DATA REQUEST

KPSC_RH2_001 Refer to Exhibit AEV-S4, Tab PPA Form 5.0, Line 10 and the Commission's January 18, 2018 Order in this proceeding at 54, regarding Purchase Power limitation.

a. Explain why the description for this line item references the Purchase Power Limitation.

b. Refer also to Kentucky Power's response to Commission Staff's First Rehearing Request for Information ("Staff's First Rehearing Request"), Item 3, Attachment 1. Explain why the amount for this item should be $372,542 and not $1,350,008 ($372,542 + $979,008).

RESPONSE

a. Consistent with the Commission’s clarification on page 4 of its February 27, 2018 Order on Rehearing that purchase power expenses associated with forced outages (“Forced Outage Expense”) will continue to be recoverable through Tariff P.P.A., the Company labeled Line 10 of PPA Form 5.0 as "Forced Outage Purchase Power Limitation Base Amount."

b. As described on pages S5-S6 of the testimony of Company Witness Vaughan in support of the Rehearing Settlement Agreement, Adjustment W9 was designed to account for the lag in recovery under Tariff P.P.A. and synchronize Tariff P.P.A. revenues with Tariff P.P.A. expenses. As described in the testimony, however, the Company’s deferral accounting accounted for the lag and Adjustment W9 was unnecessary. The Company included $372,542 of Tariff P.P.A. expense in base rates.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_RH2_002 Refer to Kentucky Power's response to Staff's First Rehearing Request, Item 3. Explain how the forced outage expense incurred in the test year was excluded from the test year.

RESPONSE

Please see pages S5-S6 of the testimony of Company Witness Vaughan and the Company’s response to KPSC RH2-1 for the requested information.

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_RH2_003

Explain whether, in its application and supplemental filing dated August 7, 2017, Kentucky Power adjusted the total federal income tax expense included in the adjusted test year to reflect the statutory rate. If not, provide a reconciliation between the test-year amount of federal income taxes and the normalized amount.

RESPONSE

The Company applied the statutory tax rates in its application and supplemental filing dated August 7, 2017. The Company's tax calculations also took into account flow-throughs and permanent differences. Please see the supporting tax expense workpapers included in the Company's response to KPSC 1-73 in KPCO_R_KPSC_1_73_Attachment68_Income_Tax_Schedules_02-28-2017_FINAL.xls

Witness: Alex E. Vaughan
DATA REQUEST

KPSC_RH2_004 For tax normalization purposes, explain whether accumulated deferred income taxes are assumed to be included at zero cost or excluded from the proposed test-year capitalization.

RESPONSE

Accumulated deferred income taxes (ADIT) are excluded from the Company's test year capitalization. Without the test year ADIT the Company's capitalization would be higher and would be funded by a mix of additional debt and equity.

Witness: Alex E. Vaughan
VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is the Regulatory Pricing & Analysis Manager for American Electric Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Subscribed and sworn before me, a Notary Public, by Alex E. Vaughan this 16th day of May, 2018.

Notary Public

My Commission Expires 4/19/2020