

Kentucky Power Company
KPSC Case No. 2018-00035
Attorney General's First Set of Data Requests
Dated April 2, 2018

DATA REQUEST

- 1-001 Confirm that according to the Tax Cuts and Jobs Act ("TCJA") "protected" excess accumulated deferred income taxes ("ADIT") are those ADITs caused by timing differences resulting exclusively from section 167 and 168 of the Internal Revenue Code.
- a. If you cannot confirm, explain in complete detail why not.

RESPONSE

The Company confirms "protected" excess accumulated deferred income taxes ("ADIT") are those ADITs caused by timing differences resulting exclusively from section 167 and 168 of the Internal Revenue Code.

Witness: Michael N. Kelly

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DATA REQUEST

- 1-002 Confirm that according to the TCJA, ADITs caused by timing differences resulting from section 162 of the Internal Revenue code are considered "unprotected" under the applicable law.
- a. If you cannot confirm, explain in complete detail why not.

RESPONSE

The Company confirms that ADIT caused by timing differences resulting from section 162 of the Internal Revenue code is considered "unprotected" .

Witness: Michael N. Kelly

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DATA REQUEST

1-003 Confirm that in FERC Docket EL17-13-000, *American Municipal Power, Inc. et. v. Kentucky Power Co. et al.*, KPCo agreed to return "unprotected" excess ADITs, or those that are not subject to the TCJA's normalization provisions, to customers over a period of 10 years.

RESPONSE

The Company confirms that in FERC Docket EL17-13-000, *American Municipal Power, Inc. et. v. Kentucky Power Co. et al.*, KPCo agreed to return "unprotected" excess ADIT to customers over a period of 10 years.

Witness: Alex E. Vaughan

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DATA REQUEST

1-004 Explain how KPCo anticipates ensuring the reduction in its expenses from affiliates as a result of the TCJA are passed on to customers.

RESPONSE

Changes in expense levels from affiliates resulting from the TCJA that are related to items that are tracked through monthly deferral accounting will be passed on to customers. For example, lower PJM OATT LSE charges will be passed back to customers through Tariff PPA, while lower environmental costs from the Rockport UPA will be passed back to customers through the Company's environmental surcharge.

Other expense decreases *and increases*, including those paid to affiliates, that are reflected in base rates that were established using the Company's February 28, 2017 test, will be addressed in Kentucky Power's next base rate case. The historic test year is not intended to serve as an exact accounting of each dollar that will be spent in future years. It is a snap shot in time of the test year levels of the individual costs comprising the Company's expenses. The fact that the individual costs comprising the Company's expenses will continue to change when the new rates are in effect does not render the snapshot inaccurate, or the use of a historic test year no longer useful, so long as the overall balance among the individual costs (and between test year costs and test year revenues) is maintained. Indeed, implicit in the use of a historical test year to establish the Company's rates for the future is that Kentucky Power retains the ability to manage its future expenses when the new rates are in effect so that it can employ a post-test year decrease in one type of expense to offset a post-test year increase in a different expense. When that is no longer possible, or costs cannot be reduced through further efficiencies, the Company normally has the option of seeking a rate adjustment.

The typical rough balance among the test year levels of the Company's expenses was rendered much more precise, and thus more difficult to maintain, by the important concessions agreed to by Kentucky Power as part of the Settlement Agreement. These concessions provided multiple benefits not otherwise available to the Company's customers, including the Rockport Deferral and the rate case stay out.

Witness: Alex E. Vaughan

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.

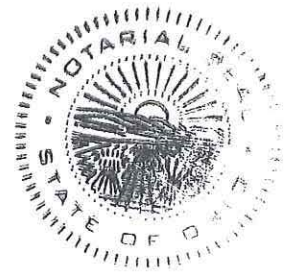

Michael N. Kelly

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

Subscribed and sworn before me, a Notary Public, by Michael N. Kelly this
9th day of April, 2018.


Notary Public

My Commission Expires April 29, 2019



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 forgoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.



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
 9 day of April, 2018.



Notary Public

My Commission Expires Never



Amanda E. Owen, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.