

EXHIBIT RCS-1

Kentucky Power Company
Case No. 2014-00396
Exhibit RCS-1

Accompanying the Direct Testimony of Ralph Smith

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Kentucky Power Company
Calculation of Revenue Deficiency (Sufficiency)

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Schedule A
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Test Year Ended September 30, 2014

Line No.	Description	Reference	Per Company (A)	Per AG (B)	Difference (C)
1	Adjusted Capitalization	Sch B	\$ 1,147,480,328	\$ 1,124,095,996	\$ (23,384,332)
2	Rate of return	Sch D	7.71%	6.63%	
3	Net operating income required		\$ 88,470,733	\$ 74,550,046	\$ (13,920,687)
4	Adjusted net operating income	Sch C	\$ 91,334,037	\$ 95,484,376	\$ 4,150,339
5	Net operating income deficiency (Sufficiency)		\$ (2,863,304)	\$ (20,934,330)	\$ (18,071,026)
6	Gross revenue conversion factor	Sch A-1	1.6402	1.6402	
7	Revenue deficiency (Sufficiency)		\$ (4,696,331)	\$ (34,336,046)	\$ (29,639,715)
8	Big Sandy Retirement Rider	RCS-2	\$ 21,855,982	\$ 11,114,216	\$ (10,741,766)
9	Big Sandy Unit 1 Operation Rider	RCS-3	\$ 18,245,413	\$ 12,564,066	\$ (5,681,347)
10	Environmental Surcharge Related to Mitchell FGD	RCS-4	\$ 34,391,339	\$ 31,111,581	\$ (3,279,758)
11	Kentucky Economic Development Surcharge	Note 1	\$ 307,506	\$ -	\$ (307,506)
12	Transmission Adjustment from CCOS Study	Note 2	\$ (126,908)	\$ -	\$ 126,908
13	Change in Revenue		\$ 69,977,002	\$ 20,453,816	\$ (49,523,185)
14	Adjusted operating revenues	Sch C	\$ 560,593,075	\$ 561,645,013	\$ 1,051,938
15	Revenue requirement	Sch C	\$ 630,570,077	\$ 582,098,829	\$ (48,471,248)
16	Revenue increase, percent		12.48%	3.64%	

Notes and Source

Col.A: Section V, Exhibit 1, Schedule 1 from Company filing

Col.B: See referenced schedules

Col.C: Col B - Col. A

[1] See testimony. A new surcharge for economic development has not been shown to be necessary and is being removed
[2] The Company's transmission adjustment is being removed to keep transmission costs in KPCo's base rates.

Kentucky Power Company
Revenue Requirement Reconciliation

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Schedule A
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Test Year Ended September 30, 2014

Line No.	Description	Exhibit RCS-1 Schedule Reference	Component	AG Adjustments (A)	AG Multiplier (B)	AG Revenue Requirement Amount (C)
1		D	ROR Difference		-1.08%	
2	Jurisdictional Capitalization	A-1	GRCF		x 1.6402	
3	Capitalization per KPCo's Filing	B		\$ 1,147,480,328	-1.768%	\$ (20,288,747)
4		D	Rate of Return		6.63%	
5	Effect of AG Adjustments to Rate Base	A-1	GRCF		x 1.6402	
6	2014 50% Bonus Depreciation	B-1		<u>\$ (23,346,433)</u>	10.88%	\$ (2,539,547)
7	Contributions in Aid of Construction	B-2		\$ (37,899)	10.88%	\$ (4,123)
8	Cash Working Capital	B-3			10.88%	\$ -
9	Total AG Rate Base Adjustments			<u>\$ (23,384,332)</u>		
10	AG Adjusted Capitalization	B&D		<u>\$ 1,124,095,996</u>		
11	Net Operating Income					
			Pre-Tax Operating Income Amount	NOI Amount Sch C.1	AG GRCF Sch. A-1	
12	Effect of AG Adjustments on NOI					
12	Commercial and Industrial Customer Revenue	C-1	\$ 1,051,938	\$ 644,547	1.6402	\$ (1,057,173)
13	Amortization of Deferred IGCC Costs	C-2	\$ 52,505	\$ 32,171	1.6402	\$ (52,766)
14	Amortization of Deferred CCS FEED Study Costs	C-3	\$ 34,425	\$ 21,093	1.6402	\$ (34,597)
15	Amortization of Deferred CARRS Site Costs	C-4	\$ 103,330	\$ 63,313	1.6402	\$ (103,844)
16	Amortization of Deferred Preliminary Big Sandy FGD Costs	C-5	\$ 1,105,293	\$ 677,240	1.6402	\$ (1,110,794)
17	Parent Company Loss Allocation	C-6	\$ -	\$ 314,997	1.6402	\$ (516,651)
18	Incentive Compensation Expense	C-7	\$ 4,607,841	\$ 2,823,334	1.6402	\$ (4,630,773)
19	Stock-Based Compensation	C-8	\$ 2,614,851	\$ 1,602,182	1.6402	\$ (2,627,865)
20	Engage To Gain Program Costs	C-9	\$ 145,421	\$ 89,103	1.6402	\$ (146,144)
21	PJM Charges and Credits Related to Big Sandy Unit 1	C-10	\$ (4,221,140)	\$ (2,586,393)	1.6402	\$ 4,242,147
22	Miscellaneous Expenses	C-11	\$ 365,132	\$ 223,725	1.6402	\$ (366,949)
23	Mitchell Plant Maintenance Expense Normalization	C-12	\$ 998,577	\$ 611,852	1.6402	\$ (1,003,547)
24	Interest Synchronization	C-13	\$ -	\$ (366,824)	1.6402	\$ 601,657
25	Total AG Adjustments to Operating Income	C.1	<u>\$ 6,858,173</u>	\$ 4,150,339		
26	Net Operating Income per Company Filing	C		<u>\$ 91,334,037</u>		
27	AG Adjusted Net Operating Income	C		<u>\$ 95,484,376</u>		
	Gross Revenue Conversion Factor Difference:					
28	Per AG	A-1			1.6402	
29	Per Company	A-1			1.6402	
30	Difference				0.000000	
31	Company Adjusted NOI Deficiency	A			\$ (2,863,304)	
32	GRCF Difference					\$ -
33	AG REVENUE REQUIREMENT ADJUSTMENTS ABOVE					\$ (29,639,716)
34	Company Requested Base Rate Revenue Increase (Decrease)	A				\$ (4,696,331)
35	Reconciled Revenue Requirement					\$ (34,336,047)
36	Revenue Requirement Calculated on Schedule A	A				\$ (34,336,046)
37	Difference Not Accounted for Above	A				\$ (1)

Notes and Source

Pre-tax return computed using Gross Revenue Conversion Factor

Test Year Ended September 30, 2014

Line No.	Description	Reference	Tax Rates	Per Company (A)
1	Operating Revenues			100.00%
2	Uncollectible Accounts Expense	Note A		0.30%
3	KPSC Maintenance Fee	Note A		0.20%
4	Income Before State Taxes			99.50%
5	Less: State Income Taxes	Note A	5.7348%	5.71%
6	Income Before Federal Income Taxes			93.80%
7	Less: Federal Income Taxes	Note A	35.00%	32.83%
8	Operating Income Percentage			60.97%
9	Gross Revenue Conversion Factor	Note A		1.6402

Notes and Source

[A] Section V, Exhibit 1, Workpaper S-2, page 2 from KPco filing

10 Combined state and federal income tax rate (L5 + L7) / L4 38.7276%

Components of Base Rate Revenue Change

	Percent	Per AG
11 Revenue Change		\$ (34,336,046)
Change in Expenses and Net Operating Income:		
12 Uncollectible Accounts Expense	0.30%	\$ (103,008)
13 KPSC Maintenance Fee	0.20%	\$ (67,024)
14 State Income Taxes	5.71%	\$ (1,959,353)
15 Federal Income Taxes	32.83%	\$ (11,272,331)
16 Net Operating Income	60.97%	\$ (20,934,330)
17 Total Revenue Change	100.00%	\$ (34,336,046)

Line No.	Description	Company Proposed (A)	AG Adjustments (B)	AG Proposed (C)
RATE BASE				
Electric Utility Plant				
1	Electric Plant in Service - Original Cost	\$ 1,868,588,567	\$ -	\$ 1,868,588,567
2	Property Under Capital Leases	\$ -	\$ -	\$ -
3	Electric Plant Held for Future Use	\$ 626,976	\$ -	\$ 626,976
4	Construction Completed Not Classified	\$ 147,242,526	\$ -	\$ 147,242,526
4	Accrued Capital Leases	\$ -	\$ -	\$ -
5	Construction Work in Progress	\$ 77,599,950	\$ (37,899)	\$ 77,562,051
6	Total Electric Utility Plant	\$ 2,094,058,019	\$ (37,899)	\$ 2,094,020,120
7	Accumulated Provision for Depreciation	\$ (670,428,624)	\$ -	\$ (670,428,624)
8	Accumulated Provision for Amortization	\$ (18,990,659)	\$ -	\$ (18,990,659)
9	Net Electric Utility Plant	\$ 1,404,638,736	\$ (37,899)	\$ 1,404,600,837
Materials and Supplies				
10	Fuel	\$ 17,122,427	\$ -	\$ 17,122,427
11	SO2 Allowance Inventory - Current	\$ 13,292,476	\$ -	\$ 13,292,476
12	CO2 Allowance Inventory - Current	\$ -	\$ -	\$ -
13	Urea	\$ 1,511,939	\$ -	\$ 1,511,939
14	Other Accounts	\$ 14,118,856	\$ -	\$ 14,118,856
15	Total Materials and Supplies	\$ 46,045,698	\$ -	\$ 46,045,698
Additions to Rate Base				
16	Prepayments and Other Current Assets	\$ 2,476,840	\$ -	\$ 2,476,840
17	Cash Working Capital	\$ 43,570,708	\$ (725,779)	\$ 42,844,929
18	Total Additions to Rate Base	\$ 46,047,548	\$ (725,779)	\$ 45,321,769
Deductions from Rate Base				
18	Customer Advances & Deposits	\$ (25,377,961)	\$ -	\$ (25,377,961)
19	Accumulated Deferred Income Taxes	\$ (313,167,506)	\$ (23,346,433)	\$ (336,513,939)
20	Total Deductions from Rate Base	\$ (338,545,467)	\$ (23,346,433)	\$ (361,891,900)
21	Total Rate Base	\$ 1,158,186,515	\$ (24,110,111)	\$ 1,134,076,404
22	Jurisdictional Capitalization - see page 2	\$ 1,147,480,328	\$ (23,384,332)	\$ 1,124,095,996

Notes and Source

Col. A: Amounts from Section IV, page 3 of 19 from KPCo's filing

Col. B: See Schedule B-1

Kentucky Power Company
Reconciliation of Adjusted Rate Base to Capitalization
Test Year Ended September 30, 2014

Exhibit RCS-1
Schedule B
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Line No.	Description	Per Company Amount	Reference
1	Total KPSC Jurisdictional Rate Base	\$ 1,158,186,515	Section V, Schedule 1, line 15
	Assets		
2	Cash	\$ 1,749,762	
3	Accounts Receivable Net	\$ 76,799,180	
4	Other Property and Investments	\$ 5,548,144	
5	Allowance Inventory	\$ 13,622,289	
6	Accrued Utility Revenues	\$ -	
7	Energy Trading Contracts	\$ 8,381,542	
8	Other Current Assets	\$ 61,439	
9	Unamortized Loss Reacquired Debt	\$ 611,282	
10	Property Taxes	\$ 4,528,249	
11	Other Deferred Debits	\$ 260,847,943	
12	Total Assets	\$ 372,149,830	Lines 2-11
	Liabilities		
13	Accounts Payable	\$ (91,716,477)	
14	Taxes Accrued	\$ (39,297,426)	
15	Interest Accrued	\$ (5,298,052)	
16	Obligations Under Capital Leases	\$ (4,506,282)	
17	Accumulated Provisions - Miscellaneous	\$ (70,656,153)	
18	Other Current and Accrued Liabilities	\$ (48,101,128)	
19	Regulatory Liabilities	\$ (5,755,097)	
20	Other Deferred Credits	\$ (198,594,410)	
21	Total Liabilities	\$ (463,925,025)	Lines 13-20
22	Difference Between Jurisdictional Rate Base and Net Assets and Liabilities	\$ 1,066,411,320	L1 + L12 + L21
23	Unadjusted Jurisdictional Cash Working Capital Per KPCo	\$ 41,470,569	Section V, Schedule 4, Col. 6, line 43
24	Subtotal	\$ 1,107,881,889	L22 + L23
25	Difference*	\$ 39,598,439	FR 807 KAR 5:001 Section 16 (4)(i)
26	Total KPSC Jurisdiction Capitalization	\$ 1,147,480,328	L24 + L25

Notes and Source
Col. A: Amounts from Filing Requirement 807 KAR 5:001 Section 6 (4)(i), page 392 from Company filing

* See supplemental response to AG 1-285 for a reconciliation of this amount

Line No.	Description	AG Adjustments	Contributions in		Cash Working Capital
			2014 50% Bonus Depreciation B-1	Aid of Construction B-2	
Electric Utility Plant					
1	Electric Plant in Service - Original Cost	\$ -			
2	Property Under Capital Leases	\$ -			
3	Electric Plant Held for Future Use	\$ -			
4	Construction Completed Not Classified	\$ -			
4	Accrued Capital Leases	\$ -			
5	Construction Work in Progress	\$ (37,899)	\$ (37,899)		
6	Total Electric Utility Plant	\$ (37,899)	\$ (37,899)	\$ -	\$ -
7	Accumulated Provision for Depreciation	\$ -			
8	Accumulated Provision for Amortization	\$ -			
9	Net Electric Utility Plant	\$ (37,899)	\$ (37,899)	\$ -	\$ -
Materials and Supplies					
10	Fuel	\$ -			
11	SO2 Allowance Inventory - Current	\$ -			
12	CO2 Allowance Inventory - Current	\$ -			
13	Urea	\$ -			
14	Other Accounts	\$ -			
15	Total Materials and Supplies	\$ -	\$ -	\$ -	\$ -
Additions to Rate Base					
16	Prepayments and Other Current Assets	\$ -			
17	Cash Working Capital	\$ (725,779)			\$ (725,779)
18	Total Additions to Rate Base	\$ (725,779)	\$ -	\$ -	\$ (725,779)
Deductions from Rate Base					
18	Customer Advances & Deposits	\$ -			
19	Accumulated Deferred Income Taxes	\$ (23,346,433)	\$ (23,346,433)		
20	Total Deductions from Rate Base	\$ (23,346,433)	\$ (23,346,433)	\$ -	\$ -
21	Total Rate Base	\$ (24,110,111)	\$ (23,346,433)	\$ (37,899)	\$ (725,779)

Notes and Source
 See referenced schedule for each adjustment

Test Year Ended September 30, 2014

Line No.	Description	Per AG				
		Per Company (A)	AG Adjustments (B)	Per AG (C)	Components of Revenue Change (D)	Revenue Requirement Impact (E)
	Operating Revenue					
1	Sales of Electricity	\$ 560,593,075	\$ 1,051,938	\$ 561,645,013	\$ (34,336,046)	\$ 527,308,967
2	Other Operating Revenues	\$ 10,006,585	\$ -	\$ 10,006,585		\$ 10,006,585
3	Total Operating Revenues	<u>\$ 570,599,660</u>	<u>\$ 1,051,938</u>	<u>\$ 571,651,598</u>	<u>\$ (34,336,046)</u>	<u>\$ 537,315,552</u>
	Operating Expenses					
4	Operations & Maintenance	\$ 348,652,947	\$ (5,806,235)	\$ 342,846,712	\$ (170,032)	\$ 342,676,680
5	Depreciation	\$ 84,021,979	\$ -	\$ 84,021,979		\$ 84,021,979
6	Taxes Other Than Income Taxes	\$ 19,291,300	\$ -	\$ 19,291,300		\$ 19,291,300
7	Other Including Customer Deposits	\$ 1,483,378	\$ -	\$ 1,483,378		\$ 1,483,378
8	State Income Tax	\$ 4,290,707	\$ 447,622	\$ 4,738,329	\$ (1,959,353)	\$ 2,778,976
9	Federal Income Tax:					
10	Current	\$ 27,319,239	\$ 2,260,212	\$ 29,579,451	\$ (11,272,331)	\$ 18,307,120
11	Deferred	\$ (38,015)	\$ -	\$ (38,015)		\$ (38,015)
12	ITC Adjustment	\$ -	\$ -	\$ -		\$ -
13	Total Operating Expenses	<u>\$ 485,021,535</u>	<u>\$ (3,098,401)</u>	<u>\$ 481,923,134</u>	<u>\$ (13,401,716)</u>	<u>\$ 468,521,418</u>
14	Net Electric Operating Income	\$ 85,578,125	\$ 4,150,339	\$ 89,728,464	\$ (20,934,330)	\$ 68,794,134
15	AFUDC Offset Adjustment/Deferred Income	\$ 5,755,911	\$ -	\$ 5,755,911		\$ 5,755,911
16	Net Electric Operating Income - Adjusted	<u>\$ 91,334,037</u>	<u>\$ 4,150,339</u>	<u>\$ 95,484,376</u>	<u>\$ (20,934,330)</u>	<u>\$ 74,550,045</u>
17	Capitalization	<u>\$ 1,147,480,328</u>	<u>\$ (23,384,332)</u>	<u>\$ 1,124,095,996</u>		<u>\$ 1,124,095,996</u>
18	Earned Rate of Return	<u>7.96%</u>		<u>8.49%</u>		<u>6.63%</u>

Notes and Source

Col.A: KPCo Exhibit 1, Section V, Schedule 1

Col.B: Schedule C.1

Col.C: Col.A + Col.B

Col.D: Schedule A-1

Col.E: Col. C + Col. D

Kentucky Power Company
 Summary of Net Operating Income Adjustments

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 Schedule C.1
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Test Year Ended September 30, 2014

Line No.	Description	AG Adjustments	Commercial & Industrial Customer Revenue	Reverse Company Amortization of Deferred IGCC Costs	Reverse Company Amortize Deferred CARRS Site Costs Over 25 Years	Reverse Company Adjustment to Amortize Deferred CARRS Site Costs Over 25 Years
			C-1	C-2	C-3	C-4
Operating Revenue						
1	Sales of Electricity	\$ 1,051,938	\$ 1,051,938			
2	Other Operating Revenues	\$ -				
3	Total Operating Revenues	\$ 1,051,938	\$ 1,051,938	\$ -	\$ -	\$ -
Operating Expenses						
4	Operations & Maintenance	\$ (5,806,235)		\$ (52,505)	\$ (34,425)	\$ (103,330)
5	Depreciation	\$ -				
6	Taxes Other Than Income Taxes	\$ -				
7	Other Including Customer Deposits	\$ -				
8	Operating Expenses Before Taxes	\$ (5,806,235)		\$ (52,505)	\$ (34,425)	\$ (103,330)
9	Operating Income Before Income Taxes	\$ 6,858,173	\$ 1,051,938	\$ 52,505	\$ 34,425	\$ 103,330
10	State Income Tax	\$ 447,622	\$ 60,327	\$ 3,011	\$ 1,974	\$ 5,926
11	Federal Income Tax:					
12	Current	\$ 2,260,212	\$ 347,064	\$ 17,323	\$ 11,358	\$ 34,091
13	Deferred	\$ -				
14	ITC Adjustment	\$ -				
15	Total State and Federal Income Taxes	\$ 2,707,834	\$ 407,391	\$ 20,334	\$ 13,332	\$ 40,017
16	Total Operating Expenses	\$ (3,098,401)	\$ 407,391	\$ (32,171)	\$ (21,093)	\$ (63,313)
17	Net Electric Operating Income	\$ 4,150,339	\$ 644,547	\$ 32,171	\$ 21,093	\$ 63,313
18	AFUDC Offset Adjustment/Deferred Income	\$ -				
19	Net Electric Operating Income - Adjusted	\$ 4,150,339	\$ 644,547	\$ 32,171	\$ 21,093	\$ 63,313

Notes and Source

Line 10 State Income Tax	5.73%
Line 12 Federal Income Tax	35.00%

Kentucky Power Company
 Summary of Net Operating Income Adjustments

Test Year Ended September 30, 2014

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 Schedule C.1
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Line No.	Description	Reverse Company Adjustment to Amortize Deferred Preliminary Big Sandy FGD Costs Over 25 Years C-5	Parent Company Loss Allocation C-6	Incentive Compensation Expense C-7	Stock-Based Compensation Expense C-8	Engage to Gain Program C-9
Operating Revenue						
1	Sales of Electricity					
2	Other Operating Revenues					
3	Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses						
4	Operations & Maintenance	\$ (1,105,293)	\$	\$ (4,607,841)	\$ (2,614,851)	\$ (145,421)
5	Depreciation					
6	Taxes Other Than Income Taxes					
7	Other Including Customer Deposits					
8	Operating Expenses Before Taxes	\$ (1,105,293)	\$ -	\$ (4,607,841)	\$ (2,614,851)	\$ (145,421)
9	Operating Income Before Income Taxes	\$ 1,105,293	\$ -	\$ 4,607,841	\$ 2,614,851	\$ 145,421
10	State Income Tax	\$ 63,386	\$ -	\$ 264,250	\$ 149,956	\$ 8,340
11	Federal Income Tax:					
12	Current	\$ 364,667	\$ (314,997)	\$ 1,520,257	\$ 862,713	\$ 47,978
13	Deferred					
14	ITC Adjustment					
15	Total State and Federal Income Taxes	\$ 428,053	\$ (314,997)	\$ 1,784,507	\$ 1,012,669	\$ 56,318
16	Total Operating Expenses	\$ (677,240)	\$ (314,997)	\$ (2,823,334)	\$ (1,602,182)	\$ (89,103)
17	Net Electric Operating Income	\$ 677,240	\$ 314,997	\$ 2,823,334	\$ 1,602,182	\$ 89,103
18	AFUDC Offset Adjustment/Deferred Income					
19	Net Electric Operating Income - Adjusted	\$ 677,240	\$ 314,997	\$ 2,823,334	\$ 1,602,182	\$ 89,103

Notes and Source

Line 10 State Income Tax
 Line 12 Federal Income Tax

Kentucky Power Company
 Summary of Net Operating Income Adjustments

Test Year Ended September 30, 2014

Line No.	Description	Add PJM Charges and Credits Back Into Base Rates C-10	Miscellaneous Expenses C-11	Mitchell Plant Maintenance Expense C-12	Interest Synchronization C-13
Operating Revenue					
1	Sales of Electricity				
2	Other Operating Revenues				
3	Total Operating Revenues	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
4	Operations & Maintenance	\$ 4,221,140	\$ (365,132)	\$ (998,577)	
5	Depreciation				
6	Taxes Other Than Income Taxes				
7	Other Including Customer Deposits				
8	Operating Expenses Before Taxes	\$ 4,221,140	\$ (365,132)	\$ (998,577)	\$ -
9	Operating Income Before Income Taxes	\$ (4,221,140)	\$ 365,132	\$ 998,577	\$ -
10	State Income Tax	\$ (242,074)	\$ 20,940	\$ 57,266	\$ 54,320
11	Federal Income Tax:				
12	Current	\$ (1,392,673)	\$ 120,467	\$ 329,459	\$ 312,504
13	Deferred				
14	ITC Adjustment				
15	Total State and Federal Income Taxes	\$ (1,634,747)	\$ 141,407	\$ 386,725	\$ 366,824
16	Total Operating Expenses	\$ 2,586,393	\$ (223,725)	\$ (611,852)	\$ 366,824
17	Net Electric Operating Income	\$ (2,586,393)	\$ 223,725	\$ 611,852	\$ (366,824)
18	AFUDC Offset Adjustment/Deferred Income				
19	Net Electric Operating Income - Adjusted	\$ (2,586,393)	\$ 223,725	\$ 611,852	\$ (366,824)

Notes and Source

Line 10 State Income Tax
 Line 12 Federal Income Tax

Test Year Ended September 30, 2014

Line No.	Description	Amount (A)	Capital Structure Ratio (B)	Cost Rate (C)	Weighted Cost (D)	GCRF (E)	WACC (Pre-Tax) (F) = D x E
I. Per Company							
1	Long Term Debt	\$ 607,976,387	52.98%	5.41%	2.87%	1.0050	2.88%
2	Short Term Debt	\$ (30,904,414)	-2.69%	0.25%	-0.01%	1.0050	-0.01%
3	Accounts Receivable Financing	\$ 51,835,783	4.52%	1.07%	0.05%	1.0050	0.05%
4	Common Equity	\$ 518,572,572	45.19%	10.62%	4.80%	1.6402	7.87%
5	Total	\$ 1,147,480,328	100.00%		7.71%		10.79%
II. Per AG							
6	Long Term Debt	\$ 578,787,999	51.49%	5.41%	2.786%	1.0050	2.80%
7	Short Term Debt	\$ -	0.00%	0.25%	0.000%	1.0050	0.00%
8	Accounts Receivable Financing	\$ 51,835,783	4.61%	1.07%	0.049%	1.0050	0.05%
9	Common Equity	\$ 493,472,214	43.90%	8.65%	3.797%	1.6402	6.23%
10	Total	\$ 1,124,095,996	100.00%		6.632%		9.080%
11	Difference		L.10 - L.5		-1.08%		
12	Weighted Cost of Debt per AG		Sum of Lines 6, 7 & 8		2.835%		2.850%

Notes

Cols. A-D (Lines 1-5): Section V, Exhibit 1, Workpaper S-2 from filing. See page 2 of this schedule for a reproduction of KPCo's capitalization related adjustments.
Col. C, lines 6-9: Cost rates and Return on Equity as recommended by AG witness J. Randall Woolridge
Col. E: Amounts from Exhibit AJE-5 which was filed in conjunction with Company witness Elliott's Direct Testimony
Col F, L1-4: Amounts from Exhibit AJE-5 which was filed in conjunction with Company witness Elliott's Direct Testimony

Line No.	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	
		PER BOOK BALANCE	Proforma Debt Adjustment	Big Sandy Coal Stock Adjustment	Big Sandy Remove Coal Related Assets	Big Sandy M&S Removal	Big Sandy C/WIP Removal	Mitchell FGD From Base to Environmental	Mitchell Coal Stock Adjustment	FRECO A/C 124 Property	CARRS Site	Non Utility Property	Sub Total	Kentucky Jurisdiction GP--TOT*	Reapportioned Kentucky Jurisdictional	
I. Per Company																
1	Long Term Debt	\$ 815,000,000	\$ 5,000,000	\$ -	\$ (76,904,288)	\$ (3,257,553)	\$ (2,757,206)	\$ (115,974,755)	\$ -	\$ (2,356,407)	\$ (3,522,595)	\$ (517,147)	\$ 614,710,049	\$ 607,948,238	\$ 607,976,387	
2	Short Term Debt	\$ -	\$ -	\$ (18,709,274)	\$ (4,945,455)	\$ (209,482)	\$ (177,307)	\$ (7,457,944)	\$ 664,080	\$ (151,533)	\$ (226,526)	\$ (33,256)	\$ (31,246,697)	\$ (30,902,983)	\$ (30,904,414)	
3	Accounts Receivable Financing	\$ 52,409,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,409,892	\$ 51,833,383	\$ 51,835,783	
4	Common Equity	\$ 700,853,745	\$ -	\$ -	\$ (66,133,323)	\$ (2,801,310)	\$ (2,371,041)	\$ (99,731,707)	\$ -	\$ -	\$ (3,029,233)	\$ (444,717)	\$ 524,316,038	\$ 518,548,562	\$ 518,572,572	
5	Sub-Total	\$ 1,568,263,637	\$ 5,000,000	\$ (18,709,274)	\$ (147,983,066)	\$ (6,268,345)	\$ (5,306,554)	\$ (223,164,406)	\$ 664,080	\$ (4,534,316)	\$ (6,778,354)	\$ (995,120)	\$ 1,160,189,282	\$ 1,147,427,200	\$ 1,147,480,328	
6	Job Development Tax Credit	\$ 53,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,719	\$ 53,719	\$ -	
7	Total	\$ 1,568,317,356	\$ 5,000,000	\$ (18,709,274)	\$ (147,983,066)	\$ (6,268,345)	\$ (5,306,554)	\$ (223,164,406)	\$ 664,080	\$ (4,534,316)	\$ (6,778,354)	\$ (995,120)	\$ 1,160,243,001	\$ 1,147,480,328	\$ 1,147,480,328	
II. Per AG																
8	Long Term Debt	\$ 815,000,000	\$ 5,000,000	\$ (10,059,056)	\$ (79,563,216)	\$ (3,370,181)	\$ (2,852,535)	\$ (119,984,525)	\$ 357,043	\$ (2,437,879)	\$ (3,644,388)	\$ (535,027)	\$ 597,910,237	\$ 591,333,224	\$ 591,360,604	
9	Short Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10	Accounts Receivable Financing	\$ 52,409,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,409,892	\$ 51,833,383	\$ 51,835,783	
11	Common Equity	\$ 700,853,745	\$ -	\$ (8,650,218)	\$ (68,419,850)	\$ (2,898,164)	\$ (2,453,019)	\$ (103,179,881)	\$ 307,037	\$ (2,096,437)	\$ (3,133,966)	\$ (460,093)	\$ 509,869,153	\$ 504,260,593	\$ 504,283,941	
12	Sub-Total	\$ 1,568,263,637	\$ 5,000,000	\$ (18,709,274)	\$ (147,983,066)	\$ (6,268,345)	\$ (5,306,554)	\$ (223,164,406)	\$ 664,080	\$ (4,534,316)	\$ (6,778,354)	\$ (995,120)	\$ 1,160,189,282	\$ 1,147,427,200	\$ 1,147,480,328	
13	Job Development Tax Credit	\$ 53,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,719	\$ 53,719	\$ -	
14	Total	\$ 1,568,317,356	\$ 5,000,000	\$ (18,709,274)	\$ (147,983,066)	\$ (6,268,345)	\$ (5,306,554)	\$ (223,164,406)	\$ 664,080	\$ (4,534,316)	\$ (6,778,354)	\$ (995,120)	\$ 1,160,243,001	\$ 1,147,480,328	\$ 1,147,480,328	

Notes and Source:

Amounts above from Section V, Exhibit 1, Schedule 3 from the Company's filing

Col. C: The Company's allocation creates a negative balance of short term debt, which does not exist

Col. C: The AG's allocation uses the ratios of the per book balances of Long Term Debt and Common Equity, and preserves the per book balance of Accounts Receivable Financing

* The amounts in Column L were multiplied by the Kentucky jurisdictional allocation factor for Gross Plant - Total, which is

0.989

Test Year Ended September 30, 2014

Line No.	Description	Reapportioned Kentucky Jurisdictional Capitalization (A)	2014 Bonus Depreciation B-1 (B)	Contributions In Aid of Construction B-2 (C)	Cash Working Capital* B-3 (D)	Total AG Adjustments (E)	Reapportioned Kentucky Jurisdictional Capitalization Per AG (F=A+E)
1	Long Term Debt	\$ 591,360,604	\$ (12,552,229)	\$ (20,376)	\$ -	\$ (12,572,605)	\$ 578,787,999
2	Short Term Debt	\$ -			\$ -	\$ -	\$ -
3	Accounts Receivable Financing	\$ 51,835,783	\$ -	\$ -	\$ -	\$ -	\$ 51,835,783
4	Common Equity	\$ 504,283,941	\$ (10,794,204)	\$ (17,523)	\$ -	\$ (10,811,727)	\$ 493,472,214
5	Sub-Total	\$ 1,147,480,328	\$ (23,346,433)	\$ (37,899)	\$ -	\$ (23,384,332)	\$ 1,124,095,996
6	Job Development Tax Credit	\$ -					
7	Total	\$ 1,147,480,328	\$ (23,346,433)	\$ (37,899)		\$ (23,384,332)	\$ 1,124,095,996

Notes and Source

Col. A: See page 2, Column N, lines 8-14

* Capitalization is not adjusted for cash working capital per KPCo's response to AG 2-110

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Additional ADIT Related to 2014 50% Bonus Depreciation	\$ (23,606,100)	A
2	Kentucky Jurisdictional Allocation Factor	0.989	
3	Kentucky Jurisdictional Adjustment to ADIT For Additional 50% Bonus Depreciation	<u>\$ (23,346,433)</u>	

Notes and Source

A: Amount per the response to KPSC 3-50

Kentucky Power Company
 Contributions in Aid of Construction
 Test Year Ended September 30, 2014

Exhibit RCS-1
 Schedule B-2
 Case No. 2014-00396
 Page 1 of 1

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Adjustment to Reduce Rate Base to Reflect Contributions in Aid of Construction	\$ (38,321)	A
2	Kentucky Jurisdictional Allocation Factor	0.989	
3	Kentucky Jurisdictional Adjustment to Rate Base to Reflect Contributions in Aid of Construction	<u>\$ (37,899)</u>	

Notes and Source

A: Amount from the response to AG 2-51, which indicated that prior to January 2014, CIAC was reflected as a credit in Account 107

Kentucky Power Company
Cash Working Capital

Exhibit RCS-1
Schedule B-3
Case No. 2014-00396
Page 1 of 2

Test Year Ended September 30, 2011

Line No.	Description	Per KPCo KY Jurisdictional Amount (A)	AG Adjustments (B)	AG Adjusted Amount (C)
1	Total Power Production Expense	\$ 285,521,653	\$	\$ 285,521,653
2	Total Transmission Expense	\$ 1,603,974	\$	\$ 1,603,974
3	Total Distribution Expense	\$ 57,327,838	\$	\$ 57,327,838
4	Total Customer Related Expense	\$ 9,351,055	\$	\$ 9,351,055
5	Total Administrative & General Expense	\$ (5,238,859)	\$ (5,806,235)	\$ (5,238,859)
6	AG Adjustments	\$	\$ (5,806,235)	\$ (5,806,235)
7	Subtotal	\$ 348,565,661	\$ (5,806,235)	\$ 342,759,426
8	1/8 Formula Percentage	12.5%	12.5%	12.5%
9	Cash Working Capital	\$ 43,570,708	\$ (725,779)	\$ 42,844,928

Notes and Source

Col. A: Amounts from Section V, Exhibit 1, Schedule 4 from KPCo filing

Col. B: See page 2

Test Year Ended September 30, 2014

Line No.	Description	Adjustment No.	Expense Adjustments (A)	O&M Expense in CWC (B)
1	Commercial and Industrial Customer Revenue	C-1	\$ -	
2	Amortization of Deferred IGCC Costs	C-2	\$ (52,505)	\$ (52,505)
3	Amortization of Deferred CCS FEED Study Costs	C-3	\$ (34,425)	\$ (34,425)
4	Amortization of Deferred CARRS Site Costs	C-4	\$ (103,330)	\$ (103,330)
5	Amortization of Deferred Preliminary Big Sandy FGD Costs	C-5	\$ (1,105,293)	\$ (1,105,293)
6	Parent Company Loss Allocation	C-6	\$ -	
7	Incentive Compensation Expense	C-7	\$ (4,607,841)	\$ (4,607,841)
8	Stock-Based Compensation	C-8	\$ (2,614,851)	\$ (2,614,851)
9	Engage To Gain Program Costs	C-9	\$ (145,421)	\$ (145,421)
10	PJM Charges and Credits Related to Big Sandy Unit 1	C-10	\$ 4,221,140	\$ 4,221,140
11	Miscellaneous Expenses	C-11	\$ (365,132)	\$ (365,132)
12	Mitchell Plant Maintenance Expense Normalization	C-12	\$ (998,577)	\$ (998,577)
13	Interest Synchronization	C-13	\$ -	
15	TOTAL		\$ (5,806,235)	\$ (5,806,235)
16	Total per Schedule C.1, line 5		\$ (5,806,235)	
17	Difference		\$ -	
Reconciliation				
18	Current Income Taxes from Schedule C.1		\$ 2,707,834	
19	Total operating expense adjustments (L15 +L18)		\$ (3,098,401)	
20	Total operating expense adjustments from Sch C.1, line 12		\$ (3,098,401)	
21	Difference		\$ -	

This workpaper shows how the AG adjustments to operating expenses from Schedule C.1 are posted for CWC purposes.

Test Year Ended September 30, 2014

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Monthly Change in Revenue for Commercial and Industrial Customers	\$ 88,636	A
2	Number of Months	12	
3	Annual Change in Revenue for Commercial and Industrial Customers	\$ 1,063,638	
4	Kentucky Jurisdictional Allocation Factor	0.989	
5	Kentucky Jurisdictional Annual Change in Revenue for Commercial and Industrial Customers	\$ 1,051,938	

Notes and Source

A: Amount calculated from data provided in KPCo's response to AG 2-112 as shown below:

	Expansion or Closure	Size (MW)	Load Factor %	Approx. Monthly MWh	Effective Date	Tariff Code	Monthly Revenue Change
6	Reduction	(0.8)	35%	(200)	11/25/2014	358	\$ (15,385)
7	Closure	(1.0)	55%	(400)	3/1/2015	371	\$ (14,048)
8	Expansion	0.5	70%	270	1/1/2015	371	\$ 8,303
9	Expansion	0.3	55%	433	1/1/2015	358	\$ 6,293
10	Expansion	1.0	25%	171	11/20/2014	244	\$ 17,074
11	Expansion	1.5	35%	350	11/20/2014	358	\$ 23,806
12	Expansion	5.6	40%	1,708	11/21/2014	359	\$ 107,733
13	Expansion	0.8	25%	130	10/28/2014	358	\$ 13,704
14	Expansion	(0.7)		(380)	10/29/2014	358	\$ (28,420)
15	Closure	(1)	55%	(400)	12/1/2014	371	\$ (26,774)
16	Closure	(1)	20%	(100)	12/1/2014	244	\$ (8,309)
17	Closure	0	42%	50	10/27/2014	240	\$ 4,660
18	Net Monthly Revenues						\$ 88,636

	Additional anticipated commercial and industrial customer expansions per AG 2-112	Size (MW)	Load Factor %	Approx. Monthly MWh	Effective Date	Tariff Code	Monthly Revenue Change
19	Expansion	1.0	50%	744	6/1/2015	358	\$ 20,151
20	Expansion	3	75%	1,620	1/1/2016	371	\$ 30,334
							\$ 50,485

Kentucky Power Company
 Amortization of Deferred IGCC Costs
 Test Year Ended September 30, 2014

Exhibit RCS-1
 Schedule C-2
 Case No. 2014-00396
 Page 1 of 1

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Reverse Company Adjustment to Amortize IGCC Costs Over 25 Years	\$ (52,505)	A

Notes and Source

A: Section V, Exhibit 2, Adjustment W21

Kentucky Power Company
 Amortization of Deferred CCS FEED Study Costs

Exhibit RCS-1
 Schedule C-3
 Case No. 2014-00396
 Page 1 of 1

Test Year Ended September 30, 2014

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Reverse Company Adjustment to Amortize Deferred CCS FEED Study Costs Over 25 Years	\$ (34,425)	A

Notes and Source

A: Section V, Exhibit 2, Adjustment W22

Kentucky Power Company
 Amortization of Deferred CARRS Site Costs

Exhibit RCS-1
 Schedule C-4
 Case No. 2014-00396
 Page 1 of 1

Test Year Ended September 30, 2014

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Reverse Company Adjustment to Amortize Deferred CARRS Site Costs Over 25 Years	\$ (103,330)	A

Notes and Source

A: Section V, Exhibit 2, Adjustment W23

Exhibit RCS-1
Schedule C-5
Case No. 2014-00396
Page 1 of 1

Kentucky Power Company
Amortization of Deferred Preliminary Big Sandy FGD Costs
Test Year Ended September 30, 2014

Line No.	Description	Kentucky Jurisdictional Amount (A)	Reference
1	Reverse Company Adjustment to Amortize Deferred Preliminary Big Sandy FGD Costs Over 25 Years	\$ (1,105,293)	A

Notes and Source
A: Section V, Exhibit 2, Adjustment W24

Test Year Ended September 30, 2014

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
	<u>Adjustment to Federal Income Tax Expense</u>		
1	KPCo Parent Company Loss Allocation for 12 Months Ended 9/31/2014	\$ (318,500)	A
2	Kentucky Jurisdictional Allocation Factor	0.989	A
3	Kentucky Jurisdictional Parent Company Loss Allocation	<u>\$ (314,997)</u>	

Notes and Source

A: Amount from the response to KIUC 1-21

Test Year Ended September 30, 2014

Line No.	Description	Amount	Reference
		(A)	
1	AG Adjustment to Test Year Incentive Compensation Expense	\$ (4,607,841)	A

Notes and Source

A: AG recommended adjustment to incentive compensation expense calculated below:

Description	Amount	Reference
2 KPCo Directly Incurred Test Year O&M Incentive Compensation Expense	\$ 3,579,033	AG 1-369, Attachment 1
3 Test Year AEPSC O&M Incentive Compensation Expense Billed to KPCo	\$ 3,510,392	KPSC 2-112, Attachment 6
4 Test Year O&M Incentive Compensation Billed to KPCo from Affiliates Other than AEPSC	\$ 99,763	KPSC 2-112, Attachment 5
5 Total Test Year Incentive Compensation in KPCo's Cost of Service	\$ 7,189,188	
Company Adjustments:		
6 Transmission Related Direct Charged Incentive Compensation Expense	\$ (175,030)	Section V, Exhibit 2, W25
7 Distribution Related Direct Charged Incentive Compensation Expense	\$ (808,311)	Section V, Exhibit 2, W25
8 Generation Related Incentive Compensation Expense - Remove Big Sandy		Note A
9 Generation Related Incentive Compensation Expense - Annualize Mitchell		Note A
10 Total Test Year Incentive Compensation in KPCo's Cost of Service - Net of Company Adjustments	\$ 6,205,847	
11 Operating Earnings Per Share Performance Measure Percentage	75%	KIUC 1-31, Attachment 2
12		
15 Kentucky Jurisdictional Allocation Factor	\$ 4,654,385	
16 Kentucky jurisdictional O&M incentive compensation expense allocated to shareholders per AG	0.990	
	\$ 4,607,841	
Subtotal	\$ 4,654,385	
	\$ 4,607,841	Section V, Exhibit 2, page 25 from filing

A: As it relates to the Generation related portion of test year incentive compensation, in response to AG 1-369, the Company stated the following:

The requested amount included in the test year revenue requirement has not been calculated since the adjustments for the removal of Big Sandy costs and the annualization of Mitchell Plant costs were prepared at the account number level and not by the types of costs within the account numbers.

KPCo provided similar responses in other data requests including AG 2-115

Kentucky Power Company
Stock-Based Compensation

Exhibit RCS-1
Schedule C-8
Case No. 2014-00396
Page 1 of 1

Test Year Ended September 30, 2014

Line No.	Description	Amount (A)	Reference
1	AG Adjustment to Test Year O&M Stock-Based Compensation Expense	\$ (2,614,851)	A

Notes and Source

A: AG recommended adjustment to stock-based compensation expense calculated below:

Description	Performance Units	Restricted Stock Units	Total	Reference
2 KPCo Directly Incurred Test Year O&M Stock-Based Compensation Expense	\$ 215,336	\$ 37,806	\$ 253,142	KIUC 1-32, Attachment 1
3 Test Year AEPSC O&M Stock-Based Compensation Expense Billed to KPCo			\$ 2,372,183	KPSC 2-112, Attachment 6
4 Test Year O&M Stock-Based Compensation Billed to KPCo from Affiliates Other than AEPSC			\$ 15,938	KPSC 2-112, Attachment 5
5 Total Test Year O&M Stock-Based Compensation expense in KPCo's cost of service			\$ 2,641,263	
6 Kentucky Jurisdictional Allocation Factor			0.990	Section V, Exhibit 2, page 25 from filing
7 Kentucky jurisdictional Test Year O&M Stock-Based Compensation expense			\$ 2,614,851	

Kentucky Power Company
Engage To Gain Program Costs

Exhibit RCS-1
Schedule C-9
Case No. 2014-00396
Page 1 of 1

Test Year Ended September 30, 2014

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Adjustment to Remove Kentucky Jurisdictional Engage to Gain Program Costs	<u>\$ (145,421)</u>	A

Notes and Source

A: Amount from AG 2-115, Attachment 1

Line No.	Description	Amount (A)	Reference
1	PJM Administrative Fees That KPCo Removed From Test Year Operating Expenses for Inclusion in the BSIOR Annual Revenue Requirement	\$ 4,300,100	A
2	PJM Administrative Fees Incurred from October through December 2014		B
3	Less: PJM Administrative Fees Not Included in BSIOR Annual Revenue Requirement	\$ (19,025)	C
4	Subtotal	\$ 4,281,075	
5	Kentucky Jurisdictional Allocation Factor	0.986	
6	Add Back Kentucky Jurisdictional PJM Administrative Fees to Base Rates	\$ 4,221,140	

Notes and Source

A: This amount, which reflects for the period January through September 2014, is from the response to KIUC 1-17, Attachment 38

B: In AG 1-338, the AG requested the PJM administrative fees incurred for calendar year 2014, which was not provided. In response to AG follow up data request AG 2-114, KPCo stated the following with respect to the AG's request for calendar 2014 PJM fees:

Item d from Company Exhibit AFV-4, page 1 of 3 was not included in the Company's response to AG 1-338 because the requested analysis has not been performed for 2009-2014, only for the historic test year in this proceeding.

C: The response to KIUC 1-90 states that this amount, which is embedded in KPCo's Section V, Exhibit 2, W32, should not have been added back because it is included in the Company's proposed BSIOR revenue requirement

Test Year Ended September 30, 2014

Line No.	Description	Amount (A)	Reference
1	Adjustment to Miscellaneous Expenses	\$ (368,820)	A
2	Kentucky Jurisdictional Allocation Factor - O&M Expense	0.990	
3	Adjustment to Kentucky Jurisdictional Miscellaneous Expenses	<u>\$ (365,132)</u>	

Notes and Source

A: The AG's recommended adjustment is calculated below:

Description	Amount	Reference
4 Portion of Messrs. Pauley and Hall salaries that should have been charged to Account 426.4	\$ 20,158	KPSC 2-111
5 University of Kentucky Football Association	\$ 2,400	AG 1-264
6 Employee Gifts, Awards and Activities	\$ 5,815	AG 1-267
7 UK Football Tickets	\$ 2,226	AG 1-268
8 PGA Championship	\$ 29,256	AG 1-268
9 Membership Dues	\$ 47,932	AG 2-64
10 Charitable Contributions	\$ 12,875	AG 2-64
11 Public Relations	\$ 248,158	AG 2-64
12 Total	<u>\$ 368,820</u>	

Line No.	Description	Amount (A)	Reference
1	Going-Level Mitchell Plant Maintenance Expense Per Company	\$ 15,744,373	A
2	AG Recommended Going-Level Mitchell Plant Maintenance Expense	\$ 14,731,618	B
3	Adjustment to Mitchell Plant Maintenance Expense	\$ (1,012,755)	L2 - L1
4	Kentucky Jurisdictional Allocation Factor	0.986	
5	Kentucky Jurisdictional Adjustment to Mitchell Plant Maintenance Expense	\$ (998,577)	

Notes and Source

A: Amount from Section V, Exhibit 2, W34 from KPCo filing
B: AG recommended amount calculated below using data from the response to AG 1-20

Description	Amount
6 Mitchell Plant Maintenance - 9/30/2010	\$ 11,610,050
7 Mitchell Plant Maintenance - 9/30/2011	\$ 14,971,539
8 Mitchell Plant Maintenance - 9/30/2012	\$ 15,661,915
9 Mitchell Plant Maintenance - 9/30/2013	\$ 18,939,795
10 Mitchell Plant Maintenance - 9/30/2014	\$ 12,474,790
11 Five Year Average	\$ 14,731,618

Test Year Ended September 30, 2014

Line No.	Description	KPCo Amount (A)	AG Amount (B)	AG Adjustment (C)
1	Long Term Debt, per Capitalization (Section V, Sch 3, C 14, Ln 1)	\$ 607,976,387	\$ 578,787,999	
2	Long Term Debt Rate - Schedule D	5.41%	5.41%	
3	Annualized Long Term Debt Interest	\$ 32,891,523	\$ 31,312,431	
4	Short Term Debt, per Capitalization (Section V, Sch 3, C 14, Ln 2)	\$ (30,904,414)	\$ -	
5	Short Term Debt Rate - Schedule D	0.25%	0.25%	
6	Annualized Short Term Debt Interest	\$ (77,261)	\$ -	
7	Accounts Receivable Financing (Note A)		\$ 51,835,783	
8	Accounts Receivable Financing Rate - Schedule D		1.07%	
9	Annualized Accounts Receivable Financing		\$ 554,643	
10	Total Annualization Interest (Ln 3 + Ln 6 + Ln 9)	\$ 32,814,262	\$ 31,867,074	
11	Total Interest Charges per Books (Excludes Account 4320000 - ABFUDC)	\$ 38,665,107	\$ 38,665,107	Note B
12	Kentucky Jurisdictional Allocation Factor	0.989	0.989	
13	Retail Interest Expense	\$ 38,239,791	\$ 38,239,791	
14	Increase/(Decrease) Interest Expense (Ln 10 - Ln 13)	\$ (5,425,529)	\$ (6,372,717)	
15	State Income Tax Rate	5.7348%	5.7348%	
16	State Income Tax Adjustment (Ln 14 X Ln 15)	\$ 311,143	\$ 365,463	\$ 54,320
17	Net Change for Federal Income Tax (Ln 14 + Ln 16)	\$ (5,114,386)	\$ (6,007,254)	
18	Federal Income Tax Rate	35.00%	35.00%	
19	Federal Income Tax Adjustment (Ln 17 X Ln 18)	\$ 1,790,035	\$ 2,102,539	\$ 312,504
20	Total State and Federal Income Tax Expense (Ln 16 + Ln 19)	\$ 2,101,178	\$ 2,468,002	\$ 366,824

Notes and Source

Col. A: Amounts from Section V, Exhibit 2, W48

Col. B: Long term and short term capitalization amounts from Schedule D

A: In its response to AG 1-19 from Case No. 2005-00341, KPCo conceded that the A/R financing component of the Company's debt should be included in the Interest Synchronization adjustment

B: Amount reflected on Section IV, page 9 of 13 of the Company's CFIT schedules