

KENTUCKY POWER
CASE NO. 2017-00179
STAFF'S FIRST SET OF DATA REQUESTS
DATED MAY 22, 2017

REQUEST

KPSC_1_61 Provide all wage, compensation, and employee benefits studies, analyses, or surveys conducted since the utility's last base rate case or that are currently utilized by the utility.

RESPONSE

AEP has participated in benefits surveys performed by Alight (previously Aon Hewitt), Willis Towers Watson and Havens & Company. The Company uses these results to benchmark its benefit plans for reasonableness in terms of plan design and value as compared to other non-affiliated utility employers. It is standard practice in benefits design work to rely on resources such as survey data to gauge the reasonableness of employee benefit plans. Please refer to

KPCO_R_KPSC_1_61_Redacted_Attachment1.pdf,

KPCO_R_KPSC_1_61_Redacted_Attachment2.pdf,

KPCO_R_KPSC_1_61_Redacted_Attachment3.pdf, and

KPCO_R_KPSC_1_61_Redacted_Attachment4.pdf.

AEP also conducted a nearly company-wide compensation study and redesign of the Company's compensation structure. Please refer to KPCO_R_KPSC_1_61_Redacted_Attachment5.pdf and KPCO_R_KPSC_1_61_Redacted_Attachment6.pdf.

The HR Committee of the Board of Directors annually conducts an executive compensation study covering approximately 25 executive positions. These studies are conducted by the HR Committee's external compensation consultant, which is currently Meridian Compensation Partners LLC and previously was Pay Governance LLC. Please refer to KPCO_R_KPSC_1_61_Redacted_Attachment7.pdf.

The market compensation surveys are voluminous and are subject to the Company's motion to deviate. KPCO_R_KPSC_1_61_Redacted_Attachment8.pdf.

The Company is seeking confidential treatment for all attachments provided in this response.

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KPCO_1_61 (Cont'd)

Supplemental Response filed January 2, 2018:

As part of AEP's ongoing analysis and review of the Company's benefits plans and programs, AEP recently become aware that the United States military, in an effort to reduce costs and increase retirement savings by its members, is modernizing its retirement benefits effective for 2018 in a fashion similar to the approach A.E.P. is currently utilizing.

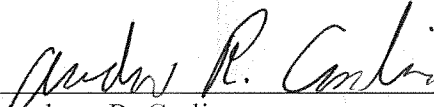
<https://www.military.com/benefits/military-pay/upcoming-changes-to-military-retirement-system-explained.html>. The changes are based on a recommendation by the Military Retirement Modernization Commission which conducted a long-term study of the military retirement benefit and made a recommendation to Congress. The Commission's recommendation was included in the National Defense Authorization Act of 2016 and will be effective in 2018.

The new U.S. military retirement system is known as the "Blended Retirement System" or BRS. The "blending" in BRS comes from the blending of two sources of retirement income: the existing defined benefit provision, plus a new defined contribution "Thrift Savings Plan" (TSP). The TSP is a government run retirement plan that offers the same types of savings and tax benefits that are provided under 401(k) plans. It allows members to invest their own money in either stocks or government securities and also get a contribution to that account from their employer. This new structure will now be similar to what AEP offers through its defined benefit cash balance retirement plan and defined contribution 401k retirement savings plan.

Witness: Curt D. Cooper
 Andrew R. Carlin

VERIFICATION

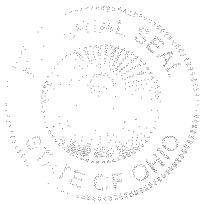
The undersigned, Andrew R. Carlin, being duly sworn, deposes and says he is the Director, Compensation and Executive Benefits for American Electric Power Service Corporation, that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief.



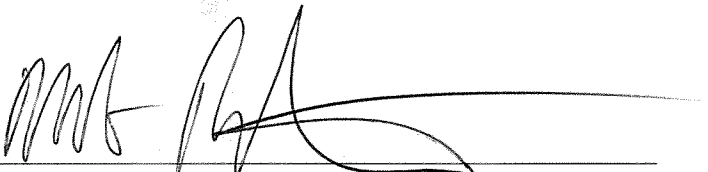
Andrew R. Carlin

STATE OF OHIO)
) Case No. 2017-00179
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Andrew R. Carlin this the 2nd day of January 2018.



MARTIN ROSENTHAL
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.



Notary Public

My Commission Expires: _____

VERIFICATION

The undersigned, Curt Cooper, being duly sworn, deposes and says he is the Director of Employee Benefits 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.

Curt Cooper
Curt Cooper

STATE OF OHIO)
) Case No. 2017-00179
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Curt Cooper this the 2nd day of January 2018.



WALTER SCHEIDT
Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.05 R.C.

Walter Scheidt
Notary Public

My Commission Expires: _____