Kentucky Power Company

REQUEST

Refer to the testimony of witness Yoder at page 5.

a. Why is the CCS FEED Study shown as being in account 182.3?

b. Why are the three other items in account 183?

c. What are the total amounts that are being proposed for amortization for each of the four items?

d. Do any of the four items represent costs that were incurred by an affiliated entity that were allocated to KPCo? If so, please provide the following information: (1) name of the entity that incurred the cost; (2) the total amount of the cost; (3) complete details of how the cost was allocated among the AEP companies; (4) which AEP companies, if any, have been authorized to recover such cost from their respective ratepayers; and (5) which AEP companies, if any, have been denied recovery of such cost from their respective ratepayers.

RESPONSE

a and b. The Company has recorded these costs in accordance with the FERC Uniform System of Accounts. The requested amounts recorded in account 183 will be transferred to account 182.3 pending approval in this case.

c. Refer to Section V, Exhibit 2, Page 21, Page 22, Page 23 and Page 24.

d. Yes. (1) - (5) See the Company's response to AG_1_302, AG_1_304. AG_1_306, AG_1_307 and AG_1_308.

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the testimony of witness Yoder at page 15.

a. Show in detail exactly how the $314,209,917 in Carrying Costs was derived. Include complete details on each component of the cost of capital, the weighting, any income tax gross-ups that were applied, and the period over which such costs were estimated.

b. Provide a complete amortization table, including cost recovery and carrying costs, in each year that shows the $554,153,747 total retirement costs, and the amounts related to each year during the 25 year recovery period for (1) carrying costs, (2) non-carrying cost recovery.

RESPONSE

See the workpapers provided at KIUC_1_17_Attachment_72.xls

WITNESS: Jason M Yoder

Kentucky Power Company

REQUEST

Refer to the testimony of witness Reitter at page 5. Identify and provide the journal entries showing how the dividends and return of paid in capital payments by KPCo to the Parent company were recorded.

RESPONSE

The journal entries for the recapitalization dividend and return of capital associated with the Mitchell transfer are illustrated in AG_1_353_Attachment1.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Capital structure. Why does KPCo have negative amounts in its proposed capital structure?

RESPONSE

Please see response to KIUC 1-44.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the testimony of witness Reitter at page 9.

a. Identify and provide the details of the 5.98% cost of long term debt filed in Case No. 2013-00197.

b. Did KPCO's proposed capital structure in Case No. 2013-00197 include negative amounts for any components of the capital structure? If not, explain fully why not.

RESPONSE

a. Please see AG_1_355_Attachment1 for this response.

b. Yes. Kentucky Power Company included negative amounts of short term debt in the capital structure proposed in Case No. 2013-00197.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Compensation. Refer to the Direct Testimony of Company witness Carlin. On page 13 (lines 4-12), Mr. Carlin stated in part that the Company has taken steps to control compensation by (1) substantially reducing the use of external contractors and temporary employees, and (2) substantially reducing the employee workforce through staff reductions and severance programs.

a. Please explain fully and in detail whether the Company's filing reflects the impacts of each of the cost reduction steps noted above. If so, quantify and identify, by amount and account, where these cost reducing impacts are reflected in the Company's filing. If not, explain fully why not.

b. Are additional steps being taken in 2015? If not, explain fully why not. If so, identify d explain each step and its annual input.

c. When was the last severance program? What was its cost and how much savings was produced?

RESPONSE

a. Yes, the cost reductions discussed on page 13 (lines 4-12) of the Direct Testimony of Company witness Carlin are reflected in test year expenses and the Company's requested cost of service. Because these cost reductions were made in 2010 and 2011 and there have been a large number of subsequent changes in organization structure and associated complement, the Company no longer tracks the specific amounts and accounts associated with these cost savings.

b. Plans for 2015 have not been finalized, but initiatives from prior periods continue into 2015.

c. The Company has a severance program in place, which is applicable to all eligible employees. See also Company's response to AG-1-79 and 80.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Compensation. Refer to the Direct Testimony of Company witness Carlin at pages 13 (lines 25-26) and 14 (lines 1-3). Please quantify and explain fully and in detail how the Company's target total cash compensation (base pay plus annual incentive compensation) and target total direct compensation (total cash compensation plus target long-term incentive compensation) were affected by the steps taken to control compensation costs. Show detailed calculations.

RESPONSE

Please see the Company's response to AG-1-76.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Compensation. Refer to the Direct Testimony of Company witness Carlin. On page 16 (lines 1-3) of his testimony, Mr. Carlin stated that the Human Resources Committee of AEP's Board of Directors frequently engages a nationally recognized, independent executive compensation consulting firm to conduct a compensation study of AEP's management and executive positions.

a. Please identify the nationally recognized, independent executive compensation consulting firm.

b. For the period 2011 through 2014, please state the frequency with which the consulting firm identified in part "a" above has conducted independent executive compensation studies for AEP's management and executive positions.

c. For each year 2011, 2012, 2013 and 2014, please provide copies of the compensation studies that were conducted for AEP by the consulting firm identified in part "a" above.

d. For each year 2011, 2012, 2013 and 2014, please state whether similar executive compensation studies have been conducted with respect to KPCo's management and executive positions. If so, please provide copies of such studies. If not, explain fully why not.

RESPONSE

a. - d. See Company's response to AG-1-85.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 16 (lines 6-9).

a. Please explain Mr. Carlin's statement that "when incentive compensation is provided as a component of a market competitive total compensation package, it has no incremental cost above the cost of providing market competitive using base pay alone."

b. If a payout occurs that is above 100% of target, explain how that is not above the base pay alone levels.

RESPONSE

a.-b. The Company's total employee compensation compares favorably with at or below the market-competitive pay range. The Company's variable (incentive) compensation amount is part of the employees' total compensation used for comparison, and therefore the Company does not have additional cost above that of its employee payroll costs.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin.

a. Please identify the "several other smaller groups" that is referenced on page 20 (line 12) of Mr. Carlin's testimony.

b. Please quantify the impact, if any, of the incentive compensation awarded to the "several other smaller groups" identified in part "a" on the Company's filing. Show detailed calculations.

c. Referring to page 20 (lines 19-20) of Mr. Carlin's testimony, please explain fully and in detail the strategic initiatives that vary each year, from which 15% of KPCo's incentive compensation is funded by the performance of such strategic initiatives.

RESPONSE

a. Please see the Company's response to KIUC-1-31.

b.-c. Please see the Company's response to KIUC-1-31 and AG-1-85.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 24 (lines 1-3). Please quantify and explain fully and in detail Mr. Carlin's statement that: "the cumulative total of all ongoing benefits incentive compensation has produced in past years that have already been captured in rates will be captured in rates through this proceeding." Identify all such amounts and how they are derived.

RESPONSE

Please see the Company's response to AG-1-76.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 24 (lines 3-7). Please quantify and explain fully and in detail the following portion of Mr. Carlin's testimony where he states:

a. "To the extent that substantial additional benefits are produced going forward, shareholders will pay the incremental incentive compensation expense associated with the above target portion of the inventive payouts this performance produces. This is appropriate because the financial benefit of this performance improvement would not be captured by customers until the next base rate case, although customers would immediately receive the benefits of any operational improvements."

RESPONSE

The Company is requesting a target compensation cost of 1.0. Employee compensation in excess of the 1.0 target is not included in the Company's requested revenue requirement in this case. Customers benefit from the achievement of goals beyond a target compensation cost of 1.0, regardless of whether the costs are included in the Company's requested revenue requirement.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Identify all KPSC orders of which the Company is aware that address whether and to what extent incentive compensation costs are allowable in a utility's revenue requirement.

RESPONSE

Kentucky Power's 2009 (Case No. 2009-00459) and 2005 (Case No. 2005-00341) rate cases were resolved through "black-box" settlements that did not address incentive compensation. Both agreements were approved by the Commission. The Company's 2013 rate case was withdrawn in accordance with the July 2, 2013 Stipulation and Settlement Agreement and the Commission's October 7, 2013 Order in Case 2012-00578. The Company did not research other orders of the Commission in connection with the preparation of its application in this case.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 27 (lines 15-17). Please explain fully and in detail Mr. Carlin's statement that the EPS funding measure and incentive compensation in general, is a mechanism for balancing the interests of employees, ratepayers and shareholders.

RESPONSE

See the Company's response to KIUC-1-33 and AG-1-85 and 362.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 28 (lines 5-8). Please quantify and explain fully and in detail Mr. Carlin's statement that: "If only 1 percent of the Company's O&M expense is saved each year due to the incentive compensation program, then millions of dollars per year has been saved by Kentucky customers by virtue of tying incentive compensation to the Company's financial performance measures."

RESPONSE

The cost associated with incentive compensation in the Company's revenue requirement is much less than 1% of the Company's total O&M. See also the Company's response to AG-1-76.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin at page 29 (lines 7-11). Please explain fully and in detail why the Company's claimed substantial cost savings through financial discipline and other benefits provided by the Company's annual incentive compensation program are "unquantifiable".

RESPONSE

Please see the Company's response to AG-1-76.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Long-Term Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin.

a. Please state the reasonable and appropriate levels at which the total shareholder return (TSR) and EPS measures are capped.

b. Please explain fully and in detail the statement "participants' satisfaction of vesting conditions" as noted on page 30 (lines 3-4 and 13) of Mr. Carlin's testimony.

RESPONSE

a. Please see the Company's response to KIUC 1-33 and AG-1-76.

b. Vesting conditions are variable due to the financial tie to the price of shares of AEP common stock. The dollar value of long-term incentive compensation pay, subject to the goals achieved, is calculated as described in KIUC 1-33. The number of shares earned by the employee is influenced by the dollar value of the award, divided by the average stock price calculated at the time. A higher stock price will earn an employee a lesser amount of shares, whereas a lower stock price will earn additional shares.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Long-Term Incentive Compensation. Refer to the Direct Testimony of Company witness Carlin. Please quantify and explain fully and in detail Mr. Carlin's statement that: "As with annual incentive compensation, if the long-term incentive program results in only 1 percent annual O&M expense savings, then millions of dollars per year has been saved by Kentucky customers by virtue of this program."

RESPONSE

See Company's response to AG-1-365.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Incentive Compensation. Identify and provide a complete copy of all incentive compensation plans for which KPCo is claiming expenses.

a. Show the amount of expense that KPCo is claiming, by account, for each such incentive compensation plan.

RESPONSE

See Company's response to KIUC_1_31 for complete copies of all incentive plans in effect during the test year

a. See AG_1_369_Attachment1 for the Company's directly incurred incentive compensation expense by account on a total company basis. Costs associated with the Company's Engage to Gain program are costs to achieve the programs goals to identify and implement cost-containment measures, and are therefore not incentive compensation expenses.

   The requested amount included in the test year revenue requirement has not been calculated since the adjustments for the removal of Big Sandy costs and the annualization of Mitchell Plant costs were prepared at the account number level and not by the types of costs within the account numbers.

WITNESS: Andrew R Carlin

Kentucky Power Company

REQUEST

Depreciation Expense. Refer to the Direct Testimony of Company witness Davis and Section V, Exhibit 2, pages 37 and 39 and the table below. On page 9 (lines 1-4) of his testimony, Mr. Davis stated that: "Based on the results of the depreciation study which includes a 50% share of the Mitchell Generating Station I recommend an increase in annual depreciation expense due to a change in depreciation rates of $5,551,314 using depreciable plant balances at December 31, 2013." However, the combined adjustments shown on pages 37 and 39 of Exhibit 2 reflect an overall increase to depreciation expense of $16,535,979 ($12,771,261 + $3,764,718), or a difference of $10,984,665.

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

RESPONSE

a. The change in depreciation expense shown in Company Witness Davis' testimony reflects a change in the annual accrual using the existing depreciation rates versus the proposed depreciation rates on the depreciable plant balances as of December 31, 2013. The depreciation expense adjustment shown in Section V, Exhibit 2, pages 37 and 39, uses the proposed depreciation rates on the depreciable plant balances as of September 30, 2014 and compares them to the actual depreciation expense recorded in the test year as of September 30, 2014. In addition, since KPCo's share of the Mitchell Plant was transferred in December 2013, the actual depreciation expense for the 12 months ended September 30, 2014 in column (7) on the adjustment on page 39 for Mitchell Plant only includes depreciation expense for the period from January through September 2014. Also, the amounts on Company witness Davis' Exhibit DAD-2 are total Company amounts while the adjustment amounts noted above are jurisdictionalized.

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

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Depreciation Expense. Refer to the Direct Testimony of Company witness Davis at page 9 (lines 12-17). Please provide a copy of the Livingston Survey dated December 12, 2013, from which the 2.35% escalation rate discussed in Mr. Davis' testimony was taken.

RESPONSE

See the attachment provided with this response labeled "AG_1_371_Livingston_Survey_Attachment_1.pdf" for a copy of the Livingston Survey dated December 12, 2013. Please refer to page 3 of the survey to find the 2.35% escalation rate.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Depreciation Expense. Refer to the Direct Testimony of Company witness Davis at page 10 (lines 6-7). Please explain fully and in detail how AEP Engineering determined that the depreciable life of the Mitchell Plant SCR catalyst is approximately eight years.

RESPONSE

The capability of the SCR for NOx reduction depends on the total DeNOx activity of the catalyst in the SCR reactors. The SCR catalyst deactivates over time caused by ash plugging, chemical compound masking the catalyst surface, and chemical poisoning, etc.. As the catalyst deactivates, its DeNOx activity decreases. In order to maintain the desired NOx reduction performance of the SCR, the existing catalyst layers are replaced to maintain the total DeNOx activity of the catalysts in the SCR reactors greater than the threshold DeNOx activity for the desired NOx reduction performance.

The life of the catalyst layer depends on the catalyst deactivation rate which depicts how frequently the catalyst layers need to be replaced. The sample test results of the catalysts in the Mitchell Plant SCRs indicate that the catalysts have been deactivated at an expected rate, which is consistent with industrial experiences.

The life of the catalyst layers of eight years was determined by the deactivation rate of the catalyst and the frequency of catalyst layer replacement to date.

WITNESS: David A Davis

Kentucky Power Company

REQUEST

Refer to the Direct Testimony and exhibits of Company witness Elliott. Please provide Company Exhibits AJE-3 and AJE-4 electronically in Excel with all formulas and calculations intact.

RESPONSE

Please see KIUC 1-17.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the Direct Testimony and exhibits of Company witness Elliott at page 6 (lines 5-9). Please explain fully and in detail why (1) the operational costs associated with environmental projects at Big Sandy Unit 1 are proposed to be recovered through the BS1OR, and (2) the environmental capital investment for environmental projects associated with Big Sandy Unit 1 are proposed to be included in the BSRR, versus all Big Sandy Unit 1 costs being recovered (1) through base rates, or (2) through a single rider.

RESPONSE

Please see the Company's response to KPSC 2-86. In addition, the use of two riders allows for the retirement costs to be recovered over a 25-year period and the operational cost will only be through a rider until the next base rate case. At that time the operational costs will be rolled into base rates and the BS1OR will be eliminated.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the Direct Testimony of Company witness Elliott at page 8 (lines 18-23).

a. Please provide a copy of the Unit Power Agreement ("UPA") between KPCo and AEP Generating Company.

b. Please confirm that the UPA is the same as the Unit Power Supply Agreement ("UPSA") which was approved by the Commission in its Order dated October 25, 2004 in Case No. 2001-00420. If not confirmed, explain fully why not.

c. Identify all FERC proceedings from 2004 through 2014 that have addressed the Rockport Unit Power Supply Agreement.

RESPONSE

a. Please see AG_1_375_Attachment1.pdf.

b. The UPA is the same as the Unit Power Supply Agreement mentioned in the Commission Order Dated October 25, 2004 in Case No. 2004-00420 (rather than 2001-00420). However, it was amended in 2012. Please see AG 1-394 Attachments 1 and 2 for the amendment details.

c. Docket ER13-286 was the only FERC proceeding addressing the Rockport Unit Power Supply Agreement in the years from 2004 through 2014.

WITNESS: Alex E. Vaughan

Kentucky Power Company

REQUEST

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

a. Please explain fully and in detail why the Company proposes to use an inflation adjusted three-year average to normalize the annualized Mitchell Steam Maintenance expense.

b. Please cite by date and docket number, the Commission Order(s) which authorize the use of a three-year average adjusted for inflation.

RESPONSE

a. Please see the Company's response to AG-1-310f.

b. The Company has filed for Plant Maintenance Normalization in two of its last three previous general rate cases applications (2005-00341 and 2009-00459) using the three-year average adjusted for inflation. Both of these cases were settled with no specific treatment of this adjustment.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Big Sandy Unit 1. Refer to the Direct Testimony of Company witness LaFleur at page 8 (lines 15-17). For each calendar year 2011, 2012, 2013 and 2014, please provide the Big Sandy Unit 1 generation non-fuel O&M expenses incurred by KPCo, by account.

RESPONSE

Please see AG_1_377_Attachment1.pdf for this response.

WITNESS: Jeffrey D LaFleur

Kentucky Power Company

REQUEST

Big Sandy Unit 2 Decommissioning Costs. Refer to Table on page 11 of the Direct Testimony of Company witness LaFleur as well as page 12. Please reconcile the decommissioning related activities listed on page 12 (lines 9-19) to the projected costs listed on Table 3 on page 11. Identify, quantify and explain each reconciling item.

RESPONSE

The $6.06 million dollars shown on page 11 of Mr. LaFleur's testimony is the Company's current estimate of the decommissioning O&M. It consists of two sets of anticipated expenditures. The first is the $250,000 annual estimated expenditure beginning July 2018 through 2031. These expenditures total $3,250,000 and do not have any specific projects assigned to them as of the date of this response. In addition, the Company has budgeted the line items shown in Table 3 of Mr. LaFleur's testimony for July 2015 through June 2018. These costs will include some of the projects shown on AG_1_326_Attachment1.xlsx, which lists decommissioning related activities and associated costs for Big Sandy Unit 2. A final determination has not yet been made as to which projects will be funded in which year.

WITNESS: Jeffery D LaFleur

Kentucky Power Company

REQUEST

2014 Environmental Compliance Plan. Refer to Table 4 on page 16 of the Direct Testimony of Company witness LaFleur.

a. Referring to Table 4, please state whether any of capital costs for the Mitchell plant and Rockport plant projects listed that have in-service dates that are prior to 2014 are included in the Company's initial environmental compliance plan. If so, identify each such project. If not, explain fully why not.

b. Please confirm that the capital costs shown for the Rockport related environmental projects shown in Table 4 are in accordance with the terms of the Unit Power Agreement that expires in December 2022. If confirmed, please show how these amounts were derived and show detailed calculations. If not, explain fully why not.

RESPONSE

a. Because the Company filed its initial environmental Compliance Plan in November 1996, and the earliest in-service date for any of the projects listed in Table 4 was 2004, none of the projects identified in Table 4 were included in the Company's initial environmental compliance plan.

b. The amounts listed in Table 4 are totals for the Rockport Plant. The Company will only recover through the environmental surcharge costs that are in accordance with the terms of the UPA.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Vegetation Management. Refer to the testimony of witness Phillips at pages 11-31.

a. Identify the amount of spending, by account, for the Company's Distribution Vegetation Management Plan in each year since it was approved in Case No. 2009-00459 through calendar 2014.

b. Identify the number of distribution miles trimmed in each year since the Company's Distribution Vegetation Management Plan was approved in Case No. 2009-00459 through calendar 2014.

c. Do the "Forestry" amounts listed in Table 2 on page 11, for each year 2011 through 2013 reflect the four-year trimming cycle? If not, explain.

d. Please provide comparable calendar year 2014 information for Tables 2, 3, 4 and 5 in Mr. Phillips' testimony.

e. Show in detail how the re-clearing cost of $17,605 per mile mentioned on page 28, line 5 was developed. Include supporting calculations and Excel files.

f. Show in detail how the maintenance level cost of $11,563 per mile mentioned on page 28, line 10 was developed. Include supporting calculations and Excel files.

g. Refer to table 10 on page 30. Show how each amount in the table was derived. Include supporting calculations and Excel files.

h. What amounts for vegetation management has KPCo budgeted for 2015 and 2016?

i. Which scenario in the table 10 presentation has KPCo reflected in its proposed revenue requirement in the current rate case? Explain.

RESPONSE

a. See attachment AG_1_313_Attachment1.pdf.

b. Kentucky Power's Distribution Vegetation Management Plan re-cleared 463 miles in 2010 (approximately 6 months), 932 miles in 2011, 891 miles in 2012, 826 miles in 2013, and 1,108 miles in 2014 under the Commission approved Case No. 2009-00459.

c. The "Forestry" O&M expenditures in Table 2 reflect the Company expenditures allocated under the Unanimous Settlement Agreement. The Company is re-clearing its distribution circuits from end to end that allows for a transition from a Performance based approach to a cycle approach. The start of the four-year trimming cycle begins after the initial re-clear is completed.

d. See the following table:

Table 2	**2014**
Asset Improvement	$4.9
Customer Service	$0.8
Forestry	$17.6
Other	$4.9
Regulatory Asset	$4.7
Reliability	$0.6
System Restoration	$11.6
Grand Total	$45.0
Table 3	
Circuits Completed	29
Miles Completed	1,108
Brush Cut Acres	1,749
Brush Spray Acres	2,543
Tree Removal	237,273
Tree Trim	59,803
Table 4	
O&M Expenses	$17.6
Capital Costs	$3.9
Table 5	
SAIFI	2.373
CAIDI	212.9
SAIDI	505.3

Note: The 2014 values are still under review and subject to adjustments.

e - g. Please refer to Kentucky Public Service Commission second set of data request 5(m)(1-3) and the excel attachment KPSC_2_5m_Attachment1.xlsx (Sheet labeled "Scenario Comparison 4yr").

h. The Kentucky Power O& M Vegetation Management budgets for 2015 and 2016 are $17,316,109 and $17,664,809, respectively. These amounts are slightly higher than the amount budgeted for the Vegetation Management Plan to cover unexpected tree clearing that is not part of the plan.

i. Refer to responses (e - g) and to the Direct Testimony of Everett G. Phillips in Case No. 2014-00396, page 30, line 10 - 14, the Company prefers Scenario 2. The reliability adjustment can be found in Section V, Exhibit 2, page 19.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Rockport. Refer to the testimony of witness Rogness at pages 6-7.

a. Identify and provide a complete copy of the Rockport unit power agreement.

b. Show how much Rockport capacity charge KPCo collected in each year, 2005 through 2014.

RESPONSE

a. Please see the Company's response to AG 1-375.

b. Please see the Company's response to KPSC 2-45.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the testimony of witness Rogness at page 8.

a. Identify the amounts of each consultant cost that KPCo recorded during each year, by account.

b. Did KPCo request Commission authority to defer any of the consultant costs listed on page 8? (1) If not, explain fully why not. (2) If so, identify and provide a copy of the request, and a copy of any related Commission authorization for deferral.

RESPONSE

a. Please see attachment AG_1_382_ Attachment1.xls.

b. The Company did not request authority to defer the consultant costs in Case Nos. 2011-00295, 2011-00401 and 2012-00578. These costs were incurred by the Company as a part of the Commission's CPCN process through KRS 278.020(8) and KRS 278.255(3).

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Rate case expense. Refer to the testimony of witness Rogness at page 10.

a. Show in detail the components of the $860,000.
b. How much of the $860,000 is for KPCo labor?
c. How much of the $860,000 is for AEPSC labor?
d. How much has been incurred through December 31, 2014?
e. Provide invoices for amounts incurred through December 31, 2014.

RESPONSE

a. Please see the Company's response to KPSC 1-55.

b-c. None.

d-e. Please see the Company's response to KPSC 1-55, as supplemented on February 3, 2015.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Postage. Does the Company have any program in which customer bills are transmitted electronically, e.g., through email? If so, provide the following information:

a. Identify the number of bills transmitted electronically each month in 2013 and 2014.

b. Identify the number of customers that elected into the electronic bill transmittal program as of each month-end in 2013 and 2014.

RESPONSE

Yes. Kentucky Power does have a program where customers have the option to have their bills sent electronically. Please see Attorney_General_1_384_Attachment1.xls for the answers to part a. and b.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Postage.

a. Identify the Company's total postage expense, by account, for each month in 2013 and 2014.

b. Identify the Company's postage expense, by account, for calendar years 2013 and 2014.

c. Identify the number of bills and notices mailed from January 1 through January 6, 2014.

d. Identify the number of bills, notices and letters mailed each month of 2013 and 2014.

RESPONSE

Please see AG_1_385_Attachment1.xls for the answer to this response.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Property tax expense.

a. Show in detail how the Company estimated the property tax expense for the Mitchell Plant.

b. What amount of property tax expense is the Company claiming for environmental control equipment at the Mitchell Plant? Show in detail how that amount was derived.

RESPONSE

a. See attachments AG_1_107_Attachment9.pdf, AG_1_107_Attachment10.pdf, AG_1_107_Attachment11.xlsx, AG_1_107_Attachment12.xlsx.

b. Please see the Company's response to KIUC_1_17_ Attachment172_ML_ES_2014.xls

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Coal inventory. Refer to the Rogness testimony at pages 12-13.

a. Show in detail how the 45 days level of coal supply for Plant Mitchell was derived.

b. Provide the amount of coal burn (tons, total cost and cost per ton) at Plant Mitchell for each month during the period January 2011 through December 2014.

c. Provide the amount of coal in inventory at Plant Mitchell (tons, total cost and cost per ton) for each month end during the period December 3,1 2010 through December 31, 2014.

RESPONSE

a. The 45 days of coal supply as stated in the testimony of Company witness Rogness is incorrect. The target coal supply for low and high sulfur coal is 30 days (222,955 tons, total plant) and 15 days (111,480 tons, total plant), respectively. The targets are correctly reflected in the cost of service.

Coal inventory targets for Kentucky Power are determined by the Fuel Supply Task Group (FSTG), which is a multi-disciplinary team within AEPSC that has the responsibility of determining, among other things, what reasonable targets should be for fuel inventory. This team considers variables, such as the source of fuel supply, shipping methods and lead times, on-site storage capabilities, and typical plant capacity factors, to determine the proper amount of fuel storage to ensure each plant has sufficient coal stored to minimize operational risk for abnormal conditions that could cause supply disruptions.

b. Please see AG_1_387_Attachment1.xls.

c. Please see AG_1_387_Attachment2.xls.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Economic Development. Refer to the Rogness testimony at pages 20-21.

a. Please clarify which amounts KPCo is attempting to recover from ratepayers for economic development and show in detail how each of those amounts were developed.

b. Please clarify which amounts are being funded by shareholders.

c. Was any economic development in KPCo's service area achieved in 2013 or 2014? (1) If not, explain fully why not. (2) If so, identify, quantify and explain the additional MWH sales and job creation that resulted in each year, 2013 and 2014, from KPCo's economic development efforts.

d. Does KPCo project that any economic development in KPCo's service area will be achieved in 2015 or 2016? (1) If not, explain fully why not. (2) If so, identify, quantify and explain the additional MWH sales and job creation that is expected by KPCo to result in each year, 2015 and 2016, from KPCo's economic development efforts (i) without the additional ratepayer-charged funding and (ii) with the additional ratepayer-charges that KPCo is proposing.

RESPONSE

a)-(b) Proposed tariff EDR has not yet been approved by the Commission. Assuming it is approved, its "cost" will be in the form of foregone revenues and not expenses. Further, although the Company has been an active participant in the SOAR, the Company did not contribute any funds through the end of the test year. With those caveats, and other than the $233,000 annual contribution made by the Company's shareholders in accordance with the Commission's Order in Case No. 2012-00578, all other economic development activities identified at pages 20-21 of Mr. Rogness' testimony would be funded either directly or indirectly through rates.

c. The Company objects to this question as vague and overbroad. Kentucky Power is not and cannot be aware of all economic development in the Company's service territory. Notwithstanding this objection, Kentucky Power provides the following response based upon the information within its possession.

Yes. Over the last two years the Company's efforts in economic development have contributed to the addition of an average monthly usage of approximately 4,740,437 kWh in the service territory through new and expanded projects. Jobs created are difficult to track because customers are not required to report the number of jobs created by new projects.

Kentucky Power's economic development investments and efforts have jump-started local efforts. New local economic development directors have been hired, new plans have been implemented, a new industrial park is being created at least in part through the Company's efforts, assistance or urging. KEAP, which is funded by shareholder funds, invested $233,000 in 2014 in economic development and education efforts. In addition, two consultants were funded to assist three industrial parks in the Company's service territory to attract new job growth (East Park, Coalfields Industrial Park, and Marions Branch Industrial Park).

More generally, the Company worked to educate its local and regional economic development partners by providing free seminars and by providing 3 scholarships per year for local economic developers to the Kentucky Institute for Economic Development. In addition, the Company's Economic Development manager has worked to educate and assist all of the Company's local partners through presentations and one-on-one support.

Kentucky Power also invested in organizations like Southeast Kentucky Chamber, One East Kentucky Regional Economic Development Authority, and the Ashland Alliance to support their efforts in economic development. In addition, Kentucky Power freely shared its Company-funded consultant's findings with local economic development stakeholders, including county governments, city governments, Chambers of Commerce, and local economic developers. This information is being used to help create economic development planning tools by these organizations.

In addition, the Company's Manager-External Affairs (for economic development) serves on local chamber boards, local economic development committees, regional economic development committees, as a SOAR Committee Co-Chair, on the Kentucky Association of Economic Developers and Kentucky United boards. This allows the Company to provide counsel and guidance locally and provide representation on the state level for small communities in its service territory.

Finally, Kentucky Power, through its Targeted Marketing efforts, has worked to facilitate site visits by economic development prospects to consider locating new facilities in the Company's service territory.

d. Kentucky Power expects further economic development in 2015 and 2016. This will be facilitated by the continuation of many of the efforts described in the Company's response to subpart (c). Further economic development efforts include:

- Continuation in 2015 of the with Phase III of the Insite Consulting effort for Coalfields Industrial Park and Marions Branch Industrial Park;

- Completion of work in connection with East Park;

- Contracting with Carol Johnson, a national economic development trainer, to provide a free one-half day seminar in June 2015 for local economic development entities. The Company's cost is expected to exceed $5,000;

- The provision of three scholarships to the Kentucky Institute for Economic Development;

- The provision of an additional $200,000 in KEAP grants. The Company also is assisting communities with ongoing business prospects and potential investors. Currently, there are potential projects in Hazard, Pikeville, and Ashland and the Company continues to assist those communities in recruiting those prospects.

The Company's proposed Tariff K.E.D.S. has not been approved by the Commission. Therefore, all economic development related described above are being funded without additional ratepayer funds.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Rockport. Refer to JAR-1.

a. Why is KPCo proposing to charge Rockport fixed charges on the basis of a per-kWh charge to customers?

b. Would it make sense for KPCo to charge Rockport fixed charges on the basis of a fixed monthly charge, rather than on the basis of a per-kWh charges that will vary with kWh usage? If not, explain fully why not.

RESPONSE

a. The Commission-approved October 20, 2004 Stipulation and Settlement Agreement Among Kentucky Power Company, Kentucky Industrial Utility Customers, Inc. and Office of Attorney General, Office of Rate Intervention at III(1)(c)(i) expressly provides that "[t]he increased annual revenues ***will be generated by two different kWh rates***." (emphasis supplied). The Office of the Attorney General was a signatory to the agreement. The Company proposes to administer the capacity charge in accordance with the approved agreement and its approved tariff. Please refer to Rogness Testimony Exhibit JAR-9 page 151 of 183.

b. Yes, if not for the approved settlement in the above mentioned case, it would be appropriate to recover the fixed Rockport costs through fixed charges and demand charges based on cost/causation principles.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Rockport. Refer to JAR-3. Has KPCo analyzed recovery of Rockport charges for any months prior to August 2013? If not, explain fully why not. If so, identify and provide such analysis.

RESPONSE

Yes, the Company has analyzed recovery of Rockport charges in its previous rate cases. See Case Nos. 9061, 91-066, 2005-00341, 2009-00459 and 2013-00197.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Reconnect charges. Refer to JAR-4, JAR-5 and JAR-6. What amount of additional revenue for each type of reconnect charge and non-recurring charge listed on those exhibits has KPCo reflected in the development of its proposed base rate revenue deficiency (excess)?

RESPONSE

Exhibit JAR-6 reflects each of the nonrecurring charge category revenues at current tariffed rates during the test year and included in the calculation of test year revenues. Exhibit JAR-4 reflects costs incurred during the test year to perform the tasks underlying each nonrecurring charge and the proposed new rate for each category. Exhibit JAR-5 reflects each of the nonrecurring charge category revenues at new proposed rates. The additional revenue amount is reflected in the calculation of proposed revenues.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Income Taxes, Section 199 Deduction. Refer to the testimony of witness Bartsch.

a. Identify and provide a copy of all separate return based calculations of the section 199 deductions for KPCo for each tax year 2005 through 2013.

b. Identify and provide all consolidated AEP Calculations of the section 199 deduction for each tax year, 2005 through 2013.

c. Identify and provide all tax forms and supporting schedules filed with AEP consolidated federal income tax returns for each tax year, 2005 through 2013, related to each of the following: (1) consolidating information, (2) section 199 deduction, (3) tax depreciation, (4) repairs deductions.

d. Refer to JBB-1. Is the benefit of the §199 deduction shown on line 15 of the schedule computed by multiplying those amounts by the 35% federal income tax rate? If not, explain fully how the income tax benefit in each year is derived.

e. Have any of the amounts listed on JBB-1 been impacted in any way by KPCo's participation in the AEP consolidated federal income tax return? If so, identify, quantify and explain all such impacts.

f. Is it KPCo's position that the Section 199 deduction has provided KPCo with tax savings in some years, but will not necessarily provide a net tax savings in all years?

g. Should a multiple year average of the results shown on JBB-1 be used for the ratemaking impact on KPCo for the Section 199 deduction? If not, explain fully why not.

h. Does KPCo expect that the operation of the Mitchell plant will qualified as domestic production activities? If not, explain fully why not.

i. Does the Rockport plant generate any Section 199 deduction? If not, explain fully why not. If so, how is that calculated, and how much is allocated to KPCo.

. Did KPCo obtain any tax benefits from its purchase of capacity and power from the Rockport plant? If not, explain fully why not. If so, identify, quantify and explain the tax benefits to KPCo.

RESPONSE

a. See the Response to AG 1-121.

b. See the Response to AG 1-121.

c. See the Response to AG 1-121.

d. Yes.

e. The computations reflected on JBB-1 were computed in accordance with the Company's elections surrounding the computation of the Section 199 deduction. The company is a member of an expanded affiliated group and the interest expense allocated to the Section 199 computation was done in conformity with the requirements of the §1.861 requirements.

   The allocated interest expense under the §1.861 requirements was less than the amount that would have been assigned to the Section 199 computation had only the Company's stand-alone interest expense been used in the computation. Said another way, the §1.861 methodology interest expense was less than the company's stand-alone interest expense. This resulted in a higher stand-alone Section 199 deduction.

   Had the Company's stand-alone interest expense been used, the three year average Section 199 deduction would have been $45,386.

f. Yes

g. Yes.

h. Yes, however, the retirement of Big Sandy 2 would also impact the Section 199 deduction.

i. Similar to the Company's owned generation units, in some years the Rockport Plant generates a Section 199 deduction and in some years it does not.

j. AEP Generating Company (AEG) bills all costs associated with the Rockport Plant to Kentucky Power (30%) and I&M (70%). These costs include fuel, depreciation, O&M, taxes, etc. All tax expenses get billed out dollar for dollar. These taxes include, property, payroll, current income, deferred income and state income taxes. If AEG incurs any tax expense or a tax benefit, Kentucky Power will receive 30% of that expense or benefit through the normal monthly billing process.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Income taxes. Parent company loss.

a. Show the amount of the AEP parent company loss that was reflected on each AEP consolidated federal income tax return for each tax year, 2005 through 2013.

b. Show how much of the AEP parent company loss that was reflected on each AEP consolidated federal income tax return for each tax year, 2005 through 2013, has been allocated as a reduction to KPCo income tax expense in each year. Include supporting calculations.

c. What amount of reduction for the AEP parent company loss has been reflected as a reduction to KPCo income tax expense in the Company's current rate case? Where is that reflected, and how was it calculated? Show supporting calculations in detail.

RESPONSE

a. See AG_1_393_Attachment1.xls thru AG_1_393_Attachment9.xls.

b. See Response to a. above.

c. There was no reduction to the Company's tax expense in this filing due to the AEP Parent Company Loss Allocation (PCLA). In this filing, the Company followed past precedent in Company Case Nos. 2005-00341 and 2009-00459 and did not include the PCLA in the determination of income tax expense.

WITNESS: Jeffrey B Bartsch

Kentucky Power Company

REQUEST

Rockport. Refer to the testimony of witness Elliott.

a. Identify and provide the FERC order that approved a 12.16% return on equity for the Rockport Plant.

b. Show in detail the capital structure and capital costs that KPCo is using for the Rockport Plant.

c. Is the Rockport Plant operated by KPCo's affiliate, Indiana and Michigan Electric Company?

d. Has the return on equity for the Rockport plant ever been addressed by the Indiana or Michigan regulatory commissions? (1) If so, identify the last three Indiana proceedings to address the return on equity. (2) Identify the last three Michigan PSC proceedings to address the return on equity.

e. Identify and provide the FERC Order and the filings in the FERC Docket where the Rockport UPA was approved, and identify the date when the 12.16% return on equity was allegedly approved.

f. Has KPCo ever used a 12.16% return on equity for the Rockport Plant in any other rate case or regulatory proceedings before the Kentucky PSC? (1) If not, explain fully why not. (2) If so, identify all previous proceedings before the Kentucky PSC wherein KPCo used a 12.16% return on equity for the Rockport Plant.

g. What risks are being borne by KPCo for the Rockport Plant that would justify using a return on equity of 12.16%?

h. What revenue requirement for the Rockport UPA was approved by FERC?

i. How does the Company's request in the current rate case for Rockport UPA costs compare with the Rockport UPA revenue requirement last approved by FERC? Identify, quantify and explain any differences.

RESPONSE

a. Please see AG_1_394_Attachment1.

b.. The Company updates its capital structure used in the Rockport environmental surcharge revenue requirement calculation on a monthly basis based on the month's Rockport Unit Power bill.

c. The Rockport Plant is operated by Indiana Michigan Power Company.

d. The return on equity and capital structure used in billings for purposes of the Rockport Unit Power Agreement are established in accordance with the FERC-approved agreement and not the decisions of the Indiana or Michigan commissions. The information sought thus is irrelevant and not reasonably calculated to lead to discovery of admissible evidence. Further, the Company has not compiled a list of cases in which the Indiana Utility Regulatory Commission (IURC) or the Michigan Public Service Commission (MPSC) has addressed the return on equity associated with the AEG share of the Rockport Plant. The orders of the IURC and the MPSC are public documents that all parties to this proceeding have access.

e. See the Company's response to item a above. Filings before the FERC are public documents that all parties to this proceeding have access to.

f. KPCo has always used 12.16% return on equity for the AEG share of the Rockport plant consistent with the UPA. Examples of proceedings in which Kentucky Power used 12.16% ROE for Rockport include but are not limited to:

KPSC Case No. 2005-00068;
KPSC Case No. 2006-00128;
KPSC Case No. 2006-00307;
KPSC Case No. 2007-00381;
KPSC Case No. 2009-00038;
KPSC Case No. 2009-00316;
KPSC Case No. 2010-00020;
KPSC Case No. 2010-00318;
KPSC Case No. 2011-00031;
KPSC Case No. 2012-00273;
KPSC Case No. 2013-00141;
KPSC Case No. 2013-00325;
KPSC Case No. 2014-00052; and
KPSC Case No. 2014-00322.

g. The 12.16% return on equity is established under the terms of the FERC-approved UPA.

h. See the Company's response to item a above.

i. All Rockport-associated costs flow through the FERC-approved UPA. The Company has not performed the requested analysis.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Mitchell FGD, Refer to testimony of witness Elliott at pages 16-19.

a. Are there other costs besides the Mitchell FGD which the Company is either recovering or is proposing to recover in the environmental surcharge? If so, explain fully.

b. Did the Commission approve the settlement agreement referenced on page 16? If so, identify when it was approved. If not, explain fully why not.

c. Please confirm KPCo's understanding that the Attorney General did not sign the settlement agreement for the Mitchell FGD system that is referenced on page 16. If not, explain fully.

d. When did the Mitchell FGD become operational?

e. What was the cost of the Mitchell FGD by account by month through December 31, 2014?

f. Identify and provide all budgeted amounts for the Mitchell FGD by account by month, for the period January 2015 through June 30, 2020.

g. Identify the costs, by month, for the period January 2015 through June 30, 2020, by account for each of these Mitchell FGD O&M expenses which are listed on page 17: (1) gypsum disposal, (2) limestone, (3) lime hydrate, (4) polymer, (5) maintenance, (6) property taxes, and (7) depreciation.

h. Does the Company agree that the Mitchell FGD is located in West Virginia and per West Virginia statutes such as West Virginia Code § 11-6F and response to discovery from KPCo's affiliate, Appalachian Power Company in a recent West Virginia rate case, qualifying pollution control equipment for purposes of ad valorem property taxation has a reduced assessment, based on its salvage value, which for purposes of that West Virginia code section is five percent of the certified capital addition property's original cost. Consequently, this West Virginia statutory provision creates an effective 95 percent exemption for qualifying pollution control equipment for West Virginia property tax purposes. Consequently, West Virginia pollution control facilities are 95 percent exempt from West Virginia property taxes, specifically:

The exempt plant amount consisted of pollution control facilities. As defined in the West Virginia Code § 11-6A-2, "pollution control facility" means any personal property designed, constructed or installed primarily for the purpose of abating or reducing water or air pollution or contamination by removing, altering, disposing, treating, storing or dispersing the concentration of pollutants, contaminants, wastes or heat in compliance with air or water quality or effluent standards prescribed by or promulgated under the laws of this state or the United States, the design, construction and installation of which personal property was approved as a pollution control facility by either the office of water resources or the office of air quality, both of the division of environmental protection, as the case may be. As defined in § 11-6A-3, "the value of a pollution control facility ... shall ... be deemed to be its salvage value ..." This is normally approximated by the state at 5 percent of original cost. Therefore, the amount of plant for each year was 95% exempt.

If not, explain fully why not.

i. In calculating the estimated property tax expense for the Mitchell FGD did KPCo recognized that the Mitchell FGD was located in West Virginia and per the West Virginia statutes is 95% exempt from West Virginia property taxes? If not, explain fully why not and show the adjustment to the Mitchell FGD property taxes in KPCo's filing that would properly reflect the 95% exemption from West Virginia property taxes. Include supporting calculations.

RESPONSE

a. Yes, the Company is proposing to use the Environmental Surcharge to recover costs associated with all projects included in the 2014 Environmental Compliance Plan.

b. Yes. The Commission approved and modified the Settlement Agreement on October 7, 2013.

c. Confirmed.

d. Mitchell Unit 2 FGD went into service in January 2007 while Mitchell Unit 1 FGD went into service in April of 2007.

e-g. Please see AG_1_395_Attachment1.xls.

Property tax and depreciation are not identified in budgets to the FGD expense level or plant level.

h-i. Yes.

WITNESS: Amy J Elliott and Ranie K Wohnhas

Kentucky Power Company

REQUEST

SERP. Refer to Exhibit HEM-1. Has KPCo included any amount for SERP in its requested operating expenses? If so, please identify the amount and account.

RESPONSE

Yes, as is shown on Exhibit HEM-1, KPCo has included in its requested operating expenses calendar year 2014 SERP cost of $239. SERP cost is recorded in Account 9260037.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Pension cost. Refer to Exhibit HEM-3.

a. Identify the amount of pension costs that was included in KPCo's rates in each year, 2002 through 2014.

b. For each year for which FAS 87 expense is shown on HEM-3, provide each component of the FAS 87 cost separately (i.e., service cost, interest cost, return on assets, and each amortization).

c. Was KPCo's rate base ever reduced for a pension liability? If not, explain fully why not.

d. Based on KPCo's knowledge, has the pension asset issue been previously addressed by the Kentucky Commission? If so, please identify each docket in which utility rate base inclusion of a pension asset has been addressed by the Commission.

e. Show in detail the amounts relating to each "prior year" by year for the $5,042,187 amount on the line "Cumulative Prior Years".

f. What amount of ADIT is related to each amount of Pension Asset listed on HEM-3?

RESPONSE

a. Please see the Company's response to AG Initial Set Question No. 294 part i.

b. Please see the Company's response to AG Initial Set Question No. 294 parts e. and f. Each actuarial report provided therein includes in the tables near the end of each report the FAS 87 components that comprise pension cost.

c. As far as the Company is aware, no, there has never been a situation during a rate case in which there was a significant accrued pension liability to reduce rate base instead of a prepaid pension asset to increase rate base (the cumulative cash pension contributions have never significantly fallen below the cumulative FAS 87 pension cost).

d. No.

e. Exhibit HEM-3 provides for the Company from January 2002 through September 2014 the annual amount of pension cost, pension plan contributions, and the resulting increase or decrease in the prepaid pension asset. The information presented results from a significant effort to recreate the annual compilation of the current prepaid pension asset balance. Exhibit HEM-3 goes back more than a dozen years and establishes the year-to-year activity for more than 90 percent of the September 2014 balance. The Company does not have readily available earlier annual information for the remaining less than 10 percent of the prepaid pension asset balance, which would require extensive searching through prior accounting systems. In addition, no significant prepaid pension asset balance existed until the substantial pension contribution in 2005.

f. The ADIT rate applicable to the prepaid pension asset is 35 percent.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Defined benefit pensions.

a. Has AEP or KPCo made any curtailments or discontinued eligibility in any of the AEP defined benefit pension plans for which cost is charged to KPCo during any years from 2002 through 2014? (1) If not, explain fully why not. (2) If so, describe each curtailment and eligibility restriction that was implemented during this time frame.

RESPONSE

No, AEP and KPCo have not made any curtailments or discontinued eligibility in any defined benefit pension plans for which cost is charged to KPCo during any years from 2002 through 2014. However, in 2000 the Company announced a change in the defined benefit pension plan benefit formula from a traditional final average pay benefit formula to a cash balance benefit formula. A ten-year transition period for existing employees allowed the greater benefit amount under either benefit formula through December 2010, after which the final average pay benefit formula was eliminated. The Company's current pension benefit is market competitive.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Defined benefit pensions. Are new KPCo and AEPSC employees eligible for participation in a defined benefit pension plan? If so, describe the eligibility. If not, explain fully why not.

RESPONSE

Yes, all new KPCo and AEPSC employees are eligible to participate in the same defined benefit pension plan as all current employees.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Please provide copies of all presentations made to rating agencies and/or investment firms by AEP, and/or Kentucky Power Company between January 1, 2013 and the present.

RESPONSE

Please see AG_1_400_Attachment1, AG_1_400_Attachment2, AG_1_400_Attachment3 and AG_1_400_Attachment4 for this response. Updated information can be found at www.aep.com/investors. Copies of presentations made to investors are also available at www.aep.com/investors.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide copies of all prospectuses for any security issuances by AEP and/or Kentucky Power Company between January 1, 2010 and the present.

RESPONSE

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

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide copies of credit reports for AEP and/or Kentucky Power Company between January 1, 2013 and the present from the major credit rating agencies (Moody's, S&P, and Fitch).

RESPONSE

Please see the response to KIUC 1-97 for Kentucky Power Company reports. Please see the response to KIUC 1-99 for AEP Company reports.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please provide the corporate credit and bond ratings assigned to AEP and Kentucky Power Company since the year 2010 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.

RESPONSE

Please see attachments AG_1_403_Attachment1 and AG_1_403_Attachment2 for this response.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide the breakdown in the expected return on pension plan assets for Kentucky Power Company. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.

RESPONSE

Please see the Company's response to AG 1-140.

WITNESS: Hugh E McCoy

Kentucky Power Company

REQUEST

Please provide the Company's authorized and earned return on common equity for Kentucky Power Company over the past five years. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Please see AG_1_405_Attachment1.xls through AG_1_405_Attachment15.xls for the answers to this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for AEP and Kentucky Power Company for the past two years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

Kentucky Power will be unable to provide any financial statements in an Excel format as the documents are not produced using Excel.

Please see page 1611, 807 KAR 5:001 Section 16 (4)(s), and page 926, 807 KAR 5:001 Section 16 (4)(q), of Kentucky Power's Section II Filing Requirements for the financial statements. Please note, the end of the year financial statement for 2014 is not available at this time. When it is available, Kentucky Power will supplement.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Please provide a copy of the Avera/McKenzie testimony in Microsoft Word.

RESPONSE

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

WITNESS: William E Avera and Adrien M. McKenzie

Kentucky Power Company

REQUEST

Please provide copies of all source documents, articles, cited documents listed in footnotes, regulatory decisions, work papers, and other sources used in the development and preparation of the Avera/McKenzie testimony.

RESPONSE

Copies of source documents referenced in the Avera/McKenzie testimony are included in the workpapers provided in KIUC-1-17. Please note that publicly available documents, such as court and regulatory orders, can be obtained from their respective sources and are not included.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Please provide Microsoft Excel copies of all source documents, work papers, and data used to develop the tables and figures in the Avera/McKenzie testimony. For the Microsoft Excel copies of the data, please keep all formulas intact.

RESPONSE

See KIUC-1-17 for the Avera/McKenzie workpapers.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

With reference to pages 19-23, please provide copies of all empirical studies performed that compare the business, financial, and investment risk of the electric utility operations of Kentucky Power Company to: (1) AEP; and (2) the proxy group companies.

RESPONSE

Avera/McKenzie have not conducted any independent empirical studies to compare the risks of Kentucky Power to AEP or the companies in their proxy group; nor were such studies necessary to support their analyses and conclusions in this case. As discussed in their testimony, Avera/McKenzie referenced Kentucky Power's credit ratings as an objective, independent guide to investors' risk perceptions, which are the only appropriate consideration in estimating their required return.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

With reference to page 20, please: (1) indicate the universe of companies with electric utilities as indicated by Value Line Investment Survey, (2) the companies eliminated from the group from each of the four screens; and (3) the reasons each of the companies were eliminated.

RESPONSE

See KIUC_1_17_Attachment151.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

With reference to pages 64-66, please: (1) list the screens applied to the Value Line database in establishing the Non-Utility Proxy Group; (2) indicate the justification for each of the screens applied to the companies in the Value Line Investment Survey in establishing the Non-Utility Proxy Group; (3) the companies eliminated from the group from each of the five screens; and (4) the reasons that each of the companies were eliminated.

RESPONSE

(1) The criteria used to identify the Non-Utility Group are identified in the Avera/McKenzie testimony at page 65, lines 5-11.

(2) The purpose of the five criteria outlined in the Avera/McKenzie testimony was to identify a low-risk group of firms in the non-regulated sector. With respect to criterion (1), because dividend yield is a key component of the DCF model, Avera/McKenzie restricted the proxy group to include only firms that pay common dividends. With respect to criterion (2), Value Line's Safety Rank is its primary risk indicator, with a rank of 1 being the least risky. Accordingly, restricting the Non-Utility Group to only companies with a Safety Rank of 1 ensured that the group's investment risks would be less than the majority of electric utilities, which are ranked 1, 2, or 3. With respect to criterion (3), Value Line's Financial Strength Rating provides an objective indicator regarding the firm's overall financial position,

with a minimum rating of "B++" corresponding to the average rating maintained by the proxy group of electric utilities. With respect to criterion (4), beta is the principal risk measure under modern capital market theory. By restricting the Non-Utility Group to only companies with a beta of 0.70 or less, Avera/McKenzie ensured that the resulting group would be viewed as having equivalent or less risk than Kentucky Power or the Electric Group. With respect to criterion (5), Avera/McKenzie eliminated any firm that lacked an investment-grade credit rating in order to ensure comparability to Kentucky Power. Credit ratings for the individual firms in the Non-Utility Group ranged from BBB+ to AAA (S&P) and Baa2 to Aaa (Moody's).

(3) Because Avera/McKenzie applied the identified screening criteria to the 1,700-plus stocks in Value Line's database interactively using Value Line's proprietary web-based software, they do not have a listing of all firms considered for inclusion or the particular screen or screens that were violated by each firm.

(4) Please see the response to subpart (3).

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

With reference to pages 56-59, (1) please detail all equity flotation costs incurred by KPC in the past three years; (2) for each of the flotation cost estimates, please provide the breakdown of the flotation costs into underwriting spread, company issuance costs, market pressure, and other expenses. Please show all calculations, and provide the associate source documents and work papers.

RESPONSE

Because Kentucky Power does not have publicly traded common stock, it does not incur flotation costs directly.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Please provide copies of the source documents, work papers, and underlying data used in the development of Exhibits WEA/AMM 3 through WEA/AMM 12. Please provide the data and work papers in both hard copy and electronic formats (Microsoft Excel), with all data and formulas intact. Please also include electronic copies (Microsoft Excel) of the Exhibit, leaving all data and formulas intact.

RESPONSE

See KIUC 1-17.

WITNESS: Dr. William E Avera and Adrien M McKenzie

Kentucky Power Company

REQUEST

Please provide a copy of Mr. Reitter's testimony in Microsoft Word.

RESPONSE

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

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide an electronic copy of all sections and pages of Section V, Schedules and Workpapers sponsored by Mr. Reitter in Microsoft Excel, with all data and formulas intact.

RESPONSE

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

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please provide: (1) copies of all data, source documents, work papers, and other sources used in the development of the Company's proposed capital structure; copies of all data, source documents, work papers, and other sources used in the adjustments made to the balance sheet amounts of debt and equity in the development of the Company's proposed capital structure; and (3) the data and work papers in (1) – (2), in both hard copy

RESPONSE

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

(2) Please see the Company's response to KIUC 1-17. In addition, please see attachments AG_1_290_Attachment1, AG_1_417_Attachment1, AG_1_401_Attachment2 and AG_1_401_Attachment3.

(3) See response to parts 1 and 2.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please: (1) provide copies all data, work a papers and calculations used in the development of the cost and amounts of short-term debt; (2) detail all assumptions and show calculations for projected amounts and costs of short-term debt; and (3) provide the data and work papers in (1) and (2) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

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

(2) Please see AG_1_418_Attachment1 for 2015 forecasted assumptions for both short and long term debt.

(3) See responses to Part 1 and 2.

WITNESS: Marc D Reitter

Kentucky Power Company

REQUEST

Please: (1) provide copies all data, work a papers and calculations used in the development of the cost and amounts of long-term debt; (2) detail all assumptions and show calculations for projected amounts and costs of long-term debt; and (3) provide the data and work papers in (1) and (2) in both hard copy and electronic (Microsoft Excel) formats, with all data and formulas intact.

RESPONSE

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

(2) Please see AG_1_418_Attachment1 for 2015 forecasted assumptions for both short and long term debt.

(3) See responses to Part 1 and 2.

WITNESS: Marc D Reitter