DATA REQUEST

AG-KIUC 1_15	Provide electronic spreadsheets relied on for each of the schedules, exhibits, tables, and figures included in the testimony of each of the Company's witness, with all formulas intact to the extent not already provided in response to Staff discovery.

RESPONSE

See the Company's response to KPSC 2-1 and associated attachments. To the extent this request seeks the production of information beyond that provided in response to KPSC 2-1, the Company objects to the request as seeking the creation of information in a form in which it does not exist or as imposing an obligation that is unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence.

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See also KPCO_SR_AG-KIUC_1_15_Attachment1 for the requested information.

Witness: Linda M. Schlessman

DATA REQUEST

AG-KIUC 1_18 Reference the West testimony at 5, 6, and 30 for discussions of proposed revenue increases, suspended collection of the Decommissioning Rider and Rockport Deferral Regulatory Asset until securitization, and the PJM LSE OATT costs that have been recovered through Tariff P.P.A that the Company proposes to be rolled into base rates in addition to the $96,896,495 that has been recovered in base rates. Reference also to the Walsh testimony 17-18 regarding the total adjusted test year PJM LSE OATT costs of $136,358,812 that are included in the determination of the base rate cost of service.

a. Provide a list showing each projected change in the annual revenue requirement charges to customers that will occur on January 1, 2024 in addition to the proposed base rate increase. Describe the current form of recovery for each listed item. This request includes, but is not limited to, the following:

i. Decommissioning Rider;
ii. Rockport Deferral Regulatory Asset;
iii. Tariff P.P.A Under-Recovery Regulatory Asset if applicable; and
iv. PJM LSE OATT costs currently recovered through Tariff P.P.A.

b. For each item listed in response to subpart a, provide the calculated determination of the annual recovery amount as of January 1, 2024 in electronic format with all formulas in place.

c. Provide a copy of the most recent spreadsheet calculations of the Decommissioning Rider and Tariff P.P.A in electronic format with all formulas in place.

d. What is the projected suspended collection period related to securitization. In other words, what are the earliest and latest projected dates in which securitization customer charges could start?

e. Confirm that the expected annual securitization charges to customers would be $37.061 million based on current parameter assumptions. (Reference the Spaeth testimony at page 22.)

RESPONSE

a. The amounts that would be included in rider rates on the date that new base rates go into effect would be as follows:

Decommissioning Rider: $0
Rockport Deferral Regulatory Asset in Tariff P.P.A.: $0
Tariff P.P.A Under-Recovery Regulatory Asset if applicable: $0
PJM LSE OATT costs currently recovered through Tariff P.P.A.: $0

b. Please see the Company's response to part a.

c. The Company's most recent Decommissioning Rider and Purchase Power Adjustment calculation spreadsheets are publicly available in the post case correspondence of Case No. 2020-00174.

d. Costs will not be included for recovery in the Securitization Financing Rider until after the applicable Financing Order issued by the Commission authorizing securitization is issued and becomes a final and non-appealable order. Based on current information it would be speculative to estimate the timing of securitization activities subsequent to Commission approval of the Financing Order, but it is expected those activities will occur promptly, subject to and within the framework of market conditions.

e. Confirmed based upon the information available at the time of the Company's filing.

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Please see KPCO_SR_AG-KIUC_1_18_ Attachment1 for estimates of the projected changes to the annual rider revenue requirements for each line item i. – iv. The attachment also includes additional line items: v. Rockport Fixed Cost Savings and vi. Estimated Rockport Offset. Both items are currently credited or charged through Tariff P.P.A.

At the time rates are updated to remove Rockport expense from base rates, item v. will no longer be necessary for inclusion in Tariff P.P.A. Please see adjustment 47.

It is the Company’s proposal that all PJM LSE OATT expense be recovered through base rates going forward and the adjusted cost-of-service reflects this proposal, see adjustment 23.

Witness: Michael Spaeth

DATA REQUEST

AG-KIUC 1_25 Provide a copy of the currently effective AEP Tax Allocation Agreement.

a. Confirm that the AEP Tax Allocation Agreement was approved by the FERC and is a FERC tariff. If this is not correct, then provide a corrected statement and a copy of all support relied on for your response. In addition, provide a cite to each FERC docket and each FERC order wherein the AEP Tax Allocation Agreement initially was approved and each subsequent modification was approved.

b. Provide the date at which the initial AEP Tax Allocation Agreement was effective and the date at which it was effective for the Company, if different. Confirm also that the AEP Tax Allocation Agreement has been in effect continuously since the initial version, albeit subject to modification throughout its existence.

c. Confirm that neither AEP nor any other party has sought or has pending an Application before the FERC either to withdraw the AEP Tax Allocation Agreement altogether or to remove or otherwise modify the provision whereby AEP reimburses the other parties to the agreement for the tax effects of each party's taxable losses.

d. Confirm that the Company historically has incurred taxable losses (net operating losses or "NOLs") on a standalone separate return basis and confirm that AEP historically has reimbursed the Company for the tax effect of those tax losses through the AEP Tax Allocation Agreement.

e. Confirm that the Company historically has recorded an asset NOL ADIT on its accounting books for the tax effects of the taxable loss in the tax year on a standalone separate return basis, but then records a reduction to that asset NOL ADIT for AEP's reimbursement for the tax effects of the taxable loss pursuant to the AEP Tax Allocation Agreement.

f. Confirm that the Company has never before sought to include the standalone separate NOL ADIT in rate base without the subtraction of the AEP reimbursement from rate base.

g. Confirm that the Company will continue to record the AEP reimbursement of the tax effects of the taxable loss pursuant to the AEP

Tax Allocation Agreement and confirm that it will not record an increase in the NOL ADIT on its accounting books if the Commission allows the Company to include the standalone separate NOL ADIT in rate base. Explain your response and provide all support relied on for your response.

h. Confirm that the Company will record for the first time on its accounting books a regulatory asset if the Commission allows the Company to include the standalone separate deficient NOL ADIT without the subtraction of the actual prior AEP reimbursement of this amount in the calculation of rate base.

i. Provide a schedule in live Excel format with all formulas intact that shows for each calendar year 2013 through 2022: i) the calculation of the Company's standalone separate return annual taxable income or loss, including all income and deduction items, ii) straight line book depreciation, iii) straight line tax depreciation, iv) bonus tax depreciation, v)non-bonus accelerated tax depreciation, vi) utilization of the NOL carryforwards from prior years by vintage year, vii) NOL and deficient NOL carryforward balances at the end of each year, viii) NOL ADIT and deficient NOL ADIT at end of year before reimbursement from AEP, and ix) NOL ADIT and deficient NOL ADIT at end of year after reimbursement from AEP.

j. Confirm that the reimbursements from AEP pursuant to the AEP Tax Allocation Agreement reduce or displace the Company's financing requirements by the amount of the reimbursement compared to the Company's financing requirements if it was not a party to the AEP Tax Allocation Agreement. Explain your response and provide all support relied on for your response. Confirm further that the Company does not incur financing costs on equity and debt financing that is avoided due to the reimbursements from AEP pursuant to the AEP Tax Allocation Agreement. Explain your response and provide all support relied on for your response.

RESPONSE

The Company objects to this request on the grounds that it seek legal analysis and a legal opinion, which are not the appropriate subject of discovery. The Company further objects to this request to the extent it seeks information not under the custody and control of the Company, and also to the extent it purports to require providing information about affiliates of the Company that are not subject to the jurisdiction of the Kentucky Public Service Commission and are subject to the jurisdiction of regulatory commission in other state jurisdictions and regulated by the Federal Energy Regulatory Commission ("FERC"). The Company further objects to the extent the request is not reasonably calculated to lead to the discovery of admissible evidence. The Company further states on the grounds that the request is ambiguous, overly broad, speculative, and argumentative. Without Waiving these objections, the Company states as follows:

Please see attachment KPCO_R_AG_KIUC_1_25_Attachment1 for a copy of the currently effective AEP Tax Allocation Agreement.

a. The statement calls for a legal conclusion and it is therefore not the appropriate subject of discovery.

b. The statement calls for a legal conclusion and it is therefore not the appropriate subject of discovery. The Company further refers to the Direct Testimony of Company Witness Schlessman for a discussion of the relevant time period for tax attributes discussed in her testimony and relevant to the test year in the present case. The Tax Allocation Agreement has been in force throughout the period during which the tax attributes have accumulated, including from 2017 to the present.

c. The statement calls for legal analysis and a legal conclusion and it is therefore not the appropriate subject of discovery. The Company further states that it is not aware of an application pending before FERC to withdraw, remove, or modify, the AEP Tax Allocation Agreement.

d. Please see Exhibit LMS-8 filed with Company Witness Schlessman's Direct Testimony for the historical detail of standalone taxable losses and income. AEP historically has reimbursed the Company for the tax effect of those tax losses through the AEP Tax Allocation Agreement to the extent that those tax losses can be offset by income of other AEP affiliates.

e. The Company has not recorded a standalone NOL ADIT historically. Please see page 29 of Company Witness Schlessman's Direct Testimony regarding the Company's books.

f. Kentucky Power Company has not historically sought to include the standalone NOL ADIT in rate base. Other AEP affiliates have sought to include the standalone NOL ADIT in rate base in the next available opportunity per IRS notice 2017-47. This case is the next available opportunity to include the standalone NOL ADIT for Kentucky Power Company.

g. The statement seeks legal analysis and a legal conclusion, which are not the appropriate subject of discovery.

h. The Company will not record a regulatory asset. Instead, it will reduce the existing regulatory liability for excess ADIT.

i. The analysis requested has not been performed in the manner requested. Please see KPCO_R_AG_KIUC_1_25_Attachment2 for the information that is available.

- Excel version of standalone taxable loss and income as detailed in Exhibit LMS-8
- Tax and book depreciation detail for the taxable loss and income years as indicated in Exhibit LMS-8
- Consolidated NOL ADIT at end of year 2013-2022 after reimbursement from AEP

j. The Company objects to this request as calling for speculation, and because it is not reasonably calculated to lead to the discovery of admissible evidence.

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a. The questions of whether the AEP Tax Allocation Agreement was approved by the FERC and whether the AEP Tax Allocation Agreement is a FERC tariff are legal questions that require a legal opinion about whether the AEP Tax Allocation Agreement is FERC-jurisdictional.

The Company is not aware of a FERC docket in which FERC has ruled the agreement to be FERC jurisdictional, or has approved the agreement as a FERC-jurisdictional tariff. The Company does not consider the AEP Tax Allocation Agreement to be FERC-jurisdictional, and instead deems it to be governed by the provisions of the Unites States Internal Revenue Code.

b. The Company is unable to provide the requested information. Consistent with its document retention policies, the Company does not maintain copies of prior agreements that are no longer effective for longer than 10 years. The Company can confirm that the AEP Tax Allocation Agreement has been effective since at least May 2000, and that it has been in effect continuously, albeit subject to modification, since that date.

f. The Company confirms that it has never before sought to include in the standalone NOL ADIT in Kentucky retail rate base and states that it is taking the first available opportunity to do so in this case, based on normalization guidelines and Revenue Procedure 2017-47. The Company has sought to include the standalone NOL ADIT in FERC formula rates.

g. The Company confirms that it will continue to record the AEP reimbursement of the tax effects of the taxable loss pursuant to the AEP Tax Allocation Agreement and that it will not record an increase in the NOL ADIT on its accounting books if the Commission allows the Company to include the standalone separate NOL ADIT in rate base because the accounting books are required to follow GAAP.

i.

- i) Please see KPCO_SR_AG-KIUC_1_25_ConfidentialAttachment1 for the 2013 – 2021 information. The Company has not finalized its 2022 tax return and, therefore, 2022 data is not available.
- ii) See KPCO_R_AG_KIUC_1_25_Attachment2.
- iii) See KPCO_R_AG_KIUC_1_25_Attachment2.
- iv) Included in line for form 4562 of the attached proforma tax returns provided in subpart i., (i)
- v) Included in line for form 4562 of the attached proforma tax returns provided in subpart i., (i)
- vi) See KPCO_R_AG_KIUC_1_25_Attachment2.
- vii) See KPCO_R_AG_KIUC_1_25_Attachment2.
- viii) See KPCO_R_AG_KIUC_1_25_Attachment2.
- ix) See KPCO_R_AG_KIUC_1_25_Attachment2.

j. The Company objects to this request as calling for speculation, and because it is not reasonably calculated to lead to the discovery of admissible evidence. The Company also objects to the request as compound. Subject to and without waiving the foregoing objections, the Company states:

Not confirmed. The Company's cash needs vary and at any point in time are determined by many factors, including level of capital investment, expenses, revenues, dividends, long-term debt issuances and maturities. The Company does not and cannot know whether, absent its participation in the Tax Allocation Agreement, it would have had different financing or cash needs. If the Company has outstanding short-term debt and receives cash, all else equal, the amount of short-term debt would be reduced. However, if the Company has no outstanding short-term debt and receives cash, all else equal, there would be no impact on short-term debt.

Witness: Linda M. Schlessman

Witness: Franz Messner (subpart j)

KPCO_SR_AG-KIUC_1_25_ConfidentialAttachment1 has been redacted in its entirety.

DATA REQUEST

AG-KIUC 1_26	Identify each AEP utility and jurisdiction for which AEP and/or the utility has/have requested a private letter ruling from the IRS regarding whether the subtraction of the AEP reimbursement of the tax effects of net operating losses from rate base constitutes a normalization violation. a. Provide a copy of each request, supporting documents, and comments from the regulatory commission staff in that jurisdiction and/or other parties, if any. b. Provide a status report on all activities with respect to each request, including any conversations with the IRS by the Company and/or tax counsel. c. Indicate if AEP/Company expects the IRS to consolidate the requests and issue a single letter ruling or whether it will consider facts and circumstances unique to the utility and/or jurisdiction. d. Indicate if AEP/Company expects the IRS to offer a conference of right prior to issuing the ruling and provide the date at which such conference has taken place or is expected to take place.

RESPONSE

The Company objects to this request to the extent it seek legal analysis and a legal opinion, which are not the appropriate subject of discovery. The Company further objects to this request to the extent it seeks information not under the custody and control of the Company, and also to the extent it purports to require providing information about affiliates of the Company that are not subject to the jurisdiction of the Kentucky Public Service Commission and are subject to the jurisdiction of regulatory commission in other state jurisdictions and regulated by the Federal Energy Regulatory Commission ("FERC"). The Company further objects to the extent the request is not reasonably calculated to lead to the discovery of admissible evidence. The Company further objects to the extent the request seeks communications, documents, and information protected by the attorney-client privilege or the attorney work product doctrine. The Company further objects on the grounds that the request is ambiguous, overly broad, speculative, and argumentative. Without waiving these objections, the Company states as follows:

a. The United States Internal Revenue Service ("IRS") has not published the requested private letter rulings.

b. Please refer to the Company's response to subpart a.

c. The IRS has not made a determination about the consolidation of the referenced requests.

d. The IRS has not made a determination about a conference related to the referenced requests.

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The Company objects to this request to the extent it seek legal analysis and a legal opinion, which are not the appropriate subject of discovery. The Company further objects to this request to the extent it seeks information not under the custody and control of the Company, and also to the extent it purports to require providing information about affiliates of the Company that are not subject to the jurisdiction of the Kentucky Public Service Commission and are subject to the jurisdiction of regulatory commission in other state jurisdictions and regulated by the Federal Energy Regulatory Commission ("FERC"). The Company further objects to the extent the request is not reasonably calculated to lead to the discovery of admissible evidence. The Company further objects to the extent the request seeks communications, documents, and information protected by the attorney-client privilege or the attorney work product doctrine. The Company further objects on the grounds that the request is ambiguous, overly broad, speculative, and argumentative. Without waiving these objections, the Company states as follows:

b. The private letter ruling requests were filed in March 2022. Shortly after the IRS requested additional information, which was provided in August 2022. Since then no further additional information requests have been received.

c. The Company does know and cannot speculate whether the IRS will consolidate the requests. The IRS has not made a determination about the consolidation of the referenced requests.

d. The Company does not know and cannot speculate whether the IRS will offer a conference of right prior to issuing the ruling. The IRS has not made a determination about a conference related to the referenced requests.

Witness: Linda M. Schlessman

Kentucky Power Company
KPSC Case No. 2023-00159
AG-KIUC's First Set of Data Requests
Dated August 14, 2023

DATA REQUEST

AG-KIUC 1_48 Provide the lobbying expense actually incurred in the test year by FERC account/subaccount and payee/vendor, including expense that was incurred by affiliates, such as AEPSC, and charged to the Company. In addition, provide the amount of lobbying expense included in the cost of service in this proceeding in the same format.

RESPONSE

The Company objects to this request on the grounds that the information sought it is not relevant and not reasonably calculated to lead to the discovery of admissible evidence as the request seeks information about expenses that are not included in the Company's cost of service and, therefore, the information is outside the scope of this proceeding.

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The Company objects to this request on the grounds that the information sought it is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. The identified expenses are not included in the Company's cost of service.

Witness: Heather M. Whitney

DATA REQUEST

AG-KIUC 1_50 Reference Section V Exhibit 2 page 50 which details the annualization adjustment W49 for property taxes expense.

a. Provide the calculation of the estimated test year property tax expense based on the December 31, 2022 Assessed Property Tax Value reflected on Line 1, including the calculation or other source of the property tax rates. Provide in electronic format with all formulas in place.

b. Provide the calculation of the estimated test year property tax expense based on the December 31, 2021 Assessed Property Tax Value. Provide in electronic format with all formulas in place.

c. Indicate the amounts of property tax costs in the test year that were expensed, capitalized, or charged to other. In addition, indicate whether the allocation of property tax costs to these categories were changed in any way in the estimation of property tax expense based on the December 31, 2022 Assessed Property Tax Value.

d. Indicate all known reasons for the estimated increases in property tax expenses based on the December 31, 2022 Assessed Property Tax Value compared to actual test year amounts. Include such expected changes in net plant, operating income, tax rate increases, and all other component increases as part of the response.

RESPONSE

a.-d. Please see KPCO_R_AG_KIUC_1_50_Attachment1 for the estimated property expense calculation.

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The calendar year 2022 property tax return accrual is calculated by multiplying the assessment for property values at 12/31/2020, assuming a 2% increase in assessed property value for 12/31/2021, and multiplying it by a blended state and local rate. Then, the amount related to CWIP is removed which is expected to be capitalized. Below is the estimate calculation for the portion of the KY property taxes that tie to the total of the previously supplied “PS Query” tab, calendar 2022, for KY without regard to the generation business unit of KPCO_R_AG_KIUC_1_50_Attachment1.

1,459,000,000	12/31/2020 Property Assessment Received from the State (Tax Year 2021)
2%	multiple by estimated increase percentage
29,180,000	equals estimated increase
1,488,180,000	12/31/2021 Property Assessment Estimate (Tax Year 2022)
1.11%	Estimated blended rate based on 12/31/2020 assessment
16,578,325	Total estimated tax for calendar 2022
(1,092,158)	Remove estimated amount for CWIP (capitalization)
15,486,167	Ties to total of PS Query Tab, KY 2022 calendar year without generation

Witness: Linda M. Schlessman