

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INDUSTRIAL UTILITY)	
CUSTOMERS, INC.)	
)	
COMPLAINANT)	
V.)	Case No.
)	2018-00035
KENTUCKY POWER COMPANY)	
)	
DEFENDANT)	

KENTUCKY POWER COMPANY'S RESPONSES TO
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
FIRST SET OF DATA REQUESTS

April 5, 2018

VERIFICATION


The undersigned, Michael N. Kelly, being duly sworn, deposes and says he is the Tax Accounting & Regulatory Support Manager 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.



 Michael N. Kelly

State of Ohio)
)
 County of Franklin) Case No. 2018-00035

Subscribed and sworn before me, a Notary Public, by Michael N. Kelly this
5th day of April, 2018.



 Notary Public S. Smithhisler
 My Commission Expires April 29, 2019



Kentucky Power Company
KPSC Case No. 2018-00035
Kentucky Industrial Utility Customers' First Set of Data Requests
Dated March 23, 2018

DATA REQUEST

KIUC_1_001 Provide the amount of the Company's "protected" excess accumulated deferred income taxes ("ADIT") resulting from the TCJA at December 31, 2017.

RESPONSE

Please see KPCO_R_KIUC_1_1_Attachment 1.xlsx for preliminary estimates of the requested information.

Witness: Michael N. Kelly

Kentucky Power Company
KPSC Case No. 2018-00035
Kentucky Industrial Utility Customers' First Set of Data Requests
Dated March 23, 2018

DATA REQUEST

KIUC_1_002 Provide the estimated amortization of the protected excess ADIT using the average rate assumption method ("ARAM") for 2018 and for each calendar year thereafter through 2020. Provide the related monthly reduction and the annual 13 month average of the reduction in excess ADIT for 2018 and each calendar year thereafter through 2020.

RESPONSE

Please see KPCO_R_KIUC_1_1_Attachment 1.xlsx for the requested information. The monthly ARAM amounts are 1/12 of the preliminary estimates of the annual totals included in KPCO_R_KIUC_1_1_Attachment 1.xlsx.

Witness: Michael N. Kelly

Kentucky Power Company
KPSC Case No. 2018-00035
Kentucky Industrial Utility Customers' First Set of Data Requests
Dated March 23, 2018

DATA REQUEST

KIUC_1_003 Provide the amount of the Company's "unprotected" excess ADIT resulting from the TCJA at December 31, 2017.

RESPONSE

Please see KPCO_R_KIUC_1_1_Attachment 1.xlsx for preliminary estimates of the requested information.

Witness: Michael N. Kelly

Kentucky Power Company
KPSC Case No. 2018-00035
Kentucky Industrial Utility Customers' First Set of Data Requests
Dated March 23, 2018

DATA REQUEST

KIUC_1_004 Confirm that the Company will not amortize any unprotected excess ADIT until authorized by the Commission.

RESPONSE

Confirmed. The Company will not amortize any unprotected excess ADIT until authorized by the Commission.

Witness: Michael N. Kelly

Kentucky Power Company
KPSC Case No. 2018-00035
Kentucky Industrial Utility Customers' First Set of Data Requests
Dated March 23, 2018

DATA REQUEST

KIUC_1_005 Provide a copy of all regulations, letters or written opinions issued by Treasury or the Internal Revenue Service that have been relied upon by Kentucky Power or its agents to calculate its excess ADIT, or to determine how excess ADIT may be amortized and refunded or otherwise returned to ratepayers.

RESPONSE

The Company relied upon Section 13001(d) of H.R. 1 (Public Law No: 115-97), of the Tax Cuts and Jobs Act which requires normalization of excess deferred taxes resulting from prior depreciation deductions on assets placed in service before the corporate rate reduction takes effect using the average rate assumption method. The Joint Explanatory Statement of the Conference Committee (<http://docs.house.gov/billsthisweek/20171218/Joint%20Explanatory%20Statement.pdf>) at pp. 176 – 177 provides an explanation and example of the average rate assumption method. Amortization of the portion of excess ADIT that is subject to this normalization requirement will be amortized over "the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes." See Subtitle C, Part I, Sec. 13001(d)(3)(B). The "average remaining life," is based on book life and not tax life. This is a complex calculation that the Company is continuing to work through; preliminary estimates of the protected excess ADIT and related amortization are provided in KPCO_R_KIUC_1_1 Attachment 1.xlsx.

Witness: Michael N. Kelly