Kentucky Power Company

REQUEST

With respect to the Regulatory Liability relating to asset cost of removal which you reclassified out of accumulated depreciation:

a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.

b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?

c. Please explain the repayment provisions associated with this regulatory liability.

d. Explain when you expect to spend this money for cost of removal.

e. Explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please prove it.

f. Identify and explain all other similar examples of KPCo's advance collections of estimated future costs for which it does not have a legal obligation.

g. Does KPCo agree that the Kentucky Public Service Commission will never know whether or not KPCo will actually spend all of this money for cost of removal until and if KPCo goes out of business? If not, why not?

h. Does KPCo believe that amounts recorded in accumulated depreciation represent capital recovery? If not, why not?

i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?

RESPONSE

a. No. The asset cost of removal was classified out of accumulated depreciation for SEC/GAAP purposes only. FERC Order 631 which established the proper regulatory treatment did not propose to change its accounting for the cost of removal that results from other than asset retirement obligations. Thus, for FERC and regulatory purposes, accumulated cost of removal is included in accumulated depreciation.

b. No. The amount of removal cost included in accumulated depreciation is incorporated in the total cost to serve customers. If the Company collects too much or too little in removal cost, the over or under collections are reflected in future depreciation rates through the remaining life technique.

c. See the Company's response to item b, above.

d. The Company spends amounts on removal annually. During the five years ended December 2013, the Company spent more than $34 million in removal cost. See the attachment labeled "AG_1_251_Removal_Cost_Attachment1" provided along with this response.

e. Amounts collected for removal cost are not segregated from other revenues collected from customers for providing electric service and they are therefore used for a multitude of purposes.

f. Removal cost amounts are included in depreciation rates as a matter of generational equity so that the customers that benefit from the facilities serving those customers pay for the related cost of service.

g. Since plant in service balances are continually changing, whether plant cost or removal cost has been recovered in full at any future point in time is unknowable.

h. Yes.

i. Ratepayers pay for electric service. The Company invests capital to provide electric service. The cost associated with providing electric service includes depreciation expense. The addition of depreciation expense each month increases accumulated depreciation.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

For all accounts for which KPCo has collected removal costs not related to AROs, but instead recorded a regulatory liability, please provide the fair value of the related asset retirement cost as of December 31, 2012, December 31, 2013 and December 31, 2014.

RESPONSE

Non-ARO removal costs are recorded as a regulatory liability for SEC/GAAP purposes only. For FERC and regulatory reporting, accumulated removal cost is recorded in accumulated depreciation account 108. At December 31, 2012, 2013 and 2014 the Company had recorded the following regulatory liability amounts for removal costs for SEC/GAAP reporting purposes:

2012 $24,179,469
2013 $22,877,617
2014 $20,948,360

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Please indicate, if known and quantifiable, any anticipated changes in jurisdictional allocation factors and the impacts thereof on the rate effective period.

RESPONSE

There are no anticipated changes impacting the jurisdictional allocation factors on or before the rate effective period.

WITNESS: Shannon R Listebarger

Kentucky Power Company

REQUEST

Indicate the number of, and expenses related to, temporary or seasonal employees included in 2010, 2011, 2012, 2013, and 2014 jurisdictional expenses.

RESPONSE

See response to AG_1_64.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide as complete a breakdown as possible of the expenses billed by AEPSC and included in jurisdictional expense for the years 2013 and 2014. Include separately:

a. Labor
b. Employee benefits (by type)
c. Employment taxes
d. Outside services
e. Promotional, institutional and/or corporate advertising
f. Contributions (by entity)
g. dues to organizations and social clubs (by entity)
h. AEP owned or leased aircraft
i. Regulatory costs (list docket no., jurisdictional entity, dates and description)
j. Travel costs
k. Lobbying or politically related activities
l. Miscellaneous. (describe)

RESPONSE

The data provided below are total company AEPSC billings to KYPCo.

(A - E, J, and L) Refer to AG_1_255_Attachment1.xls for AEPSC expenses billed to KYPCo for the 12 months ended December 31, 2013 and 2014 by cost type.

(F) Refer to AG_1_255_Attachment2.xls for AEPSC expenses billed to KYPCo for the 12 months ended December 31, 2013 and 2014 for company contributions and memberships by entity.

(G). Refer to AG_1_255_Attachment3.xls for AEPSC expenses billed to KYPCo for the 12 months ended December 31, 2013 and 2014 for employee memberships by entity.

(H) Refer to the Companies' response to AG_1_164 for the requested information.

(I) Refer to AG_1_255_Attachment4.xls for AEPSC expenses billed to KYPCo for the 12 months ended December 31, 2013 and 2014 for regulatory costs.

(K) Refer to the Companies' response to Staff_1_33 for the requested information.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please provide copies of any studies or analyses prepared by or for the Company, the Service Corporation or any AEP subsidiary regarding the level of the Company's or the Service Company's wages compared to the wages paid by other utilities, service companies, or any other entity.

RESPONSE

For analyses prepared by the Company, please see Exhibit ARC-2 and Exhibit ARC-3 for wage analyses. These exhibits also details the surveys utilized to establish wages, and represent both regional general industry and utilities.

Please see response to AG's 1-85 for additional studies and analysis.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide a copy of all incentive compensation/bonus plans and provide the level of related bonus payments included in cost of service

RESPONSE

The Company does not provide employees with "Bonus" plans. The Company provides a base compensation along with a variable portion that is performance based, which when totaled, brings an employee's total package pay within a market-competitive pay range. See response to KIUC 1-31 for the incentive compensation plans.

In addition, the total company incentive compensation expense included in the test year is provided in AG 1-369.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Please provide a copy of any Company labor productivity analyses which have been performed during the past three years.

RESPONSE

Labor productivity analyses have not been performed within the last three years.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

With regard to pension expense:

a. Please provide the most recent actuarial study.

b. Please identify the amount of pension expense included in 2012, 2013, and 2014, and 2015 and 2016 as forecasted. Also please provide workpapers showing the derivation of these amounts.

c. Please state whether the pension expense provided in part b, includes interest charges
for earnings based on the time of payment. If yes, please identify the amount and provide workpapers or sup-porting documentation.

d. Please state the frequency with which pension contributions are made and the relationship of the payment date(s) to the period for which the contribution is being made. If the pension contributions are paid to the parent or service company, please identify both Company payment date(s) and the date(s) on which the contribution is actually made by the affiliate.

e. Please identify where pension expense has been included in the last working capital study and how the pension contribution date was recognized in determining the lag days for that category.

RESPONSE

a. For the most recent actuarial studies for the qualified pension and the SERP, please see Exhibit HEM-2A and Exhibit HEM-2B to the direct testimony of Witness McCoy.

b. For 2012 through 2014 pension cost, please see the Company's response to AG Initial Set Question Nos. 88 and 89. Forecasted pension cost for 2015 and 2016 is included in the tables near the back of the 2014 actuarial reports addressed in part a. above.

c. No. As Witness McCoy discusses on page 4 of his direct testimony, at lines 10 through 14, pension cost is recorded based on the provisions of generally accepted accounting principles under FAS 87 (ASC 715-30).

d. As Witness McCoy discusses on page 17 of his direct testimony at lines 19 through 22, pension cost and pension contributions are based on separate requirements that are unrelated. Witness McCoy's Exhibit HEM-3 shows the annual amounts of pension contributions and pension cost since 2002, during which pension contributions exceeded pension cost by roughly $50 million. There is no set frequency for pension contributions, but the contributions in 2011 were made in May, July and November, contributions in 2012 were made in September and December, and the 2014 contribution was made in June.

e. The Company has been unable to locate its last working capital study or to determine when it was completed, so the Company is unable to determine how pension was treated therein. Based on a best efforts review, the Company believes that its last working capital study was completed more than thirty years ago, which was before the prepaid pension asset arose. Prior to the implementation of FAS 87 in 1987, pension cost always equalled the cash pension contribution, whereas since then they almost never match; the difference has resulted in the prepaid pension asset, or the cumulative amount of cash pension contributions beyond the cumulative amount of pension cost.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Has the Company considered reducing the amount of post-retirement health care, dental and life insurance coverage? If yes, provide details of any proposed reductions. If no, provide an explanation of why not.

RESPONSE

Yes.

Post-retirement health care
Effective 1/1/2013:

1. Effective with retirements after 1/1/2013, a fixed "cap" or maximum will be placed on the amount of the company's contribution for retiree medical insurance coverage for retirees under age 65 as well as retirees age 65 and over. The cap will have the effect of increasing retiree contribution amounts for coverage once the cap amount is reached.

2. Under age 65 retirees

    a. Aetna Open Choice/Open Access PPO

        i. Specialist's office visit $35 (up from $25) co-pay

        ii. Urgent care visit $50 (up from $25) co-pay

        iii. Emergency room visit $100 (up from $50) co-pay

    b. Aetna High Deductible Health Plan

        i. Annual medical in-network deductible $2500 individual/$7500 family (up from $2400/$7200)

        ii. Annual prescription drug in-network and out-of-network deductible $2500 individual/$7500 family (up from $2400/$7200)

        iii. Annual medical in-network out-of-pocket maximum $2500 individual/$7500 family (up from $2400/$7200)

iv. Annual prescription drug in-network and out-of-network out-of-pocket maximum $2500 individual/$7500 family (up from $2400/$7200)

c. Effective with retirements after 1/1/2013, medical plan contributions for retirees under age 65 will reflect the experience of that group rather than contribution rates blended with active employee experience.

d. Narrowed pharmacy network to exclude Walgreens, Happy Harry's and Duane Reade.

3. Over age 65 retirees

a. Offer EGWP (Employer Group Waiver Plan) for over age 65 retirees. Express Scripts Medicare Plan, a group-based, company-sponsored Medicare Part D plan offered on behalf of AEP.

Effective 1/1/2014:

4. New employees hired after 1/1/2014 will not be eligible for the AEP retiree medical coverage.

5. Under age 65 retirees

a. Anthem Integrated Radiology Management (AIM) expands to include outreach calls to schedule high-end radiology services.

b. Express Scripts pharmacy - Exclusive Home Delivery limits maintenance medication to be filled up to three times at a participating retail pharmacy.

c. Express Scripts pharmacy – Member Pays Difference – If you purchases a brand-name medication, and an equivalent generic is available, you will pay the generic cost share plus the difference in cost between the brand-name and generic medication.

Dental

No reductions to dental plans. Retirees generally pay 100% of the cost of this coverage.

Life Insurance

Effective 1/1/2013:

Minnesota Life selected as the new life insurance claims administrator. Employees hired after 1/1/11 are no longer eligible for retiree life insurance.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

List employee relocation expense for the base and test years and the previous three years. Indicate annually the amounts and accounts in which such expense is recorded.

RESPONSE

See AG_1_262_Attachment1.xls for the total relocation company amounts included in the test year and the previous three years.

WITNESS: Jason M. Yoder

Kentucky Power Company

REQUEST

Provide a complete copy of the Company's policy with respect to employee relocation, including full details as to cost reimbursement.

RESPONSE

Please see the attached response AG_1_263_Attachment1.pdf for employee relocation policies.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

List each athletic and employee association to which the Company contributes and the associated amounts for the test year and preceding year. State how the Company has treated these expens-es for ratemaking purposes in the test year.

RESPONSE

The Company contributed to the University of Kentucky Football association in the amount of $2,400 for the test year and $1,200 for the preceding year. The $2,400 was included in test year O&M expenses.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

List all Company owned automobiles, other than service vehicles, and state the Company's policy for charging employees for the personal use of these automobiles and the Company policy of reporting the personal usage of these automobiles for Federal income tax purposes.

RESPONSE

The meaning of "other than service vehicles" is unclear. Please see AG_1_265_Attachment1.pdf for vehicles currently owned. Please see AG_1_265_Attachment2.pdf for a copy of AEP's policy for assigned vehicles.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Company employees? If so, please:

a. Identify each site and the type of recreational facility.

b. State whether each site is for public use or exclusively for employee use.

c. For each site identified in (a) above, state the amount of expense incurred during the test year to maintain it.

RESPONSE

a. No, the Company did not include any adjustment for attrition or suppression of sales or for declining per-customer usage.

b. No such studies were performed.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

For the base year list all payments made for employee gifts, employee awards, employee luncheons and dinners, employee picnics and all other similar type items. For each, list the dollar amount paid, the payee, the account charged and state the purpose. Provide copies of invoices which exceed $5,000.

RESPONSE

As recorded in account 9260012, the amount of Kentucky Power Company directly charged employee related expenses for the period October 1, 2013 through September 30, 2014 was a total of $5,815. See AG_1_267_Attachment1.pdf.

WITNESS: Jason M. Yoder

Kentucky Power Company

REQUEST

Identify all expenses incurred during the test year for athletic events, tickets, sky boxes and all sporting activities.

a. Specifically identify the activity and dollar amount.
b. Provide copies of paid vouchers and invoices supporting these expenditures.

RESPONSE

a.

UK Football Tickets	$2,226.00
PGA Championship	$29,256.00
Total	$31,482.00

b. Please see AG_1_268_Attachment1.pdf.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please list all steps the Company has taken to reduce the cost of medical insurance.

a. Does the Company's insurance coverage require a coordination of benefits and, if so, how does it function?

b. Does the Company plan require a co-pay percentage by the employee? If so, what is the percentage and has it increased over the past three years? State the various levels over the past three years.

RESPONSE

Please see AG_1_401_Attachment1, AG_1_401_Attachment2, AG_1_401_Attachment3 and AG_1_401_Attachment4 for this response.

WITNESS: Andrew Carlin

Kentucky Power Company

REQUEST

For each advertising expense over $10,000 recorded or forecast by the Company during the test year, state the payee, amount, date and purpose. Also provide a copy of the associated invoice and a copy of (or if a non-print ad, the text of) each advertisement.

RESPONSE

Please see AG_1_270_Attachment1.xls through AG_1_270_Attachment7.pdf for the answers to this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Are there any advertising costs being incurred by the Company which cannot be identified with a specific advertisement? If so, please itemize and describe each such cost, and list the associated amounts for the test year.

RESPONSE

No.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Break down the Company's advertising expense for the test year and the three years, 2012, 2013 and 2014 into its components, i.e., labor, overhead, materials and fees to agencies, etc.

RESPONSE

The information is unavailable as the Company does not record its advertising expenses by the components indicated. See the Application Section V Exhibit 2 page 17 for total test year advertising expenses. Total advertising expenses for 2012 were $155,343.34; for 2013 were $140,471.50 and for 2014 were $77,079.90

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please provide a listing of and a copy of any and all Commission Orders the Company has reviewed or relied upon in prepara-tion of its filing in this case concerning the ratemaking treatment of costs for each distinct type of advertising expense it incurs, including but not limited to these categories: (1) sales or promotional, (2) institutional, (3) conservation related, (4) rate case, and (5) other.

RESPONSE

The Company objects to this request to the extent it seeks work product. Without waiving that objection, the Company seeks to comply with 807 KAR 5:016 regarding the treatment of advertising expenses.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Does the Company's proposed rate increase include any claim for attrition or suppression of sales or for declining per-customer usage?

a. If so, please reference where this is presented. If not, explain fully why not.

b. Provide a complete copy of any and all attrition or customer usage studies or analyses prepared by or for the Company during the period 2009 through 2014.

RESPONSE

a. No, the Company did not include any adjustment for attrition or suppression of sales or for declining per-customer usage.

b. No such studies were performed.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Please list by customer and amount and by year for the period 2011 through 2013 and in 2014 any uncollectible accounts which have been written off and which exceeded $50,000.

RESPONSE

Kentucky Power did not have any uncollectible accounts which exceeded $50,000 from 2011 to 2014.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Do any of the Company's personnel actively participate on Committees and/or any other work for any industry organization to which the Company belongs?

a. If so, state specifically which employees participate, how they are compensated for their time (amount and source of compensation), and the purpose and accomplishments of any such association related work.

b. List any and all reimbursements received from industry associations, for work performed for such organizations by Company employees.

RESPONSE

a-b. Please see AG_1_276_Attachment1.pdf.

WITNESS: Gregory G Pauley

Kentucky Power Company

REQUEST

For each injury and damage claim, where the settlement exceeded $10,000 for the years 2011, 2012, 2013, 2014 and as forecasted for 2015, list by year each such claim, the basis for the claim, the dollar amount of the claim paid and the associated legal fees.

RESPONSE

No injuries or damages or associated legal fees arising from general or public liability claims were paid by Kentucky Power for these years. The Company was and continues to be fully insured by our liability insurance coverage from first dollar. See AG-1-94.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

State the amount of injuries and damages expense for each calendar year 2012-2014 and the test year ending 9/30/2014.

RESPONSE

All general and public liability claims are covered by insurance from the first dollar. No expense has been recorded for the test year.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

List all fees during the test year and 2012, 2013, and 2014 for maintaining lines of credit. List such fees for each line of credit which the Company maintains. Indicate in which account such fees are recorded.

RESPONSE

See the Company's response to KIUC 1-43.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Does the Company employ a fringe-benefit or overhead factor to assign overhead costs to specific projects? If so, state what these factors were in 2011, 2012, 2013, and 2014 and show in detail how they were calculated.

RESPONSE

Yes. See AG_1_280_Attachment1.pdf for the requested fringe rates. The support for the calculations is voluminous. Specific requests for the support for a particular rate can be made available for on-site inspection in our Canton, OH offices.

The Company updates the labor fringe loading rates quarterly by comparing actual fringe benefit costs with the Company's base labor costs. The components of the Company's labor fringe benefit costs include FICA tax, Federal unemployment tax, State unemployment tax, workers compensation, health insurance, pension costs, OPEB (other post-employment/retirement) costs, and savings plan (401k match). The labor base consists of productive wages and paid time off.

The labor fringe benefit loading rate is determined by dividing the fringe costs incurred by the respective wage base incurred.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

List each facility, location and asset which is included as rental expense. For each item include a description, the annual or monthly rental rate, the account and amount included in the base and test year expense.

RESPONSE

See AG_1_281_Attachment1.pdf for the rental expense related to leased property for the 12-month test period October 2013 through September 2014.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Please list storm damage expense for each year for the 10-year period ending with 2014.

RESPONSE

The major storm damage expense (O&M) excluding in-house labor is listed below. The Company provided data by calendar year for 2009 through 2014. The Company does not have detail workpapers for the years 2005 through 2008. What is being provided is data taken from the Company's base rate filing (2009-00459) for 2008 and 2007 but it is for 12 months ending 9/30/08 and 9/30/07 period of time. No workpapers could be located for 2006. For 2005 the Company is providing what was included in its base rate filing (2005-00341) but it is for 12 months ending 6/30/05. The Company also included data for 12 months ending 6/30/04 and 6/30/03 as they were part of the 2005-00341 filing.

2014	$ 2,263,377
2013	$ 833,719
2012	$13,779,828
2011	$ 2,866,158
2010	$ 1,393,286
2009	$23,114,783
12ME 9/30/08	$ 51,497
12ME 9/30/07	$ 461,822
2006	N/A
12ME 6/30/05	$ 576,808
12ME 6/30/04	$ 2,751,725
12ME 6/30/03	$ 2,949,246

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Provide, by year, all affiliated operating expenses charged to the Kentucky jurisdiction for the 3 years ending 2014 plus as forecasted for 2015 and 2016.

RESPONSE

See AG_1_173 for the affiliate expense billings to Kentucky Power for 2012, 2013, 2014.

See AG_1_283_Attachment1.xls for the forecasted affiliate expense billings to Kentucky Power for 2015 and 2016.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Provide a general ledger listing or similar report of all transactions that comprise the corporate and affiliated charges allocated to KPCo for the test year.

RESPONSE

Please see AG_1_284_Attachment1.xls for the total affiliated expenses to Kentucky Power Company for the test year.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Capitalization. Refer to (1) the Direct Testimony of Company witness Wohnhas, (2) Section V, Exhibit 1, Schedule 2 (page 1), and (3) Filing Requirement 807 KAR 5:001 Section 16 (4)(i) (pages 391-392).

a. Please explain fully and in detail why the Company's revenue requirement is calculated using the capitalization amount of $1,147,480,328 versus the Kentucky jurisdictional rate base amount of $1,158,186,514.

b. Please cite by date and docket number, the Commission Order which authorized KPCo to use a capitalization amount (of $1,147,480,328) in its revenue requirement calculation that is different from the rate base amount (of $1,158,186,514).

c. Referring to page 392 of Filing Requirement 807 KAR 5:001 Section 16 (4)(i), please explain fully and in detail the difference of $39,598,442 that is reflected on Line 19 of page 392.

d. Please provide a breakout of the components which comprise the unreconciled difference of $39,598,442.

RESPONSE

a. The Company has filed using capitalization in each base rate case filed since at least the early 1980's.

b. Case Nos. 8734, 9061, 91-066, 2005-00341, 2009-00459.

c-d. The Company is working to provide this reconciliation, but is not able to complete prior to the due date of these responses. The Company will supplement this response no later than February 16, 2015.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Big Sandy Retirement Rider (BSRR). Refer to the Direct Testimony of Company witnesses Wohnhas and Yoder and the table below. On page 7 of his testimony, Mr. Wohnhas stated that the annual revenue requirement related to the BSRR is $21,855,982. However, on page 15 of his testimony, Mr. Yoder provided a breakout of the components of the Big Sandy coal-related retirement costs (replicated in the table below) which he stated would be recovered through the BSRR on a levelized basis over 25 years and which totals $22,166,310.

Component	Amount
Net Book Value (NBV)	$ 201,911,435
Unusable M&S	$ 4,342,987
Removal Costs and Salvage	$ 43,797,850
Ongoing Big Sandy Unit 2 Expense	$ 6,058,782
ARO Costs	$ 56,025,824
Less: ADFIT	$ (72,189,048)
Net Retirement Costs	$ 239,947,830
Carrying Costs	$ 314,209,917
Total Retirement Costs	$ 554,157,747
Total Retirement Costs / 25 Years	$ 22,166,310
Source: Table on page 15 of Mr. Yoder's testimony	

a. Please explain and reconcile the $310,328 difference ($22,166,310 - $21,855,982) between the amounts provided by Messrs Wohnhas and Yoder. Identify, quantify and explain each reconciling item.

b. Please provide electronically in Excel, a schedule which shows how the BSRR annual revenue requirement of $21,855,982, referenced by Mr. Wohnhas in his testimony, was derived. Show detailed calculations.

RESPONSE

a. The $22,166,310 referenced by Company Witness Yoder is a total company amount. The $21,855,982 referenced by Company Witness Wohnhas is the Kentucky jurisdictional amount. The difference ($310,328) is the non-KPCO jurisdictional portion of the total company amount. $22,166,310 (Total Company) X .986 (Jurisdictional Allocation Factor) =$21,855,982.

b-c. Please see the Company's response to KIUC 1-17, specifically the attachment titled KIUC_1_17_72_Retirement_Cost_Calculation.xls.

d. The individual components have not been jurisdictionalized. See responses to a. and b. above.

e. See the response to b above.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Big Sandy Unit 1 Operation Rider (BS1OR). Refer to the Direct Testimony of Company witness Wohnhas and Company Exhibit AEV 4, which was filed in conjunction with the Direct Testimony of Company witness Vaughn. On page 7 of his Direct Testimony, Mr. Wohnhas stated that KPCo is proposing to recover (1) the non-fuel costs of operating Big Sandy Unit 1 as a coal facility until the conversion to natural gas; (2) the non-fuel costs of operating Big Sandy Unit 1 as a natural gas-fired generating station; and (3) the return on and of the capital investment required for the conversion of Big Sandy Unit 1 to a natural gas-fired unit once the gas-fired unit is in place. In addition, Mr. Wohnhas stated that the annual revenue requirement for the BS1OR (without recovery of any capital costs associated with the conversion to natural gas) totals $18,245,413.

a. Please explain fully and in detail the Company's rationale for proposing the BS1OR and why each of the specific components related to Big Sandy Unit 1, as discussed on page 7 (lines 13-21) of Mr. Wohnhas' testimony, are being proposed to be recovered through the proposed BS1OR.

b. Please reconcile the $18,245,413 annual revenue requirement related to the BS1OR to each component of the BS1OR noted above and on the referenced page of Mr. Wohnhas' testimony. Identify, quantify and explain each reconciling item.

c. Please explain fully and in detail why the Company proposes that the BS1OR remain in place until the rates established in the Company's next base rate case become effective.

d. Please clarify whether Mr. Wohnhas was referring to the base rates established in the instant proceeding or a base rate case filed subsequent to the instant proceeding. Explain fully.

RESPONSE

a. See the Company's response to Staff 2-86.

b. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachments 46, 47 and 39 for the requested information. The detail behind Big Sandy 1 items a and b included in KIUC_1_17_Attachment 46 can be found in KIUC_1_17_Attachment 47. The detail behind Big Sandy 1 item c included in KIUC_1_17_Attachment 46 can be found in KIUC_1_17_Attachment 39.

c. The BS1OR is being proposed as an interim ratemaking mechanism to permit the Company to comply with certain requirements of the Mitchell Stipulation in light of the short extended period of operation of Big Sandy Unit 1 as a coal-fired unit. See also the Company's response to part a.

d. Company witness Wohnhas was referring to a base rate case filing subsequent to the instant proceeding.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Kentucky Economic Development Surcharge (KEDS). Refer to the direct testimony of Company witnesses Wohnhas and Rogness. On page 8 of his testimony, Mr. Wohnhas stated that, based on test year data, the proposed KEDS will collect $307,506 annually from the Company's customers. In addition, on pages 16-17 of his testimony, Mr. Rogness stated that the proposed KEDS is comprised of a monthly surcharge totaling $0.15, which will yield the $307,506 noted above, and will be added to each customer account for the purpose of funding economic activities. Please provide a schedule electronically in Excel (with all formulas and calculations intact) which reflects the derivation of the $307,506 referenced by Messrs. Wohnhas and Rogness in their respective testimonies.

RESPONSE

Please refer to KIUC_1_17_Attachment36_Stegall_Proof_of_Revenues.xlsx.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Kentucky Economic Development Surcharge (KEDS). Refer to the Direct Testimony of Company witness Rogness at pages 17-18.

a. Please provide complete copies of the Phase I, Phase II and Phase III studies that were conducted by InSite Consulting, LLC.

b. Identify and provide the contract with InSite Consulting, LLC.

c. Identify and provide all invoices from InSite Consulting, LLC.

d. Show in detail how the Company has recorded the costs for InSite Consulting, LLC.

RESPONSE

a. Please see the Company's response to KPSC 2-52.

b. Please see AG_1_289_Attachment1.pdf, AG_1_289_Attachment2.pdf, and AG_1_289_Attachment3.pdf.

c. See AG_1_289_Attachment4.pdf.

d. See AG_1_289_Attachment5.xls

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Pro Forma Debt Adjustment. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 1, Schedule 3.

a. Please explain fully and in detail why KPCo proposes to increase the long-term debt component of its capitalization by $5 million based on transactions that were completed after the end of the test year ended September 30, 2014.

b. For each transaction after September 30, 2014 affecting long-term debt, show in detail how the Company recorded it on its books, and provide the related journal entries.

RESPONSE

a. The long-term debt transactions following test year end September 30, 2014 reflect known and measurable adjustments. The $80 million transaction adjustment is associated with refinancing the intermediate term loan obligation associated with the Mitchell Plant asset transfer. The $25 million local bank financing created an opportunity to partner locally to fund the Company's capital expenditures with Kentucky capital. The early retirement of the affiliated note allowed the company to forego approximately $673,000 of interest expense through June 2015 when the affiliated note was scheduled to mature. The net result of the three financing activities listed above resulted in a $5 million increase to the Company's September 30, 2014 Long Term Debt balance. Details of the $5 million adjustment can be found beginning on page 7, line 11 of Direct Testimony of Company witness Marc D. Reitter.

b. Please see AG_1_290_Attachment1 for this response.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Long Term Debt. Refer to pages 7 (lines 21-23) and 8 (lines 1-18) of the Direct testimony of Company witness Reitter.

a. Please explain fully and in detail whether the $1.9 million in long-term interest expense savings that was achieved in 2014 is reflected in the Company's filing. If so, identify by account where the $1.9 million is reflected in the filing. If not, explain fully why not.

b. Please show how the $1.9 million in long-term interest expense savings was derived. Show detailed calculations.

RESPONSE

a. The Company committed to refinancing the Mitchell Debt obligations within six months of the transfer date as stated in the Company's Asset Transfer and Assumption Transaction application in Case 2012-00578. The Company issued permanent senior unsecured notes to refinance the $200 million intermediate term loan debt associated with the Mitchell Plant transfer. The permanent financing was structured with delayed funding allowing Kentucky Power to take advantage of the lower cost intermediate term loan debt until the funding dates of the new permanent financing. All long term debt interest expense is included in the Company's weighted average cost of capital (WACC) calculated on Section V, Schedule 2, Page 1.

b. Please see KIUC_1_17_Attachment56_Proforma for this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Long Term Debt. Refer to pages 8 (lines 19-23) and 9 (lines 1-10) of the Direct Testimony of Company witness Reitter.

a. Please explain fully and in detail whether the $673,000 in long-term interest expense savings is reflected in the Company's filing. If so, identify by account where the $673,000 is reflected in the filing. If not, explain fully why not.

b. Please show how the $673,000 in long-term interest expense savings was derived. Show retailed calculations.

c. Please explain fully and in detail (beyond Mr. Reitter's testimony) the Company's rationale for the pro forma adjustment of $5 million.

RESPONSE

a. The savings to customers is reflected by removing the 5.25% affiliated note from the Company's capital structure as illustrated in Section V, Work paper S-3. By extinguishing the affiliated note prior to its final maturity, the Company was able to forego approximately $673,000 of interest expense.

b. Please see KIUC_1_17_Attachment56_Proforma for this response.

c. The financing activities resulting in the $5 million pro forma adjustment are known and measurable. Furthermore, the Company's Financing Order in Case No. 2014-00210 dated September 26, 2014, authorized the Company to permanently refinance the Mitchell Debt obligation. In addition, as part of its commitment to economic development, the Company entered into a local bank credit facility consisting of Kentucky banks. Lastly, the Company retired early the 5.25% $20 million affiliated note resulting in customer savings of approximately $673,000.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Prepaid Pension Asset. Refer to the Direct Testimony of Hugh E. McCoy and Exhibit HEM-3.

a. Please identify, by account, exactly where KPCo's prepaid pension asset of $53,709,968 is reflected in rate base in the Company's filing.

b. Please identify by account, exactly where KPCo's prepaid pension asset of $53,709,968 is recorded on the Company's books.

c. Please allocate the prepaid pension asset of $53,709,968 ratably among long-term debt, short-term debt and common equity based on each component's percent share of total capitalization.

d. Referring to page 17 (lines 3-6) of Mr. McCoy's testimony, please explain fully and in retail the combination of factors that increased significantly the difference between the accumulated pension benefit obligation and the pension fund assets.

e. Please provide Exhibit HEM-3 electronically in Excel with all fomulas and calculations intact.

RESPONSE

a. and b. The prepaid pension asset of $53,709,968 is recorded in Account 1650010. The Company inadvertently omitted this item from rate base in its filing. However, the additional cash contributions represented by the prepaid pension asset required funding that is reflected in the total capitalization in the Company's filing.

c. For the Company's cost of capital by component please see Section V, Exhibit 1, Workpaper S-2, Page 1 of 3.

d. The Company's pension funding shortfall under FAS 87 grew substantially over the period 2000 through 2003 because of a combination of factors that caused the difference between the accumulated pension benefit obligation and the pension fund assets to grow substantially. First, a declining stock market produced pension fund investment returns for virtually all large employers that were negative for the three-year period beginning 2000, which reduced pension assets. Second, in response to concerns about the severe financial effects of the investment market decline, Congress passed interest rate relief legislation that deferred the full effect of the market decline on the amount of ERISA minimum required pension contributions, which delayed contributions that would have increased pension assets. Finally, the discount rate used to measure the present value of pension obligations was based on declining interest rates, which caused the discounted obligations to increase. The resulting decline in pension fund assets and the increase in pension obligations caused even previously well-funded pension plans such as the Company's to become significantly underfunded.

e. Please see AG_1_293_Attachment1.xls for Exhibit HEM-3 electronically in Excel with all formulas and calculations intact.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Preepaid Pension Asset. Refer to the Direct Testimony of Hugh E. McCoy and Exhibit HEM-3.

a. Is the Company aware of any Commission Orders which disallowed rate base inclusion of PCo's prepaid pension asset? If so, identify those Commission Orders.

b. Are pension funding decisions evaluated by the AEP Board of Directors and/or by any AEP board committees?

1) If not, explain fully why not.

2) If so, identify and provide the AEP board and board committee minutes and the materials that were presented to the board and board committees for each of the pension funding decisions for 2002 through 2014 listed on Exhibit HEM-3.

c. Has any pension funding occurred in 2014 beyond the September 2014 amount listed on Exhibit HEM-3 of $1.923 million?

1) If not, explain fully why not.

2) If so, identify the dates and amounts of such funding.

d. Identify and provide all analysis related to 2014 pension funding decisions.

e. For each amount on Exhibit HEM-3, please reconcile it to an actuarial report and show the reconciliation in detail.

f. Provide a complete actuarial report for each year shown on Exhibit HEM-3.

g. For each year shown on Exhibit HEM-3, identify and provide all analysis of pension cost and pension funding.

h. For each year shown on Exhibit HEM-3, identify and provide all Kentucky Power and AEP board minutes and board committee minutes that addressed pension cost and/or pension funding.

i. For each year shown on Exhibit HEM-3, show the amount of pension cost that was reflected in the Company's rates.

RESPONSE

a. No, the Company is not aware of any Commission Orders which disallowed rate base inclusion of KPCo's prepaid pension asset.

b. No. Pension funding decisions are evaluated by AEP management.

c. No. The entire contribution for calendar year 2014 was made on June 26, 2014.

d. AEP's pension funding policy is to contribute the greater of the ERISA minimum required contribution or the FAS 87 service cost, which amounts are provided by the Company's actuary, as follows:

- For AEP in total, please see the top of AG_1_294_Attachment1.pdf, which is page 4 of the April 2014 actuarial report previously provided as Exhibit HEM-2A to the direct testimony of Witness McCoy.

- For the Company's individual amount, please see AG_1_294_Attachment2.xls.

e. Of the amounts on Exhibit HEM-3, the amounts in the second column of numbers labeled "Less Qualified FAS 87 Cost" and in the fourth column labeled "Investment Return Rate" are reconciled to actuarial reports for each year on AG_1_294_Attachment9.xlsx. The Company's plan contributions are not shown in the actuarial reports, and the remaining three columns are computed from the numbers in the other columns.

f. Please see AG_1_294_Attachment8.pdf. for the complete qualified pension plan actuarial reports for each year shown on Exhibit HEM-3.

g. For economic analysis used to evaluate the amount of pension contributions, please see:

- January 2004 pension forecast update of AEP's actuary attached as AG_1_294_Attachment3.pdf.
- March 2004 pension forecast update of AEP's actuary attached as AG_1_294_Attachment4.pdf.
- August 2004 pension forecast update of AEP's actuary attached as AG_1_294_Attachment5.xls.
- September 2004 pension funding options attached as AG_1_294_Attachment6.pdf.
- August 2010 pension funding considerations attached as AG_1_294_Attachment7.pdf.
- Please see the Company's response to part d. above.

h. For the years 2002 through 2014, Kentucky Power has no minutes that address pension cost and/or pension funding. AEP Board and AEP Board Committee Minutes from 2002 to 2010 that address pension cost and/or pension funding are as follows:

- AEP Board minutes - July 23, 2003, January 28, 2004, January 25 and 26, 2005, July 25 and 26, 2006, October 24, 2006, October 23, 2007, October 28, 2008, September 28, 2010, and October 26, 2010.
- AEP Board Finance Committee minutes - February 23, 2009 and October 26, 2010.

  - For the pertinent portions of these minutes, please see AG_1_294_Attachment10.pdf. AEP Board and Board Committee minutes from 2011 to 2014 are provided in the Company's response to AG Initial Set Question Nos. 144 and 145.

i. The Company's only rate cases during the years 2002 through 2014 were either settled without addressing pension cost (Case Nos. 2005-00341 and 2009-00459) or withdrawn (Case No. 2013-00197). Accordingly, no specific amount of pension cost was reflected in the Company's rates. In addition, although the Commission considers various components in setting rates, customers pay and the utility recovers only that rate rather than the individual components.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Prepaid Pension Asset. Refer to Exhibit HEM-3 from the current proceeding and Exhibit HEM-4 from withdrawn Case No. 2013-00197 and the tables below.

Exhibit HEM-3 from Current Case No. 2014-00396			
Description	Plan Contribution	Less Qualified FAS 87 Cost	Additional Contribution
2005 Contribution	$ 29,430,947	$ 2,135,256	$ 27,295,691
2010 Contribution	$ 13,012,606	$ 4,704,090	$ 8,308,516
2011 Contribution	$ 22,146,267	$ 4,103,290	$ 18,042,977
2012 Contribution	$ 8,482,245	$ 4,179,727	$ 4,302,518

Exhibit HEM-4 from Withdrawn Case No. 2013-00197			
Description	Plan Contribution	Less Qualified FAS 87 Cost	Additional Contribution
2005 Contribution	$ 15,775,528	$ 1,486,940	$ 14,288,588
2010 Contribution	$ 6,183,898	$ 2,995,603	$ 3,188,295
2011 Contribution	$ 10,535,000	$ 2,894,613	$ 7,640,387
2012 Contribution	$ 4,902,000	$ 3,244,941	$ 1,657,059

Difference			
Description	Plan Contribution	Less Qualified FAS 87 Cost	Additional Contribution
2005 Contribution	$ 13,655,419	$ 648,316	$ 13,007,103
2010 Contribution	$ 6,828,708	$ 1,708,487	$ 5,120,221
2011 Contribution	$ 11,611,267	$ 1,208,677	$ 10,402,590
2012 Contribution	$ 3,580,245	$ 934,786	$ 2,645,459

As noted in the tables, the amounts shown for 2005, 2010, 2011 and 2012 pension contributions between Exhibit HEM-3 from the current proceeding are significantly higher than the pension contributions reflected for the same periods on Exhibit HEM-4 from withdrawn Case No. 2013-00197

a. Given that the periods between the two exhibits are the same, please explain fully and in detail why the pension contributions on Exhibit HEM-3 are so much higher than the amounts reflected on Exhibit HEM-4 from withdrawn Case No. 2013-00197.

b. Please explain and reconcile these discrepancies. Identify, quantify and explain each reconciling item.

RESPONSE

a-b. Exhibit HEM-3 includes three pages. As is shown in each page heading, page 2 of 3 is for Kentucky Power Company without the effects of the Mitchell Plant, which matches amounts from the withdrawn 2013 rate case, while page 3 of 3 is for the effects of employees of the Mitchell Plant that Kentucky Power purchased at the end of 2013. Page 1 of 3 is the combined total of the other two pages and reflects the total additional cash investment in the pension plan made by Kentucky Power, either directly or through the Mitchell Plant purchase price, and relates to pension obligations for the Company's employees.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Normalization of Major Storms. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 13.

a. Please explain fully and in detail the Company's rationale for adjusting the three-year average storm damage expense by the Handy-Whitman Contract Labor Index.

b. Please cite by date and docket number, the Commission Order(s) which authorized adjusting normalization adjustments for inflation using the Handy-Whitman Contract Labor Index.

c. Referring to Section V, Exhibit 2, page 13 (lines 1-3), please provide similar data for calendar years 2012, 2013 and 2014.

d. Identify and provide all pages from the Handy-Whitman index used.

RESPONSE

a. The Handy-Whitman Contract Labor Index provides a utility specific source for adjusting for inflation.

b. The Company used the Handy-Whitman Contract Labor Index in its last three general rate case filings (2005-00341, 2009-00459 and 2013-00197). Case Nos. 2005-00341 and 2009-00459 were settled cases with no specific mention to the Handy-Whitman Contract Labor Index. Case No. 2013-00197 was withdrawn by the Company before a commission ruling was rendered as part of the Stipulation and Settlement Agreement in Case No. 2012-00578.

c.

2014	$2,263,377	623	1.00	$2,263,377
2013	$ 833,719	603	1.03	$ 858,731
2012	$1,633,828	591	1.05	$1,715,519

d. Please see KIUC_1_17_Attachment76.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Amortization of Major Storm Deferral. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 14 from the Company's filing.

a. Please provide a detailed breakout of the deferred 2012 storm costs which total $12,146,521. Include in this break out, a separation of these costs by the four storms that were the subject of the Commission's Order in Case No. 2012-00445 (i.e., the February 2012 snowstorm; March 2012 tornadoes and windstorms; June 29, 2012 Derecho; and severe thunderstorms on July 5, 2012).

   i. For each storm, show a detailed breakout of the costs by type of cost, e.g., direct labor, overtime, meals, travel, contract labor, materials, overhead allocations, etc.

b. Provide supporting documentation for the costs broken out in part "a" above which totals $12,146,521.

c. Please provide a detailed explanation of the Company's storm preparedness prior to the four storms that were the subject of the Commission's Order in Case No. 2012-00445.

d. Please provide a detailed explanation of the Company's storm preparedness in the wake of the four storms that were the subject of the Commission's Order in Case No. 2012-00445 and beyond.

e. Please provide a detailed explanation of the Company's response to the outages that occurred in the wake of the four major storms identified in part "a" above.

RESPONSE

a. Please see AG_1_297_Attachment1.pdf. The costs in this attachment will equal $13,051,474. The difference is $904,953 which was the amount being recovered through base rates and is subtracted from the $13,051,474 to reconcile to $12,146,521.

b. See a. above.

c. The four storms that were subject of the Commission's Order in Case N. 2012-00445 were individually unique. However, if the National Weather Service or AEP's meteorologist predicts storm like weather in advance for our service territory we begin with a pre-storm conference call involving our storm team; which includes AEP emergency management resource coordinator, DDC, solution center, storm planning coordinators, AEP's meteorologist, public liaisons and the management team. During these calls we discuss the potential threat of severe weather and what type of resources are needed; both from an internal and external perspective. Any safety issues are first discussed then the needs of each district. The needs include office personnel, assessors and line mechanics. Then hotel accommodations are discussed if external personnel are needed or if internal personnel will be staged in another district.

   For the February 19, 2012 snow storm all Kentucky personnel were notified 24 hours in advance to report to work on Sunday 2/19/12 at noon and external contract crews reported to each district prior to the snow arriving on Sunday. The tornados of March 2, 2012 and the Derecho of June 29, 2012 were not anticipated in advance to activate our storm preparedness. The Hurricane Sandy snow storm of October 29, 2012 was predicted in advance and we did have pre –storm conference calls, but was geared toward helping neighboring utilities as the weather predictions called for minimal impact to our service territory. However, the weather pattern shifted and when our territory was impacted we were able to utilize our internal crews, including the ones planned to assist other utilities.

d - e. Please see c. above and AG_1_297_Attachments 2,3,4,5.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

For the periods 2010, 2011 and 2012, please provide the Company's budgeted and actual vegetation management costs.

RESPONSE

The budgeted O&M amount for each year is the $17,237,965 as approved in Case No. 2009-00459. The actual O&M spent from 2010 - 2014 is reported in the attachments provided in the response to AG 1-16b.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

For the periods 2013 and 2014, please provide the Company's budgeted and actual vegetation management costs.

RESPONSE

The budgeted O&M amount for 2013 was $17,297,229 and 2014 was $17,308,906. The actual O&M spent from 2010 - 2014 is reported in the attachments provided in the response to AG 1-16b.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Amortization of Major Storm Deferral. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 14 from the Company's filing.

a. For each of the four storms that were the subject of the Commission's Order in Case No. 2012-00445, please provide the start date the first cost was recorded and the end date of when the last cost was recorded.

b. For each of the four storms that were the subject of the Commission's Order in Case No. 2012-00445, please provide an explanation of the type of costs included in the non-incremental amounts and provide a break out of the costs by type.

RESPONSE

a.

Storm	Start Date	End Date
Snow Storm 021912	02/19/12	08/31/12
Tornado 030212	03/02/12	12/31/12
Derecho Storm 062912	06/30/12	12/30/12
Thunderstorm 070512	07/06/12	12/30/12

b. Please see the Company's response to AG 1-297.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

IGCC Costs.

a. Provide regulatory orders in other jurisdictions that have addressed the ratemaking treatment of IGCC Study costs that KPCo is requesting in this case and indicate the portion of such costs that have been allowed to be recovered through rates in each other jurisdiction. In addition, please cite by date and case number, the Commission Order(s) which authorize the recovery of IGCC feasibility study costs by amortizing such costs over a specified time period.

b. Identify all prior Kentucky PSC orders of which the Company is aware that have addressed IGCC costs.

RESPONSE

a. In the April 10, 2006 order in Case No. 05-00376-EL-UNC, the Public Utilities Commission of Ohio (PUCO) approved a surcharge to collect the preconstruction costs associated with the IGCC plant. The case is pending before the PUCO as a result of a remand from the Ohio Supreme Court.

On March 6, 2008 the Public Service Commission of West Virginia granted APCo a CPCN for the construction of an IGCC facility in Case No. 06-0033-E-CN. While APCo did not construct the facility, the initial FEED study was completed. APCo has a case pending before the PSC of WV, Case No. 14-1152-E-42T, seeking recovery of the costs associated with the FEED study.

In an order dated November 26, 2014 in Case No. PUE-2014-00026, the Virginia State Corporation Commission rejected APCo's request to amortize and recover IGCC study costs.

Copies of the orders are available on the respective commission websites.

b. The Company is not aware of any prior Commission order that has addressed IGCC costs.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

IGCC Costs. Refer to the Direct Testimony of Company witness Wohnhas at page 16 (lines 3-14) and Section V, Exhibit 2, page 21 from the Company's filing.

a. Please provide a breakout of the deferred IGCC costs which total $1,331,254.

b. Please explain fully and in detail why the Kentucky General Assembly failed to adopt the legislation that would support the recovery of the IGCC facility's costs through rates.

c. Referring to part "b" above, please provide all documentation (e.g., reports, letters, memos, etc.) that was issued by the Kentucky General Assembly which discusses the reason(s) why it failed to adopt the legislation which made the IGCC facility uneconomic.

d. Please explain fully and in detail the specific scope of issues that were addressed in the IGCC related feasibility study.

e. Please identify the specific time period in which the deferred IGCC costs of $1,331,254 were incurred, and show the amount by year. Also, show in detail how total amounts were allocated to each AEP utility, including but not limited to Kentucky Power Company.

f. Please explain fully and in detail why the Company believes that the deferred IGCC costs, incurred without the Kentucky General Assembly legislation being adopted, was prudently incurred.

RESPONSE

a. See KIUC_1_17_Attachment_59_21. In addition, see AG_1_302_Attachment2.xls which includes the details of the AEPSC charges. Kentucky Power, working in conjunction with other utilities and members of the Executive Branch, sought to present proposed legislation that would have improved the ability of the project to proceed. Kentucky Power believed that IGCC technology provided an opportunity to further the use of coal as a generation source, a development that would have directly benefited its service territory and customers.

b. The Company cannot speculate as to the basis of the failure of the General Assembly, which comprises 138 members, to enact the legislation.

c. Please see the response to subpart (b).

d. The feasibility study that was performed was used to determine whether it was reasonable for the Company to pursue the construction of an IGCC generating facility. The study consisted of the creation of a conceptual scope and a high level project cost estimate of the IGCC technology. The results of the feasibility study were reflected in a White Paper produced by AEP Service Corporation employees in 2005, which is included as AG 1-302 Attachment 1.

e. See the Company's response to Part(a) above for the timing of the expenses charged to Kentucky Power for the IGCC.

The feasibility study was performed to study IGCC, but was not site-specific. At the time the feasibility study was performed, there were three sites under consideration in the AEP system. These were the Carrs Site (Kentucky), the Great Bend Site (Ohio), and the Mountaineer Site (West Virginia). Prior to November 2005 the Great Bend site was the primary site for which work was being performed, and the Carrs and Mountaineer sites were considered alternatives. Common costs incurred during this time were allocated 2/3 to Great Bend, 1/6 to Mountaineer, and 1/6 to Carrs. Site-specific costs at all times during the IGCC project (during and after the Feasibility Study) were charged directly to the site for which the work was performed.

In November 2005 separate work orders were created for the Great Bend and Mountaineer IGCC projects, and the cost of the feasibility study was assigned to the operating companies based on the allocation described above. As a result of this assignment, in November 2005 $1.149 million was charged to Kentucky Power which reflects Kentucky Power's share of the Feasibility Study costs. This one time assignment represents 86.3% of the IGCC-related costs for which Kentucky Power is seeking recovery in this proceeding.

By December 2005 the Carrs site was no longer considered as a candidate for an IGCC generating facility. Charges to Kentucky Power after this date include bills and adjustments from the AEP Service Corporation, as well as accounting adjustments made as the result of internal and external audits (2011 and 2013 amounts) that found relatively minor charges that were not assigned properly.

f. In 2005, at the time the IGCC Feasibility Study was undertaken, the state of the electric industry was very different from today. Natural gas prices were considerably higher, CO_2 regulation was being considered (which makes IGCC more attractive), and continued strong growth in electric demand was still occurring. IGCC generating technology was being considered for construction of a future generating facility for the Company to meet the needs of its customers. Kentucky Power, and other of AEP's operating companies that were potential homes for an IGCC facility, made great efforts to thoroughly understand this complex generating technology and the associated costs before potentially committing years of work and billions of dollars into the development of a facility. These facts underscore the prudence of the costs incurred.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

IGCC Costs. Refer to the Direct Testimony of Company witness Wohnhas at page 16 (lines 3-4) and Section V, Exhibit 2, page 21 from the Company's filing.

a. Please state whether KPCo submitted filings with the Commission seeking approval to incur IGCC costs. If so, provide copies of all such filings. If not, explain fully why not.

b. Please explain fully and in detail why KPCo incurred preliminary engineering and development costs related to the IGCC facility absent the Kentucky General Assembly legislation.

c. Please explain fully and in detail how the preliminary engineering and development costs were incurred. Show the details by year. Also, show in detail the total amounts by year and how they were allocated to KPCo.

d. Please state whether these costs were incurred by KPCo, by AEPSC, or by the affiliates for a specific location in Kentucky. If so, provide all documentation in support of this claim. If not, explain fully why not.

e. Please provide the journal entries to record the IGCC costs.

RESPONSE

a. The Company has not submitted any prior filings with the Commission concerning IGCC costs.

b. The IGCC project-related costs for which the Company is seeking to recover were allocated to Kentucky Power by AEPSC as Kentucky Power's proportionate share of engineering and development costs incurred by AEPSC in connection with AEPSC's assessment of IGCC technology that was being considered for deployment in at least three jurisdictions, including Kentucky. The Company believed that the prospects for enactment of the necessary legislation by the Kentucky General Assembly were sufficiently good at the time the investigation was undertaken that its participation in the joint project was both reasonable and prudent.

c., d. e. See KIUC_1_302

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

CCS FEED Study. Refer to the Direct Testimony of Company witness Wohnhas at pages 16 lines 15-20) and 17 (lines 1-6) and Section V, Exhibit 2, page 22 from the Company's filing.

a. Please provide a breakout of the deferred CCS FEED Study costs which total $872,858 and show how it was determined that this amount should be allocated to KPCo.

   i. Show the total amounts by year and type of costs.

   ii. Show in detail how the amounts were allocated to each AEP utility, included KPCo.

b. Please identify the specific time period in which the deferred CCS study costs of $872,85 were incurred, and shown the amounts incurred in each year.

c. Please explain fully and in detail why Kentucky ratepayers should be responsible for costs associated with the Mountaineer generating station located in West Virginia.

d. Referring to page 16 (lines 1-20), please explain fully and in detail how the benefits of the CCS study would be enjoyed by each operating company with coal-fired generation.

e. Please explain fully and in detail the specific scope of issues that were addressed in the CCS study.

f. Please explain fully and in detail the results and/or conclusions that resulted from the CCS study.

g. Please explain fully and in detail how the costs associated with the investigation of mechanisms to address emerging environmental regulations were incurred.

h. Please provide the journal entries to record the CCS FEED study costs.

i. Are any generating plants owned by AEP and its subsidiaries, including but not limited to KPCo, currently employing any form of CCS? If so, identify and explain.

j. Do any generating plants owned by AEP and its subsidiaries, including but not limited to KPCo, have any plans to employ CCS? If so, identify and explain.

RESPONSE

a. The amount determined to be allocated to Kentucky Power was based on existing coal-fired generation in the AEP fleet that at the time the study was performed was not anticipated to be retired and that had the potential for future retrofit of CCS technology. The allocation factors for AEP's operating companies are shown in AG 1-304 Attachment 1.

   i. See KIUC_1_17_Attachment_60-22.xls for the journal entries recorded that support the $872,858.

   ii. Please see AG_1_304_Attachment1.xls for this response. See AG_1_304_Attachment3.xls for the detail charges and allocation to Kentucky Power.

b. The majority of work performed on the CCS FEED study occurred between February 2010 and September 2011. The timing of the journal entries to Kentucky Power are reflected in the response to Part (a) i and ii above.

c. The work that was performed for the CCS FEED Study focused on scaling up to commercial scale a technology that was proven to be feasible at the pilot scale at the Mountaineer Plant. However, the CCS FEED Study included work that could benefit any of AEP companies that owned coal-fired generating capacity that could have been retrofitted with the technology. It is because Kentucky Power owns such generating facilities, as reflected in Attachment 1 to this response, that an allocated share of the costs was attributed to Kentucky Power.

d. The knowledge gained from performing CCS FEED Study can be applied at many of the coal-fired power plants within the AEP Fleet, not only the Mountaineer Plant. Once performed, the work that is contained within the CCS FEED Study need not be repeated, and the results of the study position the Company well for any future possible rules or regulations that may require that such a technology be applied to coal-fired generating facilities.

e. A public version of the FEED Report is included as AG_1_304_Attachment2.pdf to this response. The scope of issues that were addressed is discussed in the Executive Summary of that report.

f. See AG_1_304_Attachment2.pdf for this response.

g. The costs associated with the CCS FEED Study were incurred by both internal resources and third parties, partially offset by funding from the United States Department of Energy and Global Carbon Capture and Storage, to perform activities necessary to define the scope and costs of the technology, resulting in the work product that is AG 1-304 Attachment 2.

h. See KIUC_1_17_Attachment_60-22.xls for the journal entries recorded that support the $872,858.

i. No.

j. No.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

CCS FEED Study. Refer to the Direct Testimony of Company witness Wohnhas at pages 16 (lines 15-20) and 17 (lines 1-6) and Section V, Exhibit 2, page 22 from the Company's filing.

a. Please cite by date and case number, the Kentucky Commission Order(s) which authorize the recovery of CCS study costs by amortizing such costs over a specified time period.

b. Identify the specific provisions in each Commission order being relied upon by KPCo for its proposed amortization period.

c. Please confirm that the CCS study for which KPCo seeks recovery in the current proceeding is completely separate from the regulatory assets for the Carbon Management Research Group (CMRG) and the Kentucky Consortium for Carbon Storage (KCCS) that were authorized by KPSC in Case No. 2008-00308 as well as the amortization related to these regulatory assets in Case No. 2009-00459. If not confirmed, explain fully why not.

d. Show separately all costs in total and allocated to KPCo for the CMRG KCCS.

RESPONSE

a. There are none.

b. There are none. The amortization period is 25 years to coincide with the estimated remaining life of the Mitchell units.

c. Confirmed.

d. The Company recovers $200,000 per year for the CMRG KCCS.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

CCS Study Costs.

a. Provide regulatory orders in other jurisdictions that address the ratemaking treatment of CCS Study costs that KPCo is requesting in this case.

b. Indicate the portion of such costs that have been allowed to be recovered through rates in each other jurisdiction.

c. Indicate the costs that have been denied recovery in each jurisdiction.

RESPONSE

a. CCS Feed Study costs have been requested for recovery from the Virginia Commission (see the final order in Case No. PUE-2011-00037), the West Virginia Commission (current request is pending), the Indiana Commission (see the final order in Cause No. 44075), the Michigan Commission (see the final order in Case No. U-16801), the Ohio Commission (11-346-EL-SSO, 11-348-EL-SSO, 11-349-EL-AAM and 11-350-EL-AAM), the Texas Commission (see PUC Docket No. 40443) and the Louisiana Commission (U-32220 - Settlement orally approved, Final Order has not yet been issued). All of these regulatory orders or settlements are publicly available via the individual State Commissions' websites.

b. The Michigan Commission approved the recovery of $230,184. The requested recovery of $1,062,615 in West Virginia is pending a decision. The Louisiana Commission included 100% of the Louisiana cost to be amortized in cost of service over 5 years.

c. The Virginia Commission denied recovery of $702,736; the Indiana Commission denied the recovery of $1,041,596; and the Texas Commission denied the recovery of $785,271. In Ohio, AEP Ohio agreed in a Stipulation to withdraw a proposed rider that would have recovered its share of costs of $6,104,377.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

CARRS Site Costs. Refer to the Direct Testimony of Company witness Wohnhas at page 17 (lines 7-19) and Section V, Exhibit 2, page 23 from the Company's filing.

a. Please provide a breakout of the deferred CARRS site costs which total $2,619,935.

b. Please identify the specific time period in which the deferred CARRS site costs of $2,619,935 were incurred.

c. Please explain fully and in detail why the Company elected not to pursue the construction of new generation at the CARRS site.

d. Please quantify the land related costs for the CARRS site that the Company removed from rate base and indicate the date when these costs were removed. In addition, identify the plant accounts from which the CARRS site land costs were removed.

e. Referring to part "d" above, please explain fully and in detail whether there are any other CARRS site related costs (other than land) included in KPCo's rate base. If so, quantify and explain fully exactly where these other CARRS site costs are reflected in rate base. If not, explain fully why not.

RESPONSE

a. See KIUC_1_17_Attachment_61_23_AmortizationDeferredCARRSSiteCosts.xls

b. The Company's best estimate is that the majority of these costs were incurred prior to 1980.

c. Kentucky Power acquired the site to permit the Company to satisfy its obligations to provide capacity and energy under the AEP-East Interconnection Agreement through Company-owned generation. The generation resources were not constructed at the Carrs site because Kentucky Power was never required under the AEP-East Interconnection Agreement to provide additional Company-owned generation.

d. The land-related costs of $6,778,355 were removed from rate base in each base rate case since at least the early 1980's. CARRS land is in account 105 (Plant Held For Future Use).

e. There is none.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

CARRS Site Costs. Refer to the Direct Testimony of Company witness Wohnhas at page 17 (lines 7-19) and Section V, Exhibit 2, page 23 from the Company's filing.

a. Please state whether KPCo submitted filings with the Commission seeking approval of the proposed generation facility on the CARRS site. If so, provide copies of all such filings. If not, explain fully why not.

b. Please state whether the Company has sought and/or obtained a certificate of need for the proposed generation facility. If so, provide a copy of the certificate. If not, explain fully why not.

c. Please show in detail each type of cost and the dollar amount for the preliminary engineering and development costs for the CARRS site.

d. Please state whether these cost were incurred by KPCo, by AEPSC or other affiliates for the CARRS site and reconcile the amounts incurred by each entity, and how they were allocated to KPCo.

e. Provide all documentation in support of KPCo's claim for CARRS costs.

f . Identify and provide the journal entries to record the CARRS site costs.

RESPONSE

a-b. The Carrs site is raw land acquired for the possible construction of a generating facility. Because the Company did not "begin the construction of any plant, equipment, property or facility" an application with respect to the Carrs Site was neither required nor made.
c, e, & f. Please see AG 1-307. The journal entries to record the CARRS site costs (most of which were incurred decades ago) are not available.

d. The Company does not have the records available to determine which entity incurred the referenced costs nor their allocation.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Big Sandy FGD Costs. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 24 from the Company's filing.

a .Please provide a breakout of the deferred Big Sandy FGD costs which total $28,024,682.

b. Please identify the specific time period in which the deferred Big Sandy FGD costs of $28,024,682 were incurred, and show the amounts incurred in each year by cost type.

c. Referring to page 19 (lines 3-9) of Mr. Wohnhas' testimony, please explain fully and in detail the Company's rationale for its proposal to recover the Big Sandy 2 investigative FGD costs by amortizing them over 25 years.

d. Did the Commission explicitly deny recovery of such costs in its Order dated October 7, 2013 in Case No. 2012-00578?

e. Did KPCo file its written acceptance of the Commission's modification to the Stipulation and Settlement in that prior proceeding? If not, explain fully.

f. Please provide a complete copy of KPCo's written acceptance (dated October 14, 2013) of the Commission's modifications to the Stipulation and Settlement Agreement in Case No. 2012-00578.

RESPONSE

a. & b. See AG_1_309_Attachment1.xls

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

d. The Commission's Order in Case No. 2012-00578 required that the Company agree to modify the July 2, 2013 Stipulation and Settlement Agreement by striking paragraph 8 of the agreement. That paragraph provided for the recovery of the costs over a five year period.

e. & f. Please see the response to KIUC 1-52.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Mitchell Plant Maintenance Normalization. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 34 from the Company's filing.

a. Given that KPCo acquired its 50% interest in the Mitchell Plant as of December 31, 2013, please explain fully and in detail the Company's rationale for proposing to normalize Mitchell Plant Maintenance expense by calculating a three year average using the dates September 30, 2012, 2013 and an annualized 2014 maintenance expense, the first two years of which were prior to KPCo's acquisition of 50% of the Mitchell Plant.

b. Provide details, by account, of all Mitchell Plant O&M expenses for the test year period ending December 31, 2013 when it was owned and operated by an AEP affiliate other than KPCo.

c. Since KPCo used September 30, 2012 and 2013 for the first two years in calculating its three average of Mitchell Plant related maintenance expense, please explain fully and in detail why the 2014 maintenance expense was annualized.

d. Please provide the actual Mitchell Plant related maintenance expense for the twelve months ending September 30, 2014.

e. Please provide the actual Mitchell Plant related maintenance expense for the twelve months ending December 31, 2014.

f. Please explain fully and in detail the Company's rationale for adjusting the Mitchell Plant related maintenance expense to a constant dollar amount using the Handy-Whitman index.

g. Referring to Section V, Exhibit 2, page 34 (lines 1-3), please provide similar data for calendar years 2012, 2013 and 2014.Please provide a copy of the Avera/McKenzie testimony in Microsoft Word.

RESPONSE

a) Please see the Company's response to AG 1-20. This is the only adjustment for which Kentucky Power is relying upon data concerning the pre-transfer operation of the Mitchell generating station. It did so in order for the limited purpose of demonstrating the cyclical nature of steam plant maintenance costs.

b) Please see AG_1_31_Attachment1.xls for the response to b,d,e and g

c) Kentucky Power acquired its 50% undivided interest in the Mitchell generating station effective December 31, 2013. Annualization based upon nine months of operations under Kentucky Power ownership is a reasonable means of addressing the fact that the test period, required to comply with requirement of the Mitchell Stipulation, for this case includes three months prior to the transfer. Please see the response to subpart (a).

d) Please see the response to b.

e) Please see the response to b.

f) It is reasonable to adjust each year for inflation relative to the current year in order to normalize the data for comparison. The inflation adjustment factors appropriately adjust those historical costs using the Handy-Whitman Index. This approach recognizes that it would require more dollars in 2014 to do the same amount of O&M that was done in, for example, 2012. The Company is not applying inflation to determine a going-level of O&M needed. Rather, the Company is simply adjusting actual historical costs to a uniform basis.

g) Please see the response to b.

Please see the Company's response to AG 1-6.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Amortization of Intangible Plant. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 38 from the Company's filing.

a. Referring to page 22 (lines 4-6), please explain fully and in detail how the Company's proposed annualization adjustment of intangible plant represents the on-going level intangible plant amortization expense.

b. Referring to Section V, Exhibit 2, page 38 (column 3, line 1), please provide the intangible plant balance as of December 31, 2014.

c. Please provide the related amortization (if different from the $272,534) and show how the amount was derived. Show detailed calculations.

d. Show the monthly amortization of intangible plant for the period January 2009 through December 2014.

e. Please explain fully and in detail how the amortization amount of $272,534 was derived. Show detailed calculations.

f. Please provide the Company's intangible plant amortization expense for the 12 months ended September 30, 2011; September 30, 2012; September 30, 2013; and September 30, 2014, showing the specific amortizations for each component of intangible plant.

g. Provide the Company's intangible plant amortization expense for each calendar year: 2011, 2012, 2013, and 2014.

RESPONSE

a. The on-going adjustment uses the date certain test year end 9/30/2014 intangible plant balance of $18,410,098 and the one month amortization expense on that balance of $272,534 to calculate a yearly annualized amortization amount ($272,534 times 12 of $3,270,414). The annualized amount was compared to an actual twelve months amortization expense which produced a difference of $211,804 before deferred taxes.

b. The intangible plant balance at December 31, 2014 was $18,518,020.

c. The calculation of the related amortization of $272,534 based of intangible plant at December 2014 is provided on "AG_311_Amortization_Intangible_2009-2014_Attachment1.xls" which includes detailed calculations.

d. The monthly amortization of intangible plant for the period from January 2009 through December 2014 is provided on "AG_311_Amortization_Intangible_2009-2014_Attachment1.xls" which includes detailed calculations.

e. See the response to item c, above.

f. The monthly amortization of intangible plant for the period from January 2009 through December 2014 included on the response to item d, above includes amounts for the 12 months ended September as requested in item f.

g. The monthly amortization of intangible plant for the period from January 2009 through December 2014 included on the response to item d, above includes amounts for each calendar year as requested in item g.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

AFUDC Offset. Refer to the Direct Testimony of Company witness Wohnhas and Section V, Exhibit 2, page 52 from the Company's filing.

a. Referring to page 23 (lines 2-5) of Mr. Wohnhas' testimony, please cite by date and docket number, the Commission Order(s) which authorized KPCo to make the adjustment to record AFUDC above the line in the manner described in Mr. Wohnhas' testimony and reflected in Adjustment W52.

b. Please explain fully and in detail how the Company determined that $74,280,499 of CWIP is subject to AFUDC. Show detailed calculations.

c. Please explain fully and in detail how the Kentucky jurisdictional test year amount of AFUDC in the amount of $5,521,834 was derived. Show detailed calculations.

d. Show in detail the AFUDC rates, and how they were derived, that KPCo applied in each year 2009 through 2014.

RESPONSE

a. The Company does not have specific documentation available, however, in each base rate since 1984 the Company has prepared this adjustment in the same manner as described and reflected in Adjustment W52.

b. Please see KIUC_1_17_Attachment77 and KIUC_1_17_Attachment78. All Big Sandy CWIP was reviewed and removed (BU 117).

c. See Section V, Exhibit, Page 52. The $5,521,834 on line 7, column 3, should have been $5,516,256. The calculation used an incorrect allocation factor of .990 (GP-TOT from previous rate case 2013-00197) instead of the correct factor of .989. The AFUDC Offset Adjustment should have been $255,784 instead of the $250,424 or an increase of $5,360. The DFIT calculation used the correct .989 allocation factor and thus the DFIT is correct as filed.

d. Please see the Company's response to AG 1-126.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Vegetation Management. For each year 2009 through 2014, provide, by account, the amount expensed and the amount capitalized for scheduled tree trimming, for enhanced tree trimming, for other right of way clearing and for tree trimming other than scheduled tree trimming and enhanced tree trimming (the costs should exclude all tree trimming costs that are included in the Company's request for storm recovery).

RESPONSE

The O&M expense details are provided in AG_1_313_Attachment1.pdf and the Capital details are provided in AG_1_313_Attachment2.pdf. Both costs exclude all tree trimming costs that are included in the Company's request for storm recovery.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Vegetation Management. For each year 2009 through 2014, please provide:

a. By account, the amount expensed, the amount capitalized and the amount deferred for storm tree trimming, for other related enhanced tree trimming and for other storm related right of way clearing.

b. The number of distribution and, separately, transmission miles subject to trimming or if the number of miles subject to trimming is not available, provide the total distribution and transmission system miles.

c. Referring to parts "a" and "b" above, please break out the requested information between distribution and transmission.

RESPONSE

a. The Distribution Vegetation Management Plan expense and capital details are provided in the Company's response to AG 1-313. The amount of deferred costs are shown on page 11, Table 2 of Mr. Phillips' testimony in the line labeled "Regulatory Asset."

These deferred costs are in addition to, and not included in, the Distribution Vegetation Management expenditures that are the subject of the Unanimous Settlement in Case No. 2009-00459.

b. See the following table for the total overhead line miles for transmission (source FERC Form 1 and 2014 has not been finalized) and distribution (overhead primary pole miles):

Year	Transmission	Distribution
2009	1,279	7,963
2010	1,279	7,999
2011	1,282	8,017
2012	1,282	8,039
2013	1,282	8,061
2014	1,282	8,063

c. An analysis of Transmission Vegetation Management costs has not been prepared for AG 1-314(a). See the table in AG 1-314b for the transmission miles requested in (b).

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Vegetation Management. For each year 2009 through 2014, please provide the number of miles budgeted for trimming and the number of miles actually trimmed under the Company's scheduled tree trimming. Please break out the requested information between distribution and transmission.

RESPONSE

See the following table:

	Transmission (Miles)		Distribution (Miles)	
Year	Planned	Actual	Planned	Actual
2009	195	178	439	175
2010	218	189	731	618
2011	267	285	1,092	932
2012	152	228	1,157	891
2013	173	228	1,119	826
2014	252	474	1,008	1,108

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Vegetation Management. For each year 2009 through 2014, please provide the number of
miles (or trees) budgeted and the number of miles (or trees) actually performed (removed)
under the Company's planned enhanced tree trimming.

a. Please break out the requested information between distribution and transmission.

RESPONSE

a. The Company's planned enhanced tree trimming did not include any transmission. The number of planned and actual distribution miles maintained is provided in the response to AG 1-315. The following table provides the number of distribution trees removed:

Year	Trees Removed
2009	109,746
2010	166,459
2011	233,303
2012	235,970
2013	238,135
2014	237,189

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Vegetation Management. Refer to the Direct Testimony of Company witness Phillips and Section V, Exhibit 2, page 19. On page 23 (lines 9-11) of his testimony, Mr. Phillips stated that the Company now estimates that it will take 8.5 years to complete re-clearing versus the 7 years that was initially designated in KPCo's Distribution Vegetation Management Plan that was part of the Settlement Agreement in Case No. 2009-00459 and approved by the Commission in its Order dated June 28, 2010.

a. Referring to Section V, Exhibit 2, page 19, please explain fully and in detail how the proposed additional reliability O&M expenses of $10,424,960 were derived. Show detailed calculations.

b. Referring to part "a" above and page 11 , please provide a break out of the $10,424,960 between the categories of distribution O&M expense that are reflected on Table 2.

c. Show in detail how the $10,424,960 relates to the number of distribution miles trimmed.

RESPONSE

a. Please see response to Kentucky Public Service Commission second set of data request question 5(m)(1-3). Also reference the attachment KPSC_2_5m_Attachment1.xlsx and Section V, Exhibit 2, page 19.

b. All additional requested O&M expenditures of $10,424,960 will be reflected under the General Category of Forestry.

c. Referencing the Direct Testimony of Everett G. Phillips in Case No. 2014-00396, page 25, lines 10 - 16, and referencing Table 7 - Scenario 2, page 26, Task 2 represents the number of interim re-clear miles until the end 2018. These miles are referenced in Table 7, for years 2015 - 2018, as 741 in 2015, 771 in 2016, 788 in 2017, and 812 in 2018. Also, these miles are in addition to Task 1 miles being re-cleared under the Unanimous Settlement Agreement.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Annualization of Mitchell Generation Expense. Refer to the Direct Testimony of Company witness Yoder and Section V, Exhibit 2, pages 33-1 and 33-2 from the Company's filing.

a. Please explain fully and in detail the Company's rationale for proposing to annualize the Mitchell Generation expense.

b. Please provide the actual Mitchell generation expense, by account, for calendar year 2014.

c. Provide comparable Mitchell operating expenses, by account, for each calendar year 2009 through 2013.

d. Referring to page 33-2, please provide a description of each component of the Mitchell per books taxes other than income which totals $5,679,991.

e. Referring to page 7 (lines 11-13) of Mr. Yoder's testimony, please specify the adjustments that are being sponsored by Company witness Bartsch which were not included in Adjustment No. W33.

f. Referring to page 7 (lines 18-20) of Mr. Yoder's testimony, please explain fully and in detail why the Company is proposing to annualize the Mitchell generation expense with Ajustment No. W33, but is proposing to normalize Mitchell related maintenance
expense by using an inflation adjusted three-year average (i.e., Section V, Exhibit 2, Adjustment No. W34).

RESPONSE

a. The test year only included nine months of Mitchell generation expense on Kentucky Power's books. The Company annualized those nine months of expenses to obtain a representative test year level.

b. The actual Mitchell generation expense, by account, for the calendar year 2014 has not yet been prepared. In addition, the FERC Form 1 page 402/403 which provides some Mitchell Generation expense data is not available at this time.

c. The Mitchell Generating Plant was not included in Kentucky Power's operating expenses during those historical periods. Historical FERC Form 1. pages 402/403, which provide some plant level data, is available online at www.ferc.gov. The Ohio Power FERC Form 1 includes some Mitchell Generation expenses information for the periods requested.

d. The per book taxes totaling $5,679,991 are comprised of FICA (Acct. 4081002), Federal Unemployment Tax (Acct. 4081003), Real Personal Property Taxes (Acct. 4081005), State Unemployment Taxes (Acct. 4081007), State Business Occupation Taxes (Acct. 4081020), FICA Fringe Loading (Acct. 4081033), Federal Unemployment Tax Fringe Loading (Acct. 4081034), and State Unemployment Tax Account (Acct. 4081035)..

e. See Section V Exhibit 2 W46 and W47.

f. The Company's practice is to normalize plant maintenance expense for ratemaking given the potential for year to year variability in annual maintenance expense. Please refer to Page 21 of the testimony of Company Witness Wohnhas for a description of the purpose for and method of normalizing steam plant maintenance expenses at the Mitchell Plant. Kentucky Power has historically normalized steam plant maintenance expense for the Big Sandy Plant.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Reclassification of Cost of Removal Credit. Refer to the Direct Testimony of Company witness Yoder and Section V, Exhibit 2, page 36 from the Company's filing. On page 8 (lines 1-3) of his testimony, Mr. Yoder stated that Adjustment No. W36, in addition to increasing O&M expense by $69,695, also decreases rate base by the same amount.

a. Please identify by account and Company schedule, where the $69,695 reduction to rate base is reflected in the Company's filing.

b. Referring to part "a" above, please allocate the cost of removal credit of $69,695 ratably among long-term debt, short-term debt and common equity based on each component's percent share of total capitalization.

c. Please explain fully and in detail why the rate base component of the Company's proposed $69,695 adjustment is not reflected on Section V, Exhibit 1, Schedule 3.

RESPONSE

a. The $69,695 reduction in accumulated depreciation (account 108) is included in the $(319,141,552) going level adjustments identified in Section V, Exhibit 1, Schedule 4 page 18, line 166. This adjustment is then traced to Schedule 5 page 28 line 166 and the individual adjustment W36 is shown on Schedule 5 page 54 line 166.

b. The Company has not performed the allocation because it was not included in the capitalization schedule in Section V Exhibit 1 Schedule 3.

c. Because the change was accounted for as a going level adjustment, it was not necessary to include it in the capitalization schedule.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Annualization of ARO Depreciation Expense. Refer to the Direct Testimony of Company witness Yoder and Section V, Exhibit 2, page 41 from the Company's filing and the table below. On page 8 (lines 14-16) of his testimony, Mr. Yoder stated that the annualized amount of ARO depreciation expense is $605,925 and the test year amount of ARO depreciation expense is $365,154. However, as shown in the table below, the annualized amount of ARO depreciation expense is $486,872, or a difference of $119,053 based on annualizing the test year amount.

Description	Amount
Test Year ARO Depreciation Expense (as of 9/30/2014)	$ 365,154
Divided by Nine Months	9
Subtotal	$ 40,573
Multiplied by 12 Months	12
Annualized Amount of ARO Depreciation Expense	$ 486,872
Annualized ARO Depreciation Expense per Company	$ 605,925
Difference	$ (119,053)

a. Please explain and reconcile this discrepancy. Identify, quantify and explain each reconciling item.

b. Please provide the ARO depreciation expense as of December 31, 2014.

c. Provide comparable ARO depreciation expense for each year 2009 through 2013.

d. Show in detail each ARO asset and related ARO liability KPCo has recorded on its books as of each of the following dates: December 31, 2009, 2010, 2011, 2012, 2013, and 2014.

RESPONSE

a. KIUC_1_17_Attachment67_41ARO.xls shows the ARO locations that comprise the annualization adjustment. It is not necessary to divide the test year ARO depreciation of $365,154 on the Company's books by 9 and then multiply by 12 because the test year is a full twelve months of ARO depreciation expense. The annualization adjustment utilizes the last month of the test year to determine a level of ARO depreciation going forward.

b. The comparable ARO depreciation expense for the ARO assets shown in KIUC_1_17_67_41ARO.xls for the year ended December 31, 2014 was $604,732

c. The comparable ARO depreciation expense (excludes Mitchell) related to the ARO assets shown in KIUC_1_17_67_41ARO.xls by year for the years requested are as follows:

2009 - $ 88,534
2010 - $101,716
2011 - $137,409
2012 - $117,462
2013 - $117,462

d. See the attachments labeled "AG _1_ARO_Assets_Attachment1" and "AG_1_ARO_Liabilities_Attachment2" which provide the requested information.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

RTO Amortization. Refer to the Direct Testimony of Company witness Yoder and Section V, Exhibit 2, page 42 from the Company's filing.

a. Please explain fully and in detail the nature of the deferred RTO costs that were amortized over 10 years (until December 31, 2014), and identify by date and docket number, the Commission Order authorizing such treatment.

b. Please explain fully and in detail the nature of the deferred RTO costs that are to be amortized over 15 years (until December 2019), and identify by date and docket umber, the Commission Order authorizing such treatment.

c. Please provide detailed calculations which support the decrease in amortization expense of $151,844 (prior to jurisdictionalization) that is reflected on Adjustment No. W42.

d. Reconcile all RTO costs being claimed by KPCo to PJM invoices. Include a copy of the reconciliation.

RESPONSE

a.The RTO costs being amortized over 10 years are the PJM Expansion Cost Recovery Charges (ECRC). The ECRC is a charge that recovers costs that PJM incurred to expand the RTO to accommodate the addition of the AEP East Companies and other new PJM Members in 2004 and 2005. FERC granted PJM the authority recover these costs over the 10 year amortization period in Docket EL05-74-000. Accordingly, Kentucky Power paid a monthly charge to PJM for its portion of the ECRC throughout the amortization period which ended during the test year. The ECRC is included in PJM's tariff as OATT Schedule 13.

b. The RTO costs being amortized over 15 years are the RTO Start Up Cost Recovery Charges (SCRC). The SCRC is a charge that recovers the AEP East Companies' direct costs incurred by PJM for RTO development and start-up. FERC granted PJM the authority recover these costs over the 15 year amortization period in Docket ER05-751. Accordingly, Kentucky Power is paying a monthly charge to PJM for the SCRC charges and will continue to do so until the amortization period ends in December 2019. The SCRC is included in PJM's tariff as OATT Attachments H-13 and H-14.

c. Refer to AG_1_321_Attachment1.xls

d. On a monthly basis the Company utilizes a software program to reconcile its activity in the PJM market with its PJM bill due to the voluminous nature of the data behind the hourly, daily and monthly PJM charges and credits. The Company has not created a line by line reconciliation.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Annualization of ARO Accretion Expense. Refer to the Direct Testimony of Company witness Yoder and Section V, Exhibit 2, page 43 from the Company's filing.

a. Please explain fully and in detail how the Company has determined that the ARO accretion expense for the period October 2014 through September 2015 is known and measurable.

b. Please provide detailed calculations which support the proposed increase to ARO accretion expense of $368,701 (prior to jurisdictionalization).

c. Show in detail the comparable ARO accretion expense for each year 2009 through 2014, and show how it was calculated.

RESPONSE

a. The Company's ARO accretion expense is related to legal obligations to perform removal work for asbestos and ash ponds. ARO accretion expense is calculated in accordance with Generally Accepted Accounting Principles (GAAP) for Asset Retirement Obligations (ASC 410-20) and FERC Order 631. Changes in an ARO liability due to the passage of time are measured by applying an interest method of allocation to the amount of the liability at the beginning of the period and recorded as accretion expense. The ARO accretion expense is known and measurable for the period from October 2014 through September 2015 because the Company's PowerPlant property accounting system calculates the monthly accretion expense in conformity with GAAP by applying the applicable rate to each ARO liability balance as of September 2014.

b. See the attachment labeled AG_1_322_Accretion_Attachment1.xls provided along with this response.

c. See the attachment labeled AG_1_322_Accretion_Attachment2.xls provided along with this response for the amount of ARO Accretion expense for 2009-2014. The attachment labeled AG_1_322_Accretion_Attachment3.xls provided along with this response for an example of how ARO Accretion expense was calculated in 2014.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Company witness Yoder at pages 10 (lines 13-15) and 11 (lines 1-13).

a. Please explain fully and in detail how Mr. Yoder, by using the Mitchell Plant joint book billing information, was able to determine the amount of Mitchell Plant costs that remained with KPCo for its 50% undivided interest.

b. Please explain fully and in detail where the remaining $12.5 million of Kentucky related Mitchell Plant costs are reflected in the Company's records since, according to Mr. Yoder's testimony, the accounts in which the $12.5 million is reflected do not run through the joint book billing process until after the Company's monthly close process.

RESPONSE

a. See KIUC_1_17_Attachment66_31_33_RemoveBS_O_M_AnnualizeMitchell.xls. The Mitchell Joint Books tab is a summary of the total costs included into the automated joint book billing system and the amounts by account that were billed to AEP Generation Resources (AGR). The amounts billed to AGR for Mitchell Plant were subtracted from the total Mitchell Plant costs to determine the amount of Kentucky Power Mitchell Plant costs.

b. See the attachment referenced in a. above. The "Detail Tab" in the attachment shows how the amounts identified as KPCo Mitchell costs were subtracted from total generation costs to get Big Sandy. The notes included on the "Detail Tab" shows the additional items identified that were not processed through the joint book process. The additional workpapers in KIUC_1_17_Attachment66_31_33_RemoveBS_O_M_AnnualizeMitchell.xls support those amounts.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Show, by account, all rate base and operating expenses being claimed for KPCo's 50% interest in plant Mitchell in the current rate base proceeding

RESPONSE

The operating expenses included in the cost of service related to Mitchell are shown on Section V Exhibit 2 Page 33-1 and 2 which annualizes Mitchell Plant costs and Section V Exhibit 2 Page 34 which normalizes Mitchell Plant maintenance expense.

Mitchell Plant rate base is not specifically carved out in this proceeding because the Company used an end of period rate base which included Mitchell. See KIUC_1_18 for an estimate of the impact of adding Mitchell to the Company's cost of service and rate base.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Company witness Yoder at page 18 (lines 6-8). Please provide a complete copy of the most recent demolition study that was prepared for the Big Sandy plant in March 2013.

RESPONSE

A complete copy of the most recent demolition study prepared for Big Sandy Plant in March 2013 is included along with the response to this question and labeled AG_1_325_Attachment1.pdf.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Big Sandy Decommissioning Costs. Refer to Table 3 on page 11 of the Direct Testimony of Company witness LaFleur. Please explain fully and in detail how the Big Sandy Unit 2 decommissioning expense amounts of $1,198,780 (July 2015 - June 2016); $880,002 (July 2016 - June 2017); $730,000 (July 2017 - June 2018) and $250,000 annually (July - June, 2018 - 2031) were derived. Show detailed calculations.

RESPONSE

Kentucky Power identified the activities and the associated costs which would be required to decommission the unit. As described on pages 11 line 13 through page 12 line 19 of Company Witness LaFleur' s testimony, some of these activities must be performed immediately upon the unit's retirement while others are ongoing until the unit can be demolished. Please see AG_1_326_Attachment1.xlsx for a description of these activities and the estimated costs for their completion. These costs then were reviewed by Big Sandy Plant Management, as well as the Environmental, Engineering, and Construction Projects groups, in conjunction with Mr. LaFleur. Using his professional judgment, Mr. LaFleur made a final decision regarding the timing and funding of these costs, recognizing the difficulty in accomplishing all of the tasks in a 2 year period. Additionally, Mr. LaFleur used his best professional judgment in developing the annual and ongoing O&M budgeted costs for the unit. Finally, Mr. LaFleur and others worked with Kentucky Power budget personnel to coordinate the budgets.

WITNESS: Jeffrey D LaFleur

Kentucky Power Company

REQUEST

Payroll Expense. Refer to Table ARC-1 on page 10 of the Direct Testimony of Company Witness Carlin.

a. Referring to the Company's base salary increase percentage for 2014, please explain fully and in detail the .35% that was designated as a Promotional and Equity Adjustment.

b. Referring to part "a" above, please explain fully and in detail whether the Promotional and Equity Adjustment has been factored into base salary increases in years prior to 2014. If so, identify the year(s) and provide the portion of the base salary increase percentage that was allocated to the Promotional and Equity Adjustment(s) in each of those years. If not, explain fully why not.

c Please state whether the Company's annualized payroll expense adjustment (Section V, Exhibit 2, page 26) has factored in the Promotional and Equity adjustment. If so, please state the applicable percentage and quantify the impact on the Company's pro forma payroll expense. Show detailed calculation. If not, explain fully why not.

RESPONSE

a. A 0.35% promotion and equity adjustment budget was added to AEP's salary budget for 2014 to better enable line of progression promotions (e.g. a promotion from an intermediate level accountant to a senior level accountant) and to address internal or external equity comparisons needs. AEP froze line of progression promotions in 2009 and 2010 and the cost of such increases were deducted from the merit budget in subsequent years. Business unit managers were also expected to offset these costs in their overall budget. These factors substantially reduced the number of line of progression promotions over a multi-year period. As a result, many company employees who were in positions/job families that have line of progression promotional opportunities, more than met the qualification and performance requirements to progress in their job family but the overall salary budget was insufficient to enable such promotions while also keeping the base salaries for other employees in line with the market . In addition, the AEP's salaries were in the lower end of the market-competitive range because AEP's overall salary increase budget had not kept pace with the market rates.

The 0.35% budget was also infrequently used to address internal and external equity situations, such as when the Company finds that, generally due to transfers, the pay for better performing and more experienced employees, particularly females and minorities, is out of line with that of other employees in a particular position and location. These were also infrequently used to address external market alignment situations, such as when a particular position is experiencing turnover issues and the base compensation levels for these positions is found to be low relative to the market competitive range.

b. No, a promotion and equity adjustment budget was not identified as a separate component of AEP's salary budget prior to 2014. Instead such increases were deducted from the overall salary increase budget. As a cost savings measure, line of progression promotions were frozen for 2009 and 2010 and then restricted by the practices described in a. above for other years prior to 2014.

c. Yes. The Company's adjustment to annualize payroll expense utilized the last pay period of the test year which would factor in the use of the Promotional Equity Adjustment to the extent it was used to determine an employee's salary increase during the test year. The impact of the factor is not segregated in the calculation of the annualization of payroll. No adjustments were made for planned 2015 salary increases.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Refer to the Direct Testimony and exhibits of Company witness Carlin.

a. Identify and provide a copy of each comparative wage and benefit study relied upon by KPCo in this proceeding.

b. Identify the geographical location of each company to which KPCo, AEPSC, and AEP compensation levels are being compared.

c. Provide the cost of living index in Kentucky for each year 2009 through 2014.

d. Provide the cost of living index for each geographical location indentified in response to part b.

RESPONSE

a. Please see Company Witness Carlin's Exhibit ARC-1. The supporting surveys and analyses prepared on behalf of the Company, 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 Kentucky Power Company in Frankfort, Kentucky.

b. Compensation levels are compared against the national average for all positions across the AEP system, including KPCo and AEPSC. Compensation is not differentiate based on local geographies.

c. The Company does not use cost of living indices. Rather, the Company relies on several annual survey sources that project annual wage practices aggregated by industry, revenue size, organizational size, and geography. Survey sources include The Conference Board, World at Work, Mercer Consulting Inc. and Compensation Resources Inc. The scope data for national geography and utilities sector is used for AEPSC positions and the Trades/Production Employee Group for the physical craft positions.

d. See response to AG's 1-328 c. above.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

List KPCo's ten largest commercial and industrial customers and the level of demand and energy sales and revenue from each in 2013 and 2014.

RESPONSE

Please see AG_1_329_Attachment1.xlsx for the answer to this response. The response is confidential.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Has KPCo added any large commercial or industrial customers since 9/30/2014?

a. If so, list the customers (can be by code to address confidentiality concerns) and identify the MWh sales and revenues related with such customer additions.

RESPONSE

No.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Have any of KPCO's large commercial or industrial customers told KPCo about expanding operations or increasing electricity purchases since 9/30/2014?

a. If so, list the customers (can be by code to address confidentiality concerns) and identify the MWh sales and revenues related with such customer increases in demand or usage.

RESPONSE

See AG_1_331_Attachment1.xls. The attached list includes information from customers who have informed the Company of plans to expand operations. The additional load may or may not actually materialize on the effective date. Because of the advanced start date, the specific rate code has not been determined yet, so it is not possible to provide the amount of revenue associated with each project.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Have any of KPCO's large commercial or industrial customers told KPCo about closing operations or decreasing electricity purchases since 9/30/2014?

a. If so, list the customers (can be by code to address confidentiality concerns) and identify the MWh sales and revenues related with such customer changes in demand and/or usage.

RESPONSE

Please see the response to AG-331.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to Exhibit JMS-2. Provide a complete copy of the Company's Cost of Service Study in Excel with formulas intact.

RESPONSE

The Company has provided an Excel version of JMS-2 in KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm in its response to Question 17 from the KIUC's first set of data requests.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to Exhibit JMS-3. Provide a complete copy of the Company's Proposed Revenue Allocation in Excel with formulas intact.

RESPONSE

The Company has provided an Excel version of JMS-3 in KIUC_1_17_Attachment35_Stegall_JMS_2_and_JMS_3_CCOS_and_Revenue_Allocation.xlsm in its response to Question 17 from the KIUC's first set of data requests.

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to Exhibit JMS-3. If the transmission revenue requirement were to remain in KPCo's base rates, would that be accomplished by eliminating column 10 from Exhibit JMS-3?

a. If not, what other adjustments would be necessary to keep the transmission revenue requirement in KPCo's base rates?

RESPONSE

Yes, eliminating the OATT adjustment in Column 10 of Exhibit JMS-3 would keep the transmission function revenue requirement in base rates which would result in the KY retail jurisdictional revenue requirement increasing by $126,908 and customers' rates in aggregate and by class would not be aligned with the true cost of transmission service. Furthermore, the customer class revenue allocation would need to be re-examined since the effects of the OATT adjustment were taken into consideration when the Company decided not to remove any further inter-class subsidies.

a. None

WITNESS: Jason M Stegall

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Stogran.

a. Identify all NERC compliance and cybersecurity costs, by account, in the test year.

b. Identify all NERC compliance and cybersecurity costs, by account, in each calendar year, 2009 through 2014.

c. Identify all NERC compliance and cybersecurity costs, by account, budgeted and/or forecast for AEP in total for each year, 2015 through 2017.

d. Identify all NERC compliance and cybersecurity costs, by account, budgeted and/or forecast for AEP in total for each year, 2015 through 2017, to be allocated or charged to KPCo.

e. Which other AEP utility operating companies have proposed a NERC Compliance and Cybersecurity Rider? Identify each utility and each docket in each jurisdiction.

f. Do any other AEP utility operating companies currently have a regulatory commission authorized NERC Compliance and Cybersecurity Rider? (1) If not, explain fully why not.

(2) If so, identify each utility and each docket in each jurisdiction.

RESPONSE

a.-d. See the Company's response to KPSC 1-7.

e. Ohio Power Company; Case No. 13-2385-EL-SSO Appalachian Power Company;, West Virginia Case No 14-1152-E-42T

f. No. The two cases listed in part e above are pending.

WITNESS: H Kevin Stogran

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan concerning the PJM Rider.

a. Identify all transmission costs, by account, in the test year.

b. Identify all transmission costs, by account, in each calendar year, 2009 through 2014.

c. Identify all transmission costs, by account, budgeted and/or forecast for KPCo for each year, 2015 through 2017.

d. Identify all transmission costs, by account, budgeted and/or forecast for AEP in total for each year, 2015 through 2017, to be allocated or charged to KPCo.

e. Which other AEP utility operating companies have proposed a PJM Rider? Identify each utility and each docket in each jurisdiction.

f. Do any other AEP utility operating companies currently have a regulatory commission authorized PJM Rider? (1) If not, explain fully why not. (2) If so, identify each utility and each docket in each jurisdiction, and provide a complete copy of such rider.

g. For each AEP utility operating company that has a PJM Rider that is similar to KPCo's proposal, identify the date such rider was implemented and the dates and test years used in that utility's last five rate cases.

h. Refer to the Vaughan testimony at page 16, lines 19-21. Identify and provide all KPCo rate filing plans (1) with the PJM Rider and (2) without the PJM Rider.

i. For each year, 2009 through 2014, identify the total amounts, by account, of each type of cost that KPCo is proposing be recovered in a PJM Rider.

RESPONSE

a. See Exhibit AEV-5, lines 22-OATT through 31-OATT in column A.

b. See AG_1_337_Attachment1.

c. See AG_1_337_Attachment2.

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

e See the Company's response to part f.

f. Yes.

1) All AEP East Operating Companies in PJM except for KPCo have approved riders to recover their PJM expenses.
2) -Appalachian Power Company - West Virginia, Expanded Net Energy Clause (ENEC), Case No. 05-1278-E-PC-PW-42T, 7/28/2006
-Wheeling Power Company - West Virginia, Expanded Net Energy Clause (ENEC), Case No. 05-1278-E-PC-PW-42T, 7/28/2006
-Appalachian Power Company - Virginia, Transmission Rate Adjustment Clause (TRAC), Case No. PUE-2009-00031, 12/12/2009. And, Fuel Factor, Case No. PUE-2007-00067
-Indiana Michigan Power Company - Indiana, PJM Rider, Case No. 43306, 3/4/2009
-Indiana Michigan Power Company - Michigan, Power Supply Cost Rider (PSCR), Case No. U-16801, 1/20/2012
-Kingsport Power Company - Tennessee, Purchase Power Adjustment Rider (PPAR), Case No. 08-00213, 12/22/2008
-Ohio Power Company - Ohio, Transmission Cost Recovery Rider (TCRR), Case No. 05-1194-EL-UNC, 1/1/2006.

Copies of the above referenced riders are publicly available at each Companies' website:
https://www.aepohio.com/account/bills/rates/RatesAndTariffs.aspx
https://www.appalachianpower.com/account/bills/rates/APCORatesTariffsTN.aspx
https://www.appalachianpower.com/account/bills/rates/APCORatesTariffsVA.aspx
https://www.appalachianpower.com/account/bills/rates/APCORatesTariffsWV.aspx
https://www.indianamichiganpower.com/account/bills/rates/IandMRatesTariffsIN.aspx
https://www.indianamichiganpower.com/account/bills/rates/IandMRatesTariffsMI.aspx

g. Kentucky Power objects to this data request on the grounds that the information it seeks, particularly the test years used in the last five rate cases filed by the affiliated companies implementing a PJM rider, is irrelevant and not likely to lead to the discovery of admissible evidence. Further, the research and production of the information is unduly burdensome and equally available to the Attorney General. Without waiving these objections, please see part f for the information regarding the date the PJM riders were implemented.

h. The Company cannot speculate regarding when it will need to file, or be obligated to file its next base rate case.

i. See the Company's response to KPSC 2-99

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan concerning the BS1OR.

a. When will Big Sandy be converted to a natural gas fired generating plant?

b. For each year, 2009 through 2014, identify the total amounts, by account, of each type of cost that KPCo is proposing be recovered in the BS1OR Rider.

RESPONSE

a. The Big Sandy Gas Conversion project is scheduled to be in-service in June 2016.

b. Please see AG_1_338_Attachment1.xls for this response.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan concerning the Treatment of Transmission Function Revenues and Expenses.

a. For each year, 2009 through 2014, identify the total amounts, by account, of each type of transmission, revenue, cost and investment that KPCo had recorded.

b. For the test year identify the total amounts, by account, of each type of transmission, revenue, cost and investment that KPCo had recorded.

c. Using the test year amounts identified in response to part b, show in detail exactly which items KPM is proposing be recovered in a the PJM Rider, and which transmission costs would remain in KPCo's base rates.

d. Identify and provide all analysis reviewed by Mr. Vaughan for the statement at page 20, line 20: "The annual level of PJM charges and credits can vary significantly."

e. Identify and provide all analysis reviewed by Mr. Vaughan for the statement at page 20, line 21-22: KPCo's "transmission rates would be comparable to other customers within the AEP Transmission Zone." (1) Identify the rates of each other customer within the AEP Transmission zone. (2) Show in detail how the rates proposed by KPCo compare with the information identified in response to (1).

f. Refer to page 21, line 8, show in detail how the $53,779,456 was developed, including each operating expense amount (by account), each rate base amount (by account), and the cost of capital by component, the gross revenue conversion factor, and any other calculations which produced the $53,779,456.

RESPONSE

a. For years 2009-2013, see AG_1_339_Attachments 1-5. A calendar 2014 analysis has not been performed.

b. See Section V, Exhibit 1.

c. The Company proposes that the items in Exhibit AEV-5, lines 22-OATT through 31-OATT, amounts in column E, remain in base rates. The proposed PJM rider would then track actual costs going forward above and below the amount in base rates for these items. The Company proposes that all other transmission function expenses, revenues and rate base be removed from its Kentucky retail cost of service. The Company's proposal was reflected in its application in Exhibit JMS-2.

d. Company witness Vaughan relied on over 7 years of experience with the level of PJM charges and credits paid/received by the AEP East Operating Companies when making that statement in his testimony.

e. Company witness Vaughan relied on the fact that all load serving entities (LSEs) in the AEP Transmission Zone pay the same rate for transmission service, per the FERC approved AEP OATT.

f. See Exhibit AEV-5, lines 22-OATT through 31-OATT, amounts in column E. For the workpapers behind Exhibit AEV-5, see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachments 42 and 53.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan at page 22 etc, re adjustment 9.

a. Identify and provide the sales for resale by account for each calendar quarter in 2013 and 2014.

b. Show exactly how the information for the 4th calendar quarter of 2013 was used for KPCo's proposed adjustment.

c. Show the amounts of purchased power expense, by account, for each calendar quarter in 2013 and 2014.

d. Show exactly how the purchased power expense information for the 4th calendar quarter of 2013 was used for KPCo's proposed adjustment.

RESPONSE

a. Please see AG_1_340_Attachment 1.xls to this response for the sales for resale, by account, for each calendar quarter in 2013 and 2014.

b. See the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachment37 for the workpaper and calculations behind adjustment 9.

c. Please see AG_1_340_Attachment 2.xls to this response for the purchased power expense, by account, for each calendar quarter in 2013 and 2014.

d. See the Company's response to part b.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Coal inventory.

a. Identify the quantity and cost of the coal inventory at Big Sandy for each month of 2012, 2013 and 2014 and the estimated coal inventory quantify and cost for each month of 2015 through anticipated closure of existing coal-fired generating units.

b. Has the Company included any amounts in its revenue requirement request for coal inventory remaining at Big Sandy after closure of existing coal-fired generating units? (1) If not, explain fully why not. (2) If so, explain fully and show in detail how the amounts requested for Big Sandy coal inventory were derived, and exactly how and where the request for remaining coal inventory has been reflected in KPCo's filing.

c. After May 2015, will any coal-fired generating units at Big Sandy be in service? (1) If so, please identify which units.

RESPONSE

a. Please see AG_1_341_Attachment1.pdf for the answer to this response.

b. No. There will be a short time between when new base rates go into effect (late June, 2015) and when Big Sandy is scheduled to cease operation as a coal unit (mid November, 2015), but the Company did not attempt to include any revenue requirement related to coal inventory for this short period of time.

c. Yes. The current projection is for Big Sandy Unit 1 to remain in service until mid-November, 2015 when it will then be taken out of service to begin the Company's modifications to the boiler in order to complete its conversion to natural gas.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Big Sandy Coal Assets. Refer to the testimony of witness Wohnhas at page 12, lines 3-5.

a. Identify and provide the Company's anticipated accounting entries to remove all coal-related assets at the Big Sandy Plant.

b. Is any Big Sandy coal inventory included in the Company's proposed BSRR? (1) If not, explain fully why not. (2) If so, identify the amounts of coal inventory that is being requested in the BSRR.

c. When did the Company realize that Big Sandy coal-related assets would need to be retired?

RESPONSE

a. The accounting entries have not been formalized or prepared to remove all coal-related assets at the Big Sandy Plant. Generally, the original cost will be retired and the remaining net book value will be reclassified as a regulatory asset. The regulatory asset will be decreased by amortization over 25 years and increased by additional costs (removal, Asset Retirement Obligation costs) that are yet to be incurred. True-ups between actuals and estimates will also be made and the BSRR will be trued-up as discussed in the testimony of Company witness Wohnhas.

b. No.
(1) The Company anticipates the coal inventory will be utilized by the retirement date of Big Sandy Unit 1. Salvageable coal remaining, if any, will be sold.
(2) N/A

c. Kentucky Power filed its application in Case No. 2012-00578 in December 2012. That application anticipated, subject to Commission approval, that Big Sandy Unit 2 would be retired and Big Sandy Unit 1 would be converted to burn natural gas. The Commission's October 7, 2013 Order in Case No. 2012-00578 approved the Mitchell Transfer as the least-cost alternative for the disposition of Big Sandy Unit 2. Further, the Stipulation and Settlement Agreement approved by the Commission in Case No. 2012-00578, provided for the recovery of "coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2, and other site-related retirement costs that will not continue in use". The Commission's approval of the Company's CPCN application (2013-00430) for the conversion of Big Sandy Unit 1 from coal to gas established the basis for the consequent retirement of coal-related assets for Big Sandy Unit 1.

WITNESS: Jason M. Yoder

Kentucky Power Company

REQUEST

Big Sandy Unit 2 FGD investigation costs. Refer to the testimony of Witness Wohnhas at page 20, lines 15-21.

a. Did the five-year recovery period attributed to the Stipulation and Settlement include any provision for KPCo to include in rate base the unamortized Big Sandy Unit 2 FGD investigation costs? If so, explain fully.

b. Have the Big Sandy Unit 2 FGD investigation costs ever been used and useful in providing electricity to Kentucky ratepayers? If so, during what periods, were such costs used and useful in providing electricity to Kentucky ratepayers?

c. How much KPCo direct labor cost is included in the $28.113 million?

d. How much affiliated company labor cost is included in the $28.113 million?

e. Show the build-up of the $28.113 million by year, and by type of cost.

RESPONSE

a. No

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

c-e. Please see the Company's response to AG 1-309. The $28.113 million referenced in the testimony of Witness Wohnhas was the amount on the Company's book at the time of Case No. 2012-00578. The current amount is $28.025 as shown in the response to AG 1-309.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Steam Plant Maintenance Cost Normalization. Refer to the testimony of Witness Wohnhas at page 21, lines 19-20. Show in detail all calculations from each of the last five KPCo rate cases, where the Company historically normalized steam plant maintenance expenses for the Big Sandy Plant.

RESPONSE

Please see AG_1_344_Attachment1.xls for Kentucky Power's normalized steam plant maintenance expenses for Case Nos. 2005-00341 and 2009-00459. Kentucky Power did not normalize steam plant expenses for Big Sandy in Case No. 2013-00197. Information on Kentucky Power's rate cases filed in 1984 and 1990 is not available.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

AFUDC rate applied to Big Sandy. Refer to the testimony of Witness Wohnhas at page 23, lines 7-8.

a. Show in detail how the 7.71% is calculated.

b. Does KPCo use the FERC instructions for calculating its AFUDC rates? (1) If not, explain fully why not. (2) If so, please show the AFUDC rates that KPCo computed using the FERC guidance for each month of 2013, 2014 and 2015 to date.

RESPONSE

a. Please see Section V, Exhibit 1, Workpaper S-2, Page 1 of 3.

b. Please see Company's response to AG 1-126.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

System Sales Margins to be credited against base rates. Refer to the testimony of Witness Wohnhas at page 24, lines 6-11.

a. How much system sales margin has KPCo reflected in its proposed revenue requirement? Exactly where in KPCo's filing is that reflected?

b. How much system sales margin has KPCo recorded during each month of 2014?

RESPONSE

a. The adjusted test year level of off system sales included in the Company's revenue requirement is $14,299,964. This can be found in Section V, Exhibit 2, Page 10, Exhibit AEV-7 and in the direct testimony of Company Witness Vaughan beginning on page 27 line 4, ending on page 32.

b. See AG_1_346_Attachment1. As described in the testimony of Company Witness Vaughan, the off-system sales margins in 2014 are not indicative of the off-system sales margins the Company will experience following the retirement of Big Sandy Unit 2.

WITNESS: Alex E. Vaughan

Kentucky Power Company

REQUEST

Kentucky Power jurisdictional cost of service allocation. For each rate base account and for each revenue and operating expense account, show the Kentucky Power jurisdictional cost of service allocation as a percentage of the total cost in each such account.

RESPONSE

Please see the Company's response to KIUC 1-17 for the excel file with working formula's intact of Section V Exhibit 1, Schedule 4 for the requested detail by account with corresponding allocation factor.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan at page 26 re non OATT PJM charges.

a. Identify the amount, by account, of KPCo, non-OATT PJM charges for each month of 2012, 2013 and 2014.

b. Identify the amount, by account, of KPCo, non-OATT PJM charges for each year, 2012, 2013 and 2014.

c. Show in detail how each amount on page 26, line 11, was derived.

d. Show in detail how the $53.78 million at page 26, line 21 was calculated.

e. Show the actual PJM OATT charges based on the new PJM OATT rates that began July 1, 2014, by account, for each month in 2014.

i Update the response as additional actual PJM OATT charges become available or months in 2015.

f. Identify the FERC docket in which the PJM OATT rates that began on July 1, 2014 were developed, and identify the specific pages and calculations in that docket which show the development of such rates.

RESPONSE

a.- b. See AG_1_348_Attachment1.

c. See Exhibit AEV-5, Page 2 of 5, line 21-PJM Subtotal, column G. For the workpapers behind these calculations see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachments 38,39,40,41,42 and 53.

d. See Exhibit AEV-5, Page 2 of 5, line 32-OATT Subtotal, column E. For the workpapers behind these calculations see the Company's response to KIUC 1-17, specifically KIUC_1_17_Attachments 38, 42 and 53.

e. See the Company's response to AG 1-337, part b.

f. For Network Integration Transmission Service (NITS) and Schedule 1a charges, see FERC Docket Nos. ER08-1329-000 and ER-10-355-000. See AG_1_348_Attachments 2 and 3 for the calculations behind these rates.

For Regional Transmission Enhancement Projects (RTEP), the requested information is publicly available for each transmission owner in the PJM RTO at http://pjm.com/markets-and-operations/transmission-service/formula-rates.aspx. Then click on the January 1, 2014 - December 31, 2014 drop down menu for links to the formula rate filings of the various transmission owners in PJM. Within the filings are the RTEP rates and associated FERC Docket Numbers.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of Mr. Vaughan concerning adjustment 10, Off System Sales Margins.

a. Show complete calculations for each step of the OSS margin adjustment.

b. Show in detail how each amount on page 28, lines 21-22, was developed.

c. Provide the monthly information for January - September 2014, by account, that was used by the Company.

d. Provide additional comparative information, by account, for each month October - December 2014.

e. Provide the "OSS Margin Model" referenced at page 29, lines 15-16, in Excel, with formulas intact.

RESPONSE

a. See the Company's response to KIUC 1-93.

b. See the Company's response to KIUC 1-17, specifically see the "Non PJM Energy margin Acct Totals" row on the "ADJ" tab of the excel workbook labeled as KIUC_1_17_Attachment 43. The details behind the numbers found on the "ADJ" tab of KIUC_1_17_Attachment 43 can be found in KIUC_1_17_Attachments 39, 40 and 44.

c. See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachment 43.

d. See the Company's response to AG 1-346 part b.

e. See the Company's response to KIUC 1-17, specifically see KIUC_1_17_Attachment 45.

WITNESS: Alex E Vaughan

Kentucky Power Company

REQUEST

Refer to the testimony of witness Yoder at page 5. Is the Company requesting any rate base inclusion for any of these deferred cost items, and, if so, please identify the amounts for each that KPCo is requesting be included in rate base both in total (based on the account 183 or 182.3 amounts), and after netting any related ADIT:

a. IGCC?
b. CCS Feed Study?
c. CARRS Site?
d. Preliminary Big Sandy FGD Costs?

RESPONSE

a.-d. None of these items are in rate base.

WITNESS: Jason M Yoder