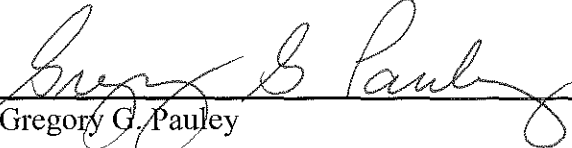


VERIFICATION

The undersigned, Gregory G. Pauley, being duly sworn, deposes and says he is the President and Chief Operating Officer for Kentucky Power Company, 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 information, knowledge and belief


Gregory G. Pauley

COMMONWEALTH OF KENTUCKY)
) Case No. 2014-00396
 COUNTY OF FRANKLIN)


Subscribed and sworn to before me, a Notary Public in and before said County and State, by Gregory G. Pauley, this the 5th day of January, 2015.


Judy K. Roguin 48393
 Notary Public

My Commission Expires. January 23, 2017

VERIFICATION

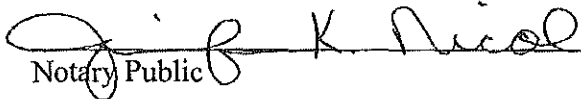
The undersigned, Jeffrey B. Bartsch, being duly sworn, deposes and says he is the Director, Tax Accounting and Regulatory Services for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.



Jeffrey B. Bartsch

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 Jeffrey B. Bartsch, this the 16 day of December, 2014.

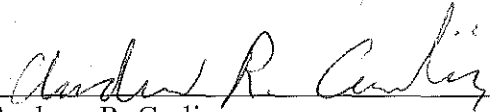


Notary Public

My Commission Expires: 12/14/15

VERIFICATION

The undersigned, Andrew R. Carlin, being duly sworn, deposes and says he is the Director, Compensation and Executive Benefits for American Electric Power Service Corporation and that he has personal knowledge of the matters 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.



Andrew R. Carlin

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 Andrew R. Carlin, this the 16th day of December, 2014.



Cheryl L. Strawser
Notary Public, State of Ohio
My Commission Expires 10-01-2016



Notary Public

My Commission Expires: October 1, 2016

VERIFICATION

The undersigned, David A. Davis, being duly sworn, deposes and says he is the Manager, Property Accounting Policy and Research that he has personal knowledge of the matters set forth in the forgoing responses for which he is identified as the witness contained therein is true and correct to the best of his information, knowledge and belief.

David A. Davis

David A. Davis

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 David A. Davis, this the 16th day of December, 2014.

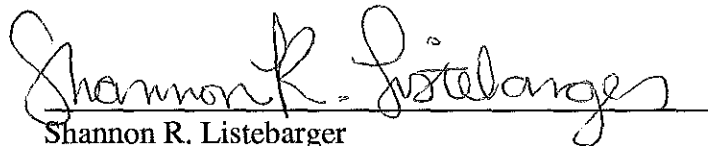
Kathy L Messer

Notary Public

My Commission Expires: August 18, 2017

VERIFICATION

The undersigned, Shannon R. Listebarger, being duly sworn, deposes and says she is a Regulatory Analyst Sr. in Pricing and Analysis for American Electric Power Service Corporation and that she has personal knowledge of the set forth in the forgoing responses for which she is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.


Shannon R. Listebarger

STATE OF OHIO

)

) Case No. 2014-00396

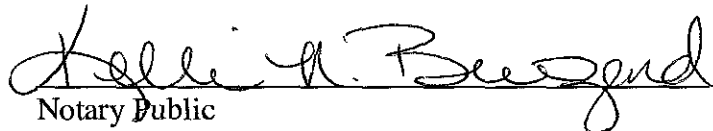
COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Shannon R. Listebarger, this the 18th day of December, 2014.



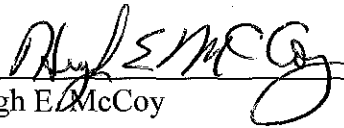
Kelli N. Beuzard
Notary Public, State of Ohio
My Commission Expires 10-01-2019


Notary Public

My Commission Expires: 10/1/2019

VERIFICATION

The undersigned, Hugh E. McCoy, being duly sworn, deposes and says he is the Director, Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth set forth in the forgoing responses for which he is identified as the witness and information contained therein is true and correct to the best of his information, knowledge and belief.

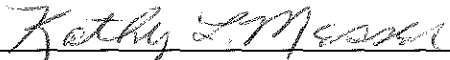


Hugh E. McCoy

STATE OF OHIO
COUNTY OF FRANKLIN

)
) Case No. 2014-00396
)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Hugh E. McCoy, this the 16th day of December, 2014.




Notary Public

My Commission Expires: August 18, 2017

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)
) Case No. 2014-00396
COUNTY OF FRANKLIN)

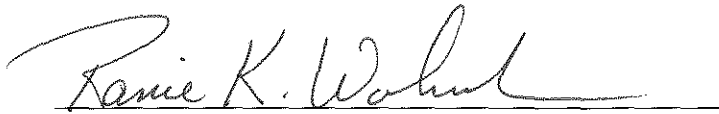
Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the 6th day of January, 2015.


Notary Public

My Commission Expires: January 23, 2017


VERIFICATION

The undersigned, Ranie K. Wornhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance 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 information, knowledge, and belief


Ranie K. Wornhas

COMMONWEALTH OF KENTUCKY)
) Case No. 2014-00396
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wornhas, this the 6th day of January 2015.


Notary Public

My Commission Expires: January 23, 2017

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 1
Page 1 of 1**

Kentucky Power Company

REQUEST

Provide a copy of the current bylaws. Indicate any changes made to the bylaws since the year utilized as the test year in Kentucky Power's last rate case

RESPONSE

Please see KPSC_1_1_Attachment1. There have been no changes to the Bylaws since the last rate case.

WITNESS: Gregory G Pauley

**KPSC Case No. 2014-00396 General Rate Adjustment
Commission Staff's First Set of Data Requests
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**Item No. 2
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Kentucky Power Company

REQUEST

Provide the current organization chart, showing the relationship between Kentucky Power and its parent company, American Electric Power ("AEP"). Include any intermediate entities between PPL and Kentucky Power, as well as the relative positions of all PPL entities and affiliates with which Kentucky Power routinely has business transactions.

RESPONSE

Please see KPSC_1_2_Attachment1 to this response. Kentucky Power is a first tier company and therefore there are no intermediate entities between it and AEP. The first tier subsidiaries with which Kentucky Power routinely conducts business include the AEP Service Corporation, AEP Energy Supply LLC, and AEP Generating Company.

WITNESS: Gregory G Pauley

**KPSC Case No. 2014-00396 General Rate Adjustment
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Kentucky Power Company

REQUEST

Provide the capital structure at the end of each of the periods shown in Schedule 3.

RESPONSE

Please see KPSC_1_3_Attachment1 to this response.

WITNESS: Marc D Reitter

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 4
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Kentucky Power Company

REQUEST

Provide the following:

- a. A list of all outstanding issues of long-term debt as of the end of the latest calendar year and the end of the test year together with the related information as shown in Schedule 4a. Provide a separate schedule for each time period. Report in Column (k) of Schedule 4a, page 2, the actual dollar amount of debt cost for the test year. Compute the actual and annualized composite debt cost rates and report them in Column (j) of Schedule 4a, page 2.
- b. An analysis of end-of-period, short-term debt and a calculation of the average and end-of-period cost rate as shown in Schedule 4b.

RESPONSE

- a. Please see Pages 1 and 2, of KPSC_1_4a_Attachment1 to this response.
- b. Please see KPSC_1_4b_Attachment1 to this response.

WITNESS: Marc D Reitter

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 5
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Kentucky Power Company

REQUEST

Provide a list of all outstanding issues of preferred stock as of the end of the latest calendar year and the end of the test year as shown in Schedule 5. Provide a separate schedule for each time period. Compute the actual and annualized preferred stock rate and report the results in Column (g) of Schedule 5.

RESPONSE

The Company has no outstanding preferred stock.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Provide the following:

- a. List all issues of common stock in the primary market during the most recent 10-year period as shown in Schedule 6a.
- b. The common stock information on a quarterly and yearly basis for the most recent 5 calendar years available, and through the latest available quarter as shown in Schedule 6b.
- c. The market prices for common stock for each month during the most recent 5-year period and for the months through the date the application is filed. List all stock splits and stock dividends by date and type.

RESPONSE

- a. Please see KPSC_1_6a_Attachment1 to this response.
- b. Please see KPSC_1_6b_Attachment1 to this response.
- c. Please see KPSC_1_6c_Attachment1 to this response.

WITNESS: Marc D Reitter

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 7
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Kentucky Power Company

REQUEST

Provide a computation of fixed charge coverage ratios for the 10 most recent calendar years and for the test year as shown in Schedule 7.

RESPONSE

Please see KPSC_1_7_Attachment1 to this response.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Provide the following:

- a. A schedule of revenues for each active rate schedule reflecting test-year revenues per book rates, revenues at present rates annualized, and revenues at proposed rates annualized.
- b. A schedule showing the amount and percent of any proposed increase or decrease in revenue distributed to each rate schedule. This schedule is to be accompanied by a statement that explains, in detail, the methodology or basis used to allocate the requested increase or decrease in revenue to each of the respective customer classes.
- c. A schedule showing how the increase or decrease in (b) above was further distributed to each rate charge (i.e., customer or facility charge, kWh charge, etc.). This schedule is to be accompanied by a statement that explains, in detail, the methodology or basis used to allocate the increase or decrease.
- d. A reconciliation of the Fuel Adjustment Clause revenue and expenses for the test year.

RESPONSE

- a. Please see KPSC_1_8_Attachment1 for this response.
- b. Please see in the Company's Application filing, Direct Testimony of Jason M. Stegall, pages 22 - 24, and Exhibit JMS-3.
- c. Please see in the Company's Application filing, Direct Testimony of Alex E. Vaughan, pages 3 - 13 and KPSC_1_8_Attachment2 for this response.
- d. Please see the Company's Application filing, Section V, Workpaper S-4, page 7 and Exhibit JAR-3 in Company Witness Rogness' testimony.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following information concerning fuel purchases:

- a. A schedule showing by month the dollar amount of fuel purchases from affiliated and non-affiliated suppliers for the test year.
- b. A calculation of the dollar amount paid for fuel purchases each month from affiliated suppliers for the test year.
- c. A calculation showing the average (13-month) number of days supply of coal on hand for the test year and each of the 3 years preceding the test year. Include all workpapers used to determine the response. Also include a detailed explanation of the factors considered in determining what constitutes an average day's supply of coal.

RESPONSE

- a-c. Please see KPSC_1_9_Attachment1 (Mitchell) and KPSC_1_9_Attachment2 (Big Sandy) for response. Please note, KPSC_1_9_Attachment1 provided for Mitchell covers the time period of January 2014 through September 2014 following the transfer of Mitchell on December 31, 2013. In addition, KPSC_1_9_Attachment1 reflects the total Mitchell Plant and Kentucky Power's share of the Mitchell Plant purchases.

WITNESS: John A Rogness

**KPSC Case No. 2014-00396 General Rate Adjustment
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Kentucky Power Company

REQUEST

Provide the actual fuel costs for the test year. The costs should be given in total dollars, cents per kWh generated, and cents per MMBTU for each type of fuel. Also provide the actual amounts of each type of fuel used, the numbers of BTUs obtained from each type of fuel, and the kWh generated by each type of fuel.

RESPONSE

Please see KPSC_1_10_Attachment1 (Big Sandy) and KPSC_1_10_Attachment2 (Mitchell) for response. Please note, KPSC_1_10_Attachment2 covers the time period of January 2014 through September 2014 following the transfer of Mitchell on December 31, 2013.

WITNESS: John A Rogness

**KPSC Case No. 2014-00396 General Rate Adjustment
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Kentucky Power Company

REQUEST

Provide the purchased power costs for the test year. These costs should be separated into demand and energy costs. The actual and estimated kW demands and kWh purchased should be included. Indicate any estimates used and explain the estimates in detail

RESPONSE

Please see KPSC_1_11_Attachment1 for this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide the following information, in comparative form, for the test year and the 12-month period immediately preceding the test year:

- a. A Kentucky jurisdictional operations income statement, statement of changes in financial position, statement of cash flows, statement of changes in owner's equity, and balance sheet.
- b. A total company income statement, statement of changes in financial position, statement of cash flows, statement of changes in owner's equity, and balance sheet.

RESPONSE

(a)-(b) The Company calculated the September 30, 2014 and September 30, 2013 jurisdictional financial statements using the September 30, 2014 allocation factors because the retail allocation factors do not change materially from year to year (see attached pages under the column headings titled Jurisdictional). KPCo's retail jurisdictional allocation factors for the twelve months ended September 30, 2014 range from a low of 0.986 to a high of 0.999. The Company has not performed a retail jurisdictional cost allocation study for the twelve months ended September 30, 2013.

KPCo's Total Income Statement, Statement of Cash Flow (Statement of Changes in Financial Position), Statement of Change In Owner's Equity and Balance Sheet Statement presented on both a total Company and jurisdictional basis are attached as follows:

Balance Sheet - KPS_1_12 Attachment 1

Income Statement - KPSC_1_12 Attachment 2

Statement of Change In Owner's Equity - KPSC_1_12 Attachment 3

Statement of Cash Flow (Statement of Changes in Financial Position) - KPSC_1_12 Attachment

4

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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Kentucky Power Company

REQUEST

Provide the following:

- a. A trial balance as of the last day of the test year (all income statement accounts should show activity for 12 months) showing account number, account title, and amount. Provide this information on a Kentucky jurisdictional operations only basis.
- b. A trial balance as of the last day of the test year (all income statement accounts should show activity for 12 months) showing account number, account title, and amount. Provide this information on a total company basis.

RESPONSE

- a. & b. Please see KPSC_1_13_Attachment1 to this response.

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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Page 1 of 1**

Kentucky Power Company

REQUEST

Provide the balance in each current asset and each current liability account and subaccount included in Kentucky Power's chart of accounts by months for the test year. In addition, show total current assets, total current liabilities, and the net current position by months, annually, and the 13-month average for the test year. Provide a reconciliation of current assets, current liabilities, and net current position provided in response to the above with the current assets and current liabilities as shown on the balance sheet for each month of the test year. If any amounts were allocated, provide a calculation of the factor used to allocate each amount.

RESPONSE

Please see KPSC_1_14_Attachment1 to this response for the balance in each current asset and each current liability account and subaccount included in Kentucky Power's chart of accounts by months for the test year and the 13-month average for the test year. No reconciliation of current assets, current liabilities and net current position is necessary because the amounts recorded in the balance sheet and the amounts recorded in the chart of accounts are the same.

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 15
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Kentucky Power Company

REQUEST

List each common general office account (asset, reserve, and expense accounts) covering the 12 months of the test year applicable to more than one jurisdiction or utility operation. If any amounts were allocated, show a calculation of the factor used to allocate each account.

RESPONSE

Please see KPSC_1_15 Attachment 1 to this response for a list of common general office accounts (asset, reserve and expense accounts).

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following monthly account balances and a calculation of the average (13-month) account balances for the test year for the total company and Kentucky operations:

- a. Plant in service (Account No. 101);
- b. Plant purchased or sold (Account No. 102);
- c. Property held for future use (Account No. 105);
- d. Construction work in progress (Account No. 107);
- e. Completed construction not classified (Account No. 106);
- f. Depreciation reserve (Account No. 108);
- g. Plant acquisition adjustment (Account No. 114);
- h. Amortization of utility plant acquisition adjustment (Account No. 115);
- i. Materials and supplies (include all accounts and subaccounts);
- j. Balance in accounts payable applicable to each account in (i) above (If actual is indeterminable, give reasonable estimate.);
- k. Unamortized investment credit – Pre-Revenue Act of 1971;
- l. Unamortized investment credit – Revenue Act of 1971;
- m. Accumulated deferred income taxes;
- n. A summary of customer deposits as shown in Schedule 16n to this request;
- o. Computation and development of minimum cash requirements;
- p. Balance in accounts payable applicable to amounts included in utility plant in service (If actual is indeterminable, give reasonable estimate.);
- q. Balance in accounts payable applicable to prepayments by major category or subaccount; and
- r. Balance in accounts payable applicable to amounts included in plant under construction. (If actual is undeterminable, give reasonable estimate.)

RESPONSE

See KPSC_1_16_Attachment1.

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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Page 1 of 1**

Kentucky Power Company

REQUEST

Provide the cash account balances at the beginning of the test year and at the end of each month during the test year for total company and Kentucky operations.

RESPONSE

Please see response to KPSC 1-14. The cash account balances were provided in KPSC_1_14 Attachment1.

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 18
Page 1 of 1**

Kentucky Power Company

REQUEST

Provide the following information for each item of property or plant held for future use at the end of the test year:

- a. Description of property;
- b. Location;
- c. Date purchased;
- d. Cost;
- e. Estimated date to be placed in service;
- f. Brief description of intended use; and
- g. Current status of each project.

RESPONSE

(a) (c) (d) Please see KPSC_1_18_Attachment1 to this response.

(b) (e) (f) (g) as follows:

The Carrs Site is located in Lewis County, 8 miles west of Vanceburg, and was intended to be the site of Kentucky Power's next generating facility; however the Company has elected not to pursue the construction of new generation at the Carrs Site. The Ramey Site is located in Boyd County and plans are to construct a new 138 kV to 12 kV station; estimated in service date for the proposed station is June 2016.

WITNESS: Ranie K Wohnhas

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**Item No. 19
Page 1 of 1**

Kentucky Power Company

REQUEST

Provide schedules, in comparative form, showing by months for the test year, and the year preceding the test year, the total company balance in each plant and reserve account or subaccount included in Kentucky Power's chart of accounts as shown in Schedule 19.

RESPONSE

Please see KPSC_1_19_Attachment1 to this response.

WITNESS: Ranie K Wohnhas

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**Item No. 20
Page 1 of 1**

Kentucky Power Company

REQUEST

Provide the journal entries relating to the purchase of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise since Kentucky Power's inception. Also, provide a schedule showing the calculation of the acquisition adjustment at the date of purchase for each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.

RESPONSE

Please see KPSC_1_20_Attachment1.

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 21
Page 1 of 1**

Kentucky Power Company

REQUEST

Provide a schedule showing a comparison of the balance in the total company and Kentucky revenue accounts for each month of the test year to the same month of the preceding year for each revenue account or subaccount included in Kentucky Power's chart of accounts. Include appropriate footnotes to show the month each rate increase was granted and the month the full increase was recorded in the accounts. See Schedule 19.

RESPONSE

Please see KPSC_1_21_Attachment1 for the revenue accounts for each month of the test year and prior year, and the resulting increase or (decrease).

WITNESS: Ranie K Wohnhas

**KPSC Case No. 2014-00396 General Rate Adjustment
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**Item No. 22
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Kentucky Power Company

REQUEST

Describe how the test-year capitalization rate was determined. If differing rates were used for specific expenses (i.e., payroll, clearing accounts, depreciation, etc.), indicate the rate and how it was determined. Indicate all proposed changes to the test-year capitalization rate and how the changes were determined.

RESPONSE

KPCo does not have a predetermined capitalization rate. Instead, employees directly charge the costs associated with the different jobs either to expense or capital accounts based on the nature of the activity performed. The clearing account overheads are distributed between operating expense and capital based on the direct labor charged. The Company's most recent depreciation study, based on plant in service at December 31, 2013, was provided in this filing with Company Witness Davis' testimony as Exhibit DAD-2.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following:

- a. A schedule showing a comparison of the balance in the total company and Kentucky operating expense accounts for each month of the test year to the same month of the preceding year for each account or subaccount included in Kentucky Power's chart of accounts. See Schedule 19.
- b. A schedule, in comparative form, showing the total company and Kentucky operating expense account balance for the test year and each of the 5 calendar years preceding the test year for each account or subaccount included in Kentucky Power's annual report (FERC Form 1, pages 320-323). Show the percentage of increase or decrease of each year over the prior year.
- c. A schedule of total company and Kentucky salaries and wages for the test year and each of the 3 calendar years preceding the test year as shown in Schedule 23c. Show for each time period the amount of overtime pay.
- d. A listing, with descriptions, of all activities, initiatives, or programs undertaken or continued by Kentucky Power since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities.
- e. A schedule showing the percentage of increase in salaries and wages for both union and non-union employees for the test year and the 3 preceding calendar years.

RESPONSE

- a. Please see KPSC_1_23_Attachment1 for this response.
- b. Please see KPSC_1_23_Attachment2 for this response.
- c. Please see KPSC_1_23_Attachment3 for this response.

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- d. The Companies have been aggressive in reviewing employee benefits over the past five years to control and reduce the growth of health care and benefit costs provided to employees and retirees that are included in the cost of service, bearing in mind the Companies must remain competitive in the employment marketplace while being responsive and effective on behalf of the customer. Management has taken appropriate and pro-active action in order to minimize costs and maximize the value of employee benefits. For instance: the Company employed lower cost programs for some employee and retiree medical coverage; increased employee co-pays and deductibles; and implemented a new employee medical plan spousal surcharge. Also, some employee benefit plans have been replaced or eliminated, including retiree medical and life insurance coverage. These pro-active actions taken by the Company, some going back to 2010, have been taken to control the continuing escalation of health care and benefit costs while also realizing the need to retain and attract qualified employees necessary to efficiently and effectively provide reliable electric service, at a reasonable cost, to customers.
- e. Increases in Salaries and Wages - Test Year ending 9/30/2014 and Three Years Prior

Year	Union and Non-Union Hourly Employees	Salaried Employees
Test Year*	2.500%	3.350%
2013	3.000%	2.500%
2012	2.000%	2.675%
2011	3.000%	3.200%

*In 2014, 3.00% was Merit Budget; and, 0.35% was Promotional & Equity Adjustments

Merit increases for salaried employees, including exempt, administrative, technical, and non-exempt supervisory employees, are generally effective on April 1st each year. Base Wage for the represented hourly employees occur when labor agreements are approved.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following payroll information for each employee classification or category:

- a. The actual regular hours worked during the test year;
- b. The actual overtime hours worked during the test year;
- c. The test-year-end wage rate for each employee classification or category and the date of the last increase; and
- d. A calculation of the percent of increase granted during the test year.

RESPONSE

- a. Actual hours worked at regular pay rates during the test year were: 612,754 hours for exempt employees, 1,108,439 hours for nonexempt employees and 312,137 hours for salaried-nonexempt employee.
- b. Actual hours worked at overtime rates pay during the test year were: 39,330 hours for exempt employees, 216,434 hours for nonexempt employees and 36,060 hours for salaried-nonexempt employee.
- c. & d. Please see KPSC_1_24_Attachment1. The titles showing no amount indicate a new hire or promotion.

WITNESS: Andrew R Carlin

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Kentucky Power Company

REQUEST

Provide the amount of excess deferred federal income taxes resulting from the reduction in the corporate tax rate in 1979 and 1986, as of the end of the test year. Show the amounts associated with the 1979 reduction separately from the amounts associated with the 1986 reduction.

RESPONSE

There is no excess deferred federal income tax resulting from the reduction in the corporate tax rate in 1979.

Per the Kentucky Settlement Agreement dated September 5, 1991 and approved by the Commission on October 28, 1991 in Case No. 91-066, the unprotected portion of the excess deferred federal income tax associated with the 1986 reduction was flowed back over a 5 year period, commencing on April 1, 1991. Please see KPSC_1_25_Attachment1 of this response for a copy of the 1991 Settlement Agreement.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Provide the following tax data for the test year for total company:

- a. Income taxes:
 - (1) Federal operating income taxes deferred – accelerated tax depreciation;
 - (2) Federal operating income taxes deferred – other (explain);
 - (3) Federal income taxes – operating;
 - (4) Income credits resulting from prior deferrals of federal income taxes;
 - (5) Investment tax credit net;
 - (i) Investment credit realized.
 - (ii) Investment credit amortized – Pre-Revenue Act of 1971.
 - (iii) Investment credit amortized – Revenue Act of 1971.
 - (6) The information in Item 26(a)(1-4) for state income taxes;
 - (7) A reconciliation of book to taxable income as shown in Schedule 26a(7) and a calculation of the book federal and state income tax expense for the test year using book taxable income as the starting point;
 - (8) A copy of federal and state income tax returns for the taxable year ended during the test year, including supporting schedules; and
 - (9) A schedule of franchise fees paid to cities, towns, or municipalities during the test year, including the basis of these fees.
- b. An analysis of other operating taxes as shown in Schedule 26b.

RESPONSE

- a. (1) See Section V, Exhibit 3, tab DFIT- Per Books Adjusted.
- (2) See Section V, Exhibit 3, tab DFIT- Per Books Adjusted.
- (3) See Section V, Exhibit 3, tab CFIT Schedules.
- (4) See Section V, Exhibit 3, tab DFIT- Per Books Adjusted.
- (5) (i) There is no Current Investment Tax Credit available or realized during the test year.
- (5) (ii) There is no Deferred Investment Tax Credits amortized related to Pre-Revenue Act of 1971.
- (5) (iii) See Section V, Exhibit 3, tab DFIT- Per Books Adjusted, line 221.
- (6) See Section V, Exhibit 3, tab SIT Schedules.
- (7) See Section V, Exhibit 3, tab CFIT Schedules.
- (8) The 2014 State and Federal Income Tax Returns are not yet available. Copies of the 2013 State and Federal Income Tax Returns are voluminous and will be made available in the Frankfort office for review upon request.
- (9) Please see KPSC_1_26_Attachment1 for response.
- b. Please see KPSC_1_26_Attachment2 for response.

WITNESS: Jeffrey B Bartsch

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Kentucky Power Company

REQUEST

Provide a schedule of net income, per 1,000 KWH sold, per company books for the test year and the 3 calendar years preceding the test year. This data should be provided as shown in Schedule 27.

RESPONSE

Please see KPSC_1_27_Attachment 1 to this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the comparative operating statistics for total company as shown in Schedule 28.

RESPONSE

The comparative operating statistics for total company electric operations is in KPSC_1_28_Attachment_1 to this response

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide a statement of the plant in service, per company books, for the test year. This data should be presented as shown in Schedule 29.

RESPONSE

Please see KPSC_1_29_Attachment1 for this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following information for total company. If any amounts were allocated, show a calculation of the factor used to allocate each amount.

- a. A detailed analysis of all charges booked during the test year for advertising expenditures. Include a complete breakdown of Account No. 913 – Advertising Expenses, and any other advertising expenditures included in any other expense accounts, as shown in Schedule 30a. The analysis should specify the purpose of the expenditure and the expected benefit to be derived.
- b. An analysis of Account No. 930 – Miscellaneous General expenses for the test year. Include a complete breakdown of this account as shown in Schedule 30b and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule 30b.
- c. An analysis of Account No. 426 – Other Income Deductions for the test year. Include a complete breakdown of this account as shown in Schedule 30c, and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule 30c.

RESPONSE

- a. Please see KPSC_1_30_Attachment1 for this response.
- b. Please see KPSC_1_30_Attachment2 for this response.
- c. Please see KPSC_1_30_Attachment3 for this response.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Schedule 31, and all workpapers supporting the analysis. At a minimum, the workpapers should show the payee, dollar amount, reference (i.e., voucher no., etc.), account charged, hourly rates and time charged to the company according to each invoice, and a description of the services provided.

RESPONSE

Please see KPSC_1_31_Attachment1 of this response for an analysis of expenses incurred during the test year for professional services.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide a detailed analysis of contributions for charitable and political purposes (in cash or services), if any, recorded in accounts other than Account No. 426. Show the amount of the expenditure, the recipient of the contribution, and the specific account charged. If amounts are allocated, show a calculation of the factor used to allocate each amount. Detailed analysis is not required for amounts of less than \$100, provided the items are grouped by classes.

RESPONSE

Please see KPSC_1_32_Attachment1 for this response.

WITNESS: Gregory G Pauley

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Kentucky Power Company

REQUEST

Describe Kentucky Power's lobbying activities and provide a schedule showing the name, salary, affiliation, all company-paid or reimbursed expenses or allowances, and the account charged for each individual whose principal function is lobbying on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount.

RESPONSE

Kentucky Power Company's lobbying activities include following state and local legislative issues that may affect Kentucky Power or its customers. As issues emerge, a corporate strategy is developed in concert with AEP headquarters in Columbus to assure alignment with the other states in which AEP operates. The activities are the responsibility of James Keeton and Brad Hall, the Company's External Affairs managers, whose principal functions include lobbying at the local and state level. Mr. Keeton is also responsible for environmental matters for the Company, as Mr. Hall is responsible for economic development matters within Kentucky Power's service territory. AEP has a Federal Affairs office in Washington, D.C. responsible for lobbying activities at the national level.

During the test year period, 14.9% (\$18,829) of Mr. Keeton's \$126,514 salary was directly charged to Account 426.4 (Civic & Political Activities), along with \$67,292 in expenses based upon the nature and purpose of the work performed. In addition, 100% of Mr. Hall's \$143,275 salary was directly charged to Account 920.0 (Administrative & General Salaries), while \$1,951 in expenses were charged to Account 426.4 based upon the nature and purpose of the work performed.

Also included in Account 426.4 were approximately 4.55% of the total AEPSC Federal Affairs office in Washington, D.C. costs or \$89,075 (includes \$43,778 in labor costs) allocated to KPCo by AEPSC for federal lobbying activities. Of the \$89,075, \$941 was allocated using the total AEPSC bill dollars less interest and/or income taxes and/or other indirect costs. \$88,134 was allocated using the total asset allocation factor established in the Company's Cost Allocation Manual.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Provide a schedule showing for the test year and the year preceding the test year, with each year shown separately, the following information regarding Kentucky Power's investments in subsidiaries and joint ventures:

- a. Name of subsidiary or joint venture;
- b. Date of initial investment;
- c. Amount and type of investment made for each of the 2 years included in this response;
- d. Balance sheet and income statement. Where only internal statements are prepared, furnish copies of these;
- e. A separate schedule of all dividends or income of any type received by Kentucky Power from its subsidiaries or joint ventures showing how this income is reflected in the reports filed with the Commission and stockholder reports; and
- f. Name of each officer of each of the subsidiaries or joint ventures, each officer's annual compensation, the portion of that compensation that is charged to the subsidiary or joint venture, the position each officer holds with Kentucky Power, and the compensation received from Kentucky Power.

RESPONSE

Kentucky Power does not have any investments in subsidiaries or joint ventures.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide the following information with regard to uncollectible accounts for the test year and 3 preceding calendar years (taxable year acceptable):

- a. Reserve account balance at the beginning of the year;
- b. Charges to reserve account (accounts charged off);
- c. Credits to reserve account;
- d. Current year provision;
- e. Reserve account balance at the end of the year; and
- f. Percent of provision to total revenue.

RESPONSE

Please see KPSC_1_35_Attachment1 to this response for the requested information.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide a detailed analysis of the retained earnings account for the test year and the 12-month period immediately preceding the test year.

RESPONSE

Please see KPSC_1_36_Attachment1 of this response for a detailed analysis of the retained earnings account for the test year and the 12-months period immediately preceding the test year.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide a listing of all non-utility property, related property taxes, and accounts where amounts are recorded. Include a description of the property, the date purchased, and the cost.

RESPONSE

Please see KPSC_1_37_Attachment1.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide the rates of return in Schedule 38.

RESPONSE

Please see KPSC_1_38_Attachment1 to this response. Due to the small nature of the Kentucky non-jurisdictional portion of KPCo's business (approximately 1%), the total Company rate of return was not broken down between the Kentucky jurisdiction and the other jurisdiction.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide employee data in Schedule 39.

RESPONSE

Please see KPSC_1_39_Attachment1 for Schedule 39 employee data.

WITNESS: Andrew R Carlin

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Kentucky Power Company

REQUEST

Provide the studies for the test year, including all applicable workpapers, which are the basis of jurisdictional plant allocations and expense account allocations.

RESPONSE

The Company's jurisdictional plant and expense allocation study, with supporting schedules, can be found in the Company's December 23, 2014 filing, Section V, Exhibit 1 Schedule 4 and Schedules 6 through 10.

WITNESS: Shannon R Listebarger

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Kentucky Power Company

REQUEST

Provide a calculation of the rate or rates used to capitalize interest during construction for the test year and the 3 preceding calendar years. Explain each component entering into the calculation of this rate.

RESPONSE

Please see KPSC_1_41_Attachment1.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide the following information concerning Kentucky Power and its affiliated service company:

- a. A schedule detailing the costs directly charged to and costs allocated by Kentucky Power to the service company. Indicate the Kentucky Power accounts where these costs were originally recorded. For costs that are allocated, include a description of the allocation factors utilized.
- b. A schedule detailing the costs directly charged to and costs allocated by the service company to Kentucky Power. Indicate the Kentucky Power accounts where these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

RESPONSE

- a. During the test year, Kentucky Power billed \$254,800.09 to AEP Service Corporation for costs related to Kentucky Power buildings partially occupied by AEPSC employees. Kentucky Power recorded the original transactions in various accounts, including (but not limited to) depreciation, property tax and building maintenance. When the costs are billed, Kentucky Power records revenue in Account 4540 (Rent from Electric Property, Affiliated) and AEPSC records expense to Account 9310 (Rents – Real Property, Associated).
- b. Please refer to KPSC_1_42_Attachment1 for the requested information detailing O&M charges from AEPSC to Kentucky Power for the test year by FERC account and allocation factor.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide any information, when known, that would have a material effect on net operating income, rate base, or cost of capital that have occurred after the test year but were not incorporated in the filed testimony and exhibits.

RESPONSE

There are no known material changes that have occurred after the test year.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide detailed monthly income statements for each month after the test year, including the month in which the hearing ends, as they become available

RESPONSE

Please see KPSC_1_44_Attachment1 and KPSC_1_44_Attachment2 for the detailed income statement for October and November 2014. Additional income statements for months that follow the test year ending September 30, 2014 will be provided to the Kentucky Public Service Commission as they become available.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

List all present or proposed research efforts dealing with the pricing of electricity and the current status of such efforts.

RESPONSE

Kentucky Power Company is currently not involved with any research efforts dealing with the pricing of electricity.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and 2 preceding calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries, for the test year, for those persons whom they replaced.

RESPONSE

Please see Staff_1_46_Attachment1 to this response for a schedule containing the salaries of each executive officer of Kentucky Power Company for the test year and preceding two calendar years. Included in the attachment are Kentucky Power officers who are employees of AEPSC with the title of executive Vice President and above including the President of Kentucky Power Company.

WITNESS: Andrew R Carlin

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Kentucky Power Company

REQUEST

Provide an analysis of Kentucky Power's expenses for research and development activities for the test year and the 3 preceding calendar years. For the test year include the following:

- a. Basis of fees paid to research organizations and Kentucky Power's portion of the total revenue of each organization. Where the contribution is monthly, provide the current rate and the effective date.
- b. Details of the research activities conducted by each organization.
- c. Details of services and other benefits provided to the company by each organization during the test year and the preceding calendar year.
- d. Total expenditures of each organization including the basic nature of costs incurred by the organization.
- e. Details of the expected benefits to the company.

RESPONSE

For 2011, please see KPSC_1_47_Attachment1.
For 2012, please see KPSC_1_47_Attachment2.
For 2013, please see KPSC_1_47_Attachment3.
For the test year, please see KPSC_1_47_Attachment4.

WITNESS: Gregory G Pauley

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Kentucky Power Company

REQUEST

Provide the average number of customers for each customer class (i.e., residential, commercial, and industrial) for the 3 calendar years preceding the test year, the test year, and for each month of the test year.

RESPONSE

Please see KPSC_1_48_Attachment1 to this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide all current labor contracts and the most recent contracts previously in effect.

RESPONSE

There are six labor contracts currently in effect for Kentucky Power Company. Please see the table below for the list of contracts currently in effect.

KPSC_1_49_Attachment1	IBEW Local 978 Agreements with Kentucky Power for Big Sandy Plant, Hazard, Pikeville, and Ashland, respectively. Each agreement is effective March 12, 2012 through February 16, 2015. This response will be updated with the new contracts once available.
KPSC_1_49_Attachment2	
KPSC_1_49_Attachment3	
KPSC_1_49_Attachment4	
KPSC_1_49_Attachment5	IBEW Master Agreement between American Electric Power and the International Brotherhood of Electrical Workers. Includes all subsidiaries of AEP). Agreement in effect from February 17, 2012 through February 16, 2015. This response will be updated with the new contract once available.
KPSC_1_49_Attachment6 KPSC_1_49_Attachment7	UWUA Locals 468 & 492 Agreement with Kentucky Power for Kammer & Mitchell Plants. The Agreement was set to expire on May 31, 2014, however was extended until May 31, 2015. Both the original agreement and extension agreement are attached. This response will be updated with the new contract once available.

WITNESS: Gregory G Pauley

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Kentucky Power Company

REQUEST

Provide a detailed analysis of all benefits provided to the employees of Kentucky Power.
For each benefit include:

- a. The number of employees covered at test-year end;
- b. The test-year actual cost;
- c. The amount of test-year actual costs capitalized and expensed; and
- d. The average annual cost per employee.

RESPONSE

- a. The number of employees covered at test-year end is 661.
- b. & c. Please see KPSC_1_50_Attachment1.
- d. The average annual cost per employee is \$15,264 (\$10,089,356/661).

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide complete details of the financial reporting and rate-making treatment of Kentucky Power's pension costs.

RESPONSE

The Company's pension cost for financial reporting and ratemaking purposes is computed as part of an annual actuarial valuation performed by Towers Watson, the Company's independent actuary, in accordance with generally accepted accounting principles under Financial Accounting Standards Board (FASB) Accounting Standards Codification 715-30, previously referred to as FASB Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (FAS 87).

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Provide complete details of Kentucky Power's financial reporting and rate-making treatment of Statement of Financial Accounting Standard ("SFAS") No. 106, including:

- a. The date that Kentucky Power adopted SFAS No. 106;
- b. All accounting entries made at the date of adoption; and
- c. All actuarial studies and other documents used to determine the level of SFAS No. 106 cost recorded by Kentucky Power.

RESPONSE

Kentucky Power Company records and reports postretirement benefits other than pensions in accordance with generally accepted accounting principles per FAS 106. For ratemaking purposes, Kentucky Power Company adjusts its FAS 106 book expense to reflect the latest actuarial report.

- a. Kentucky Power adopted SFAS No. 106 in January 1993.
- b. Please see KPSC_1_52_Attachment1 to this response for the accounting entries.
- c. Please see Exhibit HEM-2C in the testimony of Company Witness Hugh McCoy for the latest actuarial study.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide complete details of Kentucky Power's financial reporting and rate-making treatment of SFAS No. 112, including:

- a. The date that Kentucky Power adopted SFAS No. 112;
- b. All accounting entries made at the date of adoption; and
- c. All actuarial studies and other documents used to determine the level of SFAS No. 112 cost recorded by Kentucky Power.

RESPONSE

Kentucky Power Company records and reports post-employment benefits in accordance with generally accepted accounting principles per FAS 112. The ratemaking for post-employment benefits follows the book accounting.

- a. Kentucky Power adopted SFAS No. 112 in March 1994.
- b. Please see KPSC_1_53_Attachment1 to this response.
- c. Please see KPSC_1_53_Attachment2 to this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide complete details of Kentucky Power's financial reporting and rate-making treatment of SFAS No. 143, including:

- a. The date that Kentucky Power adopted SFAS No. 143;
- b. All accounting entries made at the date of adoption;
- c. All studies and other documents used to determine the level of SFAS No. 143 cost recorded by Kentucky Power; and
- d. A schedule comparing the depreciation rates utilized by Kentucky Power prior to and after the adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

RESPONSE

- a. Kentucky Power adopted SFAS 143 effective January 1, 2003.
- b. Kentucky Power made no accounting entries to recognize legal obligations related to the adoption of SFAS No. 143 because it was not required to recognize any legal asset retirement obligations under the provisions of SFAS No. 143.

As it relates to FASB Interpretation No. 47 (FIN 47), the requested accounting entries are provided in KPSC_1_54_Attachment1 to this response. These entries relate to the Company's implementation of FIN 47 in the fourth quarter of 2005 related to asbestos. FIN 47 interpreted the application of SFAS 143 to clarify the term "conditional asset retirement obligation." It also clarified when an entity is deemed to have sufficient information to reasonably estimate the fair value of an asset retirement obligation (ARO).

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- c. The requested document, as it relates to Kentucky Power's asbestos AROs under FIN 47 is provided in KPSC_1_54_Attachment2 to this response.

- d. Kentucky Power's depreciation rates as set by the Commission did not change as a result of implementing SFAS No. 143 or FIN 47 and therefore the requested schedule is not available.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide the following information concerning the costs for the preparation of this case:

a. A detailed schedule of expenses incurred to date for the following categories:

- (1) Accounting;
- (2) Engineering;
- (3) Legal;
- (4) Consultants; and
- (5) Other Expenses (Identify separately).

For each category, the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation that support charges incurred in the preparation of this rate case. Indicate any costs incurred for this case that occurred during the test year.

- b. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in (a) above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.
- c. During the course of this proceeding, provide monthly updates of the actual costs incurred, in the manner requested in (a) above. Updates will be due the last business day of each month, through the month of the public hearing

RESPONSE

a-b. Please see KPSC_1_55_Attachment 1.

c. The Company will provide monthly updates of the actual costs incurred, in the manner requested in (a) above.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Provide Kentucky Power's most recent depreciation study. If no such study exists, provide a copy of Kentucky Power's most recent depreciation schedule. The schedule should include a list of all plant and related facilities by account number, service life and accrual rate for each, the methodology that supports the schedule, and the date the schedule was last updated.

RESPONSE

Kentucky's most recent depreciation study was provided as Exhibit DAD-2 along with Company Witness Davis' testimony in this proceeding. The depreciation study is based on plant in service at December 31, 2013 and it includes the detail requested by this question.

WITNESS: David A Davis

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Kentucky Power Company

REQUEST

Describe the status of any outstanding recommendations relating to Kentucky Power's management audits. Identify any savings or costs related to management audit recommendations, the impact of which is not already reflected in the test year of this case.

RESPONSE

All recommendations from the last management audit have been completed or were considered ongoing recommendations and are reflected in the Company's test year results.

WITNESS: Ranie K Wohnhas

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Kentucky Power Company

REQUEST

Concerning Kentucky Power's demand side management, conservation and energy efficiency programs, provide the following:

- a. A list of all programs currently offered by Kentucky Power.
- b. The total cost of the programs Kentucky Power offered during the test year and the costs incurred during each of the three most recent calendar years.
- c. Total demand and energy reductions realized under the programs Kentucky Power offered during the test year and in each of the three most recent calendar years.

RESPONSE

a.

Commercial

Commercial Incentive
High Efficiency Heat Pump/Air Conditioning
Commercial HVAC Diagnostics and Tune-up
School Energy Manager

Residential

Residential Efficient Products
Mobile Home High Efficiency Heat Pump
Mobile Home New Construction
High Efficiency Heat Pump
Targeted Energy Efficiency
Modified Energy Fitness
Community Outreach Compact Fluorescent Lighting
Energy Education for Students
Residential HVAC Diagnostics and Tune-up

b.

2011: \$2,140,530
2012: \$3,102,705
2013: \$2,601,951
Test Year: \$3,030,802

c.

2011
Energy kWh: 4,689,310
Demand kW: 2,921

2012
Energy kWh: 5,475,365
Demand kW: 2,821

2013
Energy kWh: 8,514,237
Demand kW: 3,141

Test Year
Energy kWh: 14,985,895
Demand kW: 3,122

WITNESS: Ranie K Wohnhas