

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power)	
Company For (1) A General Adjustment Of Its)	
Rates For Electric Service; (2) An Order)	
Approving Its 2017 Environmental Compliance)	
Plan; (3) An Order Approving Its Tariffs And)	Case No. 2017-00179
Riders; (4) An Order Approving Accounting)	
Practices To Establish Regulatory Assets And)	
Liabilities; And (5) An Order Granting All Other)	
Required Approvals And Relief)	

KENTUCKY POWER COMPANY'S SUPPLEMENTAL RESPONSES

TO

ATTORNEY GENERAL'S 1-199 AND 1-312

September 20, 2017

VERIFICATION

The undersigned, Mark A Pyle, being duly sworn, deposes and says he is the Tax Administrator for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief

Mark A Pyle

Mark A Pyle

STATE OF OHIO

)

) 2017-00179

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Mark A. Pyle, this the 14th day of September 2017.



HEIDI M HINTON
Notary Public, State of Ohio
My Commission Expires 04-29-18

Heidi M Hinton

Notary Public

My Commission Expires: 4/29/18

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- c. Please refer to the Company's response to AG 1-115.
- d. None. Please refer to Company Witness Bartsch's direct testimony pp 3 to 6.
- e. The computations reflected on KPCO_R_AG_1_312_Attachment1.xlsx were calculated in accordance with the Company's elections surrounding the computation of the Section 199 deduction. On a stand-alone basis, the Company would not have been able to make a Section 199 deduction on any tax return between 2013 thru 2015. 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.

- 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 Big Sandy Plant generates a Section 199 deduction and in some years it does not.
- j. 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.
- k. 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.

SUPPLEMENTAL RESPONSE FILED September 20, 2017

Please see KPCO_SR_AG_1_312_Supplemental_Attachment1.xlsx

Witness: Mark A. Pyle

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DATA REQUEST

AG_1_312

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 2014 through 2016 and for the test year.
- b. Identify and provide all consolidated AEP Calculations of the section 199 deduction for each tax year, 2014 through 2016.
- c. Identify and provide all tax forms and supporting schedules filed with AEP consolidated federal income tax returns for each tax year, 2014 and 2015, related to each of the following: (1) consolidating information, (2) section 199 deduction, (3) tax depreciation, and (4) repairs deductions.
- d. How much tax benefit of the §199 deduction has the Company reflected in the test year?
- e. Have the amounts of §199 deduction for KPCo for the test year, or for tax years 2014, 2015 or 2016 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 of the Section 199 deduction 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 qualify as domestic production activities? If not, explain fully why not.
- i. Does the Big Sandy 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.
- j. 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.
- k. 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. Please refer to the Company's response to AG 1-115.
- b. Please refer to the Company's response to AG 1-115.

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DATA REQUEST

AG_1_199 Provide a comparison of the annual cost of removal and gross salvage amounts shown on KPCo's federal income tax return calculations with the corresponding book amounts, for the last 5 years, through 2016. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

RESPONSE

Please refer to KPCO_R_AG_1_199_Attachment1.xlsx for the cost of removal and salvage amounts for the last 5 years. Information for 2016 is not yet available. ADIT related to plant is included as a reduction to rate base and is shown in the Company's response to AG 1-58. Please refer to the Company's response to AG 1-58.

SUPPLEMENTAL RESPONSE FILED September 20 2017

Please see KPCO_SR_AG_1_199_Supplemental_Attachment.xlsx

Witness: Mark A. Pyle