.
- e. Please explain why the Company believes the methodology that was selected was determined to be understandable.

- f. Please explain why the Company believes the methodology that it selected was determined to be “known and measurable”.

Q.2-20. Concerning KIUC_1_67_Confidential_Attachment1.pdf, which contains Internal Requirements Excluding Marginal Losses, Generation for Off-System Sales and Assumed Generation and Purchases for 2015 and 2016.

- a. Please provide a narrative explanation of how the projections were developed including a discussion of all assumptions made.
- b. Please provide the same information, but monthly and provide it in spreadsheet format with all formulas intact.

Q.2-21. Regarding KIUC 1-70.

- a. Please provide associated costs/revenues with each of the items included in the response (See spreadsheet - KIUC_1_70_Attachment1.xls). Please provide this electronically in spreadsheet format with all formulas intact. In the case of sales please include the costs of making the sales.
- b. Please reconcile the OSS energy found in KIUC 1-72 to the sales categories in KIUC 1-70. For example, OSS energy for October 2013 in KIUC 1-72 is 63,851 MWH, while Third Party Sales in KIUC 1-70 is 143,330 MWH. Please provide this electronically with all formulas intact.

Q.2-22. Please provide the file KIUC_1_71_Attachment1.pdf containing fuel cost information for the Test Year period (October 2013 – Sept 2014) in excel spreadsheet format with all formulas intact.

Q.2-23. Exhibit JAR-3 (which was provided in KIUC 1-75) derives an adjustment due to an over-recovery of fuel cost. Column 9 is identified to be Deferred Fuel. Please explain what deferred fuel is and provide a workpaper showing the derivation of Deferred Fuel cost for each month.

Q.2-24. DR request KIUC 1-78 sought information explaining how Big Sandy 1 costs are to be recovered per the Company’s filing. KIUC 1.17 Attach 46 was supplied in response, and it includes a category of costs entitled Non-Fuel Plant O&M – Demand and Energy, which sums to \$12,501,844. Embedded in that amount is the BS1 Base Fuel amount of \$1,559,769 (From KIUC 1.17 Attach 47). Please explain why the Company is seeking to recover fuel costs through Non-Fuel items in the BS1OR.

Q.2-25. As a follow-up to KIUC 1-92, related to Mr. Vaughan’s testimony at page 25, related to congestion costs, the Company stated that “the energy portion of LMP and the congestion portion of LMP are not calculated in the same manner by PJM.”

- a. Please explain in detail the way that PJM calculates the energy portion of LMP and the congestion portion of LMP, and explain further what Mr. Vaughan meant when he said that these are not calculated in the same manner by PJM.
- b. Please provide the hourly energy portion of LMP, and the hourly congestion portion of LMP for Jan and Feb 2014. Please provide this in excel spreadsheet format, with all formulas intact.
- c. Please provide the hourly energy portion of LMP, and the hourly congestion portion of LMP for each hour in the months of January and February 2015. Please provide this in excel spreadsheet format, with all formulas intact.

d. Please provide the congestion charges and the offsetting FTRs, for each of the following months, January 2014, February 2014, January 2015 and February 2015. Please provide this in excel spreadsheet format, with all formulas intact.

Q.2-26. As a follow-up to KIUC 1-85, related to AEV 5, page 2 of 5, please provide all of the values in columns A – E, but provide them by month for all of the rows in the Exhibit. Please provide this electronically in excel format with all formulas intact.



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Dated: January 29, 2015