COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application Of Kentucky Power Company For	)	
A General Adjustment Of Its Rates For Electric	)	
Service; (2) An Order Approving Its 2014	)	
Environmental Compliance Plan; (3) An Order	)	Case No. 2014-00396
Approving Its Tariffs And Riders; And (4) An	)	
Order Granting All Other Required Approvals	)	
And Relief	)	

Kentucky Power Company Responses

To KIUC First Set of Data Requests

February 11, 2015

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 10th day of February, 2015.

Judy K Rosquist 481393
Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

Dr. William E. Avera being duly sworn deposes and says he is the President of FINCAP, Inc., and that he has personal knowledge of the matters set forth in the forgoing data requests and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Dr. William E. Avera

STATE OF TEXAS)
) CASE NO. 2014-00396
COUNTY OF HAYS)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Dr. William E. Avera this 5 day of February, 2015.

Notary Public

Robert Middelton Avera
Notary Public, State of Texas
Expires: 06-17-2018

My Commission Expires: ____________________

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 4th day of February, 2015.

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 3rd day of February, 2015

NOTARIAL SEAL STATE OF OHIO

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 3rd day of February, 2015

Kathy L M Esser

Notary Public

My Commission Expires: Aug 18, 2017

VERIFICATION

The undersigned, Jeffery D. LaFleur, being duly sworn, deposes and says he is Vice President Generating Assets APCO/KY, 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

Jeffery D. LaFleur

JEFFERY D. LAFLEUR

STATE OF WEST VIRGINIA)
) Case No. 2014-00396
COUNTY OF KANAWHA)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jeffery D. LaFleur, this the 3rd day of February, 2015.

Dorothy E. Philyaw

Notary Public

My Commission Expires: October 2, 2019

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
DOROTHY E. PHILYAW
APPALACHIAN POWER
PO BOX 1986
CHARLESTON, WV 25327-1986
My commission expires October 2, 2019

VERIFICATION

The undersigned, Shannon R. Listebarger, being duly sworn, deposes and says she is a Regulatory Consultant 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

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 3rd day of February, 2015.

Amanda E Owen

Notary Public

My Commission Expires: Never

VERIFICATION

Adrien M. McKenzie being duly sworn deposes and says he is the Vice President of FINCAP, Inc., and that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Adrien M .McKenzie

STATE OF TEXAS	)
	) CASE NO. 2014-00396
COUNTY OF TRAVIS	)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Adrien M .McKenzie this 5 day of February, 2015.

BRYAN ANDERSON
NOTARY PUBLIC
STATE OF TEXAS
EXPIRES
10/03/2017

Notary Public

My Commission Expires: 10/03/2017

VERIFICATION

The undersigned, Marc D. Reitter, being duly sworn, deposes and says he is the Managing Director, Corporate Finance for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Marc D. Reitter

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 Marc D. Reitter, this the 3rd day of February, 2015.

Notary Public

NOTARIAL SEAL STATE OF OHIO

David C. House, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.

My Commission

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 10th day of February, 2015.

Judy K Rosquist 48393
Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

The undersigned, Jason M. Stegall, being duly sworn, deposes and says he is the a Regulatory Consultant for American Electric Power Service Corporation and that he has personal knowledge of the matters set forth in the forgoing response and the information contained therein is true and correct to the best of his information, knowledge and belief.

Jason M. Stegall

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 Jason M. Stegall, this the 5th day of February, 2015.

Notary Public

My Commission Expires: May 11, 2016

NOTARIAL SEAL STATE OF OHIO

ELLEN A. MCANINCH
NOTARY PUBLIC
STATE OF OHIO
Recorded in
Franklin County
My Comm. Exp. 5/11/16

VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Manager, Regulatory Pricing and Analysis that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.

Alex E. Vaughan

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 Alex E. Vaughan, this the 5th day of February, 2015

Amanda E Owen
Notary Public

My Commission Expires: Never

VERIFICATION

The undersigned, Ranie K. Wohnhas, 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. Wohnhas

Ranie K. Wohnhas

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. Wohnhas, this the 10th day of February 2015.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

The undersigned, Jason M. Yoder, being duly sworn, deposes and says he is Staff Accountant Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the 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.

Jason M. Yoder

Jason M. Yoder

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 Jason M. Yoder, this the 5th day of February, 2015.

Sheryl J. Cleaver

Notary Public

SHERYL J. CLEAVER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES____

My Commission Expires: 6/13/2017

Kentucky Power Company

REQUEST

Please provide copies all calculations, work papers and any other supporting documents including but not limited to load research reports used to develop the Allocation Factor Tables in Exhibit JMS-2.

RESPONSE

The Class Cost-of-Service workpapers are being provided as KIUC_1_17_Attachment33_Stegall_CCOS_Workpapers.xlsx.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please provide copies of all available peak day load profiles for any school accounts recorded in the last five years.

RESPONSE

The Company did not prepare load profiles for any specific customers. The class load profiles, however, are included in KIUC_1_17_Attachment33_Stegall_CCOS_Workpapers.xlsx.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please provide a copy of all class loss factors used in the development of JMS-2 and any supporting studies and documentation.

RESPONSE

The class loss factors were included in KIUC_1_17_Attachment33_Stegall_CCOS_Workpapers.xlsx. The list below provides the applicable tab names and indicates the loss factor that can be found on that tab.

Tab Name	**Loss Factor**
CPG	Generation Demand Loss Factor
ENER	Generation Energy Loss Factor
CPT	Transmission Demand Loss Factor
CPST	Subtransmission Demand Loss Factor
ENER_SUB	Subtransmission Energy Loss Factor
CPD	Distribution Demand Loss Factor

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please provide load profiles for each monthly peak day as listed on the 2013 FERC Form 1 page 401b and as would be listed on that page for 2014.

RESPONSE

The Company has only prepared class load profiles for the test year. Those profiles are included in KIUC_1_17_Attachment33_Stegall_CCOS_Workpapers.xlsx. The applicable tab names are listed in the table below.

Tab Name	Load Profile
Metered Loads	Metered Load Profile
Loss Adj Secondary	Loss-Adjusted Load Profile - Secondary Voltage
Loss Adj Primary	Loss-Adjusted Load Profile - Primary Voltage
Loss Adj Subtran	Loss-Adjusted Load Profile - Subtransmission Voltage
Loss Adj Transmission	Loss-Adjusted Load Profile - Transmission Voltage
Loss Adj Generation	Loss-Adjusted Load Profile - Generation Voltage

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please provide a typical bill analysis for Rate Schedules MGS-sec, MGS-pri, LGS-sec and LGS-pri.

RESPONSE

See KSBA_1_5_Attachment1 for a typical bill analysis that compares going level rates to the Company's proposed rates in this filing. Both going level and proposed include riders and surcharges.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide the average annual wage increase provided employees for the last ten years.

RESPONSE

Please see KSBA_1_6_Attachment1.PDF for annual wage increases by year from 2005 through 2014.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide a copy of FERC Form 1 page 401b for the years 2004-2012.

RESPONSE

The requested information is publicly available on the FERC's website, ferc.gov.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please provide the sales volume, number of customers and billing demands for each rate class for the years 2005 and 2014.

RESPONSE

Please see KSBA_1_8_Attachment1.pdf for this response.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please provide the 2014 monthly system sales volumes, peaks, dates and times in the same format as FERC Form 1 page 401b.

RESPONSE

The 2014 FERC Form 1 has not yet been filed. The requested analysis has not been performed. Furthermore, the Company sells excess generation that is over and above its internal load obligation into PJM's hourly energy markets. These sales of excess generation are not load obligations.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Referring to Section II - Application page 348 please provide for the period July 1, 2015 to June 30, 2016 expected revenues by base rates and for each surcharge or rider.

RESPONSE

See the "total" line on Section II - Application page 348. The Company's proforma level of revenue is the level of revenue that the Company expects for the first year of the proposed rates. Actual revenues for base rates, surcharges and riders will vary from these values based upon a variety of factors including but not limited to Commission orders, actual expenses, changes in customer usage etc.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

With reference to the Avera/McKenzie testimony at page 6 do the witnesses give the same weight to the peer group adjustment measures other than the FAC and ECA as they do the KPC's FCA and ECA or the Big Sandy Retirement and Unit 1 Riders? Please explain.

RESPONSE

Dr. Avera and Mr. McKenzie did not assign any weighting scheme to selected adjustment mechanisms in their comparison of Kentucky Power with the proxy group. As explained in the Avera/McKenzie testimony at pages 10-11, adjustment mechanisms, cost trackers, and reliance on forward-looking test periods have been increasingly prevalent in the utility industry in recent years. Similarly, the utilities in the Electric Group benefit from a variety of regulatory mechanisms. Many of these utilities operate under revenue decoupling or other mechanisms that insulate the utility from volatility related to fluctuations in sales volumes. Other adjustments allow for recovery of infrastructure investment outside a formal rate proceeding, as well as the ability to implement periodic rate adjustments to reflect changes in a diverse range of operating and capital costs, including expenditures related to environmental mandates, conservation programs, transmission costs, and storm recovery efforts. Accordingly, there is no basis to differentiate between Kentucky Power and the proxy group, especially considering that the objective measures used to evaluate comparable risk consider the impact of regulatory mechanisms.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Please provide all workpapers associated with the Company’s proposed rate design, in electronic format with formulas intact if available.

RESPONSE

See the Company's response to KIUC 1-17. Specifically, see KIUC_1_17_Attachment48.xls.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

To the extent not provided in response to the previous questions, please provide electronic spreadsheet versions of the attachments to the responses to the Commission Staff's 1st set of Data Requests, KPSC_1_8_Attachment1 and KPSC_1_8_Attachment2.

RESPONSE

KPSC_1_8_Attachment1 has been provided as KIUC_1_17_Attachment48.xlsx to KIUC 1-17.

KPSC_1_8_Attachment2 has been provided as KIUC_1_17_Attachment34_Stegall_JMS_1_and_StegallRevenueWorkpapers.xlsx to KIUC 1-17.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

With regard to the Company's proposed tariff C.S.-IRP, please provide the following:

a. The criteria governing "interruptible load that qualifies under PJM's rules as capacity for the purposes of the Company's FRR obligation". Include each and every criteria, including, but not limited to notice provisions, number of hours of interruption, the number of interruptions by season (e.g., summer months only), the maximum number of hours of any single interruption.

b. To the extent that any of the criteria identified in (a) above are expected to change as a result of PJM's January 9, 2015 filing (ER15-135-001) on demand response and its January 14, 2015 filing revising the PJM OATT, please identify each such change that the Company is aware of, assuming that PJM's filing is approved.

RESPONSE

a. PJM's criteria and rules governing what qualifies as a capacity resource under the RPM and FRR constructs is contained in its tariffs and manuals. These documents are publicly available at http://www.pjm.com/documents/manuals.aspx. Specifically, see Manual 18 - Capacity Market.

b. The Company cannot speculate as to what portions of, if any, of PJM's January 9th and 14th filings will be approved and how that may affect the criteria, if at all, and rules referenced in the answer to part a.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide a copy of all AEP and KPCo reports, memoranda, emails that discuss the implications of the two PJM filings referenced in the previous question, with regard to changes that KPCo would be required to make to its tariff C.S.-IRP to comply with the revised PJM rules and tariffs.

RESPONSE

No such reports, memoranda or emails exist.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Is it KPCo's position at the present time that its tariff C.S.-IRP will meet the requirements of the proposed PJM rule/tariff changes associated with demand response? If not, please explain the changes that KPCo believes will be required to tariff C.S.-IRP.

RESPONSE

It is the Company's position that tariff C.S.-IRP meets the current PJM requirements with respect to demand response resources. The Company cannot speculate as to whether or not tariff C.S.-IRP in its current form will meet any rule/tariff changes that may or may not be accepted by the FERC in the future. See also the Company's response to KIUC 1-14.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Provide all schedules, workpapers, and computations in electronic spreadsheet format with all formulas intact. For all input values, provide the source documents and/or calculations, including all electronic spreadsheets with all formulas intact.

RESPONSE

In addition to Sections IV and V, which were filed on December 23, 2015 as excel spreadsheets, the requested documents are attached as follows:

Attachment numbers	Witness
1 through 31	Davis
32	McCoy
33 through 36	Stegall
37 through 55	Vaughan
56 through 57	Reitter
58 through 72	Yoder
73 through 78	Wohnhas
79 through 83	LaFleur
84 through 151	Avera/McKenzie *Please note, the yellow highlighting in KIUC_1_17_Attachment 91 was for internal purposes only and does not indicate confidentiality.
152 through 167	Rogness
168 through 198	Elliott

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please refer to the Direct Testimony of Mr. Pauley at page 6, lines 9-12. Please provide the calculation for the determination that the Mitchell Transfer and the Big Sandy retirements account for an increase in the revenue requirement of $37.7 million. Please provide in electronic format with all formulas intact.

RESPONSE

See KIUC_1_18_Attachment1.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide a trial balance of all income statement and balance sheet accounts for each month January 2013 through January 2015. Please provide a detailed description of the costs included in each account not specifically listed in the FERC Uniform System of Accounts ("USAOA"), including all subaccounts whether listed in the USOA or not.

RESPONSE

Attachment KIUC_1_19_Attachment1.pdf includes the monthly KPCo trial balances for the periods January 2013 through December 2014.

The December 2013 trial balance does not include KPCo's December 31, 2013 50% acquisition of Mitchell Plant. Attachment KIUC_1_19_Attachment2.pdf includes all balance sheet amounts related to KPCo's December 31, 2013 acquisition of Mitchell Plant.

When the books are closed for January 2015, the Company will supplement its response to include a January 2015 trial balance.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to Adjustment 50 on Tab W50 of Section V Exhibit 2 showing the calculation of the three-year average of the Section 199 deduction that the Company proposes.

a. Please provide the comparable information for 2014 used in developing the tax estimate when the Company closed its accounting books for 2014.

b. Please confirm that if the Company is granted a rate increase that its taxable income and its Section 199 deduction will increase, all else equal. Please explain your response.

RESPONSE

a. The Company did not reflect a section 199 deduction in the closing of the books at year end 2014. With the retroactive extension of bonus depreciation late in 2014 it was not anticipated that a section 199 deduction would be available.

b. The Company disagrees with this generalized statement. The statement would only be correct if the Company was entitled to a section 199 benefit before any rate increase was granted and then only to the extent the rate increase caused an increase in the net profit from the generation of electricity. In all other cases the statement would not be correct. Also see response to KPSC 2-23 for further explanation.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

In a pending rate case before the West Virginia Public Service Commission Case No. 14-1152-E-42T, Appalachian Power Company proposed that income tax expense be reduced by the parent company loss adjustment ("PCLA").

a. Please describe the PCLA.

b. Please confirm that the PCLA is a reduction to the Company's income tax expense set forth in the AEP Tax Agreement.

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

d. Please confirm that Mr. Bartsch is a witness in the Appalachian Power Company proceeding in West Virginia and is familiar with Appalachian Power Company's proposal in West Virginia.

e. Please provide a quantification of the PCLA for this proceeding, a description of the data and sources of data that were used, and a narrative description of each step in the calculation.

RESPONSE

a. The PCLA refers to the Parent Company Loss Allocation in which the tax benefit of the tax loss of American Electric Power Company, Inc. (Parent Company) is allocated prorata to those companies that participate in the AEP Consolidated Tax Return that have positive taxable income. Please see KIUC_1_21_Attachment1.pdf for a copy of the AEP Tax Allocation Agreement which was first approved by the IRS in 1955.

b. The PCLA results in a reduction to the Company's income tax expense assuming that the Company has positive taxable income. The amount of the reduction is dependant on the actual amount of the parent company loss and the Company's relative taxable income as compared to the other companies in the consolidated group having taxable income.

c. The PCLA adjustment has been included in Federal income tax expense and approved by the West Virginia Commission in West Virginia rate cases since the early 1990's. In this filing, however, the Company followed past precedent in Company Case Nos. 2005-00341 and 2009-00459 and did not include the PCLA in the determination of income tax expense. Should the Kentucky Commission determine that it would now be appropriate to include the PCLA adjustment as a reduction to income tax expense in this proceeding, the Company would comply.

d. Mr. Bartsch is a witness in the Appalachian Power Company proceeding in West Virginia and is familiar with Appalachian Power Company's proposal related to the PCLA.

e. Please see KIUC_1_21_Attachment2.xlsx (Closing Tax Allocation for 2013) and KIUC_1_21_Attachment3.xlsx (Closing Tax Allocation for 2014) which show the estimated Parent Company Loss Allocations that were accrued for calendar years 2013 and 2014 using the process described in the AEP Tax Allocation Agreement. The 2014 amounts include the retroactive extension of bonus depreciation. The PCLA accrued for Kentucky Power was $293,000 in 2013 and $327,000 in 2014. A pro rata Kentucky Power PCLA adjustment for the 12 months ended September 30, 2014 Test Year would be $318,500.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that the Company is not now or in the future obligated to pay the Ohio income tax expense that had been deferred on Ohio Power Company's accounting books for the Mitchell Plant before the transfer of 50% of the plant and the ADSIT to Kentucky Power Company. If this is not correct, then please provide a detailed description of this obligation and the manner in which the Company will pay Ohio income taxes.

RESPONSE

The deferred state income taxes that were transferred from Ohio Power Company to Kentucky Power Company related to the Mitchell Plant is not a direct future state income tax obligation of the Company. However, these accumulated deferred state income taxes were used to reduce the Company's future state income tax obligation that is recorded in accordance with SFAS 109. The Company is recommending that this balance be amortized over the remaining life of the Mitchell plant since the Company has not historically recorded deferred state income taxes for ratemaking purposes.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide the account in which the Ohio ADSIT resides on the Company's accounting books.

RESPONSE

Account 2831002 - Accumulated Deferred SIT - Other.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that the Company agrees that the ADSIT is more akin to a regulatory liability than a deferred state income tax expense.

RESPONSE

Since the Company has never recorded Deferred SIT for ratemaking purposes, in this special situation it could be deemed to be more akin to a regulatory liability.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that the amortization period for the ADSIT is within the discretion of the Commission even though the Company proposes the remaining life of the Mitchell units.

RESPONSE

The Commission has the discretion to determine the amortization period of the ADSIT balance that the Company assumed as part of the Mitchell Plant acquisition. Since the entire ADSIT balance is related to the Mitchell Plant, the Company has proposed amortizing the benefit over the remaining life of the plant.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to Adjustment 49 on Tab W49 of Section V Exhibit 2 showing the calculation of the three-year average of the removal cost Schedule M deduction that the Company proposes.

a. Please provide the comparable information for each year 2009, 2010, and 2014.

b. Please confirm that the removal cost deduction is a temporary difference and there should be a related effect on ADIT, i.e., if there is a change in a Schedule M deduction, there is an offsetting change in deferred tax expense so that there is no net change in total income tax expense. Please explain your response.

c. Please identify where in its filing the Company made an adjustment to reduce deferred tax expense to reflect the proposed reduction in the removal cost Schedule M.

RESPONSE

a. Please see KIUC_1_26_Attachment1.xls.

b. The removal cost Schedule M is treated as flow-thru for Kentucky ratemaking purposes. Please also see the Response to KPSC 2-22.

c. Not Applicable.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that in December 2014, 50% bonus tax depreciation was "extended" to the entire 2014 tax year. If confirmed, please provide a narrative description of the property to which the extension applies. For example, does it apply to all property additions in 2014? Does it apply to any property additions in 2015, e.g., construction dollars incurred in 2014? Please provide a copy of sources relied on for your response.

RESPONSE

In December 2014, the Federal 50% bonus tax depreciation deduction was extended for the entire 2014 year. Under Internal Revenue Code Section 168(k), the bonus allowance is only available for new property ("original use" must begin with the taxpayer) which is depreciable under MACRS and has a recovery period of 20 years or less and computer software depreciable over three years under IRC Sec 167(f). The assets must be placed in service before January 1, 2015, unless the property qualifies as "long production property." This is defined as property that (a) is subject to IRC Sec 263A uniform capitalization rules, (b) has a production period greater than one year and a cost exceeding $1 million, and (c) has a MACRS recovery period of at least 10 years. If these additional requirements are met and the asset is placed in service in 2015, then the pre-2015 expenditures will qualify for bonus depreciation in 2015.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that the Company's filing assumes that the 50% bonus depreciation was not extended to 2014 or later years in any manner. Please explain how this assumption affected the accumulated deferred income taxes reflected in the Company's filing. Also, please explain how this assumption affected the capitalization reflected in the Company's filing.

RESPONSE

The Company's filing did not consider the extension of 50% bonus depreciation into 2014 or later years in any manner. For the quantification of the effect on accumulated deferred income taxes and capitalization, please refer to the response to KIUC 1-29.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide a quantification of the effects of the 50% bonus depreciation extension on the Company's accumulated deferred income taxes and capitalization reflected in the Company's filing. Please provide revised schedules and calculations in electronic spreadsheet format with all formulas intact.

RESPONSE

Without updating all schedules and calculations, the Company estimates it would have recorded an additional $23.6 million in deferred federal income tax liability through September 2014 if the retroactive 50% bonus depreciation existed during the test year or had been a known and measurable change at the time of filing. The Company has not performed the requested hypothetical revision to the schedules and calculations. Further, the Company cannot do so within the time available.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please confirm that the Company agrees that the additional ADIT resulting from the extension should be reflected as an adjustment in its filing. If not, then please provide all reasons why the Company disagrees.

RESPONSE

If the retroactive 50% bonus depreciation extension had been signed into law in time to include it in the rate filing, the Company would have included its impacts on the ADIT balances as of September 30, 2014.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide a copy of each incentive compensation plan that was in effect during the test year.

RESPONSE

For the incentive compensation plans in effect during the test year, please see KIUC_1_31_Attachment1.PDF for plans in 2013 and KIUC_1_31_Attachment2.PDF for plans in effect during 2014. Information not applicable to KPCo is redacted.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide the amount of incentive compensation expense pursuant to the Long Term Incentive Plan included in the test year revenue requirement for each target metric used for this plan during the test year. Separately provide the costs incurred directly by the Company and the costs incurred through AEPSC affiliate charges. In addition, please provide these amounts by FERC O&M and/or A&G expense account.

RESPONSE

For the Kentucky Power Company costs incurred directly see KIUC_1_32_Attachment1.xls for the total Company amount included in the test year.

Refer to KIUC_1_32_Attachment2.xls for the requested information related to AEPSC's long term incentive billed to KYPCo for the test year ended September 30, 2014 by FERC account.

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.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide the LTIP target metrics for the Company and AEPSC applicable to the test year,describe how they are calculated and the source of the data used for the calculations, and provide the Company and AEPSC's actual performance against each of these metrics in the test year.

RESPONSE

The LTIP metrics for the 2013 test year are calculated based on of the Company Total Shareholder Return and Earnings Per Share scores (TSR and EPS, respectively). These benchmarks have an important long-term effect on the Company's cost of service and cost of raising equity and debt capital. Each of the two components makes up 50% of the score.

The TSR score is calculated by comparing the Company's stock return during a 3 year period to the return of a peer group and multiplying that result by a payout curve. The peer list and payout curve is provided by the Human Resources department annually for the new LTIP compensation. The 2011-2013 award peer list consists of 29 utility companies and is shown in KPSC_1_33_Attachment1.xlsx. If the Company's result is in the top 80% of its peers, the TSR score will be a 2.00. If the Company's result is in the bottom 20%, the score will be a 0.00. If the result falls between 20% and 80% then the TSR score will be found by taking the percentage ranking then subtracting 20% (since the bottom 20% results in a 0 score) and then multiplying it by 3.3333 (200/(80-20)).

The 2011-2013 TSR return for the Company and peers is calculated by taking 20 day average at the end of the three year award period plus the three years of dividends minus the beginning 20 day average. That sum is divided by the beginning 20 day average. (12/31/13 20 day average plus three years of dividends – 12/31/10 20 day average)/(12/31/10 20 day average). This formula provides the three year return for the company and peers. AEP's percentage return for 2011-2013 was 45.37%. The returns of all the companies are then ranked by a percentage and in 2013 AEP's percentage was 62%. The TSR score for AEP was 1.40 ((62%-20%)*3.333).

The Corporate Consolidation and Governance, Planning, Analysis Reporting group provides the EPS score which is a score based on the Company's earnings per share. The score for the 2011-2013 plan was 0.975. The final performance score for AEP was 1.188 which comes from 50% TSR score and 50% EPS score ((1.4+0.975)/2).

This component of employee compensation is only paid if employees in fact remain with the Company, resulting in stability and effective employee retention.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide a schedule of the amortization expense associated with each regulatory asset for each year 2010 through 2014 and the test year. Provide the balance of each regulatory asset at the beginning and end of each of those years, the amortization period that was used in each of those years. In addition, please source the amortization period to the Case No. in which the Commission approved the recovery and the amortization period, if any.

RESPONSE

Please see KIUC_1_34_Attachment1.pdf for the requested information for 2010, 2011, 2012 and 2013. Although the FERC forms for 2014 and the test year have not yet been prepared, please see KIUC_1_34_Attachment2.xls for the information for 2014 and the test year.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please refer to Exhibit DAD-2, page 24 which shows the Net Salvage rates used in existing rates and those computed for the proposed depreciation rates.

a. Please provide a copy of the order from Case No. 91-066 mentioned in the Note on that page.

b. Please provide all workpapers used to compute the proposed net salvage factor in electronic spreadsheet format with all formulas intact. This includes the 2000-2013 data derived from the PowerPlant Software discussed in Exhibit DAD-2, pages 14-15.

RESPONSE

a. The order from Case No. 91-066 is provided with this response and labeled "KIUC_1-35_Case_No_91_066_Attachment1".

b. See the Company's response to KIUC, 1-17 which provided all workpapers and computations used to calculate depreciation rates.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please refer to the Direct Testimony of Mr. Davis at page 9. Please provide all calculations and workpapers, including all electronic spreadsheets with formulas intact, used to compute the net negative salvage ratio for the Mitchell units showing the use of the Sargent and Lundy estimates and application of the proposed 2.35% inflation factor.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf), pages 2 thru 5, and the associated electronic files to find the calculation of the net salvage ratio for the Mitchell units, including use of the Sargent & Lundy estimates and application of the proposed 2.35% inflation factor.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please refer to the Direct Testimony of Mr. Pauley at page 6, lines 13-15. Refer also to the Direct Testimony of Mr. Davis at page 6, lines 1-4. Mr. Pauley refers to a revenue requirement increase due to depreciation expense of $12.8 million while Mr. Davis states that the annual depreciation accrual should be increased by $5.6 million based on depreciable asset values as of December 31, 2013. Please reconcile these two amounts and explain in detail all reasons for each reconciling item.

RESPONSE

The change in depreciation expense shown in Company witness Davis' testimony reflects a change in the annual accrual using the existing depreciation rates versus the proposed depreciation rates on the depreciable plant balances as of December 31, 2013. The depreciation expense referenced in Company witness Pauley's testimony uses the proposed depreciation rates on the depreciable plant balances as of September 30, 2014 and compares them to the actual depreciation expense recorded in the test year as of September 30, 2014. In addition, the depreciation expense shown in Company witness Davis' testimony is total Company and includes production plant (i.e. includes the Mitchell plant), whereas the depreciation expense referenced in Company witness Pauley's testimony is jurisdictionalized and excludes production plant (i.e. excludes the Mitchell plant).

Since the changes in depreciation expense noted above were calculated at different points in time using different plant bases, a meaningful reconciliation cannot be made.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Refer to Schedule 3, which shows $0 for short-term debt on a per books basis. Please provide all decision criteria that led to this amount of short-term debt rather than some greater amount on this schedule for the test year. If the Company has reduced the decision criteria to some formula that is solved in the Company's budgeting software, then provide the specific formula. If the decision criteria are subjective and the result is directly input into the budgeting software, then describe how the criteria are applied and by whom.

RESPONSE

The Company has consistently filed Section V, Schedule 3 with the short-term debt balance as of test year end. The Company ended the test year, September 30, 2014 with $0 short-term borrowings. However, the Company did accumulate short-term debt at times throughout the test year. Kentucky Power Company continues to participate in the Corporate Borrowing Program to meet working capital requirements.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide a copy of the Company's guidelines and/or all written criteria that describe when, what (type), how, and how much short-term debt will be issued and outstanding at any time. If the Company has no written guidelines and/or written criteria, then please state.

RESPONSE

Kentucky Power's short term borrowings from the AEP Utility Money Pool are the only form of short term debt/borrowings available to the Company. As a participant in the Utility Money Pool, Kentucky Power is limited to $250 million of short-term borrowings in accordance with the AEP System Amended and Restated Utility Money Pool Agreement dated December 9, 2004 (KIUC_1_39_Attachment1) and FERC short term debt authority, Docket No. ES13-37-000 (KIUC_1_39_Attachment2).

The AEP Utility Money Pool is a portion of the Corporate Borrowing Program, which is the short-term funding mechanism for the regulated utilities, including Kentucky Power. It is structured to meet the combined short-term cash management needs of those companies. The Utility Money Pool meets the short-term cash needs of its participants by providing for short-term borrowings from the Utility Money Pool by its participants and short-term investment of surplus funds by its participants. The attached documents set forth the guidelines and criteria for the Company's participation in the Utility Money Pool.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please confirm that the Company participates in the AEP Utility Money Pool.

RESPONSE

Kentucky Power Company is a participant in the AEP Utility Money Pool.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide a schedule in electronic spreadsheet format showing the Company's daily investments in the AEP Utility Money Pool and the interest rates applicable to those balances for the test year.

RESPONSE

Please see KIUC_1_41_Attachment1 for this response.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide a schedule in electronic spreadsheet format showing the Company's daily borrowings from the AEP Utility Money Pool and the interest rates applicable to those balances for the test year.

RESPONSE

Please see KIUC_1_41_Attachment1 for this response.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide the fees and other expenses associated with the Company's credit facility, commercial paper program, and letters of credit by FERC O&M/A&G and/or other FERC account for each calendar year 2010 through 2014 and the test year. Provide the calculation of the expenses for the test year. In addition, please describe how the Company reflected these costs in its filing.

RESPONSE

Please see KIUC_1_43_Attachment1 for fees and other expenses associated with the Company's credit facility, commercial paper program and letters of credit. The costs associated with maintaining the AEP Corporate Borrowing Program, which includes $3.5B Revolving Credit Facility Up-Front & Annual Commitment Fees and the Commercial Paper Program and Rating Agency Fees, are included in the Jurisdictional Cost of Service as illustrated in Section V, Schedule 4, Other Interest Expense. Line of Credit fees associated with the Mitchell Term Loan Debt and Letter of Credit fees associated with Kentucky Power's WVEDA Series 2014A VRDN are included in the cost of long term debt as shown in Section V, Schedule 3P-1.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Refer to Schedule 3 and the adjustments to reduce the $0 per books amount of short-term to negative amounts shown in columns (5), (6), (7), (8), and (9) for Big Sandy coal stock, Big Sandy coal related assets, Big Sandy M&S, Big Sandy CWIP, and Mitchell FGD from base to environmental, respectively.

a. Is it the Company's position that it used short term debt to finance Big Sandy coal stock, Big Sandy coal related assets, Big Sandy M&S, Big Sandy CWIP, and the Mitchell FGD? Provide all evidence that the Company believes supports this position in light of the $0 per books balance of short-term debt.

b. Please explain the Company's rationale for the proposition that any of the amounts reflected in these adjustments were financed by short-term debt.

RESPONSE

a. The adjustment for Big Sandy Coal Stock has consistently been adjusted by the Company in Schedule 3 as 100% short term debt because the movement of coal is done daily and thus on a short term basis. The Big Sandy coal related assets, Big Sandy M&S, Big Sandy CWIP and the Mitchell FGD were allocated across long term debt, short term debt and common equity in accordance with the proportion of each type of capital to the overall capitalization of the Company because these costs are both of short and long term nature. FRECO, CARRS, and Non-Utility Property were allocated across all three capitalization types in a similar fashion. This allocation method is consistent with past base case filings even when the short term debt balance was zero at the end of the test year.

b. The Company uses all three types of capital to operate its day to day business. See the answer to a. above for rationale when adjusted for short term debt only.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of John A. Rogness III ("Rogness Testimony"), pages 6-7.

a. Provide, by year since the Order in Case No. 2004-00420,(See footnote) the amount of Capacity Charge revenues received, the amount that should have been received per the tariff, and the difference.

b. Explain how and when the over/under is to be determined and applied to a Kentucky Power customer's bill.

c. Explain whether the Capacity Charge revenues are received by Kentucky Power or by another AEP entity.

d. Explain whether the Stipulation and Settlement agreement in Case 2004-00420 authorized a true-up of the Capacity Charge.

****

Case No. 2004-00420, Application of Kentucky Power Company for Approval of a Stipulation and SettlementAgreement Resolving State Regulatory Matters (Ky. PSC Dec. 13, 2004

RESPONSE

a. Please see KPSC_2_45_Attachment1.xls.

b. Please refer to Rogness Testimony Exhibit JAR-8 Original Tariff Sheet No. 28-2 for the proposed formula to calculate the Capacity Charge rates with the annual true-up. The Company is proposing to implement the new rates on an annual basis with new rates beginning in July 2015. The Company will file in July of each year the proposed new rates for the following twelve-month period, based on the revenues collected from July through June of the previous twelve-month period. The proposed new Capacity Charge rates will be filed with the Commission along with all supporting documentation, ten days prior to the new rates going in to effect.

c. Capacity Charge revenues are received by Kentucky Power Company.

d. The Stipulation and Settlement Agreement dated October 20, 2004 and approved by the Commission in Case No. 2004-00420 Order dated December 13, 2004 allows for a true-up to either refund over recovery or collect under recovery of the authorized $6.2 million. Section III(1)(b) allows the Company to collect annual revenues of $6.2 million through December 7, 2022, except that from January 1, 2022 – December 7, 2022, the amount will be $5,792,329. Sections III(1)(d)(i)-(iii) stipulate that the additional revenues collected will not be considered by the Commission in establishing new base rates, that the Company shall collect the additional revenue in addition to base rates, and that the Company will develop a tariff without opposition from other Parties to collect the additional revenue. The Company's proposed tariff with the proposed annual true-up is consistent with and implements the Stipulation and Settlement Agreement and the Commission's Order.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please confirm that the amount of the Company's receivables financing does not vary based on fluctuations in the Company's coal inventories or its materials and supplies inventories. If the Company disagrees, then provide all evidence in support of the Company's position.

RESPONSE

Confirmed.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please identify and quantify all costs incurred by the Company during the test year through affiliate charges from AEPSC and other affiliates that were directly assigned or allocated as a result of the Company's ownership of the Big Sandy 1 and Big Sandy 2 generating units and that were not necessarily accounted for in the steam production O&M expense accounts. This includes, but is not limited to, charges that were size-based, such as A&G expenses that were based on MWs, O&M expenses, payroll dollars or other total expenses, among other allocators. This includes, but is not limited to, costs associated with the logistics and transportation of coal to the Big Sandy plant site.

RESPONSE

See KIUC_1_47_Attachment1.xls for the direct expense billings to KYPCo for Big Sandy from AEP affiliates for the 12 months ended September 30, 2014.

The Company does not allocate or maintain affiliate charges by unit. Big Sandy costs in total have been identified for the test year on Section V Exhibit 2, page 31-1 and 31-2.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please confirm and provide documentation that the Company removed all costs identified in response to the immediately preceding question from the test year base revenue requirement. If that is not correct, then please provide all additional adjustments that are necessary and provide the supporting documentation, including, but not limited to, all workpapers, calculations, assumptions, and electronic spreadsheets with formulas intact.

RESPONSE

Confirmed. Please see the adjustment in Section V, Exhibit 2, Pages 31-1 and 31-2.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please confirm that the Company has written off the deferred Big Sandy 2 FGD investigation costs that it seeks to recover in this proceeding.

RESPONSE

The Company has recorded an offsetting regulatory provision against the Big Sandy 2 FGD investigation costs pending the outcome of the current proceeding wherein it seeks recovery of such costs.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide a copy of the accounting journal entries for the write-off of the Big Sandy 2 FGD investigation costs.

RESPONSE

See the Company's response to KIUC_1_51.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please provide a copy of all analyses and accounting research that led to the decision to write-off the Big Sandy 2 investigation costs after the Commission issued its order in Case No. 2012-00578 and the Company's acceptance of the Commission's conditions set forth in that order.

RESPONSE

Please see KIUC_1_51_Attachment1.pdf for this response. Please note, the yellow highlighting in this document was for internal purposes only and does not indicate confidentiality.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please provide a copy of the Company's written acceptance of the Commission's conditions set forth in its order in Case No. 2012-00578.

RESPONSE

Please see KIUC_1_52_Attachment1.pdf.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

In its order in Case No. 2012-00578, the Commission stated the following:

"The Commission likewise finds the potential imposition of the Scrubber Study Costs on ratepayers not reasonable due to the fact that a study of this magnitude did not result in the addition of a scrubber of other pollution control facilities at Big Sandy Unit 2."

Is the Company seeking a reversal of the referenced finding in this proceeding?

RESPONSE

Please see the Company's response to KPSC 2-107.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please explain why the Company seeks to retain 40% of all off-system sales margins above the amount included in base rates. In your response, please explain whether the sharing percentage will affect how the Company's generation is dispatched into PJM.

RESPONSE

In short, continued sharing of the benefits of optimizing OSS margins between the Company and its customers aligns customer benefits with utility incentives. The Company believes that a mechanism that allows the Company to retain 40% of all margins above the amount included in base rates and to absorb 40% of the margins below the amount included in base rates provides a reasonable balance between the Company's incentive to maximize OSS margins, while sharing a large portion with customers, and the volatility that would exist for customers if 100% of the risk and reward of OSS margins was provided to customers.

The practice of providing utilities with an incentive to pursue off-system sales (OSS) through some kind of sharing mechanism has been in use by the Kentucky Commission since long before the emergence of RTOs. In today's complex and often volatile energy markets, the need for the OSS sharing incentive is stronger than ever. Participation in PJM requires a significant level of attention to detail and market intelligence to optimize the Company's resources and serve its load. The ability of the Commercial Operations personnel to get the most value for the Company's generating resources also enables them to maximize the off-system sales margins for the benefit of the customers and the Company. Active participation in all facets of the interrelated PJM markets provides the greatest benefits for the customer – and aligns the interest of the Company and customers. The absence of an OSS sharing mechanism would negatively impact the value received from the Company's generation in the PJM markets.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please describe the Company's proposal to include retirement costs, such as dismantling and site remediation in the BSRR.

RESPONSE

The Order from Case No. 2012-00578 authorized the Company to recover the coal-related retirement costs of Big Sandy Unit 1, the retirement cost of Big Sandy Unit 2 and other site-related retirement costs. Dismantling and site remediation costs are retirement costs and the Company will use its best efforts to minimize the cost of dismantling and to maximize salvage credits as stated in the Order on page 10.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please indicate where in the Company's filing it discusses the proposal provided in response to the immediately preceding question.

RESPONSE

The BSRR is discussed in the testimony of Company Witness Yoder, pages 14-19, and Company Witness Wohnhas, page 25.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please confirm that the Company agrees that it must and that it will first seek Commission authorization for dismantling and site remediation plans for the Big Sandy site before it enters any contracts or incurs any costs so that the Commission can assess the economics of retirement in place versus other alternatives and approve the appropriate alternative.

RESPONSE

The Company plans to submit CPCN applications with the Commission when and where required by KRS 278.020 or otherwise for approval for dismantling and site remediation plans for the Big Sandy site.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please confirm that the Company will not include in the BSRR any costs to dismantle the facilities or remediate the Big Sandy site prior to first seeking and obtaining approval from the Commission for the appropriate alternative.

RESPONSE

No. Estimated cost of removal is included in the current BSRR proposed in this proceeding.

The inclusion of such costs is consistent with the Stipulation approved by the Commission in Case No. 2012-00578. On page 9 and 10 of the Stipulation, it states that the:
"Company is authorized to recover the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2, and other site-related retirement costs that will not continue in use. The costs shall be recovered on a levelized basis, including a weighted average cost of capital (WACC) carrying costs, over a 25 year period beginning when base rates are set in the Base Rate Case. The term "Retirement Costs" as used in this agreement are defined as and shall include the net book value, materials and supplies that cannot be used economically at other plants owned by Kentucky Power, and **removal costs and salvage credits** (Emphasis added), net of related ADIT."

All of these costs included in the BSRR are subject to true-up to the actual costs as they are incurred as stated on page 25 of Company witness Wohnhas' testimony.

Also, please see the Company's response to KIUC 1-57.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the $43.798 million shown on the table at Yoder-16 for Big Sandy removal cost and salvage.

a. Please provide a narrative description of the Company's plans for the Big Sandy plant facilities and site.

b. Please provide all cost/benefit studies of the Company's plans and alternatives for the removal of the Big Sandy facilities and remediation of the site, including a retirement in place alternative. If the Company did not perform or does not plan to consider a retirement in place alternative, then please explain why not and provide all supporting documentation relied on for this decision.

c. Please provide the source documents for the amount shown on the table.

RESPONSE

a. As described on page 18 lines 6 through 11 of Company Witness Yoder's testimony, the Big Sandy removal cost and salvage included in the table on page 16 of Company Witness Yoder's testimony is based on a conceptual demolition cost estimate. This conceptual demolition cost estimate assumed a demolition/dismantlement methodology which complies with current OSHA rules and regulations. As described on page 10 line 17 through page 11 line 4 of Company Witness LaFleur's testimony, the Big Sandy Plant will be demolished at some point after both Unit 1 and Unit 2 have been retired. Big Sandy Unit 2 will be retired by June of 2015, while Big Sandy Unit 1 is anticipated to operate through 2031, after which Big Sandy Plant could be demolished. This anticipated retirement date for Big Sandy Unit 1 is an estimate and could be extended depending on future conditions and developments.

b. Please see KIUC_1_59_Attachment1.pdf for the Big Sandy Plant Unit 1 & 2 Conceptual Demolition Cost Estimate. The Company did not consider a retirement in place option as it is the Company's intention, upon Big Sandy Plant's retirement, to ensure a safe and secure site that does not pose a nuisance to community.

c. Please see KIUC_1_59_Attachment2.xls for this response.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Refer to the $54.552 million shown on the table at Yoder-16 for the Big Sandy ARO.

a. Please provide a narrative description of these costs and how they differ from the $43.798 million shown on the table for removal cost and salvage.

b. Please provide the source documents for the amount shown on the table.

RESPONSE

a. The $54.552 million shown on the table at Yoder-16 is related to asbestos removal and ash pond remediation at the Company's Big Sandy Plant. The $43.798 million is related to the cost to demolish the Big Sandy Plant which excludes the asbestos removal and ash pond remediation.

b. The source of the calculation of the Big Sandy Plant demolition cost at retirement is provided in KIUC_1_59. The source of the ARO costs is provided in KIUC_1_17_Attachment58 pages 44 and 51.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the negative $72.189 million shown on the table at Yoder-16. Please confirm that this reflects the ADIT related to the tax abandonment loss for the remaining tax basis at the date of retirement. Please explain.

RESPONSE

Confirmed. The $72.189 million assumes that the tax basis is zero at the date of retirement.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please refer to the Sargent and Lundy study, the cost estimate, and the escalation that was performed as described at Yoder-18. Please provide a copy of the study, the detailed cost estimate, including contingency amounts, and the escalation calculations, all in electronic spreadsheet format with all formulas intact.

RESPONSE

See the Company's response to KIUC 1-59, Attachments 1 and 2 which include the Sargent and Lundy study for Big Sandy Plant and the escalation that was performed.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Accumulated Deferred Income Taxes (ADIT). Please identify by amount and account, the corresponding regulatory asset/(liability) and/or other deferred debit/(credit) relating to each item that comprises the total ADIT of that KPCo has included in rate base. For each component of ADIT, please provide the following information:

a. Description of each item of ADIT that comprises the total amount KPCo has reflected in rate base.

b. Balance sheet account in which KPCo recorded the ADIT.

c. Related deferred asset, deferred credit or liability account for each component of ADIT.

d. Identification of whether and where the related deferred asset, deferred credit or liability account for each component of ADIT is included in KPCo’s proposed rate base, and for each item, if not, a detailed explanation of why not.

RESPONSE

Please see the Company's response to AG 1-62. All ADIT items (excluding SFAS 109 ADIT) having balances as of September 30, 2014 were included in rate base.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide all documents or studies which support the level of margins from off-system sales included in the test year.

RESPONSE

See the Company's response to KIUC 1-17. Specifically KIUC_1_17_Attachments 43, 44 and 45. See also the direct testimony of Company witness Vaughan.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide all forecasts of wholesale energy prices prepared by or for the Company over the last two years.

RESPONSE

See KIUC_1_65_Attachment1.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide all emails in the possession of any of the witnesses in this case which discuss the expected level of off-system sales margins for Kentucky Power after Big Sandy 2 is retired.

RESPONSE

Please see KIUC_1_66_Attachment1.pdf for the answer to this response.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide a schedule showing the assumed generation from each of the Company's units for 2015 and 2016 compared to assumed Kentucky retail sales, all-requirements wholesale sales, and off-system sales.

RESPONSE

See KIUC_1_67_ConfidentialAttachment1.pdf.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Has PJM approached the Company bout keeping Big Sandy 2 operating past April 2015 because of reliability concerns? Is it still the Company's intent to retire Big Sandy 2 in April 2015?

RESPONSE

PJM approached multiple generation owners, including Kentucky Power, to explore generally the possibility of keeping plants on past their scheduled retirement dates.

See KIUC_1_68_Confidential_Attachment1.pdf for the Company's response to PJM.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Please provide Exhibit JAS-3 electronically with all formulas intact, and include all workpapers used to develop that exhibit.

RESPONSE

Exhibit JMS-3 has been provided as KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm to Question 17 of this set.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

For each month of the Test Year (Oct 2013 – Sept 2014), please provide a complete energy balance accounting, which would include at a minimum:

a. Generation by generating unit by month;
b. Purchases by month;
c. Off-System Sales by month;
d. Retail Sales by month;
e. Olive Hill/Vanceburg sales by month;
f. Losses by month;

RESPONSE

Please see KIUC_1_70_Attachment1.xls for this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

For each month of the Test Year, please provide a breakdown of the costs that have been included in column 7 of Exhibit JAR-3, labeled Total Company Fuel Cost. This breakdown should be provided by month, by generating unit/purchase, and should be provided by major categories of costs that sum to the monthly value shown in column 7.

RESPONSE

Please see KIUC_1_71_Attachment1.pdf and KIUC_1_71_Attachment2.xls for the answer to this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

For each month of the Test Year, provide:

a. Monthly off-system sales revenue ($), off-system sales energy (MWH), and revenue rate ($/MWH);

b. Monthly generating unit cost to serve OSS by generating unit ($), energy by generating unit to make OSS (MWH), and generating unit fuel cost rate by generating unit to make OSS ($/MWH);

c. Monthly purchase power cost to make OSS ($), purchase power energy to make OSS (MWH), and purchase power cost rate ($/MWH).

RESPONSE

a. See KIUC_1_72_Attachment 1.

b. This information is included in the OSS margin workpapers provided in KIUC 1-17 Attachment 45.

c. The Company purchases that flow through the NER reports and are subsequently assigned to OSS, are provided in attachment KIUC_1_72_Attachment 2.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

For each month between October 2013 and September 2014, concerning column 4 of Exhibit JAR-3, titled Generation Month KWH Sales, and concerning column 8, titled Juris Fuel Cost, please reconcile those columns to the information that the Company provided for the same months in response to DR KIUC 1-5, in row 5, titled Fuel Identified for NER ($, MWH, and $/MWH) supplied in Case No. 2014-00225. The reconciliation should show why the data in those documents appears to be different. If the data is not different please explain.

RESPONSE

An exact reconciliation cannot be performed between JAR-3 (columns 4 and 8) and KIUC 1-5 (row 5) from Case No. 2014-00225, as these files contain inherently different information. The JAR-3 provides information supported in Kentucky Power's monthly fuel filing, while the KIUC 1-5 (row 5) only represents a portion of the embedded amount in JAR-3 column 8. Column 4 in JAR-3 comes from page 3 of 5 of Kentucky Power's monthly fuel filings. These costs are, in part, derived from estimated values that are subsequently trued up in the next month's fuel filing. KIUC 1-5 provides the actual costs and MWH; which are only available after the Kentucky Power's monthly fuel filing requirement. The analogous data used in the derivation of figures in JAR-3, Column 4 are estimated values which have supported methodology and calculations provided with Kentucky Power's monthly fuel filing.

In an effort to be responsive, Kentucky Power is providing an example from the Company's estimated NER file that shows the estimated cost and MWH, and reconciles this information with the columns in JAR-3 and demonstrates how the KIUC 1-5 (row 5) is an embedded component of the JAR-3 amounts. Please see KIUC_1_73_Attachment1.xls.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please provide the peak demand for: 1) Kentucky Power retail sales; 2) the two FERC all-requirements wholesale customers; and 3) off-system sales for each month of the Test Year.

RESPONSE

Peak demand data for Kentucky Power and its two FERC wholesale customers for each month of the test year was provided in the application in Section V Exhibit 1, Schedule 9. Off system sales do not create peak demands on Kentucky Power's system.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Concerning column 9 of Exhibit JAR-3, please provide a workpaper demonstrating what this is and how it was derived. Please provide this electronically with all formulas intact.

RESPONSE

Please see KIUC_1_75_Attachment1.xls for the answer to this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

a. Regarding Section V, Exhibit 2, W31 sponsored by Company Witness Yoder,

b. Please provide a copy electronically, with all associated workpapers that were used to prepare the exhibit;

c. Please provide the same information, also electronically, but for each line item, show the information by month.

RESPONSE

a. See KIUC_1_17Attachment66_31_33RemoveBS_O_M_AnnualizeMitchell.xls.

b. The Company has not prepared the requested information on a monthly basis.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

In his testimony, at page 10, line 9, Mr. Yoder indicated that he performed an analysis that resulted in identifying Big Sandy Plant expenses, which he gave to Company witness Vaughan. Please provide the referenced analysis, electronically with all formulas intact.

RESPONSE

See the Company's response to KIUC_1_76.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

In his testimony, at page 18, line 22, Mr. Vaughan indicated that the Company will recover all operating expenses of Big Sandy 1 that are not otherwise included in the Company's fuel adjustment clause or in the system sales clause through the new BS1OR tariff.

a. Please individually identify all BS1 costs that are on Section V, Exhibit 2, page 31, that flow to the fuel adjustment clause and provide a schedule electronically for the fuel adjustment clause and identify where the BS1 costs may be found;

b. Please individually identify all BS1 costs that are on Section V, Exhibit 2, page 31, that flow to the system sales clause and provide a schedule electronically for the system sales clause and identify where the BS1 costs may be found;

c. Please individually identify all BS1 costs that are on Section V, Exhibit 2, page 31, that flow to the BS1OR tariff and provide a schedule electronically for the BS1OR tariff and identify where the BS1 costs may be found;

RESPONSE

a. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment 47 for Section V, Exhibit 2, page 31 broken down by Big Sandy units 1 and 2.

b. The Company cannot provide further detail. Internal load fuel expenses were not separately identified in the Company's filing because fuel expense in total were synchronized with fuel revenues in total so that fuel items would not have an impact on the Company's base rate cost of service. As it pertains to Company witness Vaughan's testimony on page 18, items that are recovered through the Company's Kentucky fuel clause related to Big Sandy 1 will continue to be recovered through the fuel clause under the Company's proposal. The same is true for items that are included in the Company's System Sales Clause.

c. See part a.

See the Company's response to KIUC 1-17. Specifically, see KIUC_1_17_Attachment 46 for the BS1OR revenue requirements. The detail behind items a and b of the BS1OR revenue requirement can be found in KIUC_1_17_Attachment 47. The detail behind item c of the BS1OR revenue requirement can be found in KIUC_1_17_Attachment 38 in the column labeled "Remove Big Sandy 1".

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide the cost of service study, electronically, that Mr. Vaughan performed to separate Big Sandy costs, as discussed on page 19 at line 11 of his testimony. Please ensure that all workpapers associated with deriving the $5.65 million of PJM charges and credits are provided electronically.

RESPONSE

See the Company's response to KIUC 1-17. Specifically, see KIUC_1_17_Attachments 46 and 47. See also the Company's response to part c of KIUC 1-78.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Regarding Mr. Vaughan's testimony at page 17, please provide an explanation of the procedure Kentucky Power used to separate PJM charges and credits over the Test Year between the proposed PJM rider and the Company's System Sales Rider. Please provide all workpapers, electronically, that separated the charges and credits between these two riders.

RESPONSE

PJM charges and credits attributable to the Company's internal load obligation are recorded in specific FERC accounts. PJM charges and credits attributable to off system sales made by the Company are recorded in different FERC accounts.

The PJM charge and credit FERC accounts that are related to the Company's internal load obligation were included in the proposed base rate cost of service. The proposed PJM tracker would track amounts above and below the proposed adjusted test year base rate total.

The PJM charge and credit FERC accounts that are related to off system sales made by the Company are included in the system sales clause. The Company proposes to continue this treatment.

See the Company's response to KIUC 1-17. Specifically, see KIUC_1_17_Attachments 38 and 43 for the requested workpapers.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

In the current proceeding, Kentucky Power proposes to include the charges that it incurs as an LSE under PJM's OATT in the new PJM Rider, whereas in the past, Kentucky Power had previously included the embedded cost of transmission service and the PJM OATT transmission owner revenues in the Company's cost of service. (See Vaughan page 20)

a. Please provide a more detailed explanation of how this was previously done and how it compares to the new procedure.

b. Please provide workpapers, electronically with all formulas intact, showing how transmission costs and revenues were removed from the Company's cost of service and identify where these costs and revenues appear in the schedules the Company filed.

c. Please provide an analysis, electronically with all formulas intact, demonstrating whether or not the impact of the transmission costs and revenues removed from the cost of service matches closely with the impact of charging for transmission costs through the new PJM Rate Rider.

RESPONSE

a. See KIUC_1_81_Attachment 1.

b. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment 35.

c. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment 35. Under the previous practice, the Company's requested revenue requirement would have been approximately $127,000 higher.

The Company's proposed PJM rider has an initial revenue requirement of $0. Adjusted test year amounts of the Company's PJM LSE OATT charges are included in its proposed base rate cost of service. The proposed PJM rider would recover amounts above and below the amount of PJM LSE OATT charges included in the Company's proposed base rate cost of service.

The removal of the transmission function costs and revenues and the recovery of the PJM LSE OATT charges through a combination of base rates and the proposed PJM rider are two separate items. The PJM LSE OATT charges represent the FERC approved cost of transmission service attributable to KPCo's internal load (LSE) incurred as part of the PJM RTO.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Vaughan page 21 at line 15, please provide detailed workpapers, electronically with all formulas intact, demonstrating the development of the $126,908 impact, which is the net effect of the Company’s change to the treatment of transmission revenues and expenses. Also, please provide a narrative description explaining the calculations.

RESPONSE

See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment 35 for the workpapers supporting the calculation of the $126,908.

For a narrative and illustrative explanation, see the Company's response to KIUC 1-81, specifically KIUC_1_81_Attachment 1.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Stegall page 24, at line 1, please provide detailed workpapers, electronically with all formulas intact, demonstrating the development of the $312,820 amount, which was calculated in the Class Cost-of-Service Study. Also, at page 24, line 2, Mr. Stegall implies that value can be found in column 10 of his Exhibit JMS-3. Please explain why that value does not appear in column 10 of the exhibit as stated.

RESPONSE

The $312,820 was erroneously identified in Company witness Stegall's testimony. The correct amount is the $126,908 identified in Column 10 on Page 1 of Exhibit JMS-3. The calculation of the $126,908 adjustment amount can be found in KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm of the Company's response to Question 17 of this set.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Explain why a $126,908 transmission adjustment is being made to remove costs in JMS-3, when at the same time $53,779,456 is being added to the PJM Rider.

RESPONSE

$53,779,456 is not being added to the PJM Rider. KPCo proposes to continue to include the adjusted test year amount of PJM LSE OATT expense in base rates and track any over or under recovery of this expense through the PJM Rider.

The Company's proposal is to remove from base rates both the OATT revenues that KPCo receives from PJM as a transmission owner and KPCo's Kentucky retail jurisdictional transmission cost of service (return on and of transmission rate base and all transmission operating expenses).

The $126,908 in Adjustment JMS-3 represents the removal of the KPCo's transmission owner OATT revenues and KPCo's retail jurisdictional transmission cost of service from base rates.

The $53,779,456 represents the adjusted test year level of OATT expense in base rates.

See also the Company's response to KIUC 1-81 part a.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Concerning Exhibit AEV 5 page 2 of 5,

a. Please provide all of the test year per book costs for each of the rows shown, but provide them by month for all of the rows in the Exhibit.

b. Please state if it is correct that the per books costs contain costs for the entire year of October 2003 through September 2004.

c. If the per books cost (column A) does not contain costs from the 4th quarter of 2013, then why are costs from the 4th quarter of 2013 in column B subtracted from column A that that did not have 4th quarter 2013 costs included.

d. If the per books cost (column A) does contain costs from the 4th quarter of 2013, then please explain why an annualization adjustment is performed, particularly given that a full year's worth of costs have already been incorporated in the per books costs.

e. If costs from the 4th quarter 2013 were not included in column A, please provide by month and by row the same costs but for the 4th quarter of 2013. Please provide the same information for columns B, C, D, E and F.

f. Please provide AEV-5 workpapers electronically with all formulas intact.

RESPONSE

a. See KIUC_1_85_Attachment 1.

b. That is not correct. The historic test year used in the Company's filing is from October 1, 2013 through September 30, 2014.

c. The per books test year totals do include the 4th quarter (October, November and December) of 2013.

d. See Company witness Vaughan's direct testimony beginning at page 23, line 13 through page 24, line 6. The PJM charges and credits from the 4th quarter of 2013 were allocated to KPCo under the AEP East Pool agreement which terminated on January 1, 2014. Beginning on January 1, 2014 and going forward, KPCo directly incurs its PJM charges and credits as a stand alone entity in PJM. Therefore, an annualization of the nine months of stand alone PJM charges and credits is required to calculate a representative annual amount.

e. See the Company's response to part c.

f. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachments 38,39,40,41,42 and 53

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide detailed workpapers, electronically with all formulas intact, demonstrating the removal of AEP East Pool Agreement expenses and revenues (col B of AEV 5 page 2 of 5) from the derivation of the PJM Rider. In this analysis prove that expenses and revenues that are included in Adjustments 7, 10, and 32 are not also in column B of AEV 5.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 37, 38 and 43. The fact that the FERC accounts used in adjustments 9, 10 and 32 are all different proves that AEP East Pool Agreement costs and revenues were not duplicatively removed from the cost of service.

Adjustment 32 is how the Company's proposed adjusted test year base rate level of PJM charges and credits was determined. The PJM rider has a $0 initial revenue requirement. As proposed it is designed to track amounts above and below the Company's proposed adjusted test year base rate level of PJM charges and credits.

Adjustment 7 is unrelated to adjustments 9,10 and 32 (which all include components of removing AEP East Pool Agreement costs and revenues) and is necessary to synchronize fuel revenues and expenses to eliminate the effect of the Company's fuel clause on its base rate cost of service.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

With respect to AEP East Pool Expenses/Revenues, please provide detailed workpapers, electronically with all formulas intact, showing the development of Adjustment 9 for the 12-month ending 9/30/2014 period based on per books period data from the historic Test Year.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachment 37.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

With respect to AEP East Pool Expenses/Revenues, please provide detailed workpapers, electronically with all formulas intact, showing how the removal of AEP East Pool amounts from the Test year in adjustment 9 can be reconciled or is related to the removal of the 4th Quarter 2013 AEP East Pool amounts in Exhibit AEV-5, column B.

RESPONSE

The AEP East Pool Agreement expenses and revenues that were removed in adjustments 9, 10 and 32 are all different. Those AEP East Pool Agreement items included in adjustment 9 are the items that were not included in adjustments 10 and 32 because they do not pertain to either PJM charges and credits or off system sales margins. Therefore, the FERC accounts and amounts included in adjustment 9 cannot be reconciled to Exhibit AEV-5, column B because they should not reconcile to Exhibit AEV-5, column B.

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 37, 38 and 43 for the requested workpapers.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide detailed workpapers, electronically with all formulas intact, showing how Big Sandy 1 charges and credits (col C AEV-5) and Big Sandy 2 charges and credits (col D AEV-5) were derived.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 39, 40 and 41 for the requested workpapers.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide detailed workpapers, electronically with all formulas intact, showing how PJM charges were derived that were added back in that the Company assumed it would incur to serve internal load without having BS2. Also, explain why administrative fees for both BS1 and BS2 were added back in, when Mr. Vaughan at line 7 of page 25 states that administrative fees for just BS2 had to be added back in.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 40 and 41 for the requested workpapers regarding the amounts in columns E and F of Exhibit AEV 5 page 2 of 5.

Only the $58,624 of PJM administrative fees related to the internal load served by Big Sandy 2 should have been added back. The $19,025 of PJM administrative fees related to Big Sandy 1 should not have been added back in because the $19,025 is included in the Company's proposed BS1OR revenue requirement.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide the model/workpapers, electronically with all formulas intact, that Mr. Vaughan discusses beginning on page 25 at line 12. Please provide a detailed narrative of how the workpapers are organized, and how the calculations are performed.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachment 40.

Refer to the "Congestion" tab of the excel workbook that is included as KIUC_1_17_Attachment 40. On the "Congestion" tab refer to rows 72-79 for the calculations of the substitute congestion charges referenced in Company witness Vaughan's direct testimony at page 25 line 13. The derivation of the substitute congestion charges in this workbook is intended to be self-explanatory.

See also the direct testimony of Company witness Vaughan beginning on page 25 at line 12, ending on page 26 at line 4 for a narrative description of the calculations.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please explain why in the calculation discussed on page 25 for deriving congestion costs for January and February (when the Polar Vortex occurred) as a replacement for Big Sandy 2, the Company did not perform an analysis using data from prior years similar to what the Company did that Mr. Vaughan discusses beginning at line 4 of page 27 concerning Adjustment 10 that relates to Off-System Sales Margins. For example at line 17 of page 27, Mr. Vaughan points to a reason for not using the January and February 2014 data was that extreme weather and pricing events occurred in January and February of 2014.

RESPONSE

The energy portion of LMP and the congestion portion of LMP are not calculated in the same manner by PJM. Furthermore, the Company's congestion charges are offset in part or in whole by its financial transmission rights in PJM (FTRs). Any adjustment made to the price of congestion used in the derivation of congestion charges would need to include an offsetting adjustment to FTR revenue.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

With regard to off-system sales margins, please provide all models, calculations, spreadsheets, documentation, etc. related to the development of Adjustment 10. Please provide this electronically with all formulas intact. Please provide a narrative description of how the workpapers are organized and how the calculations are performed. These instructions documenting the steps performed in the spreadsheets would presumably be consistent with each of the steps discussed beginning at line 19 of page 27 of Mr. Vaughan's testimony. Please be sure to provide an electronic copy and all workpapers associated with Exhibit AEV-7.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 39, 40, 41, 43, 44, 45 and 55 for the requested workpapers.

See the direct testimony of Company witness Vaughan beginning on page 27 at line 4, ending on page 32 at line 14 for a narrative description of how adjustment 10 was calculated.

In KIUC_1_17_Attachment 55, on the "detail" tab of the workbook, the $24,288,344 of PJM energy margins in column C (excel row 6) is calculated in and supported by KIUC_1_17_Attachments 45. The other amounts for non-energy margin items in columns C and D are calculated in and supported by KIUC_1_17_Attachments 39, 40, 41, 43 and 44. The amounts in columns C and D can be found in the summary tables in those workpapers. All formulas are intact so the math can be traced through the workpapers.
The remaining columns in KIUC_1_17_Attachment 55 (A, B, E, F, G, H, I and J) are all calculated in KIUC_1_17_Attachment 55 with the formulas intact and also have summary example formulas at the top of each column.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Regarding Exhibit AEV-7, for each column A through J, please provide the data shown, but broken down by month for each of the rows.

RESPONSE

See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachments 39, 40, 44, 45 and 55.

The requested monthly totals for the amounts in columns A and B are included in KIUC_1_17_Attachment 55. The requested monthly totals for the amounts in columns C and D are included in KIUC_1_17_Attachments 39, 40, 44 and 45. Columns E through J are either summary calculations that are based on the totals in columns A through D or are inputs (column I).

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

With respect to Test Year off-system sales margins, please provide another analysis, but instead do not adjust for the impact of the extreme cold weather in January and February 2014. Please provide all workpapers electronically with all formulas intact. Alternatively, please provide the models and all data for the January and February period that would allow the same analysis to be performed, but using the actual January and February data.

RESPONSE

The information needed to prepare this analysis is provided in the OSS margin workpapers contained in KIUC_1_17_Attachment45_AEV_WP_3b.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Please provide all workpapers and supporting documentation used by Avera/McKenzie in the preparation of their Direct Testimony and Exhibits. Please provide all spreadsheets with cell formulas intact. Please include all exhibits in native spreadsheets with cell formulas intact.

RESPONSE

See AG_1_408.

WITNESS:

Kentucky Power Company

REQUEST

Please provide all credit rating and bond rating agency reports (i.e., Standard and Poor's, Moody's, Fitch) for Kentucky Power for the last two years. Please include the most recent
reports for 2015, if any.

RESPONSE

See attached credit opinions for Kentucky Power from Standard and Poor's (KIUC_1_97_Attachment1), Moody's (KIUC_1_97_Attachment2) and Fitch (KIUC_1_97_Attachment3).

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide copies of all articles and reports cited by Avera/McKenzie in their Direct Testimony.

RESPONSE

See AG_1_408.

WITNESS:

Kentucky Power Company

REQUEST

Please provide all credit rating and bond rating agency reports (i.e., Standard and Poor's, Moody's, Fitch) for American Electric Power for the last two years. Please include the most recent reports for 2015, if any.

RESPONSE

See attached credit opinions for American Electric Power from Standard and Poor's (KIUC_1_99_Attachment1), Moody's (KIUC_1_99_Attachment2) and Fitch (KIUC_1_99_Attachment3).

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide all work papers and supporting documentation used by Mr. Marc Reitter in the preparation of his Direct Testimony and Exhibits. Please provide all spreadsheets with cell formulas intact. Please include all exhibits in native spreadsheets with cell formulas intact.

RESPONSE

Please see KIUC_1_17_Attachment56_Proforma and KIUC_1_17_Attachment57_ARFinancing for this response.

In addition, work papers and supporting documentation in preparation for Mr. Marc D. Reitter's Direct Testimony has been provided in the Company's filing Section V, Exhibit 1.

Section V, Workpaper S-2, Page 1 of 3

Section V, Schedule 3 (Columns 3 and 4, Lines 1-4)

Section V, Workpaper S-3, Pages 1 and 2

WITNESS: Marc D Reitter