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PUBLIC SERVICE
COMMISSION

Via Overnight Mail

February 12, 2010

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2009-00459

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of the FIRST SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO KENTUCKY POWER COMPANY filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) and by first-class postage prepaid mail, (unless otherwise noted) to all parties on the 12TH day of February, 2010.

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David F. Boehm, Esq.
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:	:	
THE APPLICATION FOR GENERAL ADJUSTMENT	:	
OF ELECTRIC RATES OF KENTUCKY POWER	:	**Case No. 2009-00459**
COMPANY	:	
	:	

FIRST SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Dated: **February 12, 2010**

DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.

2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.

3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.

4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.

5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.

6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.

7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.

10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.

11. "AEP" means American Electric Power and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

12. "Company" means Kentucky Power Co. d/b/a American Electric Power, and/or any of their officers, directors, employees or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.

2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.

3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.

4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.

5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.

6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.

7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.

8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

KIUC FIRST SET OF DATA REQUESTS
PSC CASE NO. 2009-00459

Q1-1. Please provide all work papers and supporting documentation used by Dr. Avera in the preparation of his Direct Testimony and exhibits. Please provide all spreadsheets with cell formulas intact. Please provide all data that support his quantitative analyses.

Q1-2. Please provide copies of all articles, Commission Orders, and all other documents referenced and cited by Dr. Avera in his Direct Testimony.

Q1-3. Please provide copies of all bond rating agency reports (Moody's, Standard & Poor's, Fitch) for Kentucky Power and American Electric Power for the years 2006 through 2010.

Q1-4. Please provide all supporting information and documentation associated with AEP's 2009 issuance of common stock cited by Dr. Avera on page 48 of his Direct Testimony. Please provide the issuance costs incurred by AEP for this issuance.

Q1-5. Regarding AEP's 2009 issuance of common stock, please describe the intended use of the proceeds of this issuance.

Q1-6. Refer to Exhibit WEA-9. Please explain why Dr. Avera did not include short term debt in the computations of capital structure for his comparative group.

Q1-7. Please provide a copy of the cost of service model used to develop the Class Cost of Service Study shown in Exhibit DEH-1, in executable electronic format, with all formulas intact and with inputs consistent with the Company's filing.

Q1-8. Please provide all workpapers supporting the derivation of the allocation factors developed external to the cost of service model, in electronic spreadsheet format with formulas intact if available.

Q1-9. If not shown in the workpapers previously provided, please provide each of the twelve monthly coincident peaks by rate class used to develop the production allocation factor for the Class Cost of Service Study.

Q1-10. If not shown in the workpapers previously provided, for each class in the Class Cost of Service Study please provide the loss factors used to adjust energy and demand at metered voltage to the various uniform voltage levels used in allocation factors.

Q1-11. Please provide each of Mr. Roush's exhibits DMR-1 through DMR-4 in electronic spreadsheet format, with formulas intact.

Q1-12. Please provide all workpapers supporting Mr. Roush's testimony and exhibits, in electronic format with formulas intact if available.

Q1-13. Please provide all workpapers associated with the Company's proposed rate design, in electronic format with formulas intact if available.

Q1-14. To the extent not provided in response to the previous questions (1 through 7), please provide electronic versions of pages 2 through 61 of the Company's response to Commission Staff 1st Set of Data Requests, Item No. 8-c, with formulas intact.

Q1-15. Refer to page 6 lines 15-19 of Mr. Scott Weaver's Direct Testimony wherein he describes the AEP System review of supply-side resource options and consideration of combined cycle and combustion turbine resources. With respect to the proposed wind power purchased power agreement, please provide a comparison of the annual and life-cycle costs of that proposed contract to the most recent least cost bid from a supplier or AEP's most recent cost projection for combined cycle and/or combustion turbine capacity.

Q1-16. Refer to Exhibit SCW-1A and the capacity of 6 mW indicated for each 50 mW of wind capacity. In addition, refer to Exhibit EKW-18, which indicates a capacity value of 36.5 mW (422,135 – 385,619) for each month during the year.

a. Please reconcile the mW capacity values on Exhibit SCW-1A and Exhibit EKW-18.

b. Please provide a schedule showing the projected monthly capacity value that the Company will be granted by the AEP System for pool capacity. Provide a copy of all source documents relied on for your response.

Q1-17. Refer to Exhibit SCW-3. Please provide the underlying computations for this exhibit, including all assumptions, data and electronic spreadsheets with formulas intact.

Q1-18. Please provide a copy of all studies performed by or on behalf of the Company that address the revenue requirement effect on the Company of adding additional capacity from new supply-side resources, including, but not limited to, the effect on pool capacity payments. Provide all assumptions, data, computations, and electronic spreadsheets with formulas intact.

Q1-19. Please provide a copy of all AEP System guidelines, policies and/or procedures that address the ownership or assignment and sizing of new supply-side resources among the AEP operating utilities, e.g., the ownership and mW of new combined cycle capacity.

Q1-20. Refer to the column entitled "Committed Net Sales" and footnote (e) on Exhibit SCW-1A.

a. Please explain why Kentucky Power Company is allocated an MLR share of AEP System capacity sales when it is a short company.

b. Please explain why AEP could not have and did not structure the capacity sales as sales from the long companies rather than allocating such sales on an MLR share.

c. Cite to any specific provisions of the Interconnection Agreement that prohibit the assignment of such sales to the long companies.

Q1-21. Refer to page 5 lines 1-2 of Mr. Wagner's Direct Testimony wherein he states with respect to the Interconnection Agreement that it "Requires each member to provide adequate generating facilities (or resources) to meet its firm load requirement." Please explain how the Company's proposed wind power PPA is the optimal and least cost option for the Company to meet its "firm load requirement." Provide all documentation that supports your response.

Q1-22. With respect to the proposed wind power purchased power agreement, does the Company anticipate that the net present value or some portion of the net present value of the future payments will be considered as a long term debt equivalent by the debt rating agencies? If so, please provide the Company's quantification of the debt equivalent amount.

Q1-23. Refer to page 20 line 17 of Mr. Godfrey's Direct Testimony wherein he states: "The 20-year Wind PPA also provides a direct benefit to the consumer." Please confirm that the Company does not claim that there is a net present value benefit to customers compared to the least cost supply side resource available. If the Company cannot confirm this, then please provide all documentation and quantifications that demonstrate that there is a net present value benefit to customers compared to the least cost supply side resource available.

Q1-24. Refer to the column entitled "Avoided Variable Costs, including AEP-Pool Energy Settlements" on Exhibit SCW-3.

a. Please quantify the additional sales margins from sales to AEP sister companies and off-system resulting from the wind power energy in each year of the contract. Provide all assumptions, data and computations of such margins, including electronic spreadsheets with formulas intact.

b. Please provide the additional sales margins from sales to AEP sister companies and off-system resulting from the wind power energy reflected in the Company's test year revenue requirement. Please indicate where the Company included such amount in its filing. In addition, provide all assumptions, data and computations of such margins, including electronic spreadsheets with formulas intact.

c. Please quantify the avoided variable non-FAC expenses due to the wind power energy in each year of the contract. Provide all assumptions, data and computations of such expenses, including electronic spreadsheets with formulas intact.

d. Please provide the avoided variable non-FAC expenses due to the wind power energy reflected in the Company's test year revenue requirement. Please indicate where the Company included such amount in its filing. In addition, provide all assumptions, data and computations of such avoided variable non-FAC expenses, including electronic spreadsheets with formulas intact.

e. Please quantify the avoided variable FAC expenses due to the wind power energy in each year of the contract. Provide all assumptions, data and computations of such expenses, including electronic spreadsheets with formulas intact.

f. Please identify, describe and provide any other avoided variable expenses/costs not considered as sales margins, non-FAC expenses or FAC expenses in each year of the contract. Provide all assumptions, data and computations of such expenses/costs, including electronic spreadsheets with formulas intact.

Q1-25. Refer to Section V Workpaper S-4 page 46. Please confirm that the Company's adjustment 46 shown on this schedule does not include any avoided variable expenses/costs or sales margins from the additional energy. If this is correct, then please explain why it does not. If this is not correct, then please identify where such savings and/or margins are included and provide the amount of such savings and/or margins.

Q1-26. 26. Please confirm that the Company's adjustment 46 is not for the amount of net expense that will be incurred in 2010 and that the amount included in the test year revenue requirement is an annualized amount. If this is true, does the Company agree that the annualized amount will not be incurred until calendar year 2011? Please explain your response.

Q1-27. Please identify and describe each incentive compensation program available to AEPSC and Kentucky Power Company employees.

Q1-28. For each incentive compensation plan, please identify which plans payout based on the financial performance of AEP. Identify all financial performance factors and targets established, including all payout matrices, for each such plan and the weighting for each factor.

Q1-29. For each incentive compensation plan, please provide the test year expense amount incurred through charges to the Company from AEPSC and incurred directly by the Company for its employees.

Q1-30. Refer to page 9 lines 9-10 of Mr. David Jolley's Direct Testimony wherein he states: "As a result, in any given year, total pay increases will slightly exceed the merit increase budget." Please confirm that this statement addresses only pay "increases" and that it does not address total compensation, which may be more or less and will reflect the composition of the work force, e.g., new lower paid employees that replace higher paid employees that retire or otherwise leave the Company in any year, and the staffing levels of the work force, whether increases or decreases.

Q1-31. Refer to page 10 lines 8-9 of Mr. David Jolley's Direct Testimony wherein he states: "As a result, overall increases for hourly employees will slightly exceed the general increase in any given year." Please confirm that this statement addresses only "increases" and that it does not address total compensation, which may be more or less and will reflect the composition of the work force, e.g., new lower paid employees that replace higher paid employees that retire or otherwise leave the Company in any year, and the staffing levels of the work force, whether increases or decreases.

Q1-32. Refer to page 18 lines 13-17 of Mr. Jolley's Direct testimony wherein he addresses the amount of the long-term incentive plan requested by the Company.

a. Please confirm that the $990,858 amount cited is compensation that is "paid" in the form of restricted stock.

b. Please demonstrate that the Company quantified this amount on an expense basis, i.e., that this is not a total amount for both capital and expense. If this amount is a total amount for capital and expense, please provide the expense amount along with all assumptions, data and computations used to compute the expense amount.

Q1-33. Refer to Exhibit RKW-1, entitled "Summary of ICP/LTIP Adjustment to 1.0 Target Payout." Please demonstrate that the Company quantified the amounts shown on this schedule on an expense basis, i.e., that this is not a total amount for both capital and expense. If the amounts on this schedule are the combined capital and expense amounts, then please provide a schedule that shows only the expense amounts along with all assumptions, data and computations used to compute the expense amounts.

Q1-34. Refer to Exhibit RKW-1. Please provide the workpapers used compute the amounts at a 1.0 payout. Provide the assumptions, data, computations and electronic spreadsheets with formulas intact.

Q1-35. Refer to page 26 lines 12-13 of Mr. Wagner's Direct Testimony. Please provide a copy of the AEP or Company guidelines for the "coal inventory target of days supply to have on hand" of 30 days. Provide a copy of all other source documents relied on for this target level.

Q1-36. Refer to page 26 lines 12-20 of Mr. Wagner's Direct Testimony wherein he claims that "coal inventory is usually financed with short term debt."

a. Please provide all support for this claim, including copies of source documents relied on.

b. On Section V Workpaper S-3 page 2 of 3, the Company's actual short term debt for July, August and September of 2009 was $0. Please explain how the Company financed its coal inventory in those three months, if indeed the statement that "coal inventory is usually financed with short term debt" is correct.

c. On Section V Workpaper S-3 page 2 of 3, the Company's actual short term debt for June 2009 was $6.0 million, substantially less than the imputed $19.995 million in coal inventory in the test year. Please explain how the Company financed its coal inventory in June 2009, if indeed the statement that "coal inventory is usually financed with short term debt" is correct.

d. On Section V Workpaper S-3 page 2 of 3, please identify each rate base amount that was financed by short term debt for each month in the test year. In addition, please provide all support for the Company's response.

e. Please provide the actual coal inventory balance for each month September 2008 through September 2009 in tons and dollars.

Q1-37. Refer to page 27 lines 5-6 of Mr. Wagner's Direct Testimony wherein he claims that the Company will increase its capital by $9.423 million on average over a three year period.

a. Please identify the referenced three year period. Provide the starting and ending months and years.

b. Please provide the computation of the $9.423 million amount and provide the monthly amounts over the referenced period.

c. Please confirm that the Company does not plan to implement its proposed reliability program unless or until it receives base revenues to recover such costs.

Q1-38. Refer to Section V Schedule 3 and Section V Workpaper S-3 page 2 of 3.

a. Please explain why the Company used the September 30, 2009 balance of short term debt and did not use the 13 month average of short term debt on Schedule 3 that it computed on Workpaper S-3. Cite all precedent and/or other authorities relied on for this position.

b. Please provide the Company's balance of short term debt for each month subsequent to September 2009 by type of such debt, e.g., AEP Utility Money Pool, bank borrowings or credit facilities.

c. Please confirm that the Company's financing plans include short term debt.

d. Please provide a copy of the Company's operating and capital budgets, and the resulting budgeted financial statements for calendar year 2010. Provide all assumptions, data, computations and electronic spreadsheets with formulas intact. In addition, provide a copy of all narratives that accompanied such budgets, including presentations to the Company's Board of Directors and/or the AEP Board of Directors.

Q1-39. Refer to page 31 lines 1-8 of Mr. Wagner's Direct Testimony addressing the allocation of the SIA trading margins.

a. Please describe how the SIA trading margins were/are addressed in the System Sales Clause.

b. Please confirm that none of the $12.699 million was recovered through the System Sales Clause. If that is not the case, then please provide the amount that was recovered through the System Sales Clause and provide the quantification of this amount.

Q1-40. Refer to page 34 lines 13-20 of Mr. Wagner's Direct Testimony addressing the Company's proposed increase to O&M expense of $1.876 million for net temporary investment income and expense.

a. Please identify all precedent for this adjustment in prior Company and/or other Kentucky jurisdictional utilities' rate proceedings.

b. Please describe the source of this interest income and expense to "associated companies," according to the description for account 430 in the FERC USOA. Was it the AEP Utility Money Pool or something else? Please describe.

c. If the net amount in account 430 was related to the Company's investment/borrowing position during the test year, please explain why this interest expense would not be fully reflected in the revenue requirement by including the 13 month average short term debt balance in the capital structure used for the return on rate base?

d. Please provide the interest income by source for each month during the test year.

e. Please provide the interest expense by source for each month during the test year.

Q1-41. Refer to page 36 of Mr. Wagner's Direct Testimony.

a. Please identify and describe all other known changes in each AEP utility's capacity position in 2010, including both owned capacity and capacity purchased through PPAs. Provide a copy of the source documents relied on for your response either for such changes or to demonstrate that AEP expects no changes other than those identified by Mr. Wagner.

b. Please identify and describe all other known changes in each AEP utility's capacity position in 2010, including sales of owned capacity and capacity sold through PPAs, such as the expired sale to CP&L. Provide a copy of the source documents relied on for your response either for such changes or to demonstrate that AEP expects no changes other than those identified by Mr. Wagner.

c. Please provide a schedule for the AEP East utilities that shows for each month during 2010 each utility's owned capacity, purchased capacity, sold capacity and capacity sold through PPAs to other utilities by month. Identify and describe the source(s) of the information on the schedule.

Q1-42. Refer to page 38 lines 2-9 of Mr. Wagner's Direct Testimony and to Section V Workpaper S-4 page 14.

a. Please provide the same information for each 12 months ending September 30 period for the last ten years, i.e., 2000 through 2009.

b. Please provide the Handy-Whitman index for each 12 months ending September 30 period for the years 2000-2006.

Q1-43. Refer to page 40 lines 14-19 of Mr. Wagner's Direct Testimony addressing the expiration of the 250 mW sale to CP&L by I&M.

a. Is it Mr. Wagner's testimony that there will be no off-system sales margin at all resulting from that 250 mW? If so, please provide all reasons for this assumption.

b. Please provide a computation of the off-system sales margin from this capacity and energy based on sales into PJM if this capacity is not sold to another party through bilateral contract. Provide all assumptions, data and computations, including electronic spreadsheets with formulas intact.

c. Please provide a computation of the off-system sales margin from this capacity and energy if it will be sold to another party through bilateral contract. Provide all assumptions, data and computations, including electronic spreadsheets with formulas intact.

Q1-44. Please provide a schedule showing the amount of off-system sales margins that were retained by the Company through the operation of the System Sales Clause for each month during the test year. Provide the gross margins, amounts recovered through base rates, amounts allocated to customers and amounts retained by the Company for each month. Please provide this information on a "cash" basis and on an "accrual" basis.

Q1-45. Refer to page 33 lines 11-17 of Mr. Wagner's Direct Testimony addressing the need to true-up the fuel clause revenues and fuel clause expenses.

a. Please describe the Company's deferred fuel accounting. In this description, please describe the method used to compute the deferral accounting entries and provide an illustrative example of the journal entries using FERC revenue or expense accounts.

b. Provide the monthly actual FAC and base revenues on a cash basis and accrual basis to recover fuel and purchased power expenses and the fuel and purchased power expense during the test year by FERC expense account on a cash basis and accrual basis and the deferred fuel expense by FERC revenue or expense account. If the revenues and expenses are not reconciled through the deferred fuel revenue or expense account, then please provide a reconciliation and quantify and describe all differences.

c. Please explain why this Adjustment 6 for fuel under (over) revenues to the per books test year revenues amounts is necessary if the Company uses deferred fuel accounting and the deferral is reflected as a reduction or increase in the per books revenues or fuel and purchased power expense for the test year.

Q1-46. Refer to page 5 lines 20-22 of Mr. Thomas Myers' Direct Testimony wherein he cites the actual OSS margins of $15.290 million for the test year.

a. Please provide all evidence that the actual test year amount either is or is not a "normalized" amount for OSS margins.

b. Please provide the Company's actual OSS margins for calendar year 2009 computed on the same basis as the $15.290 million for the test year.

c. Please provide the OSS margins included in the Company's 2010 budget, including all assumptions, data, computations and electronic spreadsheets with formulas intact used to develop the budget amount.

d. Please identify and quantify all expenses that the Company proposes to share 50% with its customers, other than those expenses that are used to compute the OSS margins.

e. Please confirm that the Company's proposal is to remove 50% of the per books OSS margins in the test year from the revenue requirement through a proforma adjustment to increase O&M expense by $7.645 million.

f. Please explain why the Commission should retain the SSC if the price to do so is 50% of the test year OSS margins in establishing a new baseline.

Q1-47. Refer to page 6 lines 8-9 of Mr. Myers' Direct Testimony wherein he states: "The proposed modification provides a level of certainty for customers in the form of an embedded rate credit of $7,645,182. Please describe how the Company's proposed modification provides any more certainty for customers than using the per books test year amount of $15,290,363.

Q1-48. Refer to page 7 line 24 through page 8 line 2 of Mr. Myers' Direct Testimony wherein he states that the Company's proposal provides "AEPSC with an incentive mechanism to optimize the margins in such a manner that will benefit KPCo customers."

a. Please explain in detail how AEPSC will manage the System's OSS any differently with or without the SSC either in its present form or in the modified form proposed by the Company. Provide all evidence in support of each change in AEPSC management of the System's OSS.

b. Please explain how the SCC either in its present form or in the modified form proposed by the Company provides an "incentive" to optimize the margins so that they will benefit KPCo customers as opposed to simply providing a mechanism to share OSS margins over a baseline between customers and KPCo.

Q1-49. Refer to page 10 lines 21-24 of Mr. Myers' Direct Testimony wherein he states that "for AEPSC to continue to assume the incremental risk necessary to optimize OSS margins, it must be able to continue to participate in the margins created by this activity."

a. Please confirm that AEPSC trades on behalf of the AEP System, not specifically on behalf of KPCo.

b. Please confirm that AEPSC will continue to "optimize" OSS margins on behalf of the AEP System regardless of whether there KPCo has a SSC.

c. Please confirm that AEPSC will continue to "optimize" OSS margins on behalf of the AEP System regardless of whether the SSC is modified so that the Company retains 100% of OSS margins between $7.645 million and $15.290 million.

Q1-50. Please identify all other AEP East utilities that have an SSC or any clause mechanism that allows the utility to retain a portion of the AEP System OSS margin allocated to that utility through the Interconnection Agreement.

Q1-51. Please identify all changes in AEP System trading activities that were adopted when West Virginia re-established the ENEC for APCo with 100% of the OSS margins inuring to ratepayers. Please describe why each such change was initiated and demonstrate that it was initiated due to the lack of any "incentive" mechanism in West Virginia for APCo.

Q1-52. Is it Mr. Myers' position that AEPSC no longer "optimizes" AEP System OSS margins due to the lack of an "incentive" mechanism in West Virginia? Please explain.

Q1-53. Please confirm that AEPSC will continue to "optimize" OSS margins on behalf of the AEP System regardless of whether KPCo has an SSC.

Q1-54. Please confirm that AEPSC will continue to "optimize" OSS margins on behalf of the AEP System regardless of whether the Commission adopts the Company's proposed modification to the SCC.

Q1-55. Refer to page 17 line 20 to page 18 line 7 of Mr. Myers' Direct Testimony wherein he provides a list of the AEPSC technology investments and staffing requirements necessary for AEPSC to engage in trading and other activities that generate OSS margins. Please confirm that AEPSC costs to engage in OSS, including investment costs and the operating expenses such as salaries and benefits, are allocated entirely to KPCo and the other AEP utilities and none of these costs are retained by AEPSC.

Q1-56. Please confirm that the Company does not propose a 50% sharing of the AEPSC costs to engage in OSS, including the investment costs and the operating expenses such as salaries and benefits, and that the entire allocation of these costs to KPCo in the test year are included in the revenue requirement. If this is not the case, then please explain and quantify all such costs that the Company has not included in their entirety.

Q1-57. Refer to line 12 of Exhibit DMR-1 page 3 of 3. Please provide the fuel and purchased power expense component of the amount on this line and all other expenses separated into function and operation and maintenance expenses where such expenses are functionalized by account. Show the non-A&G 900 series of accounts as a separate category and the A&G expenses as a separate category and by account if such information is available.

Q1-58. Refer to page 10 line 21 of Mr. Everett Phillips' Direct Testimony and the claim of "increasing customer expectations." Is this a general observation that customers always want better customer service or reliability or is there some specific evidence that Mr. Phillips relies on that customers are demanding better customer service or reliability? If the latter, then please identify all such evidence that customers are demanding better customer service or reliability that Mr. Phillips relied on for this statement.

Q1-59. Refer to page 10 line 22 of Mr. Everett Phillips' Direct Testimony and the claim that the Company has a "deteriorating distribution system." Is this a general observation that all equipment and systems deteriorate over time and require replacement and maintenance or is there some specific deterioration that is outside the normal wear and tear? If the latter, then please identify all specific deterioration that is outside the normal wear and tear.

Q1-60. Refer to page 11 lines 12-14 of Mr. Phillips' Direct Testimony wherein he states that "Reliability will become increasingly difficult to improve or even maintain unless KPCo implements a Reliability and Service Enhancement Plan which will require additional funding." Please provide all evidence relied on by Mr. Phillips for this statement, particularly the claim that maintenance of existing reliability will be difficult to maintain without additional funding.

Q1-61. Refer to page 13 lines 12-18 of Mr. Phillips' Direct Testimony and the claim that a cycle based program will increase reliability compared to the existing performance-based approach and the claim that the cycle based approach involves "evaluating KPCo's entire distribution system within a four year period."

a. Provide all evidence that a cycle based program will increase reliability compared to a performance based approach relied on by Mr. Phillips.

b. Please confirm that under a performance based approach, KPCo evaluates its entire distribution system on a continuous basis to plan and prioritize the location and scope of its vegetation management work activities. If this is not the case, then please explain why it is not.

Q1-62. Refer to page 14 lines 1-3 of Mr. Phillips' Direct testimony. Is it true that the existing performance based approach is not "systematic" and "data-driven?" Please explain.

Q1-63. Please provide a copy of all written policies and guidelines that describe and/or control the Company's existing performance based approach to vegetation management.

Q1-64. Please provide all cost benefit studies performed by or on behalf of the Company in support of its proposed enhanced vegetation management plan.

Q1-65. Refer to page 30 lines 18-20 of Mr. Phillips' Direct Testimony. Please provide the following information for KPCo's distribution workforce:

a. Age of each employee and an age distribution.

b. Date of hire and employee level (position) hired in at for each employee.

c. Present employee level (position)

d. Employee level position sequence from lowest level to highest level.

Q1-66. Please describe the present on the job training process for the Company's distribution workforce.

Q1-67. Please quantify the savings that the Company will achieve if it increases its distribution workforce due to reductions in overtime, if any. In addition, please provide the amount of such savings included in the Company's revenue requirement.

Q1-68. Refer to page 34 line 12 of Mr. Phillips' Direct Testimony wherein he claims that "Much of KPCo's electricity delivery system is 20 to 30 years old or older." Please provide a vintage dollar distribution for each distribution plant account.

Q1-69. Refer to line 7 of Exhibit DMR-4. Please provide the computations underlying the "Transmission Cost in Proposed Rates" of $49.514 million. Annotate this computation to the underlying spreadsheets for rate base, revenues and expenses and rate of return used by the Company to determine the revenue requirement.

Q1-70. Refer to line 8 of Exhibit DMR-4 entitled "Transmission Adjustment." Please confirm that this adjustment should be made to the base revenue requirement if the Company's proposed TA rider is not approved. If this is not correct, then please explain why it is not correct.

Q1-71. Please provide a copy of the depreciation study and workpapers used to develop the existing depreciation rates.

Q1-72. Please provide the existing depreciation rates by plant account or the most detailed level for which they were approved.

Q1-73. Please identify the Case No. in which the existing depreciation rates were approved and identify any differences in the rates approved by the Commission compared to the rates in the Company's depreciation study in that proceeding.

Q1-74. Refer to page 3 of the Company's response to Staff 1-30. Please describe the amounts included in Associated Business Development and provide a listing of amounts included in the $1.490 million over $0.050 million.

Q1-75. Refer to page 2 of the Company's response to Staff 1-29.

a. Please describe the plant additions to account 312 in the test year.

b. Please describe the plant additions to account 314 in the test year.

c. Please describe the plant additions to account 362 in the test year. Please quantify the plant additions and retirements due to storm events during the test year.

d. Please describe the plant additions to account 364 in the test year. Please quantify the plant additions and retirements due to storm events during the test year.

e. Please describe the plant additions to account 365 in the test year. Please quantify the plant additions and retirements due to storm events during the test year.

f. Please describe the plant additions to account 368 in the test year. Please quantify the plant additions and retirements due to storm events during the test year.

g. Please describe the plant additions to account 369 in the test year. Please quantify the plant additions and retirements due to storm events during the test year.

Q1-76. Refer to the Company's response to Staff 1-12, page 7 of 19.

a. Please explain all reasons why FERC Account 593, Maintenance of Overhead Lines, increased by $13.411 million for the 12 months ended September 30, 2009 compared to the 12 months ended September 30, 2008.

b. Please provide the annual amounts booked to FERC Account 593, Maintenance of Overhead Lines for each calendar year from 2004 through 2008 and each 12 months ended September 30, 2004 through 2008.

c. Please indicate whether the Company included a proforma adjustment in its filing to normalize costs booked during the test year to FERC Account 593, Maintenance of Overhead Lines. If so, identify the proforma adjustment in the filing. If not, explain in detail why the Company did not include a proforma adjustment for this purpose.

d. Please indicate whether the Company considers the increase of $13.411 million in FERC Account 593 a recurring level of expense. If so, please explain in detail why this amount or some subset of this amount is recurring.

Respectfully submitted,

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