Kentucky Power Company

REQUEST

Have there been any independent audits or regulatory commission sponsored reviews done of AEPSC in 2012, 2013 or 2014? If so, please identify each such review and provide a copy of the related reports and testimony.

RESPONSE

No. The Service Company Billings process was audited by Internal Audit in 2012. Refer to AG_1_150_Attachment1.pdf for a Review of Controls for the Service Company Billings Process.

WITNESS: Jason M. Yoder

Kentucky Power Company

REQUEST

If applicable, list the expense associated with the most recent management audit. If the Company is amortizing the expense, list the amount of base and test period expense, the unamortized amount at December 31, 2012, 2013, and 2014 and state when the amortization will end

RESPONSE

The Company paid $144,811 to Schumaker and Company (the Consultant who performed the 2002 management audit.) Expenses associated with the management audit are not included in the present case.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

List each proposed pro forma entry which was considered in this filing but not made and state the reason(s) why the entry was not made.

RESPONSE

All considered pro forma adjustments were filed.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Indicate whether and how check-clearing time was included in the revenue or expense lag calculations in the lead-lag study. If included in the study, indicate the number of days it added to the lead or lag by category.

RESPONSE

The Company did not perform a lead-lag study.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

If check-clearing time was not included in the revenue or expense lag calculations in the lead-lag study, indicate the number of days between the receipt of a customer's payment and the time the Company has use of the funds. Also, provide an estimate of the number of days after a check mailed to a vendor is reduced from the Company's bank account. If the number of days varies by type of expense or vendor, indicate those differences if known. Indicate any payments made by wire (in total by expense category).

RESPONSE

The Company did not perform a lead-lag study.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Indicate whether tax payment lead days are calculated on actual or statutory percentages and payment dates in the cash working capital calculation

RESPONSE

The Company did not perform a lead-lag study.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Indicate whether in the cash working capital calculation, the payroll expense lead day result is based upon a composite of the separate net wage lag and withholding deposit period lag, or whether it is based on the single lag associated with gross wages (i.e., middle of pay period to payroll date).

RESPONSE

The Company did not perform a lead-lag study.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Indicate the average period of time between rendering of service to customers to meter reading date (by type of customer if different), meter reading to billing date, and billing date to receipt of payment for Kentucky jurisdictional customers, if known; otherwise for total company if known.

RESPONSE

Kentucky Power's meters are read on a cycle each month. So depending on when the customer begins service at their new location, to when their area is scheduled to have their meter read, will determine how many days of service will be in their first bill. The Company will generate bills the same night as the meter is read and will be mailed the next business day. A customer will have 15 days from the billing date to send in a payment for service.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide for each month from December 2009 to the present, the following information:

a. Monthly revenues
b. Accounts receivable
c. Allowance for Doubtful Accounts
d. Accounts receivable (aging and amounts) net of uncollectibles.

RESPONSE

a. b. Please see AG_1_158_Attachment1 for this response.

c. d. Kentucky Power Company factors accounts receivable and does not have allowance for doubtful accounts or an accounts receivable aging for electric customers.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Customer Advances.

a. What is the ratemaking treatment for customer advances proposed by the Company in its filing? Where is such proposal found in the filing?

b. Provide the monthly level of customer advances for the period December 2012 thru December 2014 and also provide monthly updates when available.

c. Provide the monthly interest expense paid by the Company on customer advances for the same period.

RESPONSE

a. The Company includes customer advances as a reduction to rate base as shown on Section V, Exhibit 1, Schedule 4, page 19, line 241.

b. See the Company's response to AG_1_56.

c. There is no interest expense paid on customer advances.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Customer Deposits.

a. What is the ratemaking treatment for customer deposits proposed by the Company? Where is such proposal found in the filing?

b. Provide the monthly level of customer deposits for the period December 2012 thru December 2014.

c. Provide the monthly interest expense paid by the Company on customer deposits for the same period.

RESPONSE

a. Please see Rogness Testimony pages 5-6 and Section V, Exhibit 2 W11 for the requested information.

b and c. Please see AG_1_160_Attachment1.xls for the requested information.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Customer Deposits.

a. What is the interest rate on customer deposits?

b. Identify the tariff or statute that establishes the interest rate.

c. Does the Company accrue interest on inactive customer deposits?

d. How often is interest on customer deposits paid?

e. Is interest on customer deposits paid by check, in the form of a bill credit, or credited as an addition to the customer deposit balance?

f. What is the Company's policy on customer deposits for collection, refund, and use as an offset against an uncollectible balance?

g. Provide a copy of the Company's policy(s) relating to customer deposits.

RESPONSE

a. 0.12% (effective January 1, 2015).

b. Please see KRS 278.460.

c. No. See Rogness Testimony Exhibit JAR-9 pages 6-7 of 191.

d. Annually. See Rogness Testimony Exhibit JAR-9 pages 6-7 of 191.

e. See Rogness Testimony Exhibit JAR-9 pages 6-7 of 191.

f. Kentucky Power's customer deposit policy follows the guidelines set forth by Kentucky Public Service Commission's regulation 807 KAR 5:006, Section 8.

g. See 807 KAR 5:006, Section 8 and Rogness Testimony Exhibit JAR-9 pages 6-7 of 191.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

For the test year and the preceding two years, has the Company sold any property which had formerly been included in Plant Held for Future Use or devoted to utility service? If so, for each sale, describe the property sold; state whether, when and in what manner it had been included in rate base; show the details of how the gain or loss was calculated; indicate when the sale occurred; explain how and whether the Company is amortizing such gain or loss; and show how such amortization was computed.

RESPONSE

There were no sales of property from Plant Held for Future Use. Refer to the Company's response to AG_1_ 98 related to utility property sold.

WITNESS: Jason M. Yoder

Kentucky Power Company

REQUEST

The following questions are related to the Company's policies regarding accounting for CWIP, plant in service and depreciation:

a. For each item of CWIP which the Company has transferred into utility plant in service for purposes of this filing, has a full 12 months of depreciation expense been included in the cost of service?

b. For each item of CWIP which the company has transferred into utility plant in service for the purposes of this filing, has an amount representing a full 12 months of depreciation expense been added to the total accumulated depreciation by which rate base is reduced?

c. Provide the same information as requested in subsection b. above for the deferred taxes related to the depreciation timing differences.

RESPONSE

a. Yes, Company Adjustments on Section V, Exhibit 2 pages 37, 39 and 40 filed in this proceeding annualize depreciation expense using a plant in service balance at September 30, 2014.

b. No. Rate base is as of September 30, 2014 which is the end of the test year and therefore accumulated depreciation should not be adjusted. Only depreciation expense should be adjusted to account for any additional depreciation expense as a result of transferring CWIP to plant in service since this adjustment represents the appropriate going level expense to be included in rates.

c. All regulated accumulated deferred income tax balances as of September 30, 2014 have been included in rate base including balances related to CWIP.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

List all revenue, expense and rate base amounts by account included in the test year relating to any Company or affiliate owned or leased air-port, airplane and helicopter facilities, if applicable.

RESPONSE

Please see AG_1_164_Attachment1.xls for the answer to this response.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Provide flight logs for all affiliate owned or leased aircraft for 2013 and 2014.

RESPONSE

Please see AG_1_165_Attachment1.xls.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Identify how much of the Company's materials and supplies balance at December 31, 2011, December 31, 2012, December 31, 2013 and through September 30, 2014 is related to construction activities.

RESPONSE

Please see AG_1_166_Attachment1.pdf for the answer to this response.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please provide a copy of the parent company's corporate federal tax returns and supporting "M" schedules and all consolidating schedules for tax years 2008 through 2013.

RESPONSE

Please see the Response to AG-1-121.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide workpapers detailing the calculation of each statutory addition and deduction used in arriving at taxable income in the above calculation, as well as the calculations provided in the filing. Also provide a narrative explanation of the effect of each statutory addition and deduction on tax and/or book income, and the Internal Revenue Code Section or Treasury Regulation calling for the adjustment.

RESPONSE

Please see the Response to AG-1-121.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

For tax years 2008 through 2013, please provide a copy of the parent company and KPCo's Kentucky Corporate Income Tax Return and all other Kentucky Tax Returns. If separate returns were not prepared, please provide the detailed worksheets that were used to prepare the consolidated return.

RESPONSE

Please see the Response to AG-1-121.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide the following information regarding deferred income taxes:

a. Calculation of all timing differences reflected in DFIT; show book amount and tax amount; indicate when amounts were included in book and in tax returns;

b. Tax rate applied to each timing difference;

c. Calculation of actual DFIT;

d. If different, reconcile book amount per cost of service and book amount in DFIT calculation. Identify and quantify all reconciling items.

e. For each year 2011 through 2014 the gross and net additions to deferred taxes. Please breakdown such additions within each year by sub-account, providing the number and name for each account and sub-account. For each item by year, please reconcile the gross to net additions and explain how that reconciliation was derived.

f. For 2009 and 2013 (to date) please provide information requested in (e) above for each month.

RESPONSE

a. ADFIT balances change from year-to-year based on the annual Schedule M adjustments that are made in the Federal income tax returns. Information regarding when amounts were included in book and in tax returns is not tracked and is not readily available.

b. Generally, all ADFIT items are recorded at the statutory Federal income tax rate of 35% except for certain protected depreciation related book/tax differences.

c. See Section V, Exhibit 3 (Tax Schedules) of the filing.

d. See Section V, Exhibit 3 (Tax Schedules) of the filing.

e. This information is voluminous. It is contained in the PowerPlan Tax Provision System and can be made available at a mutually agreed upon time at the AEP offices in Columbus, Ohio.

f. This information is voluminous. It is contained in the PowerPlan Tax Provision System and can be made available at a mutually agreed upon time at the AEP offices in Columbus, Ohio.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please state whether the Company has or will claim 50 bonus tax depreciation on its federal or state tax return for 2014 and if so, list the KPCo 2014 plant additions by account and amount that are expected to qualify for 2014 bonus tax depreciation.

a. Also, show the estimated impact on test year ADIT from 2014 bonus tax depreciation.

b. If not included in its filing, please specify the expected test year jurisdictional revenue requirement impact of including bonus tax depreciation allowance in the Company's overall cost of service for qualified property placed into service before January 1, 2015, as provided by the Tax Increase Prevention Act of 2014.

c. Please provide all of the adjustments that would be necessary to produce the Company's test year jurisdictional revenue requirements that include the impact of bonus tax depreciation for qualified property placed in service prior to January 1, 2015 as provided by the Tax Increase Prevention Act of 2014, summarized for all applicable rate base and expense categories presented in the Company's Filing Requirements schedules.

d. The adjustments referenced in part b., above should allow for a complete assessment of the revenue requirement impact of inclusion of 2014 bonus tax depreciation in the overall cost-of-service. As part of this response, please include all electronic workpapers with formulas intact used in the derivation of the bonus tax depreciation impact.

RESPONSE

a. See the Response to KIUC 1-29.

b. See the Response to KIUC 1-29.

c. The Company would have recorded an additional $23.6 million in deferred federal income taxes as of September 30, 2014 and recorded an additional Normalized MACRS Schedule M deduction of $67,446,000 in the Test Period.

d. The 2014 bonus tax depreciation was calculated within the PowerPlant Tax Depreciation System. See AG_1_171_Attachment1.xlsx and AG_1_171_Attachment2.pdf.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Does KPCo's filed rate base reflect impacts from 2014 bonus tax depreciation?

a. If not, explain why not.
b. If so, please identify the amounts and shown how they were calculated.

RESPONSE

a. The KPCo base rate case filing does not reflect the impacts from extension of bonus tax depreciation to 2014. The Tax Increase Prevention Act of 2014 was not passed in time to include it in this filing.

b. See the Response to AG First Set - Question No. 171.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please list the name and business function of all Company subsidiaries and affiliates and separately list those which are included in this case, and which charged cost to KPCo during 2012, 2013, 2014, and the test year.

RESPONSE

AG_1_173_Attachment1.pdf provides the names and business functions of all AEP subsidiary companies as of December 31, 2014.

See Section II, page 1,799 of the filing requirements for the AEPSC and other affiliate expense billings to KYPCo for 2012, 2013, and the test year.

See AG_1_173_Attachment2.xls for the other affiliate expense billings to KYPCo for 2014.

See AG_1_129 for the AEPSC expense billings to KYPCo for 2014.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide the following amounts for 2012, 2013, and 2014:

a. Income tax expense, current, deferred, deferred-credit, investment tax credit deferred and investment tax credit amortized from prior years. Identify by Uniform System Account number.

b. Identify and explain the book-timing accounting difference giving rise to each charge.

c. Divide federal and state amounts.

d. Cite the order or ruling on which the Company bases rate treatment of these benefits (normalized or flow-through). Note rate treatment (normalized or flow-through).

e. State the accumulated total for each as it appears on the test year balance sheets. Identify by Uniform System Account Number.

f. State the rate base treatment of each item (e.g. deducted from rate base, cost-free capital, treated as equity, etc.).

g. Cite the order or ruling on which the Company bases treatment identified in f.

RESPONSE

a. See AG_1_174_Attachment1.xlsx.

b. See the Response to AG 1-62.

c. See AG_1_174_Attachment1.xlsx.

d. See Section V Exhibit 5 Summary for normalized vs. flow-thru treatment of Schedule M's which is consistent with Commission precedent in previous Kentucky Power rate cases. Any new Schedule M's since the last rate case have been normalized.

e. See the Response to AG 1-62.

f. See the Response to AG 1-62.

g. See the Response to AG 1-62.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please provide a detailed derivation of 2012, 2013, and 2014 research and development credits, including:

a. A list of all research, development and experimentation expenditures and for each item provide;

b. Separately the amounts payable to inside and outside contractors;

c.. The amount payable in the test year;

d. The total expenditures to be expensed in determining federal taxable income; and

RESPONSE

a. 2012: Big Sandy Unit 2 Dry Flue Gas Desulfurization with Fabric Filter, Industry Consortium 2013: Transmission/Distribution Projects (for Sec. 174 purposes only), Industry Consortium 2014: R&D study has not been completed for this year.

b. 2012: $1,068,035 (outside vendor), $107,458 (internal), $511,124 (Industry Consortium)2013: $348,914 (Industry Consortium)2014: R&D study has not been completed for this year.

c. $348,914 (2013 Industry Consortium) x 25% (10/1/2013 – 12/31/2013) = $87,228

d. 2012: $1,643,130 (outside vendor), $116,037 (internal)
2013: $32,245 (outside vendor), $2,242 (internal)
2014: The R&D study has not been competed for this year.

e. IRC 44(f) is not a valid code section.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Identify all net operating loss carrybacks and carry forwards for AEP and each AEP subsidiary for each tax year 2008 through 2013.

RESPONSE

Kentucky Power objects to this question to the extent it seeks information regarding entities other than Kentucky Power, on the grounds that it is over broad and unlikely to lead to information relevant to this proceeding. The requested information with respect to Kentucky Power is that it only had an net operating loss (NOL) in 2009, totaling $82,931,597. This NOL has been carried back fully to 2007 and 2008.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Provide detailed descriptions of any IRS audit, settlements with the Internal Revenue Service, or audit adjustments made during the three years ending December 31, 2014

RESPONSE

In April 2013, American Electric Power Company, Inc. & subsidiaries settled an IRS audit for the tax years 2009 and 2010. Taxable income decreased $3,147,602 in 2009 and increased $218,338 in 2010.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Provide a copy of any and all revenue ruling requests, IRS responses, and correspondence between the Company and the IRS during the ten years ending December 31, 2014.

RESPONSE

Please see AG_1_178_Attachment1.pdf. American Electric Power Company, Inc. received a Private Letter Ruling (PLR-135960-13) on January 17, 2014 related to AEP's Corporate Separation, which included Kentucky Power Company. This is the only PLR that Kentucky Power Company was involved in during the ten years ending December 31, 2014.

WITNESS: Jeffrey B. Bartsch

Kentucky Power Company

REQUEST

List total property taxes and property tax refunds or abatements each year, for the test year and the most recent three years for which actual information is available. Describe and show the accounting treatment accorded to each item, showing journal entries, dates, accounts, amounts and descriptions.

RESPONSE

Because the request seeks information concerning tax refunds, the information below relates to property tax payments: AG_1_179_Attachment1.xlsx shows KY payment details and summaries. Attachment2.xlsx and Attachment3.xlsx relate to WV. For WV, KPCo has not directly paid any bills yet, but has paid via transfer from Ohio Power Company. AG_1_179_Attachment2.xlsx shows the accrual spreadsheet, which shows the accounting, and the February 2014 Mitchell plant portion of the payment that was transferred from Ohio Power. This payment relates to the 2012 tax return for Ohio Power (bills due by September 2013 and March 2014). AG_1_179_Attachment3.xlsx shows the accrual spreadsheet, which shows the accounting, and the July 2014 payment transfer for Mitchell plant portion to settle up for the September 2014 payment that was made by Ohio Power. This payment relates to the 2013 tax return for Ohio Power (bills due by September 2014 and March 2015).

Accounting treatment. Tax liabilities are established for owned property as of 12/31, account 236 is credited/186 is debited. Amortization to expense (account 408) is done ratably, beginning the following July and running through the following June. If applicable, taxes are also recorded to capitalized construction work orders, crediting the 186 amounts, and hence, the monthly tax expense. The 236 liability is debited by payments, which credit cash.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

List all amounts of property taxes under dispute at December 31, 2014, and indicate the tax year and the taxing district to which each relates.

RESPONSE

There are no known Kentucky Power property taxes disputes as of 12/31/2014.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

List all property tax refunds, by geographical area and taxing authority, by year, received in the most recent three years through 2014.

RESPONSE

Only one refund was received (Rowan County). Please see Attachment AG_1_179_Attachment1.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Kentucky income and property taxes for the year ended 9/30/2014.

RESPONSE

There is no taxable base for Kentucky property taxes for year ended 9/30/2014. We provided the base for the year ending 12/13/2013, the most recent year available. The Kentucky Dept. of Revenue first estimates the tax base, see G_1_182_Attachment1.pdf. KPCo then responds. Both parties agree on a final value, via settlement conference, see AG_1_182_Attachment2.pdf. A similar approach is used by WV, see AG_1_182_Attachment3.pdf.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide full supporting documentation, workpapers and correspondence associated with refunds of any and all taxes other than income taxes received in 2014 and the years 2009 through 2013. Indicate which accounts were affected and the associated dollar amounts. Also describe how the Company intends to treat this item for rate case purposes

RESPONSE

See the attached file AG_1_183_Attachment1.pdf related to the refund of over-payment of interest related to KY audit assessment in the amount of $399.61.

See the attached file AG_1_183_Attachment2.pdf related to the refund of $33,891.27 for KY Utility Gross Receipts License Tax resulting from a tax credit given to customer (AK Steel) after the customer presented an energy direct pay permit effective 07/01/2013. The tax was refunded to the customer via a credit on the customer's electric bill and Kentucky Power Co. filed an amended tax return to receive the refund of tax from KY Dept. of Revenue.

These refunds were correctly not included in the cost of service in this rate case.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Please state whether any settlements, penalties or interest resulting from audits by taxing authorities are included in expense per books in the test year either as incurred by the Company or as charged by AEP. If so, provide full details including the periods and issues resolved, the dollar amounts of settlement by issue, the taxing authority penalty or interest by issue, the taxing authority involved, the date of settlement, the current status of the payment, and the final resolution of the matter or status of the protest if unresolved.

RESPONSE

The tax impacts of all audit settlements related to state and federal income taxes have been removed from cost of service in this filing. Also see the Response to AG's First Request - Question No. 177.

As the result of a Kentucky Department of Revenue direct pay permit audit (use tax) for the period Jun-2008 through Mar-2012, additional use tax in the amount of $218,038.95 was paid and charged to tax expense (4081019). In addition, interest and penalty in the amount of $93,997.27 was paid and charged to account 4310001-Other Interest Expense. Payment was made on March 11, 2014. The audit is final and closed. The tax impacts of this settlement was removed from cost of service as part of the adjustment shown in Section V, Exhibit 2, page 46. See attached file AG_1_184_Attachment1.pdf.

As the result of a Kentucky Department of Revenue audit of the Utility Gross Receipts License Tax for the period Aug-2012 through Mar-2014, the tax assessment of $355.33 was charged to tax expense (4081019). In addition, interest in the amount of $25.78 was paid and charged to account 4310001-Other Interest Expense. Payment was made on September 17, 2014. The audit is final and closed. See attached file AG_1_184_Attachment2.pdf.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Provide hard copies of all workpapers underlying the Depreciation Study. Provide Excel files for all portions of the Depreciation Study that were prepared using Excel.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Please provide all notes taken during any meetings or site visits regarding the depreciation study. Identify by name and title, all KPCo personnel who provided the information, and explain the extent of their participation and the information they provided.

RESPONSE

Any notes taken during site visits were not maintained and are therefore not available.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Identify all plant tours taken during the preparation of the Depreciation Study.

a. Identify those in attendance and their titles and job descriptions.
b. Provide all conversation notes taken during the tour.
c. Provide all photographs and images taken during the tour.

RESPONSE

a - c. Company Witness Davis participated in plant tours in 2013 of Big Sandy and Mitchell plants in preparation for the depreciation study. Personnel from Sargent & Lundy, LLC were also in attendance during the plant tours which they used to prepare conceptual demolition studies for each of these plants. A copy of the conceptual demolition study performed by Sargent & Lundy for Mitchell Plant was included as Exhibit DAD-3 along with Company witness Davis' direct testimony. A copy of the conceptual demolition study performed by Sargent & Lundy for Big Sandy Plant is included as Attachment 1 in response to AG Set 1, Question 325.

A listing of persons included in the tour and conversation notes was not maintained. Any photographs taken by Sargent & Lundy were not provided to KPCo as a part of the conceptual demolition study reports.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Regarding the current and proposed depreciation rates:

a. How are the depreciation rates currently in use calculated?

b. Please provide the details of KPCo's current depreciation rates in electronic format (Excel), with all formulae intact, including (1) Plant Balances, (2) Accumulated Depreciation, (3) Net Plant, (4) Cost of Removal/Salvage, (5) Remaining Useful Life, (6) Annual Accrual, (7) Depreciation Ratio, etc.

RESPONSE

a. Depreciation rates currently in use were calculated using the remaining life method.

b. Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Does the Company's depreciation study include any adjustment or calculation to amortize the variance between the book depreciation reserve and the calculated accrued depreciation?

a. If so, please provide that calculation in electronic (Excel) format with all formulae intact. If not, explain fully why not.

b. Based on the Company's calculations, does KPCo have a reserve excess or deficiency?

c. Is KPCo proposing any amortization of any reserve imbalance? If yes, explain where that is shown in his study and also in the Company's revenue requirement filing

RESPONSE

a. No. The Company's depreciation study used the average remaining life method to calculate depreciation rates. The average remaining life method automatically adjusts for any over or under accrual of depreciation over the remaining life of the property.

b. Except for the Big Sandy Plant, for which a theoretical reserve was not calculated, based on KPCo's calculations, the Company has a reserve deficiency.

c. No. The average remaining life method automatically amortizes any reserve imbalance over the remaining life of the property.

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Provide all internal and external audit reports, management letters, consultants' reports, etc. which address in any way, the Company's property accounting and/or depreciation practices.

RESPONSE

The Company objects to this request on the grounds that it is overbroad and unduly burdensome. The Company cannot and has not reviewed all internal and external audit reports, management letters, consultants' reports, etc. to determine if they address in any way, the Company's property accounting and/or depreciation practices. Without waiving this objection, please see the attachment labeled "AG_1_190_Audit_Reports_Attachment1" which provides a listing of audit reports prepared from 2012 through June 2014, that may or may not address the requested practices. Each AEP Annual Report includes a report of an independent registered public accounting firm. The annual reports are available on AEP's website at: http://www.aep.com/investors/FinancialFilingsAndReports/AnnualReportsProxies/.

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the subject of the Company's depreciation rates or retirement unit costs was discussed.

RESPONSE

Please see the response provided in AG 1-144, where the Company provided the minutes of the Board of Directors for Kentucky Power.

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Provide copies of all internal correspondence which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.

RESPONSE

The Company objects to this request on the grounds that it is overbroad and unduly burdensome. The Company cannot and has not examined all of its internal correspondence to determine if it deals with retirement unit costs, depreciation rates and/or the Depreciation Study. Without waiving the objection, the Company follows the FERC Uniform System of Accounts in regards to its accounting for retirement units and the Depreciation Study and depreciation rates are established using standard utility methodology's as outlined in NARUC's "Public Utility Depreciation Practices".

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Provide copies of all industry statistics used by the Company and AEPSC relating to electric company depreciation rates.

RESPONSE

Industry statistics were not used by the Company or AEPSC in the development of depreciation rates.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Identify all industry statistics upon which KPCo relied in formulating the depreciation proposals.

RESPONSE

Industry statistics were not relied upon by KPCo in the formulating the depreciation proposals.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction

RESPONSE

A non-refundable customer advance or contribution in aid of construction received from a third party for construction is accounted for by debiting account 131 Cash and crediting account 107 Construction Work in Progress. If the reimbursement is related to removal work account 108 Accumulated Depreciation and Amortization is credited.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

RESPONSE

KPCo does not charge depreciation expense to clearing accounts.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2009, provide a copy of all prior policies in effect during any portion of that period.

RESPONSE

See AG_1_197_Attachment1.pdf.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Identify and explain all changes since the last depreciation study which might affect depreciation rates.

RESPONSE

Current depreciation rates are based on a depreciation study from Case No. 91-066. That depreciation study used plant in service balances at December 31, 1989 to develop depreciation rates. The depreciation study included in the current case used plant in service balances at December 31, 2013. The 2013 study reflects changes affecting depreciation rates since the 1989 depreciation study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide on diskette or CD all tabulations included in the Depreciation Study and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, please provide KPCo's amortization calculations and workpapers for general plant accounts in electronic format (Excel) with all formulae intact.

RESPONSE

Currently the only general plant that KPCo is amortizing are leasehold improvements made to leased buildings in plant account 390. KPCo has leasehold improvements at the Julius Branch building which are fully amortized and at the Hazard building which are being amortized through March 2018. See AG_1_200_Attachment 1 for the December 2014 amortization calculations for general plant.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

For each plant account, and for each year since the inception of the account up to and including 2014, please provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). Provide the data in electronic format (Excel or .txt). Include data prior to 1995 if available. Also, provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

Code	Data Type
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment

7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

RESPONSE

Production Plant was analyzed using a life span type methodology. The workpapers used to calculate depreciation rates for Production Plant were provided on the attachment to the Company's response to KIUC 1-17 on the file labeled "KIUC_1_17_Attachment1_Depr_Study_Workpapers".

See the attachment provided with this response labeled "AG_1_201_Depr_Study_Data_Attachment1" for the depreciation study data used to analyze Transmission, Distribution and General Property. The Company's coding system for these files is provided on the attachment provided with this response labeled "AG_1_Data_Codes_Attachment2".

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If the depreciation study data provided in response to the preceding question is not the exact set of data used for the depreciation study submitted in this case, explain all differences and reconcile the amounts provided to those used in the case.

RESPONSE

The depreciation study data provided in the response to AG 1-201 is the same data that was used to analyze Transmission, Distribution and General property submitted in this case.

For additional amounts including Production Plant and net salvage analyses, please refer to KIUC 1-17 for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, provide the cost of removal and gross salvage data used in the Depreciation Study net salvage calculation. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide the following annual accumulated depreciation amounts for all plant accounts for the last 15 years (up to, and including, 2014). If the requested data is not available for the last 15 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).

a. Beginning and ending reserve balances,
b. Annual depreciation expense,
c. Annual retirements,
d. Annual cost of removal and gross salvage,
e. Annual third party reimbursements.

RESPONSE

The requested annual depreciation amounts are available for the last 14 years. Attachment 1 is an index showing the attachment number for each year starting with 2014 and going back to 2001. The Company treats any third party reimbursements of removal cost as salvage and those amounts are included in the salvage credits column of the attached spreadsheets.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide a comparison of the annual cost of removal and gross salvage amounts shown on KPCo's federal tax returns with the corresponding book amounts, for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions

RESPONSE

Please see AG_1_205_Attachment1.xlsx for the cost of removal and salvage amounts for the last 5 years. As removal cost is a flow-through item on a Kentucky jurisdictional basis there is no deferred tax expense associated with it nor any accumulated deferred tax balances.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Provide a summary of annual maintenance expense by USOA account (for all accounts) for the last 10 years through 2014. If the requested data is not available for the last 10 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format.

RESPONSE

See AG_1_206_Attachment1.xls.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Explain what consideration, if any, was given to annual maintenance expense data in KPCo's estimation of service lives, dispersion patterns and net salvage.

RESPONSE

Annual maintenance expense was not included in KPCo's analysis of service lives, dispersion patterns and net salvage.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, provide the calculation of the rates proposed in the Depreciation Study in electronic format (Excel) with all formulae intact.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide the proposed depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

RESPONSE

KPCo's total proposed depreciation rates were provided in Company witness Davis' Exhibit DAD-2, pages 20-21. The Company does not calculate a separate gross salvage depreciation rate since this is not required by GAAP or FERC.

Depreciation rates and net salvage percentages as proposed by the Company can change based on a Commission Order. Since the rates may change, depreciation rates which separate the capital recovery including gross salvage and cost of removal are not calculated by the Company until a rate order is issued by the Commission. A removal depreciation rate and a life plus salvage depreciation rate have likewise not been calculated.

WITNESS: David A. Davis

Kentucky Power Company

REQUEST

Please provide a calculation of the theoretical reserves reflecting both KPCo's proposed procedures and the existing procedures. Provide these calculations in electronic format (Excel) with all formulae intact and include all supporting calculations and workpapers.

RESPONSE

A calculation of theoretical reserves by account for Mitchell Plant (the depreciation study is not recommending a change in Big Sandy's depreciation rates and a theoretical reserve for Big Sandy was not calculated) is included in Excel format on the Company's response to KIUC, Set 1, Item 17, Attachment 1.

Workpapers including the theoretical reserve amounts for Transmission, Distribution and General property are also included on the Company's response to KIUC, Set 1, Item 17, Attachment 1. The theoretical reserves for these accounts was calculated by the Company's PowerPlant software and an Excel calculation with the formula intact is not available.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Does the Company maintain its book reserve by plant account? If not, explain why not.

RESPONSE

No, the Company does not maintain its book reserve by plant account. Documentation regarding why the book reserve is not maintained by plant account is not available. Company Witness Davis is recommending on page 10 of his direct testimony that Kentucky Power begin to maintain its book reserve by plant account.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If the Company does not maintain its book reserve by plant account, provide the calculation of the book reserve shown in the depreciation study.

RESPONSE

The calculation of the book reserve by plant account was provided by the Company's response to KIUC, 1-17 which included all schedules, workpapers and computations used in the depreciation study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If applicable, calculate all depreciation rates using the same weighting procedure used in the current depreciation rates, i.e., the same procedure used the last time depreciation rates were calculated.

RESPONSE

The depreciation study calculated depreciation rates using a straight line methodology and an average remaining life type procedure which is the same procedure used the last time depreciation rates were calculated.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, please provide all remaining life calculations resulting from the depreciation study in electronic format (Excel) with all formulae intact

RESPONSE

The remaining life calculations were provided by the Company in its response to KIUC 1-17 which included all schedules, workpapers and computations used in the depreciation study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, provide electronic (Excel) versions of the net salvage studies included in the depreciation study, with all formulae intact.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf), pages 2 thru 5, pages 76 thru 81, pages 175 thru 181, and pages 222 thru 227 to find the calculations and analysis of net salvage.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If not provided elsewhere, please provide all workpapers supporting terminal net salvage (decommissioning) estimates for each account for which terminal net salvage is a factor. Include any decommissioning studies relied upon, and explain how the results of those studies were incorporated into the net salvage estimate proposed by KPCo. Please include all calculations in electronic format (Excel), with all formulae intact.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf), pages 2 thru 5, to find the calculations and analysis of terminal net salvage. Please refer to Exhibit DAD-3 in the direct testimony of Witness Davis for a copy of the Sargent & Lundy Dismantling Estimate.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Do KPCo's net salvage recommendations, including any terminal net salvage estimates, incorporate inflation expected to be incurred in the future? If yes, please explain fully how this inflation is factored into each recommendation, and provide supporting calculations in electronic format (Excel). If not, please provide support showing no future inflation was included.

RESPONSE

Yes, KPCo's terminal net salvage recommendations for Mitchell Plant include inflation . An inflation factor was used to calculate the Mitchell Plants expected terminal net salvage amounts (See Exhibit DAD-3, included with Company witness' direct testimony which shows the Sargent & Lundy, LLC conceptual demolition study at 2013) at the 2040 estimated retirement date of the plant.

Please refer to the Company's response to KIUC 1-17 for all work papers provided and supporting calculations.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If KPCo's net salvage recommendations include inflation expected to be incurred in the future, please provide the net present value of KPCo's net salvage recommendations.

RESPONSE

Inflation was incorporated in the Company's depreciation rates calculated for the Mitchell Plant. See Exhibit DAD-3 which was provided with Company Witness Davis' direct testimony. Exhibit DAD-3 includes a copy of the conceptual demolition study that Sargent & Lundy, LLC performed for Mitchell Plant and the current cost estimation (net present value).

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Does KPCo agree that including inflation expected to be incurred in the future in net salvage estimates results in charging today's ratepayers for tomorrow's inflation? Please explain why or why not.

RESPONSE

No. The calculation of straight line depreciation rates by the depreciation study requires that both the original cost of the assets and the future net salvage be included. Including the future amount of net salvage is supported by NARUC's "Public Utility Depreciation Practices", page 18, which states:

"The goal of accounting for net salvage is to allocate the net cost of an asset to accounting periods, making due allowance for the net salvage, positive or negative, **that will be obtained** when the asset is retired." (emphasis added)

Failure to include the future net salvage amounts would result in charging current customers less and future customers more for service from the same facilities.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Does KPCo believe that including future inflation in net salvage estimates falls under the "known and measurable" standard usually followed in rate cases? Please explain why or why not.

RESPONSE

Yes. Inflation has been a factor in the American economy for many years and the future amount of net salvage is required to properly calculate straight line depreciation rates and avoid generational equity issues as explained by the Company's response to AG 1-219.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

On an account-by-account basis, for each of the five years ending 2014, explain whether the gross salvage and cost of removal incurred was normal or abnormal and why.

RESPONSE

Any abnormal gross salvage and cost of removal was adjusted in the workpapers provided in the Company's response to KIUC 1-17. The remaining amounts of gross salvage and cost of removal was treated as normal for calculating depreciation rates.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years

RESPONSE

The Company has consistently followed the FERC Uniform System of Accounts when accounting for the cost of retirement unit property. The installed cost of retirement unit property is capitalized in account 101 Plant in Service. When retirement unit property is removed from service the original installed cost is retired by debiting (reducing) account 108 Accumulated Provision for Depreciation and crediting (reducing) account 101 Plant in Service. The Company follows FERC Rule 598 for non-mass property and estimates plant retirements using current day replacement cost trended using the Handy Whitman Index to the vintage year installed. For mass property, plant retirements are made based on the average installed cost by vintage year.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Explain the Company's accounting procedures for gross salvage and cost of removal.

RESPONSE

The Company follows FERC Electric Plant Accounting Instruction number 10 "Additions and Retirements of Plant" when accounting for gross salvage and cost of removal. FERC's instruction requires that gross salvage and cost of removal be credited or charged to accumulated depreciation.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

RESPONSE

The Company follows FERC Electric Plant Accounting Instruction number 10 "Additions and Retirements of Plant" when accounting for cost of removal relating to replacements. The Company charges cost of removal to accumulated depreciation.

Attachment 1 is an invoice from Enerfab Inc. for work performed on two capital replacement projects at Big Sandy Unit 2. Work order 42128767 is to replace the inlet and outlet valves on the #2 self clean strainer and work order 42128771 is to replace the inlet and outlet valves on the #1 self clean strainer. The lines highlighted in yellow are costs billed for removing the old valves which total $10,296.64 for the two work orders. Attachment 2 is the Accounts Payable classification for this invoice. As can be seen from the classification, $10,296.64 was classified to account 1080005 Retirement Work in Progress, which will clear to accumulated depreciation when the work orders are closed.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Does KPCo agree that, in the case of a replacement, KPCo has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? If not, explain fully why not. Please explain the answer fully

RESPONSE

No. The cost related to the installation of the new asset is charged to plant in service while the cost required to replace the asset is charged to removal. Therefore, the type of work performed determines where the cost is charged.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample work order for a replacement project, showing these cost assignments.

RESPONSE

The Company follows Part 101 of the FERC Uniform System of Accounts, which is a publically available document, for recording costs related to the replacement of retired plant. The original cost of the property replaced is retired and the cost of removing the property is charged to the cost of removal reserve. Any salvage received is credited to accumulated depreciation. The material and installation cost of the new property is capitalized in plant in service.

See AG_1_226_Attachment 1 for a sample replacement project work order showing cost assignments.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.

RESPONSE

The Company's expectations with respect to future removal requirements are that the Company will comply with all applicable environmental and safety and health regulations while ensuring that the Company's facilities are safe, secure, and do not pose a nuisance to the community. This expectation is based on the Company's Environmental, Safety & Health Policy which can be found on the Company's website at http://www.aepsustainability.com/performance/environmental/mesh.aspx. The Company's expectation with regards to markets for retired equipment and materials is that the Company will receive fair market value for any equipment or material salvaged. Because Big Sandy 2 is an 800 MW unit, there will be opportunities to reutilize equipment with sister 800 units like at Mitchell Plant.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide the Company's construction and capital budgets for the years 2014-2016 inclusive. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items.

RESPONSE

Please see AG_1_228_Attachment1. The Company does not identify capital budgets by retirements, replacement and new additions. Cost estimates are derived through a combination of reviews of historical projects and good engineering practice.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide narrative explanations of the Company's aging and pricing procedures.

RESPONSE

The Company maintains its Property Ledger by vintage year which indicates the year the property was placed in service. With the exception of mass distribution property in plant accounts 364-373, retirements of depreciable property are priced using current cost trended back to the original installation year. Mass distribution property in plant accounts 364-373 is priced using an average cost for the account and year of the retirement.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

RESPONSE

The Company treats any third party reimbursements of removal cost as salvage and those salvage amounts are included in the depreciation study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

RESPONSE

See the Company's response to AG 1-230 related to third party reimbursements.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Identify and explain all Company programs which might affect plant lives.

RESPONSE

The Company has numerous programs designed to aid in providing safe, reliable power for their customers. Each of these programs has the ability to affect the service life of the Company's production, transmission, distribution, and general plant. Generally, the types of programs include, but are not limited to:

- Regular Inspection, Monitoring, and Maintenance
- Capital Investment
- Transmission and Distribution Asset Management Programs
- Employee Training

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of its existing plant-in-service. Identify the functions to which these studies relate.

RESPONSE

Formal engineering studies that specifically define the remaining useful life of an existing plant are not performed at the generating unit level. Kentucky Power monitors the condition of major components of its generating units and utilizes preventative and predictive maintenance, consistent with good utility practice, to replace or repair equipment as necessary. The Company has not completed any internal life extension studies for transmission, distribution, or general plant. See also the Company's response to AG-1-232.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

Provide the following information for all retirements by plant account for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available:

a. Date of retirement
b. Amount of retirement
c. Account
d. Reason for retirement
e. Whether or not retirement was excluded from historical interim retirement rate studies.

RESPONSE

a, b, and c - See the attachment provided with this response labeled "AG_1_234_Retirements_15_Yrs_Attachment1".

d. The Company does not maintain a database that provides the reason for retirement and therefore that information is not available.

e. Retirements of depreciable Distribution property in accounts 360.10 through 373.00, Transmission property in accounts 350.10 through 358.00 and General Account 390.00 were the only accounts included in the historical interim retirement rate studies. Steam Production Plant was studied using a life span type methodology and general plant accounts 391.00 through 398.00 use a vintage retirement type methodology as permitted by FERC Accounting Release No. 15. See KPCo's response to KIUC Question No. 17 and the attachment labeled "KIUC_1_17_Attachment1_Depr_Study_Workpapers" which details adjustments made to accounts studied using the interim retirement rate analysis.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide a copy of the Company's most recent prior depreciation study and the Order(s) establishing the present deprecation rates.

RESPONSE

A copy of the Company's most recent prior depreciation study that was used to establish the current depreciation rates is included along with the response to this question and labeled Attorney_General_1_235_Attachment1.

A copy of the Order establishing the present depreciation rates was included in the Company's response to KIUC 1-36, part a.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide a calculation of the current depreciation rates in electronic format (Excel) with all formulae intact. Show all parameters used, and provide a source for those rates and underlying parameters. If the rates and parameters are not the same as approved in the most recent prior case, please explain why not. Also, if there are any differences in the account numbers used, please provide a reconciliation.

RESPONSE

Please refer to KIUC 1-17 for all work papers provided. Please refer to Davis - Depreciation Study Work Papers (pdf) and the associated electronic files for all work papers and calculations used in the Depreciation Study.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Identify and explain all changes between the current study and the most recent prior study.

RESPONSE

Changes between the current depreciation study and the most recent prior study study used to establish depreciation rates are discussed in Company witness Davis' direct testimony and in Exhibit DAD-2 the Depreciation Study Report report which accompanies his direct testimony.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

RESPONSE

See the Company's response to AG 1-209.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide any and all internal studies and correspondence concerning the Company's and the parent company's (American Electric Power) implementation of FASB Statement No. 143 and FIN 47.

RESPONSE

See the attachments furnished along with this response labeled "AG_1_239_FASB_143_Attachment_1" and "AG_1_239_FIN_47_Attachment2" which provide AEP's Accounting Memos on FASB 143 and FIN 47.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143 and FIN 47:

a. External auditors and other public accounting firms.
b. Consultants
c. External counsel
d. Federal and State regulatory agencies
e. Internal Revenue Service

RESPONSE

The Company objects to this request on the grounds that it is overbroad and unduly burdensome. The Company cannot and has not examined all of its correspondence with the described parties to determine if it deals with the Company's implementation of FASB Statement No. 143 and FIN 47. The Company further objects to the extent the request seeks production of confidential attorney-client privileged communications and documents protected by the attorney work-product doctrine. Without waiving the objection, the Company states as follows:

Refer to AEP's 10-K filings for the years ended December 31, 2003 and December 31, 2005, available on AEP's website at Investors/SEC Filings & Other Financial Reports/Filings, for our disclosure related to the implementation of these standards

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Regarding FASB Statement No. 143 and FIN 47, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

RESPONSE

KPCo has recorded asset retirement obligations for our legal obligations for asbestos removal and the retirement of ash disposal facilities at our Big Sandy and Mitchell plants. Refer to our 10-K annual filings available on AEP's website athttp://www.aep.com/investors/FinancialFilingsAndReports/Filings/filings.aspx?section =AllCompaniesAllFilings for annual information concerning the ARO liability balances.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

For any asset retirement obligations identified above, provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Provide all assumptions and calculations underlying these amounts.

RESPONSE

See the Company's response to AG 1-241 for available information.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's depreciation rates; retirement unit costs; SFAS No. 143; and FIN 47.

RESPONSE

The Company objects to this request on the grounds that it is overbroad and unduly burdensome. The Company cannot and has not examined all of its internal management meeting minutes to determine if it deals with the Company's depreciation rates, retirement unit costs, SFAS No. 143, or FIN 47. Without waiving the objection, the Company states as follows: see Company's response to AG Initial Set Question No. 144. Additional KPCo's Board minutes for the requested period do not contain discussions of the Company's depreciation rates, retirement unit costs, SFAS No. 143 or FIN 47.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.

RESPONSE

See AG_1_244_Attachment1 for the ARO journal entries KPCo recorded from the inception of SFAS No. 143 and FIN 47 through December 31, 2014. The entries are generated through the PowerPlant system. If the AG selects a reasonable sample of journal entries, the Company will attempt to supply the requested supporting work papers, if available.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Has KPCo recorded any regulatory asset or regulatory liability relating to cost of removal or accounting for asset retirement obligations? If so, please identify the amounts recorded in each account for (1) cost of removal and (2) AROs, as of each date: (a) 12/31/2012; (b) 12/31/2013; (c) 12/31/2014; and (d) 9/30/2014.

RESPONSE

Yes. Please see Attorney_General_1_245_Attachment1 for the answer to this response.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Does KPCo record any removal costs as O&M expense? If not, explain fully why not. If so, please identify the amounts of removal costs recorded as O&M expense by account for each of the five years through 2014.

RESPONSE

Yes. The Company follows FERC's Electric Plant Instructions, Item 10 "Additions and Retirements of Electric Plant" to account for removal costs. Item 10 requires that when a retirement unit is retired from electric plant, the related removal costs are charged to accumulated depreciation but when a minor item of property is retired independently of the retirement unit of which it is a part the removal cost is charged to maintenance expense unless the replacement reflects a substantial betterment. KPCo does not identify the maintenance costs to replace minor items of property separately from other maintenance costs.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide an analysis of the regulatory liability for cost of removal since inception identifying and explaining each debit and credit entry and amount.

RESPONSE

Please see Attorney_General_1_247_Attachment1. The Company began recording a regulatory liability for SEC/GAAP purposes in 2003. Since that time over 1,000 separate debit and credit entries have been posted to the regulatory liability accounts. Detailed explanations for each credit and debit entry and amount are not recorded and are therefore not available.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

What impact did the application of FIN 47 have upon the proposed depreciation rates and expense in this rate case? Provide all workpapers supporting the answer.

RESPONSE

The implementation of FIN 47 which dealt with the accounting for conditional asset retirement obligations caused the Company to consider asbestos removal as an asset retirement obligation and to exclude the asbestos cost removal from future depreciation rates. Extensive calculations would be required to analyze the impact on depreciation rates by plant account of excluding the cost to remove asbestos. The Company has not performed this analysis.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide KPCo's projection of the annual year-end balance in the regulatory liability for cost of removal shown in its most current two Annual Reports, for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not.

a. For this projection assume that all of KPCo's proposed depreciation rates are approved as requested. Provide in hard copy and in electronic format with all formulae intact.

b. Explain all assumptions used to make this projection.

RESPONSE

a. A projection has not been prepared that reflects the Company's proposed depreciation rates. See AG_1_249_Attachment1.xls. This attachment provides a projection through 2024 using current depreciation rates.

b. The assumptions used in the attachment do not reflect the Companies proposed depreciation rates. If the Commission accepts the Company's proposed depreciation rates, these projected balances would change.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Provide the calculation of the annual amount of future net salvage incorporated into KPCo's existing depreciation rates and in its proposed depreciation rates by account. If the amount is reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation

RESPONSE

A calculation of the annual amount of future net salvage incorporated into KPCo's existing and proposed depreciation rates has not been prepared. This type of calculation would require estimations, allocations and an extensive amount of work and those calculations have not been made and are not available to respond to this question.

WITNESS: David A Davis