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 Commission Staff's Second 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

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

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

Cheryl L. Strawser

Notary Public

My Commission Expires: October 1st, 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 Messer

Notary Public

My Commission Expires: Aug 18, 2017

VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant Sr. in Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Amy J. Elliott

Amy J. Elliott

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 Amy J. Elliott, this 10th day of February, 2015.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 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 Everett G. Phillips, being duly sworn, deposes and says he is the Managing Director, Distribution Region Operations for Kentucky Power Company, 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.

Everett G. Phillips

Everett G Phillips

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2014-00396
COUNTY OF BOYD)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Everett G. Phillips, this the 3 day of February, 2015.

Notary Public

My Commission Expires: 4-5-2015

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 481393
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

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.

Ellen A. McAninch

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, H. Kevin Stogran, being duly sworn, deposes and says he is the Managing Director, Cyber Risk and Security Services 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.

H. Kevin Stogran

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 H. Kevin Stogran, this the 3rd day of February, 2015.

Notary Public

NOTARIAL SEAL STATE OF OHIO

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

My Commission Expires: October 1, 2016

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

NOTARY PUBLIC STATE OF OHIO

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 12th day of February 2015.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 2017

Kentucky Power Company

REQUEST

The July 12, 2013 Hearing in Case No. 2012-00578 (see footnote) included discussion of the Chief Executive Officer ("CEO") of American Electric Power ("AEP") meeting once a year with members of the Commission to discuss issues affecting Kentucky Power and its customers. Provide the number of times since the July 12, 2013 commitment that AEP's CEO has met with the Commission to discuss such issues

RESPONSE

Beginning in the spring of 2014, Kentucky Power worked to schedule a meeting between Nick Akins, Chief Executive Officer of AEP, and the Commissioners. To date, a meeting has not been scheduled because of the pendency of contested matters before the Commission and scheduling conflicts. On April 7, 2014, Kentucky Power requested that a meeting between the Commissioners and Mr. Akins be scheduled for May 23, 2014. The Commission replied on April 14, 2014 that due to Kentucky Power's then pending application for a CPCN to convert Big Sandy Unit 1 to natural gas (Case No. 2013-00430) any meeting would have to be scheduled at a time following resolution of the Big Sandy Unit 1 CPCN case. The Commission issued an order in Case No. 2013-00430 on August 1, 2014.

Five days later, Kentucky Power on August 5, 2014 submitted a further request for a meeting between Mr. Akins and the Commissioners prior to the end of the year. The dates requested by Kentucky Power in the meeting request were unavailable for the Commissioners. Eight days later, the Commission on August 13, 2014 initiated Case No. 2014-00225, the contested review of Kentucky Power's fuel adjustment clause. The hearing in Case No. 2014-00225 was conducted on November 12, 2014. The Commission issued its order in Case No. 2014-00225 on January 22, 2015. On November 14, 2014, Kentucky Power filed its notice of intent to file its application for a general adjustment of its rates. That case remains before the Commission.

E-mail communications between John Rogness on behalf of Kentucky Power and Kathy Gillum on behalf of Commission Staff regarding the attempts to schedule a meeting are attached. This correspondence is in addition to phone conversations between Mr. Rogness and Ms. Gillum seeking to schedule a meeting.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Refer to the Application, page 17, which states that the 2014 Environmental Compliance Plan is filed as Exhibit 1 of the Application. Provide Exhibit 1, or provide the location of Exhibit 1 in the case filing.

RESPONSE

The 2014 Environmental Compliance Plan was included with the Company's application as Company Witness Elliott's Exhibit AJE-1.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Application, page 19, which states that the proposed Tariff E.S. (Environmental Surcharge) is filed as Exhibit 2 of the Application. Provide Exhibit 2, or provide the location of Exhibit 2 in the case filing.

RESPONSE

Tariff E.S. (Environmental Surcharge) was included with the Company's application as Company Witness Elliott's Exhibit AJE-2.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Gregory G. Pauley ("Pauley Testimony"), pages 3-4, where it states, "Similarly, under the terms of the July 2, 2013 Stipulation and Settlement Agreement in the Mitchell Transfer Case, the Company is providing shareholder-supplied funds for economic development and job training programs in the Company's service territory."

a. State the amounts and the method of payment for any economic development and job training embedded in Kentucky Power's September 30, 2014 test year expenses.

b. Explain what adjustments, if any, were made to the Company's test-year expenses to reflect the proper classification of such costs.

RESPONSE

a-b. During 2014, Kentucky Power distributed $233,000 in shareholder funds in conformity with the Commission's Order Dated October 7, 2014 in case No. 2012-00578. These expenditures were recorded "below the line" and no adjustments to test year expenses were required. Payments were made by check to the recipients.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Refer to the Pauley testimony, the last paragraph on page 5, and the Direct Testimony of Everett G. Phillips ("Phillips Testimony") regarding vegetation management. Also refer to Attachment 1 to Kentucky Power's April 1, 2011 Vegetation Management Report and to the 2015 Distribution Vegetation Management Pian filed September 30, 2014, pursuant to the Commission's June 28, 2010 Order in Case No. 2009-00459.[1]

a. Based on the circuit's tree-trimming completion date, provide the start and completion dates and the circuit names for the first five circuits listed in Attachment 1.

b. Based on its testimony in this proceeding, explain when Kentucky Power plans on re-trimming the first five circuits identified in the response to part a. of this request.

c. Based upon its testimony in this proceeding, by what date will Kentucky Power first be on a four-year tree-trimming cycle?

d. Provide the amount of tree-related outage overtime incurred by Kentucky Power during the September 30, 2009 test year in Case No. 2009-00459. Also, inflate this level of tree-related outage overtime cost based upon the average Kentucky Power wage increases from September 30, 2009, through September 30, 2014. Show all supporting calculations and provide the information in Excel spreadsheet format with cells and formulas intact.

e. Provide the amount of tree-related outage overtime Kentucky Power incurred during the September 30, 2014 test year in this proceeding.

f. Refer to the Phillips Testimony, page 12, lines 13-17. Describe in detail the changes which occurred from the proposed 2009-00459 vegetation plan and the plan agreed to in settlement.

[1] Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates (Ky. PSC June 28, 2010).

g. Refer to the Phillips Testimony, page 13, lines 7-9. Provide in tabular form—segregated by contract and Kentucky Power affiliates—the annual vegetation management expenditures, per district, since the June 28, 2010 approving the 2009-00459 settlement, which involve:
(1) AEP corporate management salary attributed to Kentucky Power's vegetation management execution.

(2) Kentucky Power management salary attributed to vegetation management.
(3) Supervisors.
(4) Field personnel.
(5) Number of company workers.
(6) Number of contract workers.

h. From the date of the 2009-00459 settlement, provide in tabular form per district the number of field personnel per month per annum dedicated to vegetation management.

i. Refer to the Phillip's Testimony, page 13, line 14-21. State whether the vegetation management plan contains an incentive for clearing the distribution circuits on schedule and if there is a penalty for failing to clear the distribution circuits on schedule.

j. Refer to the Phillips Testimony, page 15, line 1-2. Describe what is meant by a full-time equivalent vegetation contractor. Include in the explanation; (a) whether they are Kentucky Power employees; (2) how they are recruited, hired, and paid; (3) the level of expertise and/or experience required of them; and (4) the type, and provider of, any post-hiring training they receive.

k. Refer to the Phillips Testimony, page 15, line 6. Explain what is meant by the transient nature of these employees."

RESPONSE

a. See attachment KPSC_2_5a_Attachment1.pdf.

b. See attachment KPSC_2_5b_Attachment1.pdf.

c. The Company proposes Scenario 2 as the best alternative for improving vegetation-related reliability and completing the transition to a four-year cycle at maintenance cost levels. Under Scenario 2, the Company would begin the start of a four-cycle in January 2019 with five years vegetation growth.

d. The supporting calculations are shown in attachment KPSC_2_5d_Attachment1.xlsx
Assuming the "amount of tree-related outage overtime incurred by Kentucky Power" is expenses incurred by Kentucky Power for restoration of tree-related outages occurring outside the normal schedule of work, during the period from 10/1/2008 to 9/30/2009 Kentucky Power incurred approximately $3,976,415 in tree related expenses during this period. Approximately 45% of the expenses are for internal labor and 55% are for vegetation management contract crews.

Although the Company has provided the requested calculations it notes the calculations are misleading, irrelevant, and fail to provide any basis for drawing conclusions about the efficacy of the Company's Distribution Vegetation Management Program or changes in costs. Specifically, directly comparing costs for 2009 to 2014 is inappropriate because the profile of tree related outages has changed as a result of the Company's Distribution Vegetation Management Program. In the test year ending September 30, 2009, approximately 66% of the tree related customer minutes of interruption (CMI) were the result of trees outside the right-of-way falling into the line. In the test year ending September 30, 2014, approximately 77% of the CMI were the result of trees outside the right-of-way. Trees falling from outside the right-of-way inherently result in more damage to the Kentucky Power distribution facilities. This drives higher "per unit" costs when comparing year to year. Additionally, vegetation management contractors account for approximately 55% of the tree-related outage overtime incurred by Kentucky Power during the test year ending September 30, 2009. Costs for contractors do not follow Kentucky Power wage increases, nor can they be applied linearly across multiple years because they are affected by contract renegotiations and wage rates moving at different degrees than equipment and overheads.

From 2009 to 2014 the cost per hour of overtime restoration increased by 106.7%. Applying this factor to inflate the 2009 test year to 2014, the same profile of tree related outage restoration expenses would have cost $4,244,133 in 2014.

e. Assuming the "amount of tree-related outage overtime Kentucky Power incurred" is expenses incurred by Kentucky Power for restoration of tree-related outages occurring outside the normal schedule of work, during the period from 10/1/2013 to 9/30/2014 Kentucky Power incurred approximately $2,117,511 in tree related expenses as shown in attachment KPSC_2_5b_Attachment1.pdf.

f. The most significant difference between the Company's Distribution Vegetation Management Plan proposal in Case No. 2009-00459 and the plan agreed to the by the parties to the Unanimous Settlement Agreement was the reduction by approximately 40% in the incremental O&M spending.

In addition, and as described by Mr. Phillips at pages 15-21 of his testimony, certain of the assumptions concerning the amount of work required to clear the distribution circuits proved to be understated.

g. The Vegetation Management Program expenditures are accounted under one project number and generally one Department ID. There are ways to break the expenditures out by circuit that allows for a district view, however any accounting adjustments come back at a Company level and not a circuit level. For these reasons, the District level view are estimates as the accounting adjustments have not been manually spread. See attachment KPSC_2_5g_Attachment1.pdf.

h. See attachment KPSC_2_5h_Attachment1.pdf for the total number of line clearance workers available for the given month since the approval of the Unanimous Settlement Agreement. These employees could be working on any of the General Categories listed in Table 1 or Table 2 of the Direct Testimony of Everett G. Phillips in Case No. 2014-00296.

i. Kentucky Power's Vegetation Management Plan includes an incentive program for the employees of our largest contractor that has components for safety, effectiveness, and efficiency. The efficiency component includes measures for tree trimming productivity, tree removal productivity, brush cutting productivity, and for labor hours per mile for full-circuit re-clearing. In third quarter of 2014, a full-circuit re-clearing measure was added (O&M only). The contractor is penalized if they fail to meet the tree trimming, tree removal, and brush cutting, or full-circuit re-clearing efficiency targets.

j. See j(1) - (4) below.

1. Full-Time-Equivalent Employees (FTE) - Full-time line-clearance contract worker.
2. Pre-hires are recruited by word-of-mouth. Pre-employment applications are made on-line or in-person at one of the contractor's parking locations. Contract employees are paid by the contractor weekly via direct-deposit or with a bank card.

3. Most new-hires are not required to have experience. They are required to have a drivers license and must pass a drug test.

4. Most of the training is provided in the field to earn their Line Clearance Certification.

k. The vegetation contractor workforce experiences material turnover, particularly at the entry level positions. This results in a fluctuation in the contractor's complement. Also, contract crews are often shifted between operating areas within Kentucky Power, and with other utilities, to meet budgetary and resource needs.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

l. Refer to page 28 of the Phillips Testimony, indicate how Kentucky Power intends to achieve the three percent cost per mile improvement over 2014 initial clearing costs that is required to attain the estimated 2015 re-clearing costs.

m. Refer to the Phillips testimony, page 30, Table 10 - Scenario Cost Comparison.

(1) Refer to Scenario 1. Explain the cost differences for Scenario 1 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 4 as compared to Table 10.

(2) Refer to Scenario 2. Clarify the cost differences for Scenario 2 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 6 as compared to Table 10.

(3) Refer to Scenario 3. Give details for the cost differences for Scenario 3 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 8 and Table 10.

n. Refer to the Phillips Testimony, page 30, line 14. Explain and describe in detail what is meant by 'forestry employees" and whether they are contract employees.

o. Refer to the Phillips Testimony, page 31, lines 11-18. Provide a five-year vegetation maintenance cycle for distribution circuits which includes:

(1) A timeline table similar to those provided in the proposed scenarios.

(2) A populated scenario cost-comparison table.

p. In Case No. 2014-00479,' Kentucky Power has petitioned the Commission for a declaratory ruling or deviation from inspection requirements associated with certain electric facilities operating at voltages of less than 69kV as provided for in 807 KAR 5:006, Section 26(4). Based on the application in Case No. 2014-00479, Kentucky Power currently inspects transmission facilities operating at less than 69kV that are the subject of the application every six months from the air and every six or 12 years from the ground, depending on type of supporting structure. [1]

(1) Provide the current total annual expenses and costs per mile associated with performing inspection activities for each class of transmission facilities that are the subject of Case No. 2014-00479.

(2) Provide an estimate of the total annual expenses and costs per mile associated with performing inspection activities from the ground every two years for each class of transmission facilities that are the subject of Case No. 2014-00479. Describe the additional resources required and explain the costs that would be incurred.

q. Describe in detail Kentucky Power's overall electric system inspection program and identify the specific types of inspection activities routinely performed for each category/class of facilities. If this information is contained in a written inspection plan or other similar document, provide a copy of the written information.

(1) List the specific elements of the system routinely inspected for each inspection activity identified.

(2) List the specific types of resources employed and/or contracted to perform each of the inspection activities identified and include the associated annual expense.

(3) Provide the time interval of recurrence of each activity identified.

(4) List how the utility gathers and maintains appropriate records to identify the inspection made, the date and time of inspection, the person conducting the inspection, deficiencies found and action taken to correct the deficiencies.

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[1] Case No. 2014-00479, Application of Kentucky Power Company for: (1) an Order Declaring and Ciarifying the Appiication of the Inspection Requirements of807 KAR 5:006, Section 26(4) to Certain of the Company's Transmission Faciiities; or (2) In the Alternative, and to the Extent Required, a Deviation in Part from the Inspection Requirements of 807 KAR 5:006, Section 26(4), with Respect to the Company's Transmission Facilities; and (3) All Other Required Approvals and Relief (filed Dec. 31, 2014).

RESPONSE

l. Kentucky Power continues to review its processes and make necessary changes to improve production for full circuit re-clears. The process improvements implemented in 2014 were changes to the contractor Key Performance Incentive Plan and the addition of a contractor Production Superintendent. Other process improvements that are continually targeted are additional ways to reduce reactive maintenance, re-clear bidding (lump sum and open bid vs time and material), and efficacy of shifting crews and dollars between districts.

m. (1) Scenario 1, Table 10, employs the most recent and accurate total re-clear O&M based on actual costs incurred by the Company during the first three quarters of the 2014 vegetation work plan. As such, it also includes all distribution forestry expenditures in the plan, such as internal labor, outside services, material and supplies, travel, fleet services, and other costs. Please see attachment KPSC_2_5m_Attachment1.xlsx. The September 2014 was a more limited estimate that did not include the additional non-tree trimming expenses included in Table 10 as identified above.

(2) See response to 5m(1).

(3) Scenario 3, Table 10, and the cost presentation regarding Scenario 3 in the September 2014 filing were calculated on a similar basis. As a result, omitted from Scenario 3 in Table 10 were other distribution forestry expenditures such as internal labor, outside services, material and supplies, travel, fleet services, and other costs. This was an oversight on the Company's part. The effect of the recalculation is to increase the cost of Scenario 3 to $355 million. The corrections are provided in the attachment KPSC_2_5m_Attachment1.xlsx.

n. The referenced "forestry employees" are contract employees hired to perform line clearance-related work.

o. (1) See attachment KPSC_2_5o_Attachment1.xlsx. - Scenario Mileage 5yr Tab

(2) See attachment KPSC_2_5o_Attachment1.xlsx. - Scenario Comparison 5yr Tab

p. (1) The current total annual expenses and costs per mile associated with performing inspection activities for each class of transmission facilities that are the subject of Case No. 2014-00479 are not known. It will take a two-year cycle of inspecting these transmission lower voltage circuits for their costs to be included in the total annual expenses. Additionally, the inspection costs are not tracked by voltage class, so if the total costs were available, the costs by voltage class would have to be estimated. The costs to perform these activities were not included in the test year for the current base case, Case No. 2014-00396. If an exemption for these activities is not received, the costs to complete these activities will be recovered in a future base case.

(2) See the response to 5p(1). The Company does not have a history of inspecting the transmission lower voltage circuits to provide a reliable estimate.

q.(1) See attachment KPSC_2_5q_Attachment1.pdf.

(2) **Internal Resources\Inspection Process**
Resource Analyst
Project coordinator
Distribution Line Coordinator
NE Supervisor
Line Servicer
Engineering Lead Technician
Engineering Technicians
Repairs
Internal Distribution Line Crews
Line Servicers
External Contract Line Crews
Annual Expense
See attachment KPSC_2_5q_Attachment2.pdf.

(3) Distribution Inspection cycle 4 kV to 34.5 kV – Fifty percent of all distribution facilities on an annual basis.

(4) See attachment KPSC_2_5q_Attachment3.pdf.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Refer to the Pauley Testimony, page 7, lines 17-18, where it states, "For the test year ended September 30, 2014 Kentucky Power's return on equity was 8.43%." Provide a schedule with the test-year monthly net income and capitalization amounts used to determine the Company's retum on equity. Show all supporting calculations and provide the information in Excel spreadsheet format with cells and formulas intact.

RESPONSE

Please see KPSC_2_6_Attachment1.xls to this response.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Refer to the Pauley Testimony, page 10, and the Direct Testimony of H. Kevin Stogran ("Stogran Testimony"), pages 2-5, where Kentucky Power proposes a North American Electric Reliability Corporation ("NERC") Compliance and Cybersecurity Rider ("NCCR").

a. Provide the amount of capital expenditures and operating expenses Kentucky Power has incurred by year since September 30, 2009, for NCCR-related capital expenditures and operating expenses.

b. Provide the projected capital expenditures and operating expenses by year for the five fiscal years immediately after the September 30, 2014 test year for NCCR costs, as well as an explanation ofany proposed changes.

c. Explain whether historical NCCR capital expenditures are included in the depreciation study submitted with the instant case. Assuming there are capital expenditures for the proposed NCCR, explain the basis for the depreciation rates for such property.

d. What is the current budget for cybersecurity activities relative to overall security spending?

e. Provide the following information as it relates to the Cyber Security Operation Center ("CSOC").

(1) The level of CSOC cost allocated to Kentucky Power for the 12 months ending September 30, from 2009 through September 2014.

(2) What changes occurred as it relates to the costs associated with CSOC when PJM transitioned to an industry-funded model in 2013.

f. Provide a list of all state and federal cybersecurity mandates with which Kentucky Power must currently comply, and a list of possible new state and federal cybersecurity mandates identified by Kentucky Power.

g. Has Kentucky Power undergone a comprehensive cybersecurity audit or assessment? If yes, when and by whom?

RESPONSE

a. The requested information is not available. NERC compliance expenditures since 2009 have not been tracked separately from ongoing O&M and capital expenditures.

b. No such projections exist. The capital and O&M expense costs to be recovered through the NERC Compliance and Cybersecurity Rider (NCCR) include activities for new NERC requirements or new interpretations of existing requirements associated with items such as: information technology infrastructure, physical security, workforce training, supervisory control and data acquisition (SCADA) systems, internal and external audits, external reporting, and recordkeeping not covered through other regulatory mechanisms. In addition, there may be costs associated with new or emerging cybersecurity mitigations required to address emerging cybersecurity threats also not covered through other regulatory mechanisms.

c. Any NERC complaince and cybersecurity capital expenditures that occurred in the relevant period would be included in the depreciation study and applicable rates. However, as outlined in response to part a above, the Company cannot identify these costs separately.

d. AEPSC does not budget security or cybersecurity as specific budget items dedicated to those functions. In many cases, the programs and functions of security and cybersecurity are spread over many departments and business units that provide a larger service such as IT infrastructure, telecommunications, applications, or information security with security or cybersecurity included in their overall cost structure. Therefore it is not possible to accurately segregate and sum costs specific to security and cybersecurity.

e. (1) As outlined in response to part d above, The CSOC costs are not detailed to a specific account and are included as part of a larger overall department expense. Therefore there are no CSOC specific cost allocated to Kentucky Power, instead they are included in a larger allocation.

(2) There were no changes that impacted the CSOC when PJM transitioned to an industry-funded model in 2013.

f. Through AEPSC's registration with The North American Electric Reliability Corporation (NERC) Regional Entities, Kentucky Power must currently comply with NERC's Critical Infrastructure Protection (CIP) cybersecurity reliability standards version 3, and effective April 1, 2016 with revision 5 of the NERC CIP cybersecurity reliability standards. In addition, there are cybersecurity components of the Sarbanes Oxley Act.

g. Through AEPSC's registration with NERC Regional Entities, Kentucky Power underwent a NERC CIP audit in November 2014 and June 2011.

WITNESS: H Kevin Stogran

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of William E. Avera and Adrien M. McKenzie ("Avera and McKenzie Testimony"), page 14. Provide current interest rates on 10- and 30-year Treasury bonds, triple-A rated corporate bonds, and double-A rated utility bonds.

RESPONSE

	2/4/2015	Average January 2015
10 Year Treasury	1.81%	1.88%
30 Year Treasury	2.39%	2.46%
AAA Corporate	3.43%	3.46%
AA Utility	3.48%	3.52%

WITNESS: Dr. William E Avera/Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzie Testimony, page 20. indicate which utilities in the electric utility proxy group have both electric and gas utility operations, and explain why it is appropriate to include them in the proxy group.

RESPONSE

The following utilities included in the Electric Group are also engaged in natural gas utility operations:

Ameren Corp.
Black Hills Corp.
CMS Energy Corp.
Entergy Corp.
PG&E Corp.
SCANA Corp.
Sempra Energy

As discussed in the Avera/McKenzie testimony, the proxy group was determined based on reference to objective measures of investment risk, consistent with the comparable-risk standard underlying *Hope* and *Bluefield.* These risk measures include the impact of all corporate activities, including gas utility operations. Because these firms are risk-comparable to Kentucky Power, they provide a sound basis on which to estimate a fair ROE in this case. Moreover, to the extent that gas utility operations are viewed as less risky than those of electric utilities, this would presumably have the effect of moderating the estimated cost of equity, relative to what would be appropriate for Kentucky Power's electric utility operations.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the discussion of Kentucky Power's proposed 46 percent common equity ratio in the Avera and McKenzie Testimony, pages 26-27, and to Exhibit WEA/AMM 5. Confirm that the common equity ratio of AEP, Kentucky Power's parent, is 51 percent, which is the third-highest common equity ratio of the proxy group.

RESPONSE

This is correct with respect to AEP's historical capitalization at December 31, 2013.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Refer to the discussion of the constant growth form of the Discounted Cash Flow ("DCF") model in the Avera and McKenzie Testimony, pages 33-34, and to the Federal Energy Regulatory Commission ("FERC") opinion cited in footnote 13 on page 19 of the Testimony. Explain FERC's decision regarding the two-step DCF model for public utilities in Opinion No. 531, 147 FERC H61,234 issued June 19, 2014, and why the proposed constant growth form is more reasonable in performing DCF estimates of the cost of equity.

RESPONSE

A copy of the FERC decision referenced in footnote 13 to the Avera/McKenzie testimony can be obtained at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13576249. As indicated there, FERC established a fair ROE of 10.57% for the electric utilities that were parties to that proceeding, concluding that the 9.39% midpoint result of its two-step DCF method was too low to meet the *Hope* and *Bluefield* test of reasonableness. Instead, FERC considered the results of risk premium, CAPM, and expected earnings analyses consistent with those presented in the Avera/McKenzie testimony in this case in establishing a fair ROE at the middle of the top half of the DCF zone. Given the inability of the two-step DCF approach to produce cost of equity estimates that are reasonable, there is no justification for supplanting the constant growth form of the model with a two-step variant. In addition, there is no objective indication or evidence that investors consider GDP growth rates in their evaluation of electric utility stocks. Application of the DCF model is purely an attempt to replicate the expectations of investors, and there is no evidence that investors look to very long-term forecasts of growth in the general economy when assessing the expectations for an individual utility. Moreover, historical growth rates and expectations for increasing capital investment demonstrate that investors would not assume that growth for individual electric utilities would converge with that of the economy. As a result, there is no basis for relying on a two-step DCF model.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzie Testimony, page 34. State whether dividend yields have decreased for the proxy group since the preparation of the DCF analysis for this application.

RESPONSE

Avera/McKenzie have not conducted any comprehensive update of the analyses contained in their direct testimony, including the calculated dividend yields.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzie Testimony, pages 41-42. Confirm that the previously mentioned FERC opinion cited in footnote 13 of the Avera and McKenzie Testimony used the Mood/s Baa six-month average plus 100 basis points to establish the low end for its outlier test, and that doing the same for the proxy group in this proceeding would exclude only companies with cost of equity estimates of 5.7 percent or lower from the estimates on page 3 of Exhibit WEA/AMM 6, which would exclude only Entergy Corp., FirstEnergy Corp., and IDACORP, Inc. from the columns in which their estimates are below 5.7 percent.

RESPONSE

While FERC's general practice is to reference a threshold of 100 basis points above the six-month average yield on Baa-rated public utility bonds in evaluating cost of equity estimates at the low end of the DCF range, this is not a "bright line" test. FERC has recognized that its 100 basis point yardstick is a flexible approximation. FERC has affirmed that it is appropriate to consider the dispersion of the individual estimates, and that the primary intent of the test is to eliminate DCF estimates that are sufficiently low that a common stock investor would consider the return "essentially the same" as a debt yield.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzle Testimony, pages 45-51, and Exhibit WEA/AMM 8.

a. For comparison purposes, provide ECAPM cost of common equity estimates calculated using AEP's .70 beta In place of the Individual proxy group utilities' betas.

b. For comparison purposes, provide an ECAPM cost of equity estimate using a historical market risk premium, as opposed to an estimated forwardlookingmarket risk premium.

c. Explain why it was necessary to weight the firms in the calculations as described on lines 12-15, page 48, as opposed to performing the calculations on an unweighted basis.

d. Explain the nature of the relationship between firm size and return, and how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.

e. Provide the calculation for the dividend as explained In footnote (a) on pages 1-2 of Exhibit WEA/AMM 8.

f. Provide the IBES earnings growth rates referenced in footnote (b) on pages 1-2 of Exhibit WEA/AMM 8, and show how the 10.8 percent growth rate was calculated.

g. Provide Table 10 referenced In footnote (g) on pages 1-2 of Exhibit WEA/AMM 8.

RESPONSE

(a) Applying the ECAPM presented on page 1 of Exhibit No. 8 using a beta value of 0.70 and the average market value capitalization for the Electric Group of $11.9 billion would result in a cost of equity of 10.9%, or 11.7% after incorporating the size adjustment. Incorporating the projected bond yields presented on page 2 of Exhibit No. 8 would result in an ECAPM cost of equity estimate of 11.2%, or 12.0% after incorporating the size adjustment based on the average market capitalization of the proxy group of utilities.

(b) It is not possible to answer the question as it has been posed. There are numerous potential estimates of historical rates of return from a variety of sources, using alternative methods, and based on diverse time periods. Further, Dr. Avera and Mr. McKenzie do not agree that it is appropriate to rely on historical data, as this violates the assumptions of the ECAPM and CAPM approaches.

c) Market weighting was used in order to mirror the approach used by S&P to construct the S&P 500 Index, which is widely cited by the investment community as a benchmark for the market as a whole.

d) The need to adjust for the relationship between firm size and required return in applying the ECAPM and CAPM approaches is not based on any findings with respect to product pricing, whether established through competitive forces or otherwise. Rather, the size adjustment is specific to the ECAPM and CAPM methods, and reflects the findings of empirical research, as cited in the Avera/McKenzie testimony at pages 49-50 and in footnote g to Exhibit No. 8, that indicates that beta values do not fully capture risks attributable to firm size.

(e) See KIUC_1_17_Attachment151_WP_38.xls.

(f) See KIUC_1_17_Attachment151_WP_38.xls.

(g) See KPSC_2_14_Attachment1.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzle Testimony, pages 52-53, and to Exhibit WEA/AMM 9, page 3. Provide an update of the Risk Premium calculation now that Allowed ROEs are available for calendar year 2014 from Regulatory Research Associates.

RESPONSE

Please see KPSC_2_15_Attachment1.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Avera and McKenzle Testimony, Exhibit WEA/AMM 11. Confirm that no highlighting was accidentally removed from the exhibit, and that no return on common equity estimates were excluded from the 9.9 percent average as indicated in footnote (d).

RESPONSE

No highlighting was accidentally removed from the exhibit, and no values were excluded from the 9.9 percent average. Footnote (d) is a typographical error and should be deleted.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Provide the most recent ROE awards for each AEP subsidiary.

RESPONSE

Please see KPSC_2_17_Attachment1.pdf.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide all work papers.supporting the Avera and McKenzle Testimony and Exhibits In Excel spreadsheet format with the formulas Intact and unprotected and with all columns and rows accessible.

RESPONSE

Please see KIUC_1_17_Attachment85_Avera_McKenzie_Exhibits.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Jeffrey B. Bartsch ("Bartsch Testimony"), page 3, regarding the Commission assessment and of Section V, Workpaper 8-2, page 2, line 3, where the Kentucky Public Service Commission Maintenance Fee ("KPSC Maintenance Fee") is listed at 0.20%. On June 10, 2014, the Kentucky Department of Revenue provided the new assessment rate of .1952 percent for state government's 2014-2015 fiscal year to the Commission.

a. Provide a revised Gross Revenue Conversion Factor ("GRCF") calculation using the new assessment rate.

b. Provide updates required to any schedule to reflect the proper KPSC Maintenance Fee and GRCF.

c. Also refer to the State Income Tax Rate Calculations. Explain why the totals of the state apportionment factors do not total 100 percent and provide any correction necessary.

RESPONSE

a. The GRCF does use the correct KPSC Maintenance Fee of .1952%, however, Section V, Workpaper S-2 only carried the factor out 2 decimal places rather than 4. In the electronic version that was filed, by selecting the cell in column g, row 12 (line 3), it can be seen that the value is .1952%. Please see KPSC_2_19_Attachment1.xlsx.

b. See response to part a.

c. It is common for the state apportionment factors **not** to equal 100% when there are multiple states involved due to the different methods that states use to determine their individual apportionment factors. Kentucky and West Virginia use a three factor formula using Property, Payroll and Sales (which are double weighted). Illinois and Michigan use only a Sales factor in determining their apportionment factors.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to the Bartsch Testimony, page 6, lines 7 -14. For all six-month and two-year environmental surcharge reviews conducted since 2005 in which the Section 199 deduction was included in the GRCF, recalculate the GRCF excluding the Section 199 deduction.

RESPONSE

Please see KPSC_2_20_Attachment1.xls.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Bartsch Testimony, pages 9-10, where it states, in relevant part, that Kentucky Power has historically not recorded Deferred State Income Taxes for ratemaking purposes.

a. Provide any authority that Kentucky Power has relied upon for excluding Deferred State Income Taxes for ratemaking purposes.

b. Explain Kentucky Power's reason(s) for excluding Deferred State Income Taxes for ratemaking purposes.

RESPONSE

a. Based on a review of KPCO Case Nos. 2005-00341 and 2009-00459, deferred state income taxes were not computed or included in cost of service. Kentucky Power does not record deferred state income tax expense (DSIT) for book purposes pursuant to ASC 980 since it is required to follow its regulatory treatment. The books and records of the Company, including income taxes, are audited by Deloitte.

b. The Company did not include DSIT in cost of service consistent with with previous rate cases. To the Company's knowledge, the Commission has never ordered Kentucky Power to include DSIT in cost of service for ratemaking purposes.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to the Bartsch Testimony, page 10, where Adjustment 49, the Removal Cost Schedule M, is discussed. Identify the basis for the removal costs and explain why a three-year average would be more representative for the adjustment.

RESPONSE

The removal cost Schedule M can vary significantly from year-to-year on the Federal income tax return. Since this Schedule M adjustment is treated as a flow-thru item for Kentucky rate-making purposes (*i.e.*,no deferred income taxes are recorded), it can have a significant impact on the Federal income tax expense computation. Removal costs are directly related to the replacement of depreciable property and the activity varies from year to year based on items such as the frequency of outages at the generation plants, storm related replacements, etc. The Company believes that a three year average for removal costs is more representative of what this Schedule M would be in the future when the rates set in this proceeding would be in effect.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to the Bartsch Testimony, pages 4 and 12, where the GRCF and Section 199 Deduction are explained. Explain why it is appropriate to exclude the Section 199 deduction from the GRCF computation but to include it in the calculation of the federal income tax obligation.

RESPONSE

The Section 199 deduction is computed as a percentage of qualified production activity income (QPAI). In simple terms QPAI is the net taxable profit associated with the generation of electricity. Only the incremental revenues associated with the generation of electricity would impact the Section 199 benefit. Thus if the GRCF were to be applied to revenues unrelated to the generation of electricity it would impute a benefit that does not exist. Also, the inclusion of the Section 199 benefit in the GRCF assumes that the Company was entitled to a Section 199 benefit before consideration of incremental revenues. If the Company had negative QPAI before consideration of incremental revenues, it would have to totally offset the negative QPAI before it would be entitled to any Section 199 benefit.

In calendar year 2013 the Company had negative QPAI of ($7,657,474). The Company's environmental surcharge GRCF has a Section 199 benefit embedded in the computation. As noted above, the Company had negative QPAI in 2013 and thus was not eligible for any Section 199 benefit. However, the GRCF for the environmental surcharge imputed a benefit anyway. This is an example of why embedding the Section 199 benefit in the GRCF can lead to an incorrect result. A benefit was computed when none existed.

Including an average of the historical Section 199 deduction in the calculation of the federal income tax obligation is appropriate since it reflects the average deduction that was actually able to be claimed on a stand-alone tax return basis. As indicated in Exhibit JBB-1, the ability to actually claim the Section 199 deduction can very greatly from year to year.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to the Bartsch Testimony, page 11, where Adjustment 46, the Sales and Use Tax Expense, Is discussed.

a. Explain the basis of the Sales and Use Tax Expense out-of-period adjustment.

b. Identify the periods involved in the settlement.

c. Provide as of September 30 of each year a five-year history of Sales and Use Tax Expense.

RESPONSE

a. The out-of-period adjustment relates to the Kentucky Department of Revenue direct pay permit (use tax) audit and is the net effect of the reversal of a tax provision and the recordation of the final tax assessment.

b. The audit period covered June 2008 through March 2012.

c. Please see KPSC_2_24_Attachment1.xlsx.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Andrew R Carlin, page 5.

a. Provide copies of any salary surveys or analysis of prevailing wage and salary amounts and any other information or documents utilized in the process of determining the amount of compensation for wage and salaried employees.

b. Provide the total amount of Kentucky Power Company salaries reflected in the Company's proposed test-year level of expenses broken down by department, base pay, and by each and any incentive pay program In effect, along with any stock option plans during the test year.

RESPONSE

a. The supporting surveys and analyses prepared on behalf of the Company, American Electric Power (AEP), are confidential and proprietary and protected by non-disclosure agreements and/or intellectual property rights agreements. These studies will be made available confidentially upon request, for on-site review at the offices of (AEP's) Kentucky Power Company in Frankfort, Kentucky.

b. See KPSC_2_25_Attachment1.xls for test-year level of expenses by department.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of David Davis ("Davis Testimony"), page 5. Provide the Public Utilities Commission of Ohio ("PUCO")-approved depreciation rates for the Mitchell plant.

RESPONSE

Ohio's generation assets were deregulated by legislation passed by the Ohio General Assembly and signed by the governor in 1999. The Mitchell Plant depreciation rates that Company witness Davis mentions on page 5 of his testimony were calculated via a depreciation study using plant in service balances at December 31, 2007. Since Ohio's generation assets were deregulated when this depreciation study was prepared, PUCO approval of the depreciation rates was not required and was not sought.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Refer to the Davis Testimony, page 6, regarding the depreciation study which includes a 50 percent share of the Mitchell Generating Station.

a. Identify any previous depreciation studies that have included the Mitchell Generation Station.

b. Identify and explain the results of prior depreciation studies on the Mitchell Generating Station.

c. Provide copies of the relevant portions of prior depreciation studies related to the Mitchell Generating Station.

RESPONSE

a. Two previous depreciation studies that included the Mitchell Plant were based on plant in service balances at December 31, 1993 and December 31, 2007. The 1993 depreciation study was filed with the PUCO in Case No. 94-996-EL-AIR. The Order from Case No. 94-996-EL-AIR determined that the Commission Staff's rates would be adopted. Ohio's generation assets were deregulated when the 2007 depreciation study was prepared and PUCO approval of the Mitchell depreciation rates was not required.

b. The changes in Mitchell Plant's depreciation rates are due to different plant in service balances at 2007 versus 1993 and also due to any changes depreciation parameters used by the PUCO Commission Staff's 1993 calculation versus the Company's 2007 study. Changes in depreciation rates are listed on the attachment provided with this response labeled "KPSC_2-27_Mitchell_Depr_Rates_Attachment3".

c. Copies of relevant portions of prior depreciation studies are attached along with the response to this question and labeled "KPSC_2-27_Mitchell_Depr_Rates_Attachment1" and "KPSC_2-27_Mitchell_Depr_Rates_Attachment2".

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Refer to the Davis testimony, page 8, line 11. If the net salvage for each property group is based on historical data, what historical factors changed and led to an increase in the following?

a. Transmission functional plant group, accounts 352, 353, 354, 355, and 356;

b. Distribution functional plant group, accounts 361, 362, 364, 365, 367, 368, 369, 271, nd 373; and

c. General functional plant group, accounts 391, 394, and 398.

RESPONSE

a, b, and c. The net salvage amounts imbedded in the Company's current depreciation rates are from a depreciation study from Case No. 91-066 which used a plant in service balance at 1989. The depreciation study in the current case uses plant in service balances at December 31, 2013. Since it has been 24 years between depreciation studies the Company has not endeavored to determine the specific reasons for the change in net salvage for this lengthy historical period. Inflation and changes in labor rates would be examples of factors causing a change in net salvage amounts.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Describe and discuss, if applicable, any variations in the method and procedure used in depreciation rates for the Mitchell Plant in this case compared to the most recently approved PUCO depreciation study.

RESPONSE

The initial depreciation rates for the Mitchell Plant that were used for KPCo's share of the plant were based on a depreciation study using plant in service balances at December 31, 2007. Since generation plant was not regulated in Ohio at that point in time, the depreciation rates were not approved by the PUCO.

Both the 2007 depreciation study and the December 31, 2013 study prepared for this case used a straight line method and an average remaining life type of depreciation rate calculation.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"), Exhibit AJE-3. Provide a detailed schedule of the amounts reported in column 7, include Mitchell Non-FGD. Provide the schedule in Excel spreadsheet format with formulas intact and all cells unprotected.

RESPONSE

Please see the Company's response to KIUC 1-17 Attachment172_ML_ES_2014.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, Exhibit AJE-3. Provide a detailed schedule of the amounts reported in column 8, Rockport Additional Test Year Expenses for O&M, Depreciation, and Return. Provide the schedule in Excel spreadsheet format with formulas intact and all cells unprotected.

RESPONSE

Please see the Company's response to KIUC 1-17, Attachment 172. For additional detail behind the calculations in Attachment 172, please see KIUC 1-17, Attachments 193 and 194.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 9, lines 16-20. Explain whether Kentucky Power was recovering the costs billed for the projects in service through its environmental surcharge in the test year.

RESPONSE

Kentucky Power's environmental surcharge was set at zero for all but the first three months of the test year and the Company did not recover any costs associated with the Rockport projects.

During the first three months of the test year, Kentucky Power included in its environmental surcharge costs associated with the following projects for the Rockport Plant:

Continuous Emission Monitoring System (CEMS);
Low NOx Burners;
Flyash landfill; and
air emission fees.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 9, lines 16-20, and page 10, lines 1-3.

a. Provide a description of all consumables referenced in the testimony and the purpose for which they are to be used.

b. Provide a description of all consumables Kentucky Power is currently recovering via the environmental surcharge.

RESPONSE

a. The consumables for the Rockport Plant described in Company Witness Elliott's testimony include brominated activated carbon and sodium bicarbonate. At Rockport Plant the brominated activated carbon is blown into the flue gas to capture mercury as part of the ACI system. Further, sodium bicarbonate will be blown into the flue gas as part of the Rockport DSI system to react with acid gases and sulfur dioxide. Consumables such as these are a necessary component of the environmental projects required to operate the Rockport Plant and Mitchell Plant in compliance with the applicable environmental requirements.

b. The Company had not previously recovered any consumable costs for Rockport through the Environmental Surcharge.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 12, lines 1-4. Provide the total number of Cross-State Air Pollution Rule allowances Kentucky Power has in inventory, including source, cost and the current average cost per allowance. Provide the information as of the end of the test year and as of the most recent month available.

RESPONSE

As of the end of the test year, the Company had 1,000 S02 allowances at $350 an allowance for a total of $350,000 in CSAPR allowances in its inventory.

Please see KPSC_2_34_Attachment1 for the inventory as of January 2014. All were original EPA issuances other than the inventory at the end of the test year which was a market purchase.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 14, lines 8-11, and Exhibit AJE-5.

a. Explain why Kentucky Power believes it is appropriate now to apply the GRCF to long and short-term debt and accounts receivable financing to determine its weighted average cost of capital.

b. Explain why Kentucky Power historically has not applied the GRCF to long- and short-term debt and accounts receivable financing when calculating its weighted average cost of capital.

RESPONSE

a. Kentucky Power does not propose to apply the entire GRCF (1.6402) to long- and short-term debt and accounts receivable financing in the determination of the WACC. Kentucky Power proposes to use only the portion of the GRCF related to uncollectible accounts expense and the KPSC maintenance fee (1.0050). The Company will incur additional uncollectible accounts expense and maintenance fees to the extent its billings are higher. Without grossing up the rates to account for these increased incremental costs, the Company would not recover its full revenue requirement.

b. Kentucky Power has been unable to ascertain the basis for its historic approach of not including the portion of the GRCF related to uncollectible accounts expense and the KPSC maintenance fee to long- and short-term debt and accounts receivable financing in the determination of the WACC. Regardless, because failure to do so results in an inability of the Company to recover its full revenue requirement, the Company's proposed change should be made going forward.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 15, lines 10-22, page 16, lines 1-6, and Tariff E.S.

a. For the calendar year ending December 31, 2014, provide the year to-date total revenues and percentage of total revenues for the information reported on lines 1 through 7 of Form 3.30 of the monthly environmental surcharge reports. Kentucky Retail Revenues should be broken down between residential and nonresidential retail customers.

b. Confirm that the allocation percentage between residential and non-residential customers determined in 14.a. will be used for the remaining months of 2015 until changed for the next calendar year.

c. For illustrative purposes, using the most recent monthly environmental filing available and the proposed Tariff E.S, demonstrate the proposed allocation methodology to be included in future monthly environmental filings. Show all calculations.

d. Provide the customer classes that make up the residential customer group, and the non-residential customer group.

RESPONSE

a. Please see KPSC_2_36_Attachment1.xls for the information requested.

b. Confirmed.

c. Please see KPSC_2_36_Attachment2.xls. The Summary tab and ES 3.31 tab have been added to demonstrate the allocation.

d. The residential customer group is comprised only of customers taking service under Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and Experimental R.S.-T.O.D. 2 and any associated outdoor lighting for those customers.

The non-residential group is comprised of customers taking service under all other Tariffs.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 16, lines 7-12. Has Kentucky Power prepared new proposed monthly environmental surcharge forms that reflect the proposed changes described in the testimony?

a. If yes, provide the revised monthly environmental surcharge forms.

b. If no, explain why revised monthly environmental surcharge forms have not been prepared and state when they will be available for Commission review.

RESPONSE

a-b. The Company is currently in the process of preparing the revised environmental surcharge forms and will supplement its response to this request when the forms are finalized.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 17, lines 1-8, and adjustment W35. Provide a detailed analysis of the items that make up the amounts listed on adjustment W35 for the months of January through September 2014.

RESPONSE

Please see KPS_2_38_Attachment1.xls for a detailed analysis of the items that comprise W35.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony, page 17, lines 14-22, and Exhibit AJE-4. Expand Exhibit AJE-4 by providing the Mitchell FGD revenue requirement for the test year, including the balance as of September 30, 2013, for columns 3, 4, 6, and 8. Provide the expanded Exhibit AJE-4 in Excel spreadsheet format with formulas intact and all cells unprotected.

RESPONSE

The Company's calculations of the Mitchell FGD revenue requirement do not predate the Company's ownership of the Mitchell Plant.

Please see KPSC_2_39_Attachment1.xls for the expanded Exhibit AJE-4 from the time that the Company acquired its 50% ownership of the Mitchell generating station.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Elliott Testimony regarding Kentucky Power's Environmental Compliance Plan, and to Kentucky Power's environmental surcharge for the test year.

a. Provide in Excel spreadsheet format with formulas intact and cells unprotected the description and investment amount of the environmental controls installed at the Mitchell Plant, along with the associated in-service dates, complying with KRS 278.183 and per Kentucky Power's Tariff E. S. (Environmental Surcharge), as of September 30, 2013.

b. Provide, by type of environmental control installed and in-service date, the monthly additions and retirements in environmental investment at the Mitchell Plant, as per the E.S. tariff, for October 2013 through September 2014.

c. Provide in Excel spreadsheet format with formulas intact and cells unprotected, by type of environmental control installed, the accumulated depreciation of the environmental investment at the Mitchell Plant, per the E.S. tariff, as of September 30, 2013.

d. Provide, by type of environmental control installed, the monthly depreciation of the environmental investment at the Mitchell Plant for October 2013 through September 2014.

e. Provide in Excel spreadsheet format with formulas intact and cells unprotected, by type of environmental control installed, the deferred tax calculation for the environmental investment at the Mitchell Plant as of September 30, 2013.

f. Provide, by type of environmental control installed, the monthly deferred tax calculation of the environmental investment at the Mitchell Plant for October 2013 through September 2014.

RESPONSE

Kentucky Power recently performed an audit of all of the property accounting work orders created since 2008 for the Mitchell Plant to ensure that the Company has properly identified the work orders that comply with KRS 278.183 and are properly recoverable through the environmental surcharge. Because of the sheer volume of work orders, the audit was only completed on February 5, 2015, and required accounting work finalized on February 10, 2015. In light of the audit results, and the Company is proposing to revise the environmental base revenue requirement as originally filed within this case.

There has been insufficient time since February 10, 2015 for the Company to recalculate its monthly environmental base revenue requirement based on the findings from the internal audit.

The Company will supplement AJE-3 to revise its base revenue requirement and provide all workpapers associated with the revisions to the Mitchell environmental plant as soon as possible, but no later than Wednesday, February 18, 2015.

The change in the environmental property amounts used to establish the proper environmental base revenue requirement has no effect on the total revenue requirement as requested in the base rate case.

Because of the delay in the final response to this question, the Company will entertain data requests outside of the procedural schedule for this request.

a-b. Because the internal audit was completed so recently, the values have not been thoroughly reviewed. The Company will provide these as soon as possible.

c. Please see KPSC_1_17_Attachment197.xls for the FGD values. The amounts for the non-FGD values will be supplemented as soon as possible.

d. Please see the "Depreciation" tab within KIUC1_17_ML_ES_2014 for the depreciation calculation. This will be one of the attachments provided within the Company's supplemental response to this request.

e-f. Please see KIUC_1_17_Attachment169_ADFIT.xls for the Mitchell FGD DFIT calculations. The non-FGD information is available within the contents of KIUC_1_17_Attachment198_NonFGD_ADFIT. These attachments will also be included in the supplemental response to this request.

WITNESS: Jeffrey B Bartsch and Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Jeffrey D. LaFleur, page 16, Table 4: Capital Costs for Proposed 2014 Environmental Compliance Plan Projects. Provide capital improvement authorizations or funding authorizations for projects 9-18.

RESPONSE

Please see KPSC_2_41_Attachment1.pdf for this response.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Shannon R. Listebarger ("Listebarger Testimony"), page 6.

a. Lines 6-8 state that "[t]he methodology used in this case is the same methodology used in the Company's last several rate cases." State whether all accounts in the study have been allocated using the same methodology and allocation factors as used in Case No. 2009-00459. If no, provide the changes and the reasons for the changes.

b. Lines 11-13 describe how retail customer test-year sales of energy were adjusted. Provide the supporting calculation for the adjustment or its location in the application.

RESPONSE

a. The methodology used in the current case is consistent with the methodology used in the Company's past rate cases. The only change from past cases is the addition of the new allocation factor Customers (CUST), to allocate costs that are directly related to the number of customers served. Accounts that are being allocated using the new allocation factor CUST are FERC accounts 901- 916. In past cases, these accounts were being allocated using the SPECIFIC allocation factor, which contributed 100% of the expenses to the KY PSC jurisdiction. The new CUST allocation factor fulfills this same purpose but more efficiently as it is calculated using the total number of customers less the FERC customers. In the prior methodology these costs were initially allocated 100% to KY PSC jurisdiction and then adjusted for FERC expenses as shown on the prior version of Schedule 7.

   Calculation for Customer allocation factor:

   CUST = (Total Customers Served - FERC Wholesale Customers) / Total Customers Served

b. The calculation for the energy allocation factor (EAF) is located in Section V Exhibit 1, Schedule 10 of the application. Schedule 10 is comparable to the past rate case filing Section V, Schedule 19.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Refer to the Listebarger Testimony, page 7.

a. Lines 2-5 describe how the production demand allocation factor ("PDAF") was calculated. Provide the supporting calculation for the allocation factor or its location in the application.

b. Lines 5-7 state that "[t]he transmission and sub-transmission demand allocation factors are the same as the production demand allocation factor." Explain why this is the case.

c. Lines 12-13 state, "Transmission plant was allocated using the transmission demand allocation factor (TDAF)." Confirm, from lines 5-7 of this page, that TDAF is the same allocation factor as PDAF.

d. Lines 14-16 mention the gross plant distribution factor ("GP-DIST") and the gross plant production, transmission and distribution factor ("GP-PTD"). Provide the supporting calculations for these two allocation factors or their location in the application.

RESPONSE

a. The calculation for the production demand allocation factor (PDAF) is located in Section V Exhibit 1, Schedule 9 of the application. Schedule 9 is comparable to the past rate case filing Section V, Schedule 18.

b. The demand allocation factor was calculated consistent with the method used in past cases. PDAF and TDAF are always equal because demand is calculated as a whole and not functionalized. As noted in part a above please see Section V Exhibit 1, Schedule 9 of the application.

c. Yes, the value of the TDAF is the same as the value of the PDAF.

d. Gross plant distribution factor (GP-DIST) and the gross plant production, transmission and distribution factor (GP-PTD) are both calculated in Section V Exhibit 1, Schedule 4.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Refer to the Listebarger Testimony, page 9, lines 1-3.

a. Provide examples of the type of revenues not directly assignable which are demand-related system sales revenues.

b. Provide examples of the type of revenues not directly assignable which are energy-related system sales revenues.

c. Lines 7-10 state that demand-side management and transmission agreement revenues were removed to derive total electric utility other operating revenues. Explain why these revenues were removed.

RESPONSE

a. Demand-related revenues not directly assignable are revenues that do not vary with the amount of energy sold, such as revenues generated by the sale of excess capacity.

b. Energy-related revenues not directly assignable applies to revenues that vary with the amount of energy sold.

c. The revenues related to demand-side management (DSM) were removed from total electric utility other operating revenues to be consistent with the treatment (removal) of DSM expenses. Both the revenues and expenses are reflected in the DSM surcharge rider and should be handled consistently.

The transmission agreement revenues were removed from total electric utility other operating revenues and were considered a credit against transmission expense. This can be seen in the "rate making elimination / adjustments" column in Section V, Exhibit 1, Schedule 4.

WITNESS: Shannon R Listebarger

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,[1] 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.

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.

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[1] 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

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: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 7-8, regarding the Commission mandated Consultant Expense. Provide invoices and contracts for each of the Consultants included in the requested Consultant Adjustment.

RESPONSE

Mandated consultant invoices are provided in KPSC_2_46_Attachment1.pdf. The consultants were retained by the Commission to provide assistance to the Commission in each of the cases. The contracts supporting the mandated consultant expenses are between the Commission and the consultants and the Company has no copies of these contracts.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 9, regarding the Annualization of the PSC Maintenance Assessment ("Adjustment 45"). Also refer to the Fully Adjusted Base Case Summary in Section IV, Exhibit 1, Schedule 1, Column 4.

a. Explain why there was no adjustment proposed to the PSC Maintenance Assessment as a result of the proposed change in Sales of Electricity.

b. Explain why there was no adjustment proposed to the PSC Maintenance Assessment for Kentucky Power's proposed rate increase in the instant case.

c. Provide an updated schedule for Adjustment 45 to reflect any changes in the PSC Maintenance Fee due to Items b. and c. above.

RESPONSE

a. & b. The purpose of "Adjustment 45" is to account for the difference between the previous and current PSC assessment. The Company received an invoice for $1,069,073 from the Commonwealth of Kentucky in June 2014. The increase in expenses of $92,475 as a result of the increase in the assessment is accounted for in Section V Exhibit 1 Schedule 2 page 1 of 1 line 4, Test Year Net Operating Income. Since the Company would incur additional PSC maintenance fees to the extent that the Company rates/billings are higher, those incremental costs are recognized as part of the Gross Revenue Conversion Factor (GRCF) in determining the revenue requirement.

c. As discussed in the Company's response to parts a. and b., above, the PSC Maintenance Fee related to retail sales revenue increases is reflected in the GRCF.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 11, regarding the Annualization of Lease Costs.

a. Provide for each month of the test year the dollar amount associated with any aviation costs (ownership, lease or rental costs directly assigned or allocated to Kentucky Power) reflected in the test-year level of costs, along with the purpose of the flight and with the names of persons on the flight.

b. Provide supporting information for lease costs during the test year, include the beginning and ending dates of each lease, cost per lease, and nature of lease.

RESPONSE

a. Please see KPSC_2_48_Attachment1.xls. The information in the attachment shows the Pre-Allocated cost during the test year, as accounting does not break out how much each specific flight will be allocated to Kentucky Power. Of the Pre-Allocated cost, $282,000 is allocated to Kentucky Power.

b. Please see KPSC_2_48_Attachment2.xls

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to page 11 of the Rogness Testimony regarding the Annualization of Property Tax Expense.

a. Provide a comparison of the actual property taxes paid on Kentucky Power's transmission and distribution operating property based on the assessments for calendar years 2013 and 2014.

b. Provide a comparison of the property taxes paid on generation assets based on calendar year 2013 and 2014 assessments.

c. Provide a reconciliation showing how Kentucky Power's test-year total property tax expenses were allocated among base rates and riders.

RESPONSE

a. & b. See KPSC_2_49_Attachment1.xlsx

c. The total Company test year per books for real and personal property taxes was $12,408,699 (Section V, Exhibit 1, Schedule 4, page 23 of 96, line 465). Of that amount, $210,686 is included in the Company's proposed environmental surcharge revenue requirement, $230,525 is included in the Company's proposed BS1OR revenue requirement and $663,398 is included in the Company's proposed BSRR revenue requirement. The Kentucky retail jurisdictional share of the remaining $11,304,090 plus on-going level adjustments is included in the Company's proposed base rates.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 14, lines 8-10, which state that Rider E.C.S.-C.&E., Emergency Curtaiiable Service - Capacity and Energy, is being eliminated. State whether there are any customers on this tariff. If yes, provide the effect of the elimination on these customers.

RESPONSE

There are no customers on this tariff.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 16-20, describing the proposed Kentucky Economic Development Surcharge ("K.E.D.S.").

a. Does any other AEP subsidiary or related entity have a tariff provision to collect an economic development surcharge from its customers? if so, provide a copy of the tariff(s).

b. State whether Kentucky Power is aware of any other utility in any other jurisdiction having similar charges approved to support and promote economic development, if so, provide details concerning the utilities and related tariff provisions.

c. Explain whether and how the proposed K.E.D.S. differs from the economic development provision set forth in Paragraph 10 of the Stipulation and Settlement Agreement attached as Appendix A to the Final Order in Case No. 2012-00578.

d. Explain why Kentucky Power believes it is reasonable to collect an economic development surcharge from its customers to fund economic development initiatives that foster economic growth in Kentucky Power's service territory.

   Explain why Kentucky Power believes it is reasonable to collect the proposed K.E.D.S. from its customers, with matching funds from shareholders, rather than fund economic development initiatives with shareholder contributions only.

RESPONSE

a. There is a similar program in Ohio. See KPSC_2_51_Attachment1.pdf for a copy of the tariff.

b. The Company is not aware of any other utility in any other jurisdiction having similar charges approved to support and promote economic development.

c. The proposed K.E.D.S. tariff is separate from the economic development provision in Paragraph 10 of the Stipulation and Settlement Agreement (Agreement) attached to the final Order in Case No. 2012-00578. Paragraph 10 of the Agreement specifically addresses support for Lawrence and the contiguous counties.

The economic development initiatives funded through the K.E.D.S. tariff are available to the entire service territory and not just the seven Counties discussed in the Agreement. These funds are separate from the other funds discussed in the Commission's Order. Shareholder matching funds in the K.E.D.S. initiatives are in addition to the funds addressed by in the Commission's final Order in Case No. 2012-00578.

d. Both the Company and its customers reside and do business in Eastern Kentucky and all have a stake in the health of regional economy. Enhanced economic development efforts will lead to economic growth and increased employment. The funds raised through the K.E.D.S. tariff will be targeted to specific efforts that will help the counties within the service territory to compete for competitive economic development projects. The surcharge to customers and the matching funds from Company shareholders represents the shared responsibility to support and enhance economic development efforts to the benefit of all.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 17-19, wherein Mr. Rogness discusses three separate studies completed by insite Consulting, LLC. Provide a copy of each of the studies.

RESPONSE

Please see KPSC_2_52_Attachment1.pdf and KPSC_2_52_Attachment2.pdf for Phase I and Phase II reports. Phase III is scheduled to be completed at the end of February, at which time this response will be supplemented.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 25, lines 9-10. Explain the difference between the first and second reconnect categories listed.

RESPONSE

The difference is that performing a reconnection after regular hours with no call out requires the Company to pay overtime. Please refer to Rogness Testimony Exhibit JAR-4 for a breakout of the cost.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 27-28. Lines 10-12 on page 27 state that Kentucky Power incurs a cost of $12.99 when it makes a special trip to the customer's premises to perform a disconnect for non-payment. Lines 2-5 on page 28 state that Kentucky Power incurs $21.29 when it makes a special trip to a customer's premises to read a meter or to reconnect service. Explain the difference in these two cost amounts for a trip to the customer's premises.

RESPONSE

Please refer to Rogness Testimony Exhibit JAR-4, Columns (1) and (5). The difference between the charges is the time it takes to perform the task (Line 1) and the associated value from fringe benefits (Line 10). It takes an average of 0.5 hours to perform a reconnection and an average of only 0.3 hours to perform a disconnection.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 30, lines 13-16, which discuss the following language proposed to be added to the M.G.S. tariff: Customers receiving service on or before January 22, 2015 at a secondary voltage and with average monthly demand below 10 kW will be served under S.G.S. tariff.

a. State the number of customers on the M.G.S. tariff that receive service at a secondary voltage.

b. State whether this language indicates that customers will be moved to the S.G.S tariff. If yes, provide the effect the move will have on those customers.

RESPONSE

a. There are 6,997 M.G.S. customers receiving service at secondary voltage as of December 2014.

b. MGS, secondary voltage, customers that have an average demand less than 10 kW but not more than 15 kW will have a rate comparison preformed on their account. Should the customer save money on the S.G.S. tariff, a letter will be written and mailed to them, informing them of their potential savings. In order to take advantage of the savings, customers must request that their account be switched to the S.G.S. tariff.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, pages 31-32, which discusses the proposed language to the C.A.T.V. tariff to clarify the definition of "attachment." Explain why a clarification is necessary.

RESPONSE

The primary reason for the clarification is safety. Too many attachments within a single vertical foot distance on the pole creates a safety hazard for linemen climbing or descending the pole.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 33, lines 1-13. Explain how the "305" proposed to be used as the denominator in calculating the on-peak metered average capacity was determined.

RESPONSE

The Company calculates the actual number of on-peak and off-peak hours as a part of the cogeneration rate design. In September 2014, there were 3,654 on-peak hours out of 8,760 total hours. The average number of hours in a month is 730. The calculation is (3,654 / 8,760) * 730 = 304.5.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the Rogness Testimony, page 35, lines 7-14, which discuss Kentucky Power's proposal to add variable PE(m) to the P.P.A. tariff formula to equal "the cost of power purchased unrelated to forced generation or transmission outages that are calculated in accordance with the peaking unit equivalent methodology."

a. Explain whether the addition of this variable to the formula would allow Kentucky Power to collect on a monthly basis power that is excluded from recovery through the fuel adjustment clause because of the peaking unit equivalent limitation. If no, explain the type of power purchases that would be recovered due to this proposed change in the formula.

b. Commensurate with this proposal, is Kentucky Power proposing to reduce purchase power expense for power purchases from the test year that would be now be recovered under the proposed tariff? If yes, provide the amount deducted from expenses. If no, explain why such an adjustment is not necessary.

RESPONSE

a Yes, the inclusion of this variable will allow the Company to collect on a monthly basis purchased power that is excluded from recovery through the fuel adjustment clause because of the peaking unit equivalent limitation.

b.. The Company has not reduced the purchased power expenses from power purchases in the test year because the Company recovered all the fuel expenses during the test year. That portion of fuel cost that should have been excluded during the test year due to the peaking unit equivalent limitation was refunded outside the test year.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-3. Explain the column titled "Deferred Fuel.

RESPONSE

Deferred Fuel is an accounting treatment for prudently incurred fuel costs that allows the Company to properly match the recognition of these fuel costs with its associated revenues in the month of recovery.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-4.

a. Refer to line 2. Explain the differences in the transportation hours among the non-recurring charges.

b. Refer to line 3. Explain why the hourly labor rate is higher for the meter test charge than for the other non-recurring charges.

c. Refer to line 7. Provide the supporting calculation for the transportation hourly rate.

d. Refer to line 9. Provide the supporting calculations for the fringe benefits rate.

RESPONSE

a. With respect to the transportation hours in Line 2, Columns 2, 3, and 4 of JAR-4, these types of reconnect orders require the Company to call its employees out to work and their travel time is accordingly higher than when they otherwise are on duty in the field.

b. The hourly labor rate for a meter test is higher compared to other non-recurring charges because Kentucky Power must send a Meter Electrician to do the testing. A Meter Electrician has specialized training and skills that are required for testing meters and is compensated at a higher rate compared to other employees handling disconnections and reconnections at the meter.

c. Please see KPSC_2_60_Attachment1.xls.

d. Please see KPSC_2_60_Attachment2.xls.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-2, Deposits.

a. Refer to 4.B.1. Explain what is meant by "meter diversion."

b. Refer to 4.B.5. Explain why criteria "Checkless Payment Plan (CPP)" is being deleted.

RESPONSE

a. The term "meter diversion" refers to customers tampering with the meter in order to illegally reconnect service after the Company disconnected service. It is another term for theft of service.

b. Having a checkless payment plan helps with making timely bill payments, but does not guarantee that there will always be sufficient funds available in the account. The Company continues to offer a checkless payment plan, but has determined that such a method of payment is not sufficient for a waiver of a deposit.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-3, 4.D.2. Deposits. Explain whether a nonresidential customer that has paid all its bills for electric service in full and in a timely manner could be charged an additional or supplemental deposit.

RESPONSE

Yes. Even though a business has paid all its electric bills in full in a timely manner, it is possible that the business could still be under financial pressure. If credit reports indicate that the business is at risk and credit rating agencies are downgrading that business, then there is also a greater risk that the Company may not receive full payment for service. In those instances, the Company may require a deposit or a supplemental deposit.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-9, paragraph 17, Denial or Discontinuance of Service. Explain the circumstances giving rise to the proposed text changes, and the impact on current or potential customers.

RESPONSE

There is no impact on current or potential customers. The effect of the text changes is to clarify that applicants for service are customers.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-10, paragraph 19, Special Charges.

a. Explain the circumstances giving rise to the new language, "Reconnection for nonpayment will not be made when a 'Call Out' after 10:00 p.m. is required." Explain whether there are any circumstances in which service disconnected for nonpayment would be reconnected after 10 p.m.

b. Explain the circumstances giving rise to the proposed addition of the Meter Reading Check charge.

RESPONSE

a. The Company will perform all reconnections for service according to regulation 807 KAR 5:006 Sections 14(4) and Section 16. For reasons of personnel safety, the Company does not intend to perform reconnections for service disconnected for nonpayment after 10 p.m.

b. The Company has installed Automatic Meter Reading (AMR) meters throughout its service territory. These meters are read remotely. In instances where the customer requests that Company personnel make a trip to manually perform a meter read only, the Company is proposing to charge the customer for this service.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-1, Tariff R.S. for Residential Service and to the Direct Testimony of Alex E. Vaughan ("Vaughan Testimony").

a. Explain how the 100 percent increase to the service charge, from $8 to $16, is preferable to a more gradual increase.

b. Explain how the $16 was selected as the proposed residential service charge, considering the $40 per customer per month Full Cost Basic Service Charge as shown on Exhibit AEV-2, page 1.

c. Explain the extent to which Kentucky Power believes its existing level of residential service charge has been inadequate to recover costs not collected through its volumetric rates.

To the extent that a Kentucky Power customer is concerned about bill volatility, as discussed on pages 7-8 of the Vaughan Testimony, confirm that the Equal Payment Plan is available to the customer.

RESPONSE

a. The $8 proposed increase in the residential basic service charge is a gradual increase particularly in light of the relative infrequency of base rate cases and that the Company's actual cost during the test year to connect a residential customer to its distribution system was $41 per customer per month.

Furthermore, viewing the customer charge increase on a percentage basis is not illustrative of the impacts which will be seen by the majority of customers. A percentage increase in one component of the total bill is not the relevant measure. The service charge represents only a portion of a customer's total bill.

b. The $8 increase to $16 per customer per month was selected with the principle of gradualism in mind even though cost causation supports a basic service charge as high as $41 per customer per month.

c. See the direct testimony of Company witness Vaughan beginning on page 5 at line 3, and ending on page 7 at line 6. The fact that the Company's residential basic service charge is currently far below actual cost produces intra-class subsidies in the residential class where lower usage customers are not paying their fair share of the costs of being connected to the distribution grid. This intra-class subsidy results from fixed costs being collected through a volumetric charge rather than a fixed charge.

The Company confirms that the equal payment plan is available to customers but it does nothing to fix the cost causation and intra-class subsidy problems that currently exist in the Company's residential rate structure.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-2, Tariff R.S. for Residential Service. Explain the addition of the Volunteer Fire Departments section at the bottom of the page.

RESPONSE

Adding Volunteer Fire Departments to the Residential Tariff is in accordance with KRS 278.172.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-4, Tariff R.S. for Residential Service. Explain the language addition at the end of the Special Terms and Conditions section regarding motors or heating equipment used for commercial or industrial purposes, the deletion of similar language above, and the impact on current or potential customers.

RESPONSE

There is no material difference between the identified deleted language and the new language and no impact on new or existing customers.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 6-5 and 6-8, which set out the rates for the Residential Time-of-Day tariffs, and to the response to Commission Staffs First Request for Information ("Staffs First Request") Item 8, Attachment 2, page 9. Provide the basis for the 55.93 off-peak percentage usage shown on the response to Staffs First Request, Item 8, Attachment 2, page 9, which is used to calculate the $.05216 off-peak kWh charges for Tariff R.S. — L.M. — T.O.D., Tariff R.S. — T.O.D.

RESPONSE

The residential off-peak kWh percentage of 55.93% represents the off-peak usage percentage for the entire residential class for the test period based upon the Company's load research data.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit, JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-11, Tariff R.S. — T.O.D.2. Explain the reason for the deletion of "one single phase" under the Availability of Service section.

RESPONSE

It is possible for a residential customer to have either three-phase or single-phase service. The text change allows residential customers receiving three-phase service to qualify for this tariff.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 7-1 and 7-3, Tariff S.G.S.; Sheet No. 7-4, Tariff S.G.S. — T.O.D.; Sheet No. 8-1, Tariff M.G.S.; Sheet No. 8-5, Tariff M.G.S. — T.O.D.; and to the Vaughan Testimony.

a. Explain how the 70 percent increase to the Small General Service service charge, from $11.50 to $19.50, is preferable to a more gradual increase.

b. Explain why it is reasonable to base the increase to the S.G.S. service charge on the dollar increase to the residential service charge, as discussed on page 13 of the Vaughan Testimony.

c. Explain why it is reasonable to decrease the S.G.S. energy charges, as opposed to allocating a lesser increase to the service charge.

d. Explain why it is reasonable to increase the S.G.S. Load Management Time-of-Day service charge; the S.G.S — T.O.D. service charge; the M.G.S. service charge; and the M.G.S. — T.O.D. service charge to the same level of $19.50 from the varying levels of the current service charges.

RESPONSE

a. The SGS service charge represents only a portion of an SGS customer's total bill. Therefore, a percentage increase in one component of the total bill is not the relevant measure. Note that along with the increase in the SGS customer charge, the SGS energy charges were reduced. The overall increase to the SGS class was 10.4%. The SGS service charge, as proposed, remains considerably less than the full cost basic service charge of $27.21 as shown in Exhibit AEV 2.

b. The Company's SGS customers are similar to the Company's residential customers in that they are generally small and do not have metering capable of measuring maximum demand. Both the proposed SGS and residential service charges are less than the full cost basic service charge as shown in Exhibit AEV 2.

Kentucky Power Company

c. One of the Company's objectives in this filing is to improve the collection of fixed costs through fixed charges. To achieve this objective, reallocating the recovery of some fixed costs from the volumetric energy charge to the fixed service charge is reasonable.

d. All of the Kentucky Power tariffs listed are similar in nature with secondary voltage level service and time-of-day metering. The Company's proposed service charge in this proceeding is intended to collect more of the Company's fixed costs through fixed charges and adequately covers the additional cost of time-of-use metering. Under the Company's proposal, it is reasonable to unify the service charges for similar tariffs.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 7-1, Tariff S.G.S. — T.O.D. Explain why the limit of 500 customers should continue to apply to this tariff, since Kentucky Power is no longer considering the tariff to be experimental.

RESPONSE

Please refer to Rogness Testimony Exhibit JAR-9, Tariff Sheet No. 7-4, Tariff S.G.S.-T.O.D. As of December 2014, there were 77 customers taking service under this tariff. There is no need to raise the limit at this time.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 7-4, Tariff S.G.S. — T.O.D. Explain the reason for the deletion of the phrase "12 month average demands less than 10 kW through."

RESPONSE

The deleted language was redundant. Most customers being served at secondary voltages will be S.G.S. customers. With the Company's proposed tariff changes, customers with average monthly demand greater than 10 kW or maximum monthly demand is greater than 15 kW, will not be served under the S.G.S. tariff.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 8-1, Tariff M.G.S., and to the response to Item 8, Attachment 2, page 19 of Staff's First Request. Provide support for increasing the Primary and Subtransmission service charges to two times their current levels, as referenced on the response to Item 8.

RESPONSE

As shown in on Page 19 of Attachment 2 to the Company's response to KPSC 1-8, increasing the MGS primary and subtransmission service charges by two times their current levels moves these charges closer to (but not over) the calculated full cost rate

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-1, Tariff L.G.S., and to the response to Item 8, Attachment 2, page 24 of Staff's First Request. Provide the basis for the 25 percent increase to the Current Secondary Charge, as shown on the response to Item 8.

RESPONSE

The current LGS secondary demand charge is too low, collecting only about 20% of secondary demand revenue. By increasing the secondary demand charge as proposed, the secondary demand charge will collect approximately 25% of LGS secondary demand revenue.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-3, Tariff L.G.S. Load Management Time-of-Day provision, and to the response to Item 8, Attachment 2, page 27 of Staff's First Request. Explain why the proposed on-peak Energy Charge is 13.164 cents per kWh, given the $.13421 per kWh charge calculated in the response to Item 8.

RESPONSE

The proposed on-peak energy charge as shown on Sheet No. 9-3 should be 13.421¢ per kWh consistent with the amount shown on Page 27 of Attachment 2 to the Company's response to KPSC 1-8

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-5, Tariff L.G.S. Time-of-Day, and to the response to Item 8, Attachment 2, page 29 of Staffs First Request. Confirm that the proposed 8.481 cents Secondary On-Peak Energy charge is a decrease and not an increase from the current rate, as shown on the proposed tariff sheet, and explain why it is preferable to decrease the proposed on-peak energy charge as opposed to increasing it along with a corresponding decrease in the proposed KW demand charge or the proposed Off-Peak Energy Charge.

RESPONSE

Yes, the proposed secondary on-peak energy charge of 8.481¢ per kWh is a decrease from the current energy charge of 9.778¢ per kWh. The proposed kW demand charges represent full distribution demand costs and a 10% contribution to generation and transmission demand costs. The proposed off-peak energy charges reflect full energy costs and a 1-cent contribution to generation and transmission demand cost. The on-peak energy charge collects full energy costs plus all remaining generation and transmission demand costs. The rates resulting from applying this approach are reasonable because they follow cost/causation principles.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 12-1, Tariff C.S. — I.R.P. Under the Rate section, explain how the $3.68 per kW per month was calculated.

RESPONSE

The interruptible load credit of $3.68 per kW per month is the amount set forth in Paragraph 9 of the July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 13-1, Tariff M.W., and to the response to Staffs First Request, Item 8, Attachment 2, page 39. Explain the use of two times the current $4.10 per KVA demand charge as referenced in response to Item 8, in calculating the proposed minimum charge of $8.20 per KVA.

RESPONSE

The current Tariff MW minimum demand charge $4.10 per KVa is too low when compared to the full cost demand charge of $26.41. Increasing the charge by a factor of two to $8.20 per KVa is a reasonable change to narrow the gap to the full cost demand charge.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 14-1 and 14-2, Tariff 0.L., and to the response to Staffs First Request, Item 8, Attachment 2, pages 40-41.

a. Provide the basis of the proposed 108.54 percent increase in the 250 watt Shoe Box light, from $24.00 to $50.05 per lamp, given the calculated cost based rate of $38.78.

b. Provide the basis of the proposed 29.02 percent increase in the 1000 watt Floodlight, from $42.61 to $67.35 per lamp, given the calculated cost based rate of $42.61.

RESPONSE

a. The rate of $50.05 was an erroneous calculation. The proper rate for the 250 watt shoebox light is $26.50.

b. The rate of $67.35 was an erroneous calculation. The proper rate for the 1,000 watt floodlight is $57.60.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 16-1, 16-3, and 16-4, Tariff C.A.T.V.

a. Explain the addition of the language regarding two- and three-user poles.

b. Explain the language change increasing the time from 21 to 45 days within which Kentucky Power must notify an Operator of special conditions required for pole use.

c. Explain the language change in the Insurance section increasing the insurance cancellation or change notice time from 15 to 30 days.

d . Explain the change in the Charges and Fees section requiring Operators to pay annually in advance instead of semi-annually in advance.

RESPONSE

a. The Company is providing clarification regarding what is considered a two-user pole and whatis considered a three-user pole.

b. Based on information obtained in its regular discussions with the Operators subject to the C.A.T.V. Tariff, the Company is aligning its practices to the current industry standard of 45 days to respond to an Operator's request to attach to a pole.

c. The Company is aligning its practices to current industry standards.

d. The Company is in the process of standardizing is rental billing practices to once per year.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 17-1 through 18-3, Tariffs COGEN/SPP I and COGEN/SPP II. State the number of customers on each tariff.

RESPONSE

The Company currently has no customers served under Tariffs COGEN/SPP I or COGEN/SPP II

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 19-1 and 19-2 of the Rogness Testimony. Provide by month and account the revenue and expense amounts, along with the associated environmental surcharge costs of the off-system sales, reflected in the proposed Tariff S.S.C. (System Sales Clause).

RESPONSE

Please see the Company's response to KIUC 1-93 for the calculations behind the off system sales margins included in proposed Tariff S.S.C. No environmental surcharge costs were included in the amounts shown on the Company's proposed P.S.C. KY. No. 10, Sheet No. 19-2.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 21-1, Tariff T.S. Explain the additional language proposed in the Term section, including the impact on current and potential customers.

RESPONSE

The proposed tariff changes are designed to encourage temporary service customers to complete the construction process, obtain all necessary inspections and move over to the applicable service tariff. There will be no immediate impact on existing customers receiving temporary service. The effect on potential customers will be adherence to the new approved tariff. The tariff is intended to prevent customers from remaining on temporary service indefinitely.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 24-2, Tariff P.J.M.R, and 40-2 Tariff N.C.C.R. The bottom of each page states, 'The adjustment factor as computed above shall be further modified to allow the recovery of Uncollectible Accounts Expense of 0.3% and the KPSC Maintenance Fee of 0.1952% and other similar revenue based taxes or assessments. . . ."

a. Explain whether the statement means that the rates that appear on customers' bills are not the rates that will appear in Tariff P.J.M.R. and Tariff N.C.C.R.

b. Explain why further modification to the factor is necessary.

RESPONSE

a. No, the rates that appear on customers' bills will be the rates that appear on Tariffs PJMR and NCCR. The statement means that the rates have been grossed up for the recovery of uncollectible accounts expense and the KPSC maintenance fee.

b. Kentucky Power proposes to gross up the rider rates for the GRCF related to uncollectible accounts expense and the KPSC maintenance fee because the Company will incur additional uncollectible accounts expense and maintenance fees to the extent that the Company billings are higher. Without grossing up the rates to account for these incremental costs, the Company will not recover its full revenue requirement.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 38-1 and 38-2, Tariff B.S.R.R. Explain the "Asset Transfer Adjustment" references that appear on these pages.

RESPONSE

The term "Asset Transfer Adjustment" as used in the terms "Residential Asset Transfer Adjustment Factor" and "All Other Classes Asset Transfer Adjustment Factor" refers to all the Commission approved costs related to the Big Sandy coal and coal related assets that have been removed from base rates per the Commission's final Order in Case No. 2012-00578 dated October 7, 2013 and which are being recovered on a monthly basis from the Residential rate class and from the combined "All Other" rate class.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 39-1, the Big Sandy Unit 1 Operation Rider; the Vaughan Testimony, page 18; and the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony"), page 7. State whether recovery of Big Sandy Unit 1 operating expenses pursuant to the Mitchell Stipulation and Settlement Agreement is limited to recovery through a rider as proposed, or whether Kentucky Power has other options for cost recovery.

RESPONSE

Pursuant to the Stipulation and Settlement Agreement approved in Case No. 2012-00578, paragraph 3, "The Company agrees to remove all coal-related operating expenses related to Big Sandy 1....". With the one year extension to operate Big Sandy Unit 1 as coal leading up to the conversion to gas, the rider was the only option available that would keep the Company compliant with the Stipulation and Settlement Agreement. The rider gives transparency of the operating costs to all parties during the one year extension, during the conversion of the unit to gas, and through its operation as a gas-fired unit up until the next base rate filing after its conversion to gas.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Jason M. Stegall ("Stegall Testimony"), pages 4-5, specifically, the discussion of the proposed weather normalization adjustment, and to Section V, Schedule 5, Exhibit 2, W2 of the application.

a. Explain whether Kentucky Power has sought approval of a weather normalization adjustment in any prior rate application filed with the Commission.

b. Beginning on page 4 at line 7, the testimony states that the purpose of the proposed adjustment is "to restate test year revenues and expenses to reflect a 30-year average load. . . ." Identify the 30-year period upon which the average is based and explain why 30 years is the number of years used to determine the average.

c. The sentence beginning on page 4, line 14, reads in part, "the adjustment was calculated to reduce residential energy usage to the level of the 30-year average. . . ." Explain whether the average residential energy usage means the average per customer kWh usage, the average number of degree days, or something else.

d. Explain whether the proposed adjustment in any way involves the development of a base, non-weather sensitive load.

e. Provide all of the calculations, spreadsheets, work papers, etc., with all necessary narrative description, which show the derivation of the proposed weather normalization adjustment.

RESPONSE

a. Kentucky Power has not sought approval of a weather normalization adjustment with respects to retail sales in any prior rate application filed with this Commission.

b. The Company used the 30-year period of 1985 - 2014. A 30-year period was used because usage data was large enough to both establish a long-term trend and minimize the effect of weather in a single calendar year.

c. The average residential energy usage refers to the average per customer kWh usage calculated on a FERC Revenue Class basis.

d. The proposed adjustment does not involve the development of a non-weather sensitive load. Rather, it is intended to adjust actual load to a level that reflects customer behavior when weather is "normal," in this case, average weather over the 30-year period 1985 – 2014.

e. Please see KPSC_2_87_Attachment1.xlsx to this response.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, page 14, lines 5-8, wherein Mr. Stegall states that the allocation methodology for the cost-of-service study ("COSS") was chosen while considering various criteria listed on pages 13-14 of his testimony.

a. State whether all accounts in the COSS have been allocated using the same methodology and allocation factors as used in Case No. 2009-00459. If no, provide the changes and the reasons for the changes.

b. Confirm that the first two steps of the COSS, the functionalization and classification steps, exactly match those two steps in the jurisdictional study performed by Ms. Listebarger. If this cannot be confirmed, explain how the first two steps differ between the two studies.

RESPONSE

a. Yes; however, the COSS in this case was developed in Excel while the one used in Case No. 2009-00459 was developed using a specialized software package.

b. The Jurisdictional Cost-of-Service Study and the Class Cost-of-Service Study both heavily rely on the FERC Chart of Accounts to functionalize and classify accounting data. However, since both studies are conducted for different purposes, these steps have some differences. An example of a difference is the Generation Step-Up Units (GSUs) in Transmission Plant in Service is functionalized as transmission in the Jurisdictional Study and as generation in the COSS.

   The functionalization and classification steps taken to develop the COSS match those of prior cases.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, page 15, line 7, wherein Mr. Stegall refers to distribution plant being classified as demand/customer related. Explain in detail how distribution plant was classified between demand related and customer related. Provide work papers supporting the calculations or the location of the work papers in the application.

RESPONSE

Distribution plant accounts are classified as demand or customer related accounts based on the nature of the costs. The costs incurred regardless of energy use or number of customers are classified as demand. Costs that vary with the number of customers are classified as customer. This classification methodology is consistent with the methodology used in prior cases. The table below identifies each FERC Account for Distribution Plant and identifies its classification as demand or customer.

FERC Distribution Account	Classification
360 Land and Land Rights	Demand
361 Structures and Improvements	Demand
362 Station Equipment	Demand
363 Storage Battery Equipment	Demand
364 Poles	Demand
365 Overhead Lines	Demand
366 Underground Conduit	Demand
367 Underground Lines	Demand
368 Transformers	Demand
369 Services	Customer
370 Meters	Customer
371 Installations on Cust Premises	Customer
373 Street Lighting	Customer

The workpapers supporting the calculations can be found in KIUC_1_17_Attachment33_Stegall_CCOS_Workpapers.xlsx of the Company's response to KIUC 1-17.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, page 17, lines 21-22, which state, "Rent from electric property and other electric revenue was functionalized and allocated to classes based on related functional allocators." Explain this statement more fully.

RESPONSE

Rent from Electric Property, shown in the Other Operating Revenues section of Exhibit JMS-2, was split into two line items: (1) Rent from Electric Property - Poles and (2) Rent from Electric Property - Other Distribution. The line item for Poles was allocated using the same demand allocator as FERC Account 364 - Poles. The line item for Other Distribution was allocated based upon the allocation of Distribution Plant-in-Service.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, page 18.

a. Refer to lines 6-8. Explain why a discussion of the allocation of system sales revenue is included in this section, which relates to the allocation of production operation and maintenance expense.

b. Lines 16-17 state, "Expenses incurred through PJM as a LSE are classified as production expenses and allocated using the production demand allocation factor." Describe the nature of the "expenses incurred through PJM as an LSE."

RESPONSE

a. System sales revenue was discussed in this section because system sales was treated as an offset to purchased power expenses, which were included in the Production Expenses section of Operations and Maintenance Expense.

b. As a load serving entity ("LSE") in PJM, Kentucky Power is subject to certain charges from PJM. These PJM charges represent the portion of the total PJM charges that relate directly to the Company's internal load obligations. The base rate cost-of-service level of expenses incurred through PJM as an LSE are itemized on Page 2 of Exhibit AEV-5..

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, page 19, lines 18-19. Explain why Account 598, Maintenance of Miscellaneous Distribution Plant, was directly assigned to the outdoor lighting class.

RESPONSE

In regards to Account 598, the FERC Uniform System of Accounts states, "This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is recorded in accounts 371, Installations on Customers' Premises, and 372, Leased Property on Customers' Premises, and any other plant the maintenance of which is assignable to the distribution function and is not provided for elsewhere." The Class Cost-of-Service Study assigned this account to the outdoor lighting class to be consistent with the assignment of the balance of FERC 371 to the outdoor lighting class. The Company did not report a balance in FERC 372.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, Exhibits JMS-1, JMS-2, and JMS-3. Provide a copy of these exhibits in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible.

RESPONSE

Please see KIUC_1_17_Attachment34_Stegall_JMS_1_and_StegallRevenueWorkpapers.xlsx and KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, Exhibit JMS-1.

a. Refer to lines 2-8. Explain why some, but not all, revenue adjustments proposed in the application are included in this calculation. For example, the customer annualization and asset transfer rider annualization are not included.

b. Refer to line 5, system sales revenue adjustment of ($2,486,806). Provide the supporting calculation for this amount or its location in the application.

RESPONSE

a. The calculation of the Operating Ratio on Page 3 of Exhibit JMS-1 excludes the Weather Normalization Adjustment and the Customer Annualization Adjustment because, as stated on pages 4-5 and page 7 of the testimony of Company Witness Stegall, these adjustments include a reduction in expenses which is determined using this ratio. The Asset Transfer Rider was also excluded because this adjustment is dependent on the Weather Normalization Adjustment and the Customer Annualization Adjustment and was calculated after those two adjustments were made. This is demonstrated on a tariff class basis in the columns labeled Weather Normalization Adjustment and Customer Adjustment in each tab named for a tariff class in the revenue workpapers included in KIUC_1_17_Attachment34_Stegall_JMS_1_and_StegallRevenueWorkpapers.xlsx.

b. The System Sales Revenue Adjustment is summarized on the tab labeled PB - SS in KIUC_1_17_Attachment34_Stegall_JMS_1_and_StegallRevenueWorkpapers.xlsx and the calculation is shown on a tariff class basis for each appropriately named tab in that attachment.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, Exhibit JMS-2, the COSS.

a. This exhibit appears to shows only the allocation step of the COSS. Provide a revised COSS which shows the functionalization and classification steps separately.

b. Refer to page 10 of 30. Explain how the line item "Adjust Transmission OATT" was allocated among the rate classes.

RESPONSE

a. The functionalization of each line item in the Class Cost-of-Service Study (CCOS) is included in the electronic version of the study, provided as KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm. In the tab labeled JMS-2 COSS, each line item is broken down into the following functions: Production, Bulk Transmission, Subtransmission, Distribution - Primary, Distribution - Secondary, Energy and Customer. The Classification step is reflected in the allocator.

b. The line item "Adjust Transmission OATT" was not allocated among the rate classes, it is the Bulk Transmission and Subtransmission components of the Proposed Sales Revenue line item, which is calculated in the CCOS.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Stegall Testimony, Exhibit JMS-3, pages 1 and 3. Both of these pages show rates of return based on a base rate base revenue decrease of $4,696,310.

a. Provide a revised schedule showing the rates of return based on the base rate increase for each class as shown in Section ll of the application, page 348 of 1,829, the total of which is $39,163,930.

b. Provide a revised schedule showing the rates of return based on the total increase for each class as shown in Section II of the application, page 347 of 1,829, the total of which is $69,962,367.

RESPONSE

a. Exhibit JMS-3 shows the requested information. The "Current Total" column of Section II, Page 348 of 1,829 ("Page 348") and the "Current Revenue" column of Exhibit JMS-3 represent the same amount - the Company's current base plus the revenues recovered through the operation of the asset transfer rider ("ATR"). The "Base Increase" column on Page 348 compares the proposed base with the existing base without accounting for the revenues recovered through the ATR. Exhibit JMS-3 shows the rates of return for the change in base that accounts for the revenues recovered via the ATR. Page 1 of KPSC_2_96_Attachment1.xlsx provides a reconciliation of the ($4,696,310) identified in the opening statement of this request with the $39,163,930 identified in Part A of this request.b. As shown on Page 2 of KPSC_2_96_Attachment1.xlsx, the $69,962,367 represents the revenues that will be recovered via the Company's proposed riders. The Company filed its application in this case consistent with the provisions of the Commission-approved July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578. Pursuant to that Agreement, the Company is proposing to recover a portion of its costs via riders and a portion via base rates. Exhibit JMS-3 shows the class revenue allocation for base rates in accordance with the terms of the Stipulation and Settlement Agreement. Revising Exhibit JMS-3 as requested would reassign those costs that are to be recovered via riders in accordance with the Stipulation and Settlement Agreement to base rates; require a complete re-run of the jurisdictional and class cost of service studies, including a review of the tax analyses and adjustments performed for this case; and require a substantial period of time to complete.

To the extent that the costs that are proposed to be recovered via the riders are allocated among the classes in the same manner that revenues are allocated in accordance with the Stipulation and Settlement Agreement, the requested analysis would show that the rates of return for each class should be the same as shown in Exhibit JMS-3.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 10, lines 4-8. Provide the supporting calculation of the "total cost" referenced on line 6.

RESPONSE

"Total cost" in the reference testimony lines is referring the "Customer Total" line on Exhibit AEV-2 page 2 of 12. That customer total amount is comprised of the customer related totals from study components in Exhibit AEV-2. Please see the Company's response to KIUC 1-17 and KIUC_1_17_Attachment50 for the supporting calculations of Exhibit AEV-2.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 14, lines 18-20, and the table located between lines 16-17.

a. Provide the supporting calculations for the amounts in the table.

b. Lines 17-19 state that the table does not include the rate impacts of the new level of base rates and riders that are proposed in this case. Provide a revised table which reflects the proposed level of base rates and riders and the supporting calculations.

RESPONSE

a. Please see KPSC_2_98_Confidential_Attachment1. Confidential Treatment is being sought for portions of this attachment.

b. Please see the Company's response to KSBA 1-5 (KSBA_1_5_Attachment1).

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 14, lines 18-20, and the table located between lines 16-17.

a. Provide the supporting calculations for the amounts in the table.

b. Lines 17-19 state that the table does not include the rate impacts of the new level of base rates and riders that are proposed in this case. Provide a revised table which reflects the proposed level of base rates and riders and the supporting calculations.

RESPONSE

Please see KPSC_2_99_Attachment1.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, pages 17-18. Beginning at the bottom of page 17, Mr. Vaughan discusses Kentucky Power's proposal to update the PJM Rider rates annually and to file the required true-up information no later than March 31 of each year. By what date each year does Kentucky Power intend the updated rate to become effective?

RESPONSE

It is the Company's intention to have the new PJM Rider rate effective with cycle 1 of April each year. The updated rider rates would be submitted to the commission no later than 10 days prior to the cycle 1 billing date of April.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 21, lines 14-17. Mr. Vaughan states that the net effect of Kentucky Power's treatment of transmission revenues and expenses is $126,908 and that '[i]t is important to note that this value will change to the extent any other aspect of the Company's requests in this proceeding are modified." Explain what is meant by "any other aspect."

RESPONSE

Because the value of the transmission adjustment is related to the Company's authorized recovery of transmission revenues and expenses, changes in the manner in revenues and expenses are recovered will flow through to the transmission adjustment.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, page 24, lines 10-13, which state that removing all Big Sandy unit 1 Load Serving Entity PJM charge and credits will reduce expenses by $4.3 million. Reconcile this amount with the $5.65 million net expense added to the Big Sandy Unit 1 Operating Rider for Big Sandy unit 1 PJM charge and credits described on page 19 of the Vaughan Testimony, lines 17-18.

RESPONSE

The $4.3 million amount is a January - September 2014 amount used in adjustment 32. The $5.65 million amount is the $4.3 million annualized. Please see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment46 for the calculation of the $5.65 million.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, Exhibit AEV 4, page 1 of 3. Provide the supporting calculations for the amounts labeled as "a" and "b" on this schedule or provide their location in the application.

RESPONSE

Please see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment47. Reference the "Income Statement" tab of the excel workbook that is provided as KIUC_1_17_Attachment47, then reference cells AT 574 and 575 for the calculation of the amounts labeled as "a" and "b" on Exhibit AEV 4, page 1 of 3.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, Exhibit AEV 4, page 2 of 3.

a. Provide the supporting calculations for the percentages that appear in column 4 on this page.

b. Explain why the amounts in column 5 differ from the amounts in column "kW 12 CP" on page 3 of 3 of this exhibit.

RESPONSE

a. Please see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment52.

b. The total amounts should not differ. See KPSC_2_104_Attachment1_Exhibit_AEV_4_BS1OR_RateDesign_Revised for the revised exhibit.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the Vaughan Testimony, Exhibit AEV 4, page 3 of 3. Explain why there is no amount in column "kW 12 CP" for the "Non Demand MGS Sec" and "LGS LMTOD" classes.

RESPONSE

There is no amount in the "KW 12 CP" column for the "Non Demand MGS Sec" and "LGS LMTOD" classes on page 2 of 3 of Exhibit AEV-4 because they are not separately accounted for in the Company's load research, they are included in the larger total class (MGS and LGS) 12 CP kW figures. That is why column 4 of Exhibit AEV 4, page 2 of 3 uses the same CP/kWh ratio for MGS and non-demand metered MGS sec. The same is true for LGS and LGS LMTOD

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the Wohnhas Testimony, page 6, regarding the annual revenue requirement. Provide for each month of the test year the dollar amount, along with the associated kWh of line losses, which are reflected in the monthly fuel adjustment clause ("FAC"). Provide this information for the load serving entity ("LSE") broken down by full requirement wholesale, residential, commercial and industrial customer classes.

RESPONSE

Please see KPSC_2_106_Attachment1.xls for the dollar amount and associated kWh of line losses reflected in the Company's monthly fuel adjustment clause.

The Company cannot provide the data broken down by category because the data required to do so does not exist in a form that would allow such a presentation.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Wohnhas Testimony, pages 18-20, which discuss Kentucky Power's request for approval of the Amortization of the Deferred Preliminary Big Sandy flue gas desulfurization investigation costs ("Scrubber Study Costs"), and to pages 38-39 of the final Order in Case No. 2012-00578. Given that the Commission denied Kentucky Power's request for recovery of the $28 million Scrubber Study Costs, as well as their incurrence outside the test year, explain why Kentucky Power's proposed recovery of Scrubber Study Costs in the instant case is reasonable.

RESPONSE

The costs were reasonable in amount and prudently incurred. There is no finding in the Commission's October 7, 2013 Order in Case No. 2012-00578 to the contrary. Moreover, the Commission itself found that "studies or evaluations relating to major multi-year capital asset projects are generally considered necessary and recovery of the cost of studies and evaluations through rates is generally considered reasonable...." The study was part of the multi-year process by which the Company identified, when it became available, and the Commission subsequently approved, the least-cost alternative for the disposition of Big Sandy Unit 2,. The rate impacts identified by the Commission in its October 7, 2013 Order can be ameliorated by amortizing the costs over a longer period than identified in Case No. 2012-00578. See also Testimony of Ranie K. Wohnhas at page 18-20.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Wohnhas Testimony, pages 21-22, which discuss Kentucky Power's request for approval of the Mitchell Plant Maintenance Normalization and Adjustment 34. Explain why the costs have varied so significantly in the three years listed.

RESPONSE

The variation is related primarily to the scheduled maintenance outages for each of the two Mitchell units. Typically, each unit will have a scheduled outage during each three year period. As a result two years of each three-year period will contain scheduled outages and the third year will have no scheduled outages. Also, forced outages, which by definition do not occur on a predetermined schedule, will contribute to additional variation in the costs

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the response to Staff's First Request, Item 30. Provide the following information as it relates to the Company's External Affairs Manager:

a. The level of salary, incentive pay, fringe benefits, expense reports, and outside services expenses reflected in the Company's test-year revenue requirement.

b. The number and the associated dollar amount of Kentucky Power Economic Advancement Program Grants that were awarded during the test year. The information should include whether these awards were recorded above or below the line for ratemaking purposes, and indicate the account numbers in which these expenses were recorded.

c. State whether the primary purpose of this position is to promote economic development and to encourage businesses to locate in Kentucky Power's service territory, and to select or use its service or request additional service provided from Kentucky Power.

d.. Provide examples of any advertisements placed in an effort to promote Kentucky Power's economic development program, along with the associated cost of such advertising as it is reflected in the test year's cost of service.

e. For the past ten calendar years, provide the titles of employees whose primary job responsibility was economic development prior to the creation of the External Affairs Manager.

f. Explain why the job titles discussed in "e" above were eliminated.

RESPONSE

a. Please see response to KPSC 1-33.

b. Please see response to KPSC 2-9. These expenses were entered on account 2420088 and were recorded below the line.

c. Yes.

d. Kentucky Power ran newspaper advertisements to promote Kentucky Power's economic development program, in addition to a half page ad in a Southeast Kentucky Chamber of Commerce Book. Please see AG_1_109_Attachment1.pdf through AG_1_109_Attachment3.pdf for Kentucky Power's economic development advertisements. The Company's half page ad with the Southeast Chamber of Commerce would be the only ad reflected in the test year's cost of service. The cost for this ad was $800.00.

e. Kentucky Power has not had any other employees in the past ten calendar years whose primary job responsibility was economic development.

f. Not applicable. Please see response to sub-part e.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Refer to the response to Staff's First Request, Item 31, regarding expenses for professional services. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following information as it relates to consulting services either directly
incurred and assigned or allocated to Kentucky Power:

a. The name of the company providing the consulting service.

b. The type of consulting service provided.

c. When the consulting service began and when it is expected to be complete.

d. The dollar amount reflected in the test-year level of expenses associated with the consulting service, along with the total expected cost of the consulting service project.

e. If allocated to Kentucky Power, provide the organization which allocated the cost to Kentucky Power, the methodology used in the allocation, and the total cost of the consulting service.

f. The last date that this type of consulting service was performed for Kentucky Power or the allocating organization.

RESPONSE

a. InSite Consulting is the only company providing direct consulting services to the Company.

b. InSite provides economic development consulting services.

c. There are multiple phases of InSite's work for the Company and Phase III is in progress.

d. InSite invoices totaling $49,128.93 were paid during the test year. The total cost of InSite's services to date totals $134,846.17.

e. Certain consulting services are allocated to Kentucky Power by AEPSC. These expenses are not separately accounted for and are included in the larger professional services category of expenses. As a result, the Company cannot provide the requested information. See KPSC 1_31_Attachment_1 which gives the different allocation factor by professional service.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the response to Staff's First Request, Item 33. For the test year, provide the following information at it relates to lobbying activities:

a. The names of each of the Company's Kentucky registered lobbyists.

b. For each of the registered lobbyists, the dollar amount and percentage of the lobbyist's salary, fringe benefits, any incentive pay, and expense reports recorded below the line and any lobbying activities costs reflected in the Company's proposed cost of service.

c. The dollar amount of any lobbying activity allocated to KentuckyPower from AEP or any of its subsidiaries, along with a statement in which these costs are recorded and account numbers where these costs are recorded (above or below the line).

RESPONSE

a. Gregory Pauley, James Keeton, and Brad Hall.

b. During the test year period, 100% of Mr. Pauley's $220,420 salary was directly charged to Account 920.0 (Administrative & General Salaries), while $1,951 in expenses were charged to Account 426.4 (Civic & Political Activities) based upon the nature and purpose of the work performed. Please see the response to KPSC 1-33 for information on James Keeton and Brad Hall.

Kentucky Power found that .95% ($2,095) of Mr. Pauley's salary should have been charged to Account 426.4, instead of Account 920.0. In addition, Kentucky Power found that 12.6% ($18,063) of Mr. Hall's salary should have been charged to Account 426.4 instead of Account 920.0.

c.. Please see response to KPSC 1-33.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

Refer to the response to Staffs First Request, page 42. Provide the following information for any of the AEP Service Corporation and other affiliated entities' costs directly assigned or allocated to Kentucky Power, as well as other requested information.

a. Reflected in the test-year level of expenses proposed by KentuckyPower, provide the following as it relates to salaries either directly assigned or allocated to Kentucky Power by another AEP entitiy.

(1) By AEP Service Corporation by Department, the total salary amount along with the number of hours associated with the salary cost and associated incentive pay broken down by each incentive pay program including any stock option plans in effect during any month of the test year.

(2) By any other AEP subsidiary, provide the name of the subsidiary and the department along with the total salary amount and associated incentive pay including any stock option plans along with the number of hours associated with the salary, incentive pay and any stock option plans costs.

b. The AEP Service Corporation Charge billed to Kentucky Power for the 12 months ended September 30, 2009, through September 2014.

c. The number of AEP Service Corporation employees at September 30 for each year 2009 through 2014.

d. Kentucky Power's peak demand (date and time) for each 12 montsh period September 30, 2009, through September 2014.

e. Kentucky Power's kWh sales (by customer class residential, commercial and industrial) for each 12-month period September 30, 2009, through September 2014.

f. The level of Kentucky Power employees at September 30 for each year 2009 through September 2014.

g. Whether the costs are allocated based on the number of Kentucky Power employees, Kentucky Power kWh sales, or Kentucky Power's peak demand. If so, identify each.

h. Whether Kentucky Power has made an adjustment to the test-year level of AEP Service Corporation costs to reflect the most recent three-, five-, or ten-year trend in the number of employees, the kWh sales, and the Kentucky Power's peak demand. If so, identify each adjustment.

i. If the answer to b. above is no, provide a complete explanation as to why no test-year adjustment was made in the Company's proposed test-year level of AEP Service Corporation costs.

RESPONSE

a. (1) See KPSC_2_112_Attachment6.xls for the AEPSC labor, annual incentive, and long term incentive expenses billed to KYPCo for the 12 months ended September 30, 2014.

a. (2) See KPSC_2_112_Attachment5.xls for the Other Affiliate labor, annual incentive, and long term incentive expenses billed to KYPCo for the 12 months ended September 30, 2014.

b. The following provides the AEPSC expenses billed to KYPCo for the 12 months ended September 30, 2009, through September 2014.
12 Months Ended Sept. 2009 - $25,479,984
12 Months Ended Sept. 2010 - $28,723,728
12 Months Ended Sept. 2011 - $24,368,159
12 Months Ended Sept. 2012 - $20,866,566
12 Months Ended Sept. 2013 - $23,083,261
12 Months Ended Sept. 2014 - $28,838,839

c. See KPSC_2_112_Attachment1.xls for AEPSC employees.

d. See KPSC_2_112_Attachment3.xls for Peak demand.

e. See KPSC_2_112_Attachment4.xls for kWh sales.

f. See KPSC_2_112_Attachment2.xls for Kentucky Power employees.

g. See Company response to KPSC_1_42, KPSC_1_42_Attachment1.xls, the test year charges with an allocation factor #09 are allocated based on number of employees, allocation factor #43 are based on KWH sales, and allocation factor #64 are based on peak load.

h. No adjustments to test-year level of AEP Service Corporation costs were made to reflect the most recent three, five, or ten year trend in the number of employees, the kWh sales, or Kentucky Power's peak demand.

i. The Company did not make any adjustments because the historical trend information is not considered relevant to the recent transfer of the Mitchell Plant and the retirement of Big Sandy and conversion to gas for Big Sandy Unit 1. The Company made separate adjustments for the removal of Big Sandy costs and the annualization of Mitchell Plant costs.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the response to Staff's First Request, Item 46, regarding executive salaries and other compensation. Staff 1_46 Attachment was not included in the electronic filing record for Staffs First Request. Provide Staff_1_46 Attachment in Excel spreadsheet format and the following information for the test year for the executives and/or officers listed in the response:

a. In Excel spreadsheet format, the monthly calendars for each executive officer and/or employee at Kentucky Power which will show the daily activities for these Kentucky Power employees and/or officers.

b. The account numbers to which the executives and/or officers' salaries and other compensation were charged.

c. An explanation of the amount and percentage of each of these employees' salaries and associated expenses which were recorded below the line for ratemaking purposes, along with how the methodology for doing so was determined.

RESPONSE

a. Please see the attached KPSC_2_113_Attachment1.xlsx which provides the monthly and daily activities of the requested AEPSC executives.

b. KPSC_2_113_Attachment2.xls provides the AEPSC executive productive labor billings to KYPCo for the test year ended September 30, 2014 by FERC account.

c. See part b. for the portion recorded below the line, specifically FERC Accounts 4264 and 4265. All employees complete timesheets and charge allowable FERC accounts based upon the job function being performed.

Please see KPSC_2_113_Attachment3.xlsx which was provided by the Company in its response to KPSC_1_46 as a pdf.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

On September 19, 2014, Kentucky Power notified the Commission that it had initiated a market potential study ("Potential Study") as a result of the Order in Case No. 2013-00487[1], and stated in Case No. 2014-00271 [2] that the final report would be issued by August 15, 2015. Kentucky Power further stated that the Potential Study would involve the industrial customer sector.[3] Explain how Kentucky Power defines and classifies customers as "industrial" sector, by North American Industry Classification System (NAICS) codes or by some other method(s).

RESPONSE

Kentucky Power utilizes the North American Industry Classification System (NAICS) to determine if a customer is Commercial, Governmental or Industrial.

WITNESS: Gregory G Pauley

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[1] Case No. 2013-00487, Application of Kentucky Power Company to Amend Its Demand-Side Management Program and for Authority to Implement a Tariff to Recover Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of the Programs (Ky. PSC June 30, 2014).

[2] Case No. 2014-00271, Application of Kentucky Power Company for: (1) Re-Authorization of Certain of Its Existing Programs; (2) Authority to Discontinue the Commercial and Residential HVAC Diagnostic and Tune-Up Programs; (3) Authority to Amend Its Demand-Side Management Program to Implement Residential Home Performance and Residential Appliance Recycling Programs; (4) Authority to Recover Costs and Net Lost Revenues and to Receive Incentives Associated with the Implementation of the Programs; and (5) All Other Required Approvals and Relief (filed Aug. 14, 2014).

[3] Id., Kentucky Power's response to Alexander Desha and Sierra Club's Initial Requests for Information, Item 12 (filed Oct. 10, 2014).