COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR: (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) AN ORDER APPROVING ITS 2014 ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER APPROVING ITS TARIFFS AND RIDERS; AND (4) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2014-00396

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power" or "the Company"), pursuant to 807 KAR 5:001, is to file with the Commission the original and three copies in paper medium, and an electronic version of the following information. The information requested herein is due no later than February 11, 2015. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. The July 12, 2013 Hearing in Case No. 2012-00578[1] included discussion of the Chief Executive Officer ("CEO") of American Electric Power ("AEP") meeting once a year with members of the Commission to discuss issues affecting Kentucky Power and its customers. Provide the number of times since the July 12, 2013 commitment that AEP's CEO has met with the Commission to discuss such issues.

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[1] Case No. 2012-00578, *Application of Kentucky Power Company for a (1) a Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power Company of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act and Related Requirements; and (5) All Other Required Approvals and Relief* (Ky. PSC Nov. 22, 2013) ("Mitchell Transfer Case"), Hearing Video Transcript, 17:15:30–17:16:15.

2. Refer to the Application, page 17, which states that the 2014 Environmental Compliance Plan is filed as Exhibit 1 of the Application. Provide Exhibit 1, or provide the location of Exhibit 1 in the case filing.

3. Refer to the Application, page 19, which states that the proposed Tariff E.S. (Environmental Surcharge) is filed as Exhibit 2 of the Application. Provide Exhibit 2, or provide the location of Exhibit 2 in the case filing.

4. Refer to the Direct Testimony of Gregory G. Pauley ("Pauley Testimony"), pages 3-4, where it states, "Similarly, under the terms of the July 2, 2013 Stipulation and Settlement Agreement in the Mitchell Transfer Case, the Company is providing shareholder-supplied funds for economic development and job training programs in the Company's service territory."

a. State the amounts and the method of payment for any economic development and job training embedded in Kentucky Power's September 30, 2014 test-year expenses.

b. Explain what adjustments, if any, were made to the Company's test-year expenses to reflect the proper classification of such costs.

5. Refer to the Pauley testimony, the last paragraph on page 5, and the Direct Testimony of Everett G. Phillips ("Phillips Testimony") regarding vegetation management. Also refer to Attachment 1 to Kentucky Power's April 1, 2011 Vegetation Management Report and to the 2015 Distribution Vegetation Management Plan filed September 30, 2014, pursuant to the Commission's June 28, 2010 Order in Case No. 2009-00459.[2]

[2] Case No. 2009-00459, *Application of Kentucky Power Company for a General Adjustment of Electric Rates* (Ky. PSC June 28, 2010).

a. Based on the circuit's tree-trimming completion date, provide the start and completion dates and the circuit names for the first five circuits listed in Attachment 1.

b. Based on its testimony in this proceeding, explain when Kentucky Power plans on re-trimming the first five circuits identified in the response to part a. of this request.

c. Based upon its testimony in this proceeding, by what date will Kentucky Power first be on a four-year tree-trimming cycle?

d. Provide the amount of tree-related outage overtime incurred by Kentucky Power during the September 30, 2009 test year in Case No. 2009-00459. Also, inflate this level of tree-related outage overtime cost based upon the average Kentucky Power wage increases from September 30, 2009, through September 30, 2014. Show all supporting calculations and provide the information in Excel spreadsheet format with cells and formulas intact.

e. Provide the amount of tree-related outage overtime Kentucky Power incurred during the September 30, 2014 test year in this proceeding.

f. Refer to the Phillips Testimony, page 12, lines 13-17. Describe in detail the changes which occurred from the proposed 2009-00459 vegetation plan and the plan agreed to in settlement.

g. Refer to the Phillips Testimony, page 13, lines 7-9. Provide in tabular form—segregated by contract and Kentucky Power affiliates—the annual vegetation management expenditures, per district, since the June 28, 2010 approving the 2009-00459 settlement, which involve:

(1) AEP corporate management salary attributed to Kentucky Power's vegetation management execution.

(2) Kentucky Power management salary attributed to vegetation management.

(3) Supervisors.

(4) Field personnel.

(5) Number of company workers.

(6) Number of contract workers.

h. From the date of the 2009-00459 settlement, provide in tabular form per district the number of field personnel per month per annum dedicated to vegetation management.

i. Refer to the Phillip's Testimony, page 13, line 14-21. State whether the vegetation management plan contains an incentive for clearing the distribution circuits on schedule and if there is a penalty for failing to clear the distribution circuits on schedule.

j. Refer to the Phillips Testimony, page 15, line 1-2. Describe what is meant by a full-time equivalent vegetation contractor. Include in the explanation: (a) whether they are Kentucky Power employees; (2) how they are recruited, hired, and paid; (3) the level of expertise and/or experience required of them; and (4) the type, and provider of, any post-hiring training they receive.

k. Refer to the Phillips Testimony, page 15, line 6. Explain what is meant by "the transient nature of these employees."

l. Refer to page 28 of the Phillips Testimony. Indicate how Kentucky Power intends to achieve the three percent cost per mile improvement over 2014 initial clearing costs that is required to attain the estimated 2015 re-clearing costs.

m. Refer to the Phillips testimony, page 30, Table 10 - Scenario Cost Comparison.

(1) Refer to Scenario 1. Explain the cost differences for Scenario 1 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 4 as compared to Table 10.

(2) Refer to Scenario 2. Clarify the cost differences for Scenario 2 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 6 as compared to Table 10.

(3) Refer to Scenario 3. Give details for the cost differences for Scenario 3 provided in Kentucky Power's September 30, 2014 Distribution Vegetation Management Plan, Diagram 8 and Table 10.

n. Refer to the Phillips Testimony, page 30, line 14. Explain and describe in detail what is meant by "forestry employees" and whether they are contract employees.

o. Refer to the Phillips Testimony, page 31, lines 11-18. Provide a five-year vegetation maintenance cycle for distribution circuits which includes:

(1) A timeline table similar to those provided in the proposed scenarios.

(2) A populated scenario cost-comparison table.

p. In Case No. 2014-00479,[3] Kentucky Power has petitioned the Commission for a declaratory ruling or deviation from inspection requirements associated with certain electric facilities operating at voltages of less than 69kV as provided for in 807 KAR 5:006, Section 26(4). Based on the application in Case No. 2014-00479, Kentucky Power currently inspects transmission facilities operating at less than 69kV that are the subject of the application every six months from the air and every six or 12 years from the ground, depending on type of supporting structure.

(1) Provide the current total annual expenses and costs per mile associated with performing inspection activities for each class of transmission facilities that are the subject of Case No. 2014-00479.

(2) Provide an estimate of the total annual expenses and costs per mile associated with performing inspection activities from the ground every two years for each class of transmission facilities that are the subject of Case No. 2014-00479. Describe the additional resources required and explain the costs that would be incurred.

q. Describe in detail Kentucky Power's overall electric system inspection program and identify the specific types of inspection activities routinely performed for each category/class of facilities. If this information is contained in a written inspection plan or other similar document, provide a copy of the written information.

[3] Case No. 2014-00479, *Application of Kentucky Power Company for: (1) an Order Declaring and Clarifying the Application of the Inspection Requirements of 807 KAR 5:006, Section 26(4) to Certain of the Company's Transmission Facilities; or (2) In the Alternative, and to the Extent Required, a Deviation in Part from the Inspection Requirements of 807 KAR 5:006, Section 26(4), with Respect to the Company's Transmission Facilities; and (3) All Other Required Approvals and Relief* (filed Dec. 31, 2014).

(1) List the specific elements of the system routinely inspected for each inspection activity identified.

(2) List the specific types of resources employed and/or contracted to perform each of the inspection activities identified and include the associated annual expense.

(3) Provide the time interval of recurrence of each activity identified.

(4) List how the utility gathers and maintains appropriate records to identify the inspection made, the date and time of inspection, the person conducting the inspection, deficiencies found and action taken to correct the deficiencies.

6. Refer to the Pauley Testimony, page 7, lines 17-18, where it states, "For the test year ended September 30, 2014 Kentucky Power's return on equity was 8.43%." Provide a schedule with the test-year monthly net income and capitalization amounts used to determine the Company's return on equity. Show all supporting calculations and provide the information in Excel spreadsheet format with cells and formulas intact.

7. Refer to the Pauley Testimony, page 10, and the Direct Testimony of H. Kevin Stogran ("Stogran Testimony"), pages 2-5, where Kentucky Power proposes a North American Electric Reliability Corporation ("NERC") Compliance and Cybersecurity Rider ("NCCR").

a. Provide the amount of capital expenditures and operating expenses Kentucky Power has incurred by year since September 30, 2009, for NCCR-related capital expenditures and operating expenses.

b. Provide the projected capital expenditures and operating expenses by year for the five fiscal years immediately after the September 30, 2014 test year for NCCR costs, as well as an explanation of any proposed changes.

c. Explain whether historical NCCR capital expenditures are included in the depreciation study submitted with the instant case. Assuming there are capital expenditures for the proposed NCCR, explain the basis for the depreciation rates for such property.

d. What is the current budget for cybersecurity activities relative to overall security spending?

e. Provide the following information as it relates to the Cyber Security Operation Center ("CSOC").

(1) The level of CSOC cost allocated to Kentucky Power for the 12 months ending September 30, from 2009 through September 2014.

(2) What changes occurred as it relates to the costs associated with CSOC when PJM transitioned to an industry-funded model in 2013.

f. Provide a list of all state and federal cybersecurity mandates with which Kentucky Power must currently comply, and a list of possible new state and federal cybersecurity mandates identified by Kentucky Power.

g. Has Kentucky Power undergone a comprehensive cybersecurity audit or assessment? If yes, when and by whom?

8. Refer to the Direct Testimony of William E. Avera and Adrien M. McKenzie ("Avera and McKenzie Testimony"), page 14. Provide current interest rates on 10- and

30-year Treasury bonds, triple-A rated corporate bonds, and double-A rated utility bonds.

9. Refer to the Avera and McKenzie Testimony, page 20. Indicate which utilities in the electric utility proxy group have both electric and gas utility operations, and explain why it is appropriate to include them in the proxy group.

10. Refer to the discussion of Kentucky Power's proposed 46 percent common equity ratio in the Avera and McKenzie Testimony, pages 26-27, and to Exhibit WEA/AMM 5. Confirm that the common equity ratio of AEP, Kentucky Power's parent, is 51 percent, which is the third-highest common equity ratio of the proxy group.

11. Refer to the discussion of the constant growth form of the Discounted Cash Flow ("DCF") model in the Avera and McKenzie Testimony, pages 33-34, and to the Federal Energy Regulatory Commission ("FERC") opinion cited in footnote 13 on page 19 of the Testimony. Explain FERC's decision regarding the two-step DCF model for public utilities in Opinion No. 531, 147 FERC ¶ 61,234 issued June 19, 2014, and why the proposed constant growth form is more reasonable in performing DCF estimates of the cost of equity.

12. Refer to the Avera and McKenzie Testimony, page 34. State whether dividend yields have decreased for the proxy group since the preparation of the DCF analysis for this application.

13. Refer to the Avera and McKenzie Testimony, pages 41-42. Confirm that the previously mentioned FERC opinion cited in footnote 13 of the Avera and McKenzie Testimony used the Moody's Baa six-month average plus 100 basis points to establish the low end for its outlier test, and that doing the same for the proxy group in this

proceeding would exclude only companies with cost of equity estimates of 5.7 percent or lower from the estimates on page 3 of Exhibit WEA/AMM 6, which would exclude only Entergy Corp., FirstEnergy Corp., and IDACORP, Inc. from the columns in which their estimates are below 5.7 percent.

14. Refer to the Avera and McKenzie Testimony, pages 45-51, and Exhibit WEA/AMM 8.

a. For comparison purposes, provide ECAPM cost of common equity estimates calculated using AEP's .70 beta in place of the individual proxy group utilities' betas.

b. For comparison purposes, provide an ECAPM cost of equity estimate using a historical market risk premium, as opposed to an estimated forward-looking market risk premium.

c. Explain why it was necessary to weight the firms in the calculations as described on lines 12-15, page 48, as opposed to performing the calculations on an unweighted basis.

d. Explain the nature of the relationship between firm size and return, and how analysts use this relationship in a non-regulated environment where product and service prices are set by the market.

e. Provide the calculation for the dividend as explained in footnote (a) on pages 1-2 of Exhibit WEA/AMM 8.

f. Provide the IBES earnings growth rates referenced in footnote (b) on pages 1-2 of Exhibit WEA/AMM 8, and show how the 10.8 percent growth rate was calculated.

g. Provide Table 10 referenced in footnote (g) on pages 1-2 of Exhibit WEA/AMM 8.

15. Refer to the Avera and McKenzie Testimony, pages 52-53, and to Exhibit WEA/AMM 9, page 3. Provide an update of the Risk Premium calculation now that Allowed ROEs are available for calendar year 2014 from Regulatory Research Associates.

16. Refer to the Avera and McKenzie Testimony, Exhibit WEA/AMM 11. Confirm that no highlighting was accidentally removed from the exhibit, and that no return on common equity estimates were excluded from the 9.9 percent average as indicated in footnote (d).

17. Provide the most recent ROE awards for each AEP subsidiary.

18. Provide all work papers supporting the Avera and McKenzie Testimony and Exhibits in Excel spreadsheet format with the formulas intact and unprotected and with all columns and rows accessible.

19. Refer to the Direct Testimony of Jeffrey B. Bartsch ("Bartsch Testimony"), page 3, regarding the Commission assessment and of Section V, Workpaper S-2, page 2, line 3, where the Kentucky Public Service Commission Maintenance Fee ("KPSC Maintenance Fee") is listed at 0.20%. On June 10, 2014, the Kentucky Department of Revenue provided the new assessment rate of .1952 percent for state government's 2014-2015 fiscal year to the Commission.

a. Provide a revised Gross Revenue Conversion Factor ("GRCF") calculation using the new assessment rate.

b. Provide updates required to any schedule to reflect the proper KPSC Maintenance Fee and GRCF.

c. Also refer to the State Income Tax Rate Calculations. Explain why the totals of the state apportionment factors do not total 100 percent and provide any correction necessary.

20. Refer to the Bartsch Testimony, page 6, lines 7 -14. For all six-month and two-year environmental surcharge reviews conducted since 2005 in which the Section 199 deduction was included in the GRCF, recalculate the GRCF excluding the Section 199 deduction.

21. Refer to the Bartsch Testimony, pages 9-10, where it states, in relevant part, that Kentucky Power has historically not recorded Deferred State Income Taxes for ratemaking purposes.

a. Provide any authority that Kentucky Power has relied upon for excluding Deferred State Income Taxes for ratemaking purposes.

b. Explain Kentucky Power's reason(s) for excluding Deferred State Income Taxes for ratemaking purposes.

22. Refer to the Bartsch Testimony, page 10, where Adjustment 49, the Removal Cost Schedule M, is discussed. Identify the basis for the removal costs and explain why a three-year average would be more representative for the adjustment.

23. Refer to the Bartsch Testimony, pages 4 and 12, where the GRCF and Section 199 Deduction are explained. Explain why it is appropriate to exclude the Section 199 deduction from the GRCF computation but to include it in the calculation of the federal income tax obligation.

24. Refer to the Bartsch Testimony, page 11, where Adjustment 46, the Sales and Use Tax Expense, is discussed.

a. Explain the basis of the Sales and Use Tax Expense out-of-period adjustment.

b. Identify the periods involved in the settlement.

c. Provide as of September 30 of each year a five-year history of Sales and Use Tax Expense.

25. Refer to the Direct Testimony of Andrew R Carlin, page 5.

a. Provide copies of any salary surveys or analysis of prevailing wage and salary amounts and any other information or documents utilized in the process of determining the amount of compensation for wage and salaried employees.

b. Provide the total amount of Kentucky Power Company salaries reflected in the Company's proposed test-year level of expenses broken down by department, base pay, and by each and any incentive pay program in effect, along with any stock option plans during the test year.

26. Refer to the Direct Testimony of David Davis ("Davis Testimony"), page 5. Provide the Public Utilities Commission of Ohio ("PUCO")-approved depreciation rates for the Mitchell plant.

27. Refer to the Davis Testimony, page 6, regarding the depreciation study which includes a 50 percent share of the Mitchell Generating Station.

a. Identify any previous depreciation studies that have included the Mitchell Generation Station.

b. Identify and explain the results of prior depreciation studies on the Mitchell Generating Station.

c. Provide copies of the relevant portions of prior depreciation studies related to the Mitchell Generating Station.

28. Refer to the Davis testimony, page 8, line 11. If the net salvage for each property group is based on historical data, what historical factors changed and led to an increase in the following?

a. Transmission functional plant group, accounts 352, 353, 354, 355, and 356;

b. Distribution functional plant group, accounts 361, 362, 364, 365, 367, 368, 369, 271, and 373; and

c. General functional plant group, accounts 391, 394, and 398.

29. Describe and discuss, if applicable, any variations in the method and procedure used in depreciation rates for the Mitchell Plant in this case compared to the most recently approved PUCO depreciation study.

30. Refer to the Direct Testimony of Amy J. Elliott ("Elliott Testimony"), Exhibit AJE-3. Provide a detailed schedule of the amounts reported in column 7, Include Mitchell Non-FGD. Provide the schedule in Excel spreadsheet format with formulas intact and all cells unprotected.

31. Refer to the Elliott Testimony, Exhibit AJE-3. Provide a detailed schedule of the amounts reported in column 8, Rockport Additional Test Year Expenses for O&M, Depreciation, and Return. Provide the schedule in Excel spreadsheet format with formulas intact and all cells unprotected.

32. Refer to the Elliott Testimony, page 9, lines 16-20. Explain whether Kentucky Power was recovering the costs billed for the projects in service through its environmental surcharge in the test year.

33. Refer to the Elliott Testimony, page 9, lines 16-20, and page 10, lines 1-3.

a. Provide a description of all consumables referenced in the testimony and the purpose for which they are to be used.

b. Provide a description of all consumables Kentucky Power is currently recovering via the environmental surcharge.

34. Refer to the Elliott Testimony, page 12, lines 1-4. Provide the total number of Cross-State Air Pollution Rule allowances Kentucky Power has in inventory, including source, cost and the current average cost per allowance. Provide the information as of the end of the test year and as of the most recent month available.

35. Refer to the Elliott Testimony, page 14, lines 8-11, and Exhibit AJE-5.

a. Explain why Kentucky Power believes it is appropriate now to apply the GRCF to long- and short-term debt and accounts receivable financing to determine its weighted average cost of capital.

b. Explain why Kentucky Power historically has not applied the GRCF to long- and short-term debt and accounts receivable financing when calculating its weighted average cost of capital.

36. Refer to the Elliott Testimony, page 15, lines 10-22, page 16, lines 1-6, and Tariff E.S.

a. For the calendar year ending December 31, 2014, provide the year-to-date total revenues and percentage of total revenues for the information reported on lines 1 through 7 of Form 3.30 of the monthly environmental surcharge reports. Kentucky Retail Revenues should be broken down between residential and non-residential retail customers.

b. Confirm that the allocation percentage between residential and non-residential customers determined in 14.a. will be used for the remaining months of 2015 until changed for the next calendar year.

c. For illustrative purposes, using the most recent monthly environmental filing available and the proposed Tariff E.S, demonstrate the proposed allocation methodology to be included in future monthly environmental filings. Show all calculations.

d. Provide the customer classes that make up the residential customer group, and the non-residential customer group.

37. Refer to the Elliott Testimony, page 16, lines 7-12. Has Kentucky Power prepared new proposed monthly environmental surcharge forms that reflect the proposed changes described in the testimony?

a. If yes, provide the revised monthly environmental surcharge forms.

b. If no, explain why revised monthly environmental surcharge forms have not been prepared and state when they will be available for Commission review.

38. Refer to the Elliott Testimony, page 17, lines 1-8, and adjustment W35. Provide a detailed analysis of the items that make up the amounts listed on adjustment W35 for the months of January through September 2014.

39. Refer to the Elliott Testimony, page 17, lines 14-22, and Exhibit AJE-4. Expand Exhibit AJE-4 by providing the Mitchell FGD revenue requirement for the test

year, including the balance as of September 30, 2013, for columns 3, 4, 6, and 8. Provide the expanded Exhibit AJE-4 in Excel spreadsheet format with formulas intact and all cells unprotected.

40. Refer to the Elliott Testimony regarding Kentucky Power's Environmental Compliance Plan, and to Kentucky Power's environmental surcharge for the test year.

a. Provide in Excel spreadsheet format with formulas intact and cells unprotected the description and investment amount of the environmental controls installed at the Mitchell Plant, along with the associated in-service dates, complying with KRS 278.183 and per Kentucky Power's Tariff E. S. (Environmental Surcharge), as of September 30, 2013.

b. Provide, by type of environmental control installed and in-service date, the monthly additions and retirements in environmental investment at the Mitchell Plant, as per the E.S. tariff, for October 2013 through September 2014.

c. Provide in Excel spreadsheet format with formulas intact and cells unprotected, by type of environmental control installed, the accumulated depreciation of the environmental investment at the Mitchell Plant, per the E.S. tariff, as of September 30, 2013.

d. Provide, by type of environmental control installed, the monthly depreciation of the environmental investment at the Mitchell Plant for October 2013 through September 2014.

e. Provide in Excel spreadsheet format with formulas intact and cells unprotected, by type of environmental control installed, the deferred tax calculation for the environmental investment at the Mitchell Plant as of September 30, 2013.

f. Provide, by type of environmental control installed, the monthly deferred tax calculation of the environmental investment at the Mitchell Plant for October 2013 through September 2014.

41. Refer to the Direct Testimony of Jeffrey D. LaFleur, page 16, Table 4: Capital Costs for Proposed 2014 Environmental Compliance Plan Projects. Provide capital improvement authorizations or funding authorizations for projects 9-18.

42. Refer to the Direct Testimony of Shannon R. Listebarger ("Listebarger Testimony"), page 6.

a. Lines 6-8 state that "[t]he methodology used in this case is the same methodology used in the Company's last several rate cases." State whether all accounts in the study have been allocated using the same methodology and allocation factors as used in Case No. 2009-00459. If no, provide the changes and the reasons for the changes.

b. Lines 11-13 describe how retail customer test-year sales of energy were adjusted. Provide the supporting calculation for the adjustment or its location in the application.

43. Refer to the Listebarger Testimony, page 7.

a. Lines 2-5 describe how the production demand allocation factor ("PDAF") was calculated. Provide the supporting calculation for the allocation factor or its location in the application.

b. Lines 5-7 state that "[t]he transmission and sub-transmission demand allocation factors are the same as the production demand allocation factor." Explain why this is the case.

c. Lines 12-13 state, "Transmission plant was allocated using the transmission demand allocation factor (TDAF)." Confirm, from lines 5-7 of this page, that TDAF is the same allocation factor as PDAF.

d. Lines 14-16 mention the gross plant distribution factor ("GP-DIST") and the gross plant production, transmission and distribution factor ("GP-PTD"). Provide the supporting calculations for these two allocation factors or their location in the application.

44. Refer to the Listebarger Testimony, page 9, lines 1-3.

a. Provide examples of the type of revenues not directly assignable which are demand-related system sales revenues.

b. Provide examples of the type of revenues not directly assignable which are energy-related system sales revenues.

c. Lines 7-10 state that demand-side management and transmission agreement revenues were removed to derive total electric utility other operating revenues. Explain why these revenues were removed.

45. Refer to the Direct Testimony of John A. Rogness III ("Rogness Testimony"), pages 6-7.

a. Provide, by year since the Order in Case No. 2004-00420,[4] the amount of Capacity Charge revenues received, the amount that should have been received per the tariff, and the difference.

b. Explain how and when the over/under is to be determined and applied to a Kentucky Power customer's bill.

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[4] Case No. 2004-00420, *Application of Kentucky Power Company for Approval of a Stipulation and Settlement Agreement Resolving State Regulatory Matters* (Ky. PSC Dec. 13, 2004).

c. Explain whether the Capacity Charge revenues are received by Kentucky Power or by another AEP entity.

d. Explain whether the Stipulation and Settlement agreement in Case 2004-00420 authorized a true-up of the Capacity Charge.

46. Refer to the Rogness Testimony, pages 7-8, regarding the Commission mandated Consultant Expense. Provide invoices and contracts for each of the Consultants included in the requested Consultant Adjustment.

47. Refer to the Rogness Testimony, page 9, regarding the Annualization of the PSC Maintenance Assessment ("Adjustment 45"). Also refer to the Fully Adjusted Base Case Summary in Section IV, Exhibit 1, Schedule 1, Column 4.

a. Explain why there was no adjustment proposed to the PSC Maintenance Assessment as a result of the proposed change in Sales of Electricity.

b. Explain why there was no adjustment proposed to the PSC Maintenance Assessment for Kentucky Power's proposed rate increase in the instant case.

c. Provide an updated schedule for Adjustment 45 to reflect any changes in the PSC Maintenance Fee due to Items b. and c. above.

48. Refer to the Rogness Testimony, page 11, regarding the Annualization of Lease Costs.

a. Provide for each month of the test year the dollar amount associated with any aviation costs (ownership, lease or rental costs directly assigned or allocated to Kentucky Power) reflected in the test-year level of costs, along with the purpose of the flight and with the names of persons on the flight.

b. Provide supporting information for lease costs during the test year. Include the beginning and ending dates of each lease, cost per lease, and nature of lease.

49. Refer to page 11 of the Rogness Testimony regarding the Annualization of Property Tax Expense.

a. Provide a comparison of the actual property taxes paid on Kentucky Power's transmission and distribution operating property based on the assessments for calendar years 2013 and 2014.

b. Provide a comparison of the property taxes paid on generation assets based on calendar year 2013 and 2014 assessments.

c. Provide a reconciliation showing how Kentucky Power's test-year total property tax expenses were allocated among base rates and riders.

50. Refer to the Rogness Testimony, page 14, lines 8-10, which state that Rider E.C.S.-C.&E., Emergency Curtailable Service – Capacity and Energy, is being eliminated. State whether there are any customers on this tariff. If yes, provide the effect of the elimination on these customers.

51. Refer to the Rogness Testimony, pages 16-20, describing the proposed Kentucky Economic Development Surcharge ("K.E.D.S.").

a. Does any other AEP subsidiary or related entity have a tariff provision to collect an economic development surcharge from its customers? If so, provide a copy of the tariff(s).

b. State whether Kentucky Power is aware of any other utility in any other jurisdiction having similar charges approved to support and promote economic development. If so, provide details concerning the utilities and related tariff provisions.

c. Explain whether and how the proposed K.E.D.S. differs from the economic development provision set forth in Paragraph 10 of the Stipulation and Settlement Agreement attached as Appendix A to the Final Order in Case No. 2012-00578.

d. Explain why Kentucky Power believes it is reasonable to collect an economic development surcharge from its customers to fund economic development initiatives that foster economic growth in Kentucky Power's service territory.

Explain why Kentucky Power believes it is reasonable to collect the proposed K.E.D.S. from its customers, with matching funds from shareholders, rather than fund economic development initiatives with shareholder contributions only.

52. Refer to the Rogness Testimony, pages 17-19, wherein Mr. Rogness discusses three separate studies completed by Insite Consulting, LLC. Provide a copy of each of the studies.

53. Refer to the Rogness Testimony, page 25, lines 9-10. Explain the difference between the first and second reconnect categories listed.

54. Refer to the Rogness Testimony, pages 27-28. Lines 10-12 on page 27 state that Kentucky Power incurs a cost of $12.99 when it makes a special trip to the customer's premises to perform a disconnect for non-payment. Lines 2-5 on page 28 state that Kentucky Power incurs $21.29 when it makes a special trip to a customer's

premises to read a meter or to reconnect service. Explain the difference in these two cost amounts for a trip to the customer's premises.

55. Refer to the Rogness Testimony, page 30, lines 13-16, which discuss the following language proposed to be added to the M.G.S. tariff: Customers receiving service on or before January 22, 2015 at a secondary voltage and with average monthly demand below 10 kW will be served under S.G.S. tariff.

a. State the number of customers on the M.G.S. tariff that receive service at a secondary voltage.

b. State whether this language indicates that customers will be moved to the S.G.S tariff. If yes, provide the effect the move will have on those customers.

56. Refer to the Rogness Testimony, pages 31-32, which discusses the proposed language to the C.A.T.V. tariff to clarify the definition of "attachment." Explain why a clarification is necessary.

57. Refer to the Rogness Testimony, page 33, lines 1-13. Explain how the "305" proposed to be used as the denominator in calculating the on-peak metered average capacity was determined.

58. Refer to the Rogness Testimony, page 35, lines 7-14, which discuss Kentucky Power's proposal to add variable PE(m) to the P.P.A. tariff formula to equal "the cost of power purchased unrelated to forced generation or transmission outages that are calculated in accordance with the peaking unit equivalent methodology."

a. Explain whether the addition of this variable to the formula would allow Kentucky Power to collect on a monthly basis power that is excluded from recovery through the fuel adjustment clause because of the peaking unit equivalent limitation. If no, explain the type of power purchases that would be recovered due to this proposed change in the formula.

b. Commensurate with this proposal, is Kentucky Power proposing to reduce purchase power expense for power purchases from the test year that would be now be recovered under the proposed tariff? If yes, provide the amount deducted from expenses. If no, explain why such an adjustment is not necessary.

59. Refer to Exhibit JAR-3. Explain the column titled "Deferred Fuel."

60. Refer to Exhibit JAR-4.

a. Refer to line 2. Explain the differences in the transportation hours among the non-recurring charges.

b. Refer to line 3. Explain why the hourly labor rate is higher for the meter test charge than for the other non-recurring charges.

c. Refer to line 7. Provide the supporting calculation for the transportation hourly rate.

d. Refer to line 9. Provide the supporting calculations for the fringe benefits rate.

61. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-2, Deposits.

a. Refer to 4.B.1. Explain what is meant by "meter diversion."

b. Refer to 4.B.5. Explain why criteria "Checkless Payment Plan (CPP)" is being deleted.

62. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-3, 4.D.2. Deposits. Explain whether a nonresidential customer that has

paid all its bills for electric service in full and in a timely manner could be charged an additional or supplemental deposit.

63. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-9, paragraph 17, Denial or Discontinuance of Service. Explain the circumstances giving rise to the proposed text changes, and the impact on current or potential customers.

64. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 2-10, paragraph 19, Special Charges.

a. Explain the circumstances giving rise to the new language, "Reconnection for nonpayment will not be made when a 'Call Out' after 10:00 p.m. is required." Explain whether there are any circumstances in which service disconnected for nonpayment would be reconnected after 10 p.m.

b. Explain the circumstances giving rise to the proposed addition of the Meter Reading Check charge.

65. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-1, Tariff R.S. for Residential Service and to the Direct Testimony of Alex E. Vaughan ("Vaughan Testimony").

a. Explain how the 100 percent increase to the service charge, from $8 to $16, is preferable to a more gradual increase.

b. Explain how the $16 was selected as the proposed residential service charge, considering the $40 per customer per month Full Cost Basic Service Charge as shown on Exhibit AEV-2, page 1.

c. Explain the extent to which Kentucky Power believes its existing level of residential service charge has been inadequate to recover costs not collected through its volumetric rates.

To the extent that a Kentucky Power customer is concerned about bill volatility, as discussed on pages 7-8 of the Vaughan Testimony, confirm that the Equal Payment Plan is available to the customer.

66. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-2, Tariff R.S. for Residential Service. Explain the addition of the Volunteer Fire Departments section at the bottom of the page.

67. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-4, Tariff R.S. for Residential Service. Explain the language addition at the end of the Special Terms and Conditions section regarding motors or heating equipment used for commercial or industrial purposes, the deletion of similar language above, and the impact on current or potential customers.

68. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 6-5 and 6-8, which set out the rates for the Residential Time-of-Day tariffs, and to the response to Commission Staff's First Request for Information ("Staff's First Request") Item 8, Attachment 2, page 9. Provide the basis for the 55.93 off-peak percentage usage shown on the response to Staff's First Request, Item 8, Attachment 2, page 9, which is used to calculate the $.05216 off-peak kWh charges for Tariff R.S. – L.M. – T.O.D., Tariff R.S. – T.O.D.

69. Refer to Exhibit, JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 6-11, Tariff R.S. – T.O.D,2. Explain the reason for the deletion of "one single phase" under the Availability of Service section.

70. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 7-1 and 7-3, Tariff S.G.S.; Sheet No. 7-4, Tariff S.G.S. – T.O.D.; Sheet No. 8-1, Tariff M.G.S.; Sheet No. 8-5, Tariff M.G.S. – T.O.D.; and to the Vaughan Testimony.

a. Explain how the 70 percent increase to the Small General Service service charge, from $11.50 to $19.50, is preferable to a more gradual increase.

b. Explain why it is reasonable to base the increase to the S.G.S. service charge on the dollar increase to the residential service charge, as discussed on page 13 of the Vaughan Testimony.

c. Explain why it is reasonable to decrease the S.G.S. energy charges, as opposed to allocating a lesser increase to the service charge.

d. Explain why it is reasonable to increase the S.G.S. Load Management Time-of-Day service charge; the S.G.S – T.O.D. service charge; the M.G.S. service charge; and the M.G.S. – T.O.D. service charge to the same level of $19.50 from the varying levels of the current service charges.

71. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 7-1, Tariff S.G.S. – T.O.D. Explain why the limit of 500 customers should continue to apply to this tariff, since Kentucky Power is no longer considering the tariff to be experimental.

72. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 7-4, Tariff S.G.S. – T.O.D. Explain the reason for the deletion of the phrase "12 month average demands less than 10 kW through."

73. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 8-1, Tariff M.G.S., and to the response to Item 8, Attachment 2, page 19 of Staff's First Request. Provide support for increasing the Primary and Subtransmission service charges to two times their current levels, as referenced on the response to Item 8.

74. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-1, Tariff L.G.S., and to the response to Item 8, Attachment 2, page 24 of Staff's First Request. Provide the basis for the 25 percent increase to the Current Secondary Charge, as shown on the response to Item 8.

75. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-3, Tariff L.G.S. Load Management Time-of-Day provision, and to the response to Item 8, Attachment 2, page 27 of Staff's First Request. Explain why the proposed on-peak Energy Charge is 13.164 cents per kWh, given the $.13421 per kWh charge calculated in the response to Item 8.

76. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 9-5, Tariff L.G.S. Time-of-Day, and to the response to Item 8, Attachment 2, page 29 of Staff's First Request. Confirm that the proposed 8.481 cents Secondary On-Peak Energy charge is a decrease and not an increase from the current rate, as shown on the proposed tariff sheet, and explain why it is preferable to decrease the proposed on-peak energy charge as opposed to increasing it along with a corresponding

decrease in the proposed KW demand charge or the proposed Off-Peak Energy Charge.

77. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 12-1, Tariff C.S. – I.R.P. Under the Rate section, explain how the $3.68 per kW per month was calculated.

78. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet No. 13-1, Tariff M.W., and to the response to Staff's First Request, Item 8, Attachment 2, page 39. Explain the use of two times the current $4.10 per KVA demand charge as referenced in response to Item 8, in calculating the proposed minimum charge of $8.20 per KVA.

79. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 14-1 and 14-2, Tariff O.L., and to the response to Staff's First Request, Item 8, Attachment 2, pages 40-41.

a. Provide the basis of the proposed 108.54 percent increase in the 250 watt Shoe Box light, from $24.00 to $50.05 per lamp, given the calculated cost based rate of $38.78.

b. Provide the basis of the proposed 29.02 percent increase in the 1000 watt Floodlight, from $42.61 to $67.35 per lamp, given the calculated cost based rate of $42.61.

80. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 16-1, 16-3, and 16-4, Tariff C.A.T.V.

a. Explain the addition of the language regarding two- and three-user poles.

b. Explain the language change increasing the time from 21 to 45 days within which Kentucky Power must notify an Operator of special conditions required for pole use.

c. Explain the language change in the Insurance section increasing the insurance cancellation or change notice time from 15 to 30 days.

d. Explain the change in the Charges and Fees section requiring Operators to pay annually in advance instead of semi-annually in advance.

81. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 17-1 through 18-3, Tariffs COGEN/SPP I and COGEN/SPP II. State the number of customers on each tariff.

82. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 19-1 and 19-2 of the Rogness Testimony. Provide by month and account the revenue and expense amounts, along with the associated environmental surcharge costs of the off-system sales, reflected in the proposed Tariff S.S.C. (System Sales Clause).

83. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 21-1, Tariff T.S. Explain the additional language proposed in the Term section, including the impact on current and potential customers.

84. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 24-2, Tariff P.J.M.R, and 40-2 Tariff N.C.C.R. The bottom of each page states, "The adjustment factor as computed above shall be further modified to allow the recovery of Uncollectible Accounts Expense of 0.3% and the KPSC Maintenance Fee of 0.1952% and other similar revenue based taxes or assessments. . . ."

a. Explain whether the statement means that the rates that appear on customers' bills are not the rates that will appear in Tariff P.J.M.R. and Tariff N.C.C.R.

b. Explain why further modification to the factor is necessary.

85. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 38-1 and 38-2, Tariff B.S.R.R. Explain the "Asset Transfer Adjustment" references that appear on these pages.

86. Refer to Exhibit JAR-9, Kentucky Power's proposed P.S.C. KY. No. 10, Sheet Nos. 39-1, the Big Sandy Unit 1 Operation Rider; the Vaughan Testimony, page 18; and the Direct Testimony of Ranie K. Wohnhas ("Wohnhas Testimony"), page 7. State whether recovery of Big Sandy Unit 1 operating expenses pursuant to the Mitchell Stipulation and Settlement Agreement is limited to recovery through a rider as proposed, or whether Kentucky Power has other options for cost recovery.

87. Refer to the Direct Testimony of Jason M. Stegall ("Stegall Testimony"), pages 4-5, specifically, the discussion of the proposed weather normalization adjustment, and to Section V, Schedule 5, Exhibit 2, W2 of the application.

a. Explain whether Kentucky Power has sought approval of a weather normalization adjustment in any prior rate application filed with the Commission.

b. Beginning on page 4 at line 7, the testimony states that the purpose of the proposed adjustment is "to restate test year revenues and expenses to reflect a 30-year average load. . . ." Identify the 30-year period upon which the average is based and explain why 30 years is the number of years used to determine the average.

c. The sentence beginning on page 4, line 14, reads in part, "the adjustment was calculated to reduce residential energy usage to the level of the 30-year average. . . ." Explain whether the average residential energy usage means the average per customer kWh usage, the average number of degree days, or something else.

d. Explain whether the proposed adjustment in any way involves the development of a base, non-weather sensitive load.

e. Provide all of the calculations, spreadsheets, work papers, etc., with all necessary narrative description, which show the derivation of the proposed weather normalization adjustment.

88. Refer to the Stegall Testimony, page 14, lines 5-8, wherein Mr. Stegall states that the allocation methodology for the cost-of-service study ("COSS") was chosen while considering various criteria listed on pages 13-14 of his testimony.

a. State whether all accounts in the COSS have been allocated using the same methodology and allocation factors as used in Case No. 2009-00459. If no, provide the changes and the reasons for the changes.

b. Confirm that the first two steps of the COSS, the functionalization and classification steps, exactly match those two steps in the jurisdictional study performed by Ms. Listebarger. If this cannot be confirmed, explain how the first two steps differ between the two studies.

89. Refer to the Stegall Testimony, page 15, line 7, wherein Mr. Stegall refers to distribution plant being classified as demand/customer related. Explain in detail how distribution plant was classified between demand related and customer related. Provide work papers supporting the calculations or the location of the work papers in the application.

90. Refer to the Stegall Testimony, page 17, lines 21-22, which state, "Rent from electric property and other electric revenue was functionalized and allocated to classes based on related functional allocators." Explain this statement more fully.

91. Refer to the Stegall Testimony, page 18.

a. Refer to lines 6-8. Explain why a discussion of the allocation of system sales revenue is included in this section, which relates to the allocation of production operation and maintenance expense.

b. Lines 16-17 state, "Expenses incurred through PJM as a LSE are classified as production expenses and allocated using the production demand allocation factor." Describe the nature of the "expenses incurred through PJM as an LSE."

92. Refer to the Stegall Testimony, page 19, lines 18-19. Explain why Account 598, Maintenance of Miscellaneous Distribution Plant, was directly assigned to the outdoor lighting class.

93. Refer to the Stegall Testimony, Exhibits JMS-1, JMS-2, and JMS-3. Provide a copy of these exhibits in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible.

94. Refer to the Stegall Testimony, Exhibit JMS-1.

a. Refer to lines 2-8. Explain why some, but not all, revenue adjustments proposed in the application are included in this calculation. For example, the customer annualization and asset transfer rider annualization are not included.

b. Refer to line 5, system sales revenue adjustment of ($2,486,806). Provide the supporting calculation for this amount or its location in the application.

95. Refer to the Stegall Testimony, Exhibit JMS-2, the COSS.

a. This exhibit appears to shows only the allocation step of the COSS. Provide a revised COSS which shows the functionalization and classification steps separately.

b. Refer to page 10 of 30. Explain how the line item "Adjust Transmission OATT" was allocated among the rate classes.

96. Refer to the Stegall Testimony, Exhibit JMS-3, pages 1 and 3. Both of these pages show rates of return based on a base rate base revenue decrease of $4,696,310.

a. Provide a revised schedule showing the rates of return based on the base rate increase for each class as shown in Section II of the application, page 348 of 1,829, the total of which is $39,163,930.

b. Provide a revised schedule showing the rates of return based on the total increase for each class as shown in Section II of the application, page 347 of 1,829, the total of which is $69,962,367.

97. Refer to the Vaughan Testimony, page 10, lines 4-8. Provide the supporting calculation of the "total cost" referenced on line 6.

98. Refer to the Vaughan Testimony, page 14, lines 18-20, and the table located between lines 16-17.

a. Provide the supporting calculations for the amounts in the table.

b. Lines 17-19 state that the table does not include the rate impacts of the new level of base rates and riders that are proposed in this case. Provide a revised table which reflects the proposed level of base rates and riders and the supporting calculations.

99. Refer to the Vaughan Testimony, page 16, lines 11-13, which state that PJM charges ". . . can vary greatly and they are largely out of the Company's control." Provide a breakdown of these charges and credits by year for each of the past five calendar years.

100. Refer to the Vaughan Testimony, pages 17-18. Beginning at the bottom of page 17, Mr. Vaughan discusses Kentucky Power's proposal to update the PJM Rider rates annually and to file the required true-up information no later than March 31 of each year. By what date each year does Kentucky Power intend the updated rate to become effective?

101. Refer to the Vaughan Testimony, page 21, lines 14-17. Mr. Vaughan states that the net effect of Kentucky Power's treatment of transmission revenues and expenses is $126,908 and that "[i]t is important to note that this value will change to the extent any other aspect of the Company's requests in this proceeding are modified." Explain what is meant by "any other aspect."

102. Refer to the Vaughan Testimony, page 24, lines 10-13, which state that removing all Big Sandy unit 1 Load Serving Entity PJM charge and credits will reduce expenses by $4.3 million. Reconcile this amount with the $5.65 million net expense added to the Big Sandy Unit 1 Operating Rider for Big Sandy unit 1 PJM charge and credits described on page 19 of the Vaughan Testimony, lines 17-18.

103. Refer to the Vaughan Testimony, Exhibit AEV 4, page 1of 3. Provide the supporting calculations for the amounts labeled as "a" and "b" on this schedule or provide their location in the application.

104. Refer to the Vaughan Testimony, Exhibit AEV 4, page 2 of 3.

a. Provide the supporting calculations for the percentages that appear in column 4 on this page.

b. Explain why the amounts in column 5 differ from the amounts in column "kW 12 CP" on page 3 of 3 of this exhibit.

105. Refer to the Vaughan Testimony, Exhibit AEV 4, page 3 of 3. Explain why there is no amount in column "kW 12 CP" for the "Non Demand MGS Sec" and "LGS LMTOD" classes.

106. Refer to the Wohnhas Testimony, page 6, regarding the annual revenue requirement. Provide for each month of the test year the dollar amount, along with the associated kWh of line losses, which are reflected in the monthly fuel adjustment clause ("FAC"). Provide this information for the load serving entity ("LSE") broken down by full requirement wholesale, residential, commercial and industrial customer classes.

107. Refer to the Wohnhas Testimony, pages 18-20, which discuss Kentucky Power's request for approval of the Amortization of the Deferred Preliminary Big Sandy flue gas desulfurization investigation costs ("Scrubber Study Costs"), and to pages 38-39 of the final Order in Case No. 2012-00578. Given that the Commission denied Kentucky Power's request for recovery of the $28 million Scrubber Study Costs, as well as their incurrence outside the test year, explain why Kentucky Power's proposed recovery of Scrubber Study Costs in the instant case is reasonable.

108. Refer to the Wohnhas Testimony, pages 21-22, which discuss Kentucky Power's request for approval of the Mitchell Plant Maintenance Normalization and Adjustment 34. Explain why the costs have varied so significantly in the three years listed.

109. Refer to the response to Staff's First Request, Item 30. Provide the following information as it relates to the Company's External Affairs Manager:

a. The level of salary, incentive pay, fringe benefits, expense reports, and outside services expenses reflected in the Company's test-year revenue requirement.

b. The number and the associated dollar amount of Kentucky Power Economic Advancement Program Grants that were awarded during the test year. The information should include whether these awards were recorded above or below the line for ratemaking purposes, and indicate the account numbers in which these expenses were recorded.

c. State whether the primary purpose of this position is to promote economic development and to encourage businesses to locate in Kentucky Power's service territory, and to select or use its service or request additional service provided from Kentucky Power.

d. Provide examples of any advertisements placed in an effort to promote Kentucky Power's economic development program, along with the associated cost of such advertising as it is reflected in the test year's cost of service.

e. For the past ten calendar years, provide the titles of employees whose primary job responsibility was economic development prior to the creation of the External Affairs Manager.

f. Explain why the job titles discussed in "e" above were eliminated.

110. Refer to the response to Staff's First Request, Item 31, regarding expenses for professional services. Reflected in the test-year level of expenses

proposed by Kentucky Power, provide the following information as it relates to consulting services either directly incurred and assigned or allocated to Kentucky Power:

a. The name of the company providing the consulting service.

b. The type of consulting service provided.

c. When the consulting service began and when it is expected to be complete.

d. The dollar amount reflected in the test-year level of expenses associated with the consulting service, along with the total expected cost of the consulting service project.

e. If allocated to Kentucky Power, provide the organization which allocated the cost to Kentucky Power, the methodology used in the allocation, and the total cost of the consulting service.

f. The last date that this type of consulting service was performed for Kentucky Power or the allocating organization.

111. Refer to the response to Staff's First Request, Item 33. For the test year, provide the following information at it relates to lobbying activities:

a. The names of each of the Company's Kentucky registered lobbyists.

b. For each of the registered lobbyists, the dollar amount and percentage of the lobbyist's salary, fringe benefits, any incentive pay, and expense reports recorded below the line and any lobbying activities costs reflected in the Company's proposed cost of service.

c. The dollar amount of any lobbying activity allocated to Kentucky Power from AEP or any of its subsidiaries, along with a statement in which these costs are recorded and account numbers where these costs are recorded (above or below the line).

112. Refer to the response to Staff's First Request, page 42. Provide the following information for any of the AEP Service Corporation and other affiliated entities' costs directly assigned or allocated to Kentucky Power, as well as other requested information.

a. Reflected in the test-year level of expenses proposed by Kentucky Power, provide the following as it relates to salaries either directly assigned or allocated to Kentucky Power by another AEP entitiy.

(1) By AEP Service Corporation by Department, the total salary amount along with the number of hours associated with the salary cost and associated incentive pay broken down by each incentive pay program including any stock option plans in effect during any month of the test year.

(2) By any other AEP subsidiary, provide the name of the subsidiary and the department along with the total salary amount and associated incentive pay including any stock option plans along with the number of hours associated with the salary, incentive pay and any stock option plans costs.

b. The AEP Service Corporation Charge billed to Kentucky Power for the 12 months ended September 30, 2009, through September 2014.

c. The number of AEP Service Corporation employees at September 30 for each year 2009 through 2014.

d. Kentucky Power's peak demand (date and time) for each 12 months period September 30, 2009, through September 2014.

e. Kentucky Power's kWh sales (by customer class residential, commercial and industrial) for each 12-month period September 30, 2009, through September 2014.

f. The level of Kentucky Power employees at September 30 for each year 2009 through September 2014.

g. Whether the costs are allocated based on the number of Kentucky Power employees, Kentucky Power kWh sales, or Kentucky Power's peak demand. If so, identify each.

h. Whether Kentucky Power has made an adjustment to the test-year level of AEP Service Corporation costs to reflect the most recent three-, five-, or ten-year trend in the number of employees, the kWh sales, and the Kentucky Power's peak demand. If so, identify each adjustment.

i. If the answer to b. above is no, provide a complete explanation as to why no test-year adjustment was made in the Company's proposed test-year level of AEP Service Corporation costs.

113. Refer to the response to Staff's First Request, Item 46, regarding executive salaries and other compensation. Staff_1_46 Attachment was not included in the electronic filing record for Staff's First Request. Provide Staff_1_46 Attachment in Excel spreadsheet format and the following information for the test year for the executives and/or officers listed in the response:

a. In Excel spreadsheet format, the monthly calendars for each executive officer and/or employee at Kentucky Power which will show the daily activities for these Kentucky Power employees and/or officers.

b. The account numbers to which the executives and/or officers' salaries and other compensation were charged.

c. An explanation of the amount and percentage of each of these employees' salaries and associated expenses which were recorded below the line for ratemaking purposes, along with how the methodology for doing so was determined.

114. On September 19, 2014, Kentucky Power notified the Commission that it had initiated a market potential study ("Potential Study") as a result of the Order in Case No. 2013-00487,[5] and stated in Case No. 2014-00271[6] that the final report would be issued by August 15, 2015. Kentucky Power further stated that the Potential Study would involve the industrial customer sector.[7] Explain how Kentucky Power defines and classifies customers as "industrial" sector, i.e., by North American Industry Classification System (NAICS) codes or by some other method(s).

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[5] Case No. 2013-00487, Application of Kentucky Power Company to Amend Its Demand-Side Management Program and for Authority to Implement a Tariff to Recover Costs and Net Lost Revenues, and to Receive Incentives Associated with the Implementation of the Programs (Ky. PSC June 30, 2014).

[6] Case No. 2014-00271, Application of Kentucky Power Company for: (1) Re-Authorization of Certain of Its Existing Programs; (2) Authority to Discontinue the Commercial and Residential HVAC Diagnostic and Tune-Up Programs; (3) Authority to Amend Its Demand-Side Management Program to Implement Residential Home Performance and Residential Appliance Recycling Programs; (4) Authority to Recover Costs and Net Lost Revenues and to Receive Incentives Associated with the Implementation of the Programs; and (5) All Other Required Approvals and Relief (filed Aug. 14, 2014).

[7] *Id.*, Kentucky Power's response to Alexander Desha and Sierra Club's Initial Requests for Information, Item 12 (filed Oct. 10, 2014).

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DATED JAN 29 2015

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