Kentucky Power Company

REQUEST

Refer to the response to Commission Staff's First Request for Information ("Staff First Request"), Item 4, Attachment 1-4.

a. Refer to the schedule titled Uncollected Accounts. It appears there is an error in the formula summing columns 3, 4, and 5, and thus the calculation of the three-year average for each column. Provide a corrected Uncollected Accounts schedule and all other schedules in the response affected by this error in Excel spreadsheet format with the formulas intact and unprotected.

b. Kentucky Power's testimony and its response to Staff's First Request, Item 4, did not specify the rate of return that it was requesting be used on a prospective basis in its monthly environmental surcharge filings. Provide the rate of return that Kentucky Power is requesting the Commission to approve to be used prospectively in the monthly environmental surcharge reports.

c. Uncollected accounts charged off for the 12 months ended April 30, 2015 increased $908,355 over the 12-month period ending April 30, 2014. Explain the reasons for an increase of this magnitude, and Kentucky Power's expectations for the future level of uncollected accounts.

d. For each year indicated, provide an analysis of uncollected accounts by customer class.

RESPONSE

a. Please refer to KPCO_R_KPSC_2_1_Attachment1.xls for the corrected schedules with the formulas intact and unprotected.

b. The Company is requesting a 10.25% return on common equity in accordance with the Commission's June 22, 2015 Order in Case No. 2014-00396 approving the April 30, 2015 Settlement Agreement ("Rate Case Order"). Please refer to the testimony of Company witness Elliott at pages 4 and 5 and the Company's response to KPSC 1-4. Pursuant to the April 30, 2015 Settlement Agreement approved by the Commission's Rate Case Order the Company's WACC and GRCF will remain constant until rates are set in connection with the Company's next base rate case.

   Please also refer to KPCO_R_PSC_1_4_Attachment2.xls for the calculation of the WACC as was approved in the Rate Case Order.

c. Historically, increases in the amount of uncollected accounts correspond to increases in customer bills. This was the case for the uncollected accounts recorded in the twelve month period ending April 30, 2015. These uncollected accounts relate to service provided primarily in 2014. In 2014, customer bills increased for two primary reasons: (1) winter 2014 was colder than the typical winter and (2) the Company began recovering costs associated with the Mitchell transfer in 2014.

   With regard to future levels of uncollected accounts, the Company anticipates that the historical correlation of increases in customer bills to increases in uncollectible accounts may continue. The Company, however, has recently instituted several changes to its billing in accordance with the Rate Case Order and as a result cannot forecast any changes in the amount of uncollectible accounts.

d. Please refer to KPCO_R_KPSC_2_1_Attachment2.xls. There are known reconciling items to the amounts reported in KPCO_R_KPSC_1_4_Attachment1.xls and this attachment. Those known reconciling items are debt forgiveness, debt forgiveness reinstatements, and tax adjustments which are not segregated by revenue category. The amounts included within KPCO_R_KPSC_2_1_Attachment2.xls have been separated by revenue category but do not include these transactions while the amounts within KPCO_R_KPSC_1_4_Attachment1.xls do.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Staff's First Request, Item No. 8, Attachment 1-8.

a. Using the format in Attachment 1-8, provide a revised schedule for SO2 allowances that shows the allowance inventory and transactions for Big Sandy and Rockport only, and separately shows the allowance inventory and transactions for Mitchell. In addition to the electronic filing, provide the information in Excel spreadsheet format with the formulas intact and unprotected.

b. Reconcile the ending balance of Attachment 1-8 with the ending balance as shown on ES Form 3.11 for April 2015 in the monthly environmental surcharge filing.

RESPONSE

a. Please refer to KPCO_R_PSC_2_2_Attachment1.xls with formulas intact and unprotected.

Kentucky Power does not track its allowance inventories on a facility basis. Instead, the Company maintains a single allowance inventory which allows it maximum flexibility to consume allowances based on actual unit performance.

Beginning with the January 2014 expense month and at the request of Commission Staff, the Company began reporting its environmental costs separately for Big Sandy and Rockport and the Mitchell Plant. In order to separate the Mitchell environmental expenses, the Company included in its monthly filings a separate inventory for allowances associated with the Company's interest in the Mitchell units. The reported Mitchell allowance inventories represented the number of allowances transferred to Kentucky Power in January 2014 as part of the Mitchell Transfer less any allowances allocated to Mitchell monthly based on actual plant emissions during that month. While the allowances were reported as related to Mitchell, there was no separate allowance account for Mitchell and, if necessary, those allowances could have been utilized to offset emissions at any of Kentucky Power's facilities.

Following the approval of the Company's revised Tariff E.S. in the Rate Case Order, the Company has reported allowance inventory on a total Company basis but continues to allocate allowance consumption based upon emitted tons.

b. Please refer to KPCO_R_PSC_2_2_Attachment1.xls for the reconciliation.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Refer to the monthly environmental surcharge filings for the expense months of January 2015 through April 2015, ES Forms 3.12A and 3.12B.

a. Explain why the dollar value of the allowance inventories is reported as zero.

b. Explain whether the allowance quantities indicated represent allowances received as a result of the Clean Air Interstate Rule ("CAIR"), or the Cross-State Air Pollution Rule ("CSAPR"). If both, provide a breakdown by each type of allowance.

RESPONSE

a. The value of any remaining allowances became zero upon termination of the CAIR NOx allowance program.

b. The allowance quantities on ES Forms 3.12A and 3.12B represent only the CAIR allowances. Subsequent to the Rate Case Order, the Company began including CSAPR allowances on these forms.

WITNESS: Amy J Elliott

Kentucky Power Company

REQUEST

Explain Kentucky Power's treatment of its existing CAIR allowances, since the implementation of CSAPR made certain emission allowances received under the CAIR program invalid.

RESPONSE

The Company wrote off the value associated with the CAIR NOx allowances. Kentucky Power retains these allowances at a value of $0.

WITNESS: Amy J Elliott