

**Kentucky Power Company**  
**KPSC Case No. 2018-00035**  
**Commission Staff's Second Set of Data Requests**  
**Dated May 8, 2018**  
**Page 1 of 2**

**DATA REQUEST**

2-001 Refer to the Testimony of Alex E. Vaughan, page S5, lines 9-20.

- a. Explain whether Kentucky Power considered implementing an annual true-up to reflect any annual credits that varied from the Annual Total Rate Credit Amount.
  - (1) If the answer to 1 a is no, explain why.
  - (2) If the answer to 1 a is yes, explain why Kentucky Power did not propose an annual true-up.
- b. Explain how the proposed amortization of the annual credits that vary from the Annual Total Rate Credit Amount will not result in a normalization violation.

**RESPONSE**

a. Yes, the Company considered it.

- (1) Not applicable.
- (2) The Company concluded that customers are fully protected without the necessity of a true up. Customers will receive the full benefit of the excess ADIT over the full amortization period. Protected excess ADIT will be flowed back to customers in accordance with ARAM. Any customer over-recovery of unprotected excess ADIT will reduce the amount of excess unprotected ADIT reflected in base rates when the Company's base rates are next adjusted in a base rate case. Similarly, any customer under-recovery will be reflected in the amount of remaining excess unprotected ADIT included in base rates in connection with the Company's next base rate case.

The lack of a rate true-up also contributes to rate certainty. Customers will be credited at the rates shown on page 1 of the proposed Tariff F.T.C. (page 14 of Exhibit MAH-1) without regard to variations in annual MWh sales.

The Company's conclusion also was informed by the Commission's approval on March 20, 2018, subject to other modifications, and the Commission's statement that its order was based upon the particular facts presented and was not to be deemed precedential, of the offer of satisfaction tendered by Louisville Gas and Electric Company and Kentucky Utilities Company in Case No. 2018-00034. The offer, as approved by the Commission, similarly lacked a true up mechanism. Although the Commission's March 20, 2018 order subsequently was amended on March 28, 2018, and rehearing granted, it does not appear to Kentucky Power that the absence of a true up mechanism was the basis of the motion for rehearing or the Commission's order granting it.

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Customers are further protected from any normalization violation even in the absence of a true up by the mechanism described in response to subpart (b).

- b. The amount of unprotected ADIT amortization will be adjusted to permit the protected excess ADIT to be flowed back through rates to customers at the required level in accordance with ARAM. For example, if the total rate credit in a year is less than anticipated the amount of unprotected excess ADIT will be reduced dollar for dollar to ensure that correct amount of protected excess is flowed back. Conversely, if the total rate credit exceeds the amount anticipated, the required amount of protected excess ADIT will be flowed back and the amount of unprotected excess ADIT will be increased. The result will be that the required amount of protected excess ADIT, no more nor no less, will be flowed back.

Witness:        Alex E. Vaughan

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**DATA REQUEST**

2-002 Refer to the Testimony of Matthew A. Horeled, page S7, lines 20-22. In Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible, provide the calculations of the annual federal tax cut credit for 2019 and 2020 without "shaping".

**RESPONSE**

Please see row 34 of the Allocation and Rates tab of KPCO\_R\_KPSC\_2\_2\_Attachment\_1.xlsx for the "unshaped" residential kWh federal tax cut credit rates for 2019 and 2020. KPCO\_R\_KPSC\_2\_2\_Attachment\_1.xlsx is an electronic copy of Exhibit AEV-S2.

Please see KPCO\_R\_KPSC\_2\_2\_Attachment\_1.xlsx for the calculations of the annual federal tax cut credit (in total) for 2019 and 2020. Note, the annual federal tax credit amount (in total) is not subject to "shaping."

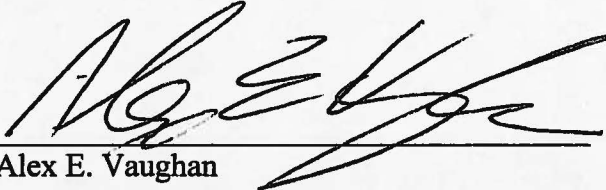
Witness:        Alex E. Vaughan

**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.



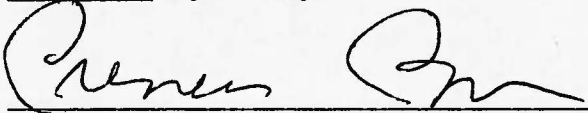
Princess M. Brown  
Notary Public, State of Ohio  
My Commission Expires 04-19-2020

  
\_\_\_\_\_  
Alex E. Vaughan

State of Ohio )  
  )  
County of Franklin )

Case No. 2018-00035

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

  
\_\_\_\_\_  
Notary Public

My Commission Expires 4/19/2020