

April 15, 2008

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**HAND DELIVERED**

Stephanie L. Stumbo  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

**RE: P.S.C. Case No. 2007-00276;  
P.S.C. Case No. 2007-00522**

Dear Ms. Stumbo:

**Background**

On April 4, 2008 an informal conference was conducted by the Commission Staff regarding the roll-in of the new base fuel cost of \$0.02124 for bills rendered on or after December 31, 2007 (Cycle 1 of the January, 2008 billing cycle.) The new base fuel cost was approved at the request of Kentucky Power Company by the Commission's December 19, 2007 Order in P.S.C. Case No. 2006-00507. Representatives of the Office of the Attorney General and Kentucky Industrial Utility Customers, Inc. were notified of the informal conference. In addition to representatives of Kentucky Power and members of the Commission Staff, Lawrence W. Cook attended by telephone on behalf of the Attorney General.

Kentucky Power asked for the informal conference to address its recent determination that \$5,715,451 in fuel costs incurred by the Company in November, 2007 and December, 2007, and properly recoverable by the Company through its fuel adjustment clause ("FAC"), had been excluded from the Company's calculation of its January, 2008 and February, 2008 FAC factors. The exclusion resulted from the Company's use of the new base fuel cost of \$0.02124 in calculating the FAC factor for bills rendered for the January, 2008 and February, 2008 billing cycles.

At the beginning of the informal conference Kentucky Power provided Staff with a four page hand-out.<sup>1</sup> The hand-out previously had been supplied to Staff, the Attorney General and

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<sup>1</sup> Sheet 1 illustrates the operation of the fuel adjustment clause if the fuel base cost had not been changed in January, 2008. Sheet 2 shows the actual operation of Kentucky Power's fuel adjustment clause as a result of the use, beginning in January, 2008, of the new base fuel cost of \$0.02124. Sheet 3 demonstrates the operation of Kentucky

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counsel for Kentucky Industrial Utility Customers, Inc. by e-mail. These sheets also are included with this letter. Sheet 2 has been modified slightly to make clear that Kentucky Power is seeking only the \$5,715,451 shortfall and not the \$6,765,459 it would have recovered if the base rate had not changed in January, 2008 for purposes of calculating the FAC factor applied to the January and February, 2008 billings.

### **Two-Month Deferral and Subsequent Recovery of Fuel Costs**

To understand the reason for the exclusion it is important to recognize that the portion of the customer's monthly bill reflecting fuel costs consists of two separate components. The first is the "current month's fuel costs" and is calculated using the cost of energy in base rates.<sup>2</sup> The second component is the FAC. The FAC is designed to recover<sup>3</sup> or refund the difference between the Company's actual fuel costs and its cost of fuel in base rates. Because of the manner in which the FAC rate is calculated, the FAC portion of a customer's bill in any month recovers the difference between the Company's actual fuel costs two months earlier and the base fuel rate in effect at the time of the deferral. That is, the FAC rate for bills rendered in the November billing cycle is calculated by subtracting the base fuel rate from the actual cost per kWh for the preceding September. The calculation of the FAC rate for any month using the actual fuel cost from two months earlier means that the Company's recovery or refund of the difference between the Company's actual fuel costs and the cost of fuel in base rates is deferred two months.

This process is illustrated on Sheet 2 of 4 distributed at the informal conference. In September, 2007 (row 11) the Company incurred fuel costs of \$10,154,999 (column 3). The Company's total kWh sales that month were 501,528,00 kWh (Sheet 2; row 11; column 4), yielding an actual fuel cost for September, 2007 of \$0.02025 per kWh (Sheet 2; row 11; column 5). The base fuel rate applicable in September, 2007 was \$0.01651 per kWh (Sheet 2; row 11; column 6). The difference between the Company's actual September, 2007 fuel costs and its base rate was \$0.00374 (Sheet 2; row 11; column 7.) Multiplying this rate by the Company's Kentucky jurisdictional sales of 494,199,200 kWh (Sheet 2; row 11; column 10) yields the amount of revenue deferred, or \$1,848,305 (Sheet 2; row 11; column 18). This deferral is expected to be recovered through bills rendered in November, 2007 using the same difference between the Company's actual September, 2007 fuel costs and its base fuel rate in September,

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Power's fuel adjustment clause with a change in the base fuel cost in January, 2008 **but** using the FAC factor calculated in November and December, 2007 in January and February, 2008 respectively. Sheet 4 illustrates the operation of the half-step method formerly used.

<sup>2</sup> The cost of energy in base rates is established in the Company's most recent rate case and may be adjusted in intervening two-year fuel adjustment clause cases.

<sup>3</sup> For the sake of simplicity, this discussion assumes the Company's monthly jurisdictional sales and retail kWh billed are equal and do not vary month-to-month.

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2007 (\$0.00374) used to book the deferral and to calculate the FAC factor used in the November, 2007 billings (Sheet 2; row 13; column 13).<sup>4</sup>

**Modification of Base Fuel Cost in P.S.C. Case No. 2006-00507.**

As part of its review of the operation of Kentucky Power's FAC from November 1, 2004 to October 31, 2006, the Commission directed Kentucky Power to implement "[b]eginning with its first billing cycle for January, 2008, ...an FAC rate based on a base fuel cost of 21.24<sup>5</sup> mills per kWh."<sup>6</sup> Kentucky Power understood the Commission's order to require it to use the new base fuel cost of \$0.02124 in calculating the FAC factor applied to bills rendered in January, 2008 even though a lesser rate (\$0.01651 per kWh) had been used in calculating the deferrals booked in November and December, 2007 that were to be recovered through the January and February, 2008 FAC factor.

In its December 19, 2007 monthly FAC filing Kentucky Power calculated the FAC factor to be applied to the January, 2008 billings by subtracting the new base fuel cost of \$0.02124 from the November, 2007 fuel costs of \$0.02091 per kWh (Sheet 2; row 16; column 5 less Sheet 2; row 16; column 6.) The result was a FAC factor that refunded \$0.00033 per kWh (Sheet 2; row 16; column 13) even though the January, 2008 FAC factor was intended to produce sufficient revenues to retire the \$2,510,346 deferral booked in November, 2007 (Sheet 2; row 13; column 18.) That is, instead of paying \$2,510,346 through the FAC factor, Kentucky Power's customers received a refund of \$241,982, yielding a total revenue shortfall of \$2,752,328 (\$2,510,346 (unrecovered November, 2007 deferral) plus \$241,982 (January, 2008 FAC factor refund) (Sheet 2; row 16; column 14.)

The same type of error occurred in February, 2008. Subtracting the then applicable December, 2007 base fuel rate of \$0.01651 (Sheet 2; line 14; column 6) from actual December, 2007 fuel costs (\$0.02115 per kWh) (Sheet 2; row 14; column 5), Kentucky Power booked a \$2,900,388 deferral (Sheet 2; row 14; column 18) to be recovered in February, 2008 through an FAC factor of \$0.00464 per kWh (Sheet 2; row 14; column 7). Instead of applying the FAC factor used to book the deferral, Kentucky Power in February, 2008 recalculated the FAC factor using the new base fuel rate of \$0.02124 per kWh. The resulting FAC factor refunded \$0.00009

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<sup>4</sup> In fact there was slight under-recovery (\$13,209) (Sheet 2; line 13; column 16) through the November, 2007 billings because the November, 2007 retail kWh billed were 3,531,745 kWh ((Sheet 2; line 13; column 12) less (Sheet 2; line 11; column 10)) less than the September, 2007 jurisdictional sales that were used to book the deferral. This difference is reflected in the Company's fuel costs (Sheet 2; line 13; column 3.)

<sup>5</sup> The new base was \$0.00473 per kWh higher than the prior base fuel cost used to compute the fuel adjustment clause rate immediately prior to the change.

<sup>6</sup> Order, *In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of American Electric Power Company from November 1, 2004 through October 31, 2006* at 5 (December 19, 2007).

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per kWh (Sheet 2; row 17; column 13) and produced a refund of \$62,735 (Sheet 2; row 17; column 14) instead of recovering from customers the \$2,900,388 that was deferred in December, 2007; the Company under-recovered its December, 2007 fuel costs by \$2,963,123.

In March, 2008 the FAC began operating as intended because the same base fuel rate of \$0.02124 was used to calculate both the deferral in January, 2008 and the FAC factor applied to the March, 2008 billings. Nevertheless, because a different base fuel cost was used in November and December, 2007 to calculate the deferral than was used to calculate the FAC factor actually billed, Kentucky Power refunded \$304,717 to its customers under the FAC clause in January and February, 2008 instead of recovering the \$5,410,734 that was to be recovered from customers. As a result, Kentucky Power failed to recover \$5,715,451 in fuel costs incurred in November and December, 2007.

### **Requested Remedy**

Kentucky Power requests it be permitted at the earliest time to adjust its FAC factor for two consecutive months to recover the \$5,715,451 (Sheet 2; bottom right hand corner) owed by its ratepayers. If the January and February, 2008 jurisdictional sales are used to compute the adder necessary to recover the November and December, 2007 deferred costs plus refunds erroneously paid in January and February, 2008, the FAC factor in the months in which the recovery was made would be increased by \$0.00368<sup>7</sup> per kWh and \$0.00462<sup>8</sup> per kWh. In addition, the Company requests that when there is a change (up or down) in the base fuel rate that the FAC factor used to book the deferral for the two months prior to the change be used in rendering bills for the first two months following the effective date of the change in the base fuel rate.

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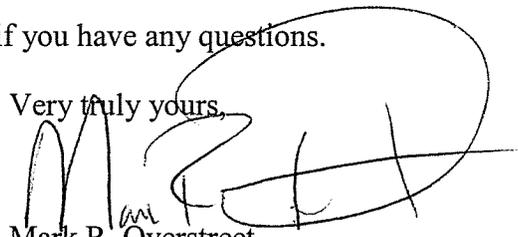
<sup>7</sup> \$2,752,326/748,142,200 kWh (Sheet 2; Row 16; column 10)

<sup>8</sup> \$2,963,123/640,860,500 kWh (Sheet 2; Row 17; column 10.)

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Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Mark R. Overstreet

cc: Lawrence W. Cook  
Michael L. Kurtz

KE057:KE198:16802:1:FRANKFORT

Kentucky Power Company  
 No Change in Base Fuel Rate  
 Note: Base Fuel Rate Remained at \$0.01651

Line No	Month (1)	Year (2)	Fuel Cost (3)	Total Sales KWH (4)	Cost per KWH (5) (C3 / C4)	Base Fuel Rate (6)	Current Month FAC Rate (7) (C5 - C6)	Total Sales KWH (8) (C4)	Olive Hill & Vanceburg KWH (9)	KY Jurisdictional Sales KWH (10) (C8 - C9)	Base Fuel Revenues (11) (C6 * C10)	Retail KWH Billed (12)	FAC Rate FILED from Two Months Prior (13) (C7)	FAC Revenues (14) (C12 * C13)	Recoverable FAC Revenue/ (Refund) Two Months Prior (15) (C18)	KY Jurisdictional Over or (Under) Recovery (16) (C14 - C15)	Total Company Over or (Under) Recovery (17) (C16/C10-C8)	Deferred FAC Journal ID FA0325 Current Month (18) (C7 * C10)	Deferred FAC Entry of One Month Prior (19)	Estimated Deferred FAC Balance in Account 5010005 (20) (C18 + C19)
1	November	2006	\$12,319,588	614,517,000	\$0.02005	\$0.01651	\$0.00354	614,517,000	8,201,900	606,315,100	\$10,010,262							\$2,146,355		
2	December	2006	\$12,827,967	690,567,000	\$0.01858	\$0.01651	\$0.00207	690,567,000	9,469,800	681,097,200	\$11,244,915							\$1,409,871	\$2,146,355	\$3,556,226
3	January	2007	\$14,252,907	713,118,000	\$0.01999	\$0.01651	<b>\$0.00348</b>	713,118,000	9,334,100	<b>703,783,900</b>	\$11,619,472	690,057,176	\$0.00354	\$2,442,802	\$2,146,355	\$296,447	\$300,378	<b>\$2,449,168</b>	\$1,409,871	\$3,859,039
4	February	2007	\$15,190,477	733,065,000	\$0.02072	\$0.01651	\$0.00421	733,065,000	10,197,800	722,867,200	\$11,934,537	714,919,512	\$0.00207	\$1,479,883	\$1,409,871	\$70,012	\$71,000	\$3,043,271	\$2,449,168	\$5,492,439
5	March	2007	\$11,693,591	608,369,000	\$0.01922	\$0.01651	\$0.00271	608,369,000	8,308,500	600,060,500	\$9,906,999	671,859,248	\$0.00348	\$2,338,070	\$2,449,168	(\$111,098)	(\$112,637)	\$1,626,164	\$3,043,271	\$4,669,435
6	April	2007	\$10,713,323	516,093,000	\$0.02076	\$0.01651	\$0.00425	516,093,000	7,495,300	508,597,700	\$8,396,948	576,985,227	\$0.00421	\$2,429,108	\$3,043,271	(\$614,163)	(\$623,216)	\$2,161,540	\$1,626,164	\$3,787,704
7	May	2007	\$12,645,960	525,019,000	\$0.02409	\$0.01651	\$0.00758	525,019,000	7,464,500	517,554,500	\$8,544,825	534,596,054	\$0.00271	\$1,448,755	\$1,626,164	(\$177,409)	(\$179,967)	\$3,923,063	\$2,161,540	\$6,084,603
8	June	2007	\$9,828,806	518,644,000	\$0.01895	\$0.01651	\$0.00244	518,644,000	8,001,300	510,642,700	\$8,430,711	554,740,596	\$0.00425	\$2,357,648	\$2,161,540	\$196,108	\$199,181	\$1,245,968	\$3,923,063	\$5,169,031
9	July	2007	\$11,170,414	550,457,000	\$0.02029	\$0.01651	\$0.00378	550,457,000	8,382,800	542,074,200	\$8,949,645	570,025,567	\$0.00758	\$4,320,794	\$3,923,063	\$397,731	\$403,880	\$2,049,040	\$1,245,968	\$3,295,008
10	August	2007	\$11,924,434	614,693,000	\$0.01940	\$0.01651	\$0.00289	614,693,000	9,540,300	605,152,700	\$9,991,071	588,502,866	\$0.00244	\$1,435,947	\$1,245,968	\$189,979	\$192,975	\$1,748,891	\$2,049,040	\$3,797,931
11	September	2007	\$10,154,999	501,528,000	\$0.02025	\$0.01651	\$0.00374	501,528,000	7,328,800	494,199,200	\$8,159,229	583,841,548	\$0.00378	\$2,206,921	\$2,049,040	\$157,881	\$160,222	\$1,848,305	\$1,748,891	\$3,597,196
12	October	2007	\$10,449,016	478,813,000	\$0.02182	\$0.01651	\$0.00531	478,813,000	6,752,300	472,060,700	\$7,793,722	525,980,247	\$0.00289	\$1,520,083	\$1,748,891	(\$228,808)	(\$232,080)	\$2,506,642	\$1,848,305	\$4,354,947
13	November	2007	\$12,091,821	578,309,000	\$0.02091	\$0.01651	\$0.00440	578,309,000	7,775,800	570,533,200	\$9,419,503	490,667,455	\$0.00374	\$1,835,096	\$1,848,305	(\$13,209)	(\$13,389)	\$2,510,346	\$2,506,642	\$5,016,988
14	December	2007	\$13,424,480	634,751,000	\$0.02115	\$0.01651	\$0.00464	634,751,000	9,667,300	625,083,700	\$10,320,132	649,279,303	\$0.00531	\$3,447,673	\$2,506,642	\$941,031	\$955,589	\$2,900,388	\$2,510,346	\$5,410,734
15	<b>Total Line 3 thru 14</b>		\$143,540,228								\$113,466,794			\$27,262,780	\$26,158,278	\$1,104,502	\$1,121,936			
16	January	2008	\$17,233,773	759,166,000	\$0.02270	\$0.01651	\$0.00619	759,166,000	11,023,800	748,142,200	\$12,351,828	733,279,192	\$0.00440	1/ \$3,226,428	\$2,510,346	\$716,082	\$726,633	\$1,092,288	\$2,900,388	\$3,992,676
17	February	2008	\$14,665,666	650,662,000	\$0.02254	\$0.01651	\$0.00603	650,662,000	9,801,500	640,860,500	\$10,580,607	697,050,333	\$0.00464	1/ \$3,234,314	\$2,900,388	\$333,926	\$339,033	\$833,119	\$1,092,288	\$1,925,407
18	<b>Total Line 15 thru 17</b>		\$175,439,667								\$136,399,229			\$33,723,522	\$31,569,012	\$2,154,510	\$2,187,602			

1/ The Base Fuel Rate remains constant at \$0.01651

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	January 2008	February 2008	Total
Monthly FAC Revenues	\$3,226,428	\$3,234,314	\$6,460,742
Less: Monthly Deferral	<u>\$2,510,346</u>	<u>\$2,900,388</u>	<u>\$5,410,734</u>
Net Over/(Under) Recovery Position	<u>\$716,082</u>	<u>\$333,926</u>	<u>\$1,050,008</u>

Kentucky Power Company  
As Filed with the Kentucky Public Service Commission  
Note: Base Fuel Rate changed in January 2008 to \$0.02124

Line No	Month (1)	Year (2)	Fuel Cost (3)	Total Sales KWH (4)	Cost per KWH (5) (C3 / C4)	Base Fuel Rate (6)	Current Month FAC Rate (7) (C5 - C6)	Total Sales KWH (8) (C4)	Olive Hill & Vanceburg KWH (9)	KY Jurisdictional Sales KWH (10) (C8 - C9)	Base Fuel Revenues (11) (C6 * C10)	Retail KWH Billed (12)	FAC Rate FILED from Two Months Prior (13) (C7)	FAC Revenues (14) (C12 * C13)	Recoverable FAC Revenue/ (Refund) Two Months Prior (15) (C18)	KY Jurisdictional Over or (Under) Recovery (16) (C14 - C15)	Total Company Over or (Under) Recovery (17) (C16/C10*C8)	Deferred FAC Journal ID FA0325 Current Month (18) (C7 * C10)	Deferred FAC Entry of One Month Prior (19)	Estimated Deferred FAC Balance in Account 5010005 (20) (C18 + C19)
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10	August	2007	\$11,924,434	614,693,000	\$0.01940	\$0.01651	\$0.00289	614,693,000	9,540,300	605,152,700	\$9,991,071	588,502,866	\$0.00244	\$1,435,947	\$1,245,968	\$189,979	\$192,975	\$1,748,891	\$2,049,040	\$3,797,931
11	September	2007	\$10,154,999	501,528,000	\$0.02025	\$0.01651	\$0.00374	501,528,000	7,328,800	494,199,200	\$8,159,229	583,841,548	\$0.00378	\$2,206,921	\$2,049,040	\$157,881	\$160,222	\$1,848,305	\$1,748,891	\$3,597,196
12	October	2007	\$10,449,016	478,813,000	\$0.02182	\$0.01651	\$0.00531	478,813,000	6,752,300	472,060,700	\$7,793,722	525,980,247	\$0.00289	\$1,520,083	\$1,748,891	(\$228,808)	(\$232,080)	\$2,506,642	\$1,848,305	\$4,354,947
13	November	2007	\$12,091,821	578,309,000	\$0.02091	\$0.01651	\$0.00440	578,309,000	7,775,800	570,533,200	\$9,419,503	490,667,455	\$0.00374	\$1,835,096	\$1,848,305	(\$13,209)	(\$13,389)	\$2,510,346	\$2,506,642	\$5,016,988
14	December	2007	\$13,424,480	634,751,000	\$0.02115	\$0.01651	\$0.00464	634,751,000	9,667,300	625,083,700	\$10,320,132	649,279,303	\$0.00531	\$3,447,673	\$2,506,642	\$941,031	\$955,589	\$2,900,388	\$2,510,346	\$5,410,734
15	<b>Total Line 3 thru 14</b>		\$143,540,228								\$113,466,794			\$27,262,780	\$26,158,278	\$1,104,502	\$1,121,936			
16	January	2008	\$17,233,774	759,166,000	\$0.02270	\$0.02124	\$0.00146	759,166,000	11,023,800	748,142,200	\$15,890,540	733,279,192	(\$0.00033) 1/	(\$241,982)	(\$188,276)	(\$53,706)	(\$54,497)	\$1,092,288	\$2,900,388	\$3,992,676
17	February	2008	\$14,665,666	650,662,000	\$0.02254	\$0.02124	\$0.00130	650,662,000	9,801,500	640,860,500	\$13,611,877	697,050,333	(\$0.00009) 1/	(\$62,735)	(\$56,258)	(\$6,477)	(\$6,576)	\$833,119	\$1,092,288	\$1,925,407
18	<b>Total Line 15 thru 17</b>		\$175,439,668								\$142,969,211			\$26,958,063	\$25,913,744	\$1,044,319	\$1,060,863			

1/ The FAC Rate FILED with the KPSC for the month of January 2008 uses the new Base Fuel Rate of \$0.02124. The FAC Factor was calculated as follows - \$0.02091 - \$0.02124 = (\$0.00033)  
The FAC Rate FILED with the KPSC for the month of February 2008 uses the new Base Fuel Rate of \$0.02124. The FAC Factor was calculated as follows - \$0.02115 - \$0.02124 = (\$0.00009)  
The FAC Rate used to book the FAC deferred entries in November and December 2007 used the Base Fuel Rate of \$0.01651.

	January 2008	February 2008	Total
Monthly FAC Revenues	(\$241,982)	(\$62,735)	(\$304,717)
Less: Monthly Deferral	\$2,510,346	\$2,900,388	\$5,410,734
Net Under-recovered Fuel Cost	(\$2,752,328)	(\$2,963,123)	(\$5,715,451)

Kentucky Power Company  
*Proposal*

Note: Base Fuel Rate changed in January 2008, but used FAC Rate Calculated in November & December 2007 using Base Fuel Rate of \$0 01651

Line No	Month (1)	Year (2)	Fuel Cost (3)	Total Sales KWH (4)	Cost per KWH (5) (C3 / C4)	Base Fuel Rate (6)	Current Month FAC Rate (7) (C5 - C6)	Total Sales KWH (8) (C4)	Olive Hill & Vanceburg KWH (9)	KY Jurisdictional Sales KWH (10) (C8 - C9)	Base Fuel Revenues (11) (C6 * C10)	Retail KWH Billed (12)	FAC Rate FILED from Two Months Prior (13) (C7)	FAC Revenues (14) (C12 * C13)	Recoverable FAC Revenue/ (Refund) Two Months Prior (15) (C18)	KY Jurisdictional Over or (Under) Recovery (16) (C14 - C15)	Total Company Over or (Under) Recovery (17) (C16/C10*C8)	Deferred FAC Journal ID FA0325 Current Month (18) (C7 * C10)	Deferred FAC Entry of One Month Prior (19)	Estimated Deferred FAC Balance in Account 5010005 (20) (C18 + C19)
1	November	2006	\$12,319,588	614,517,000	\$0 02005	\$0 01651	\$0 00354	614,517,000	8,201,900	606,315,100	\$10,010,262							\$2,146,355		
2	December	2006	\$12,827,967	690,567,000	\$0 01858	\$0 01651	\$0 00207	690,567,000	9,469,800	681,097,200	\$11,244,915							\$1,409,871	\$2,146,355	\$3,556,226
3	January	2007	\$14,252,907	713,118,000	\$0 01999	\$0 01651	<b>\$0.00348</b>	713,118,000	9,334,100	<b>703,783,900</b>	\$11,619,472	690,057,176	\$0 00354	\$2,442,802	\$2,146,355	\$296,447	\$300,378	<b>\$2,449,168</b>	\$1,409,871	\$3,859,039
4	February	2007	\$15,190,477	733,065,000	\$0 02072	\$0 01651	\$0 00421	733,065,000	10,197,800	722,867,200	\$11,934,537	714,919,512	\$0 00207	\$1,479,883	\$1,409,871	\$70,012	\$71,000	\$3,043,271	\$2,449,168	\$5,492,439
5	March	2007	\$11,693,591	608,369,000	\$0 01922	\$0 01651	\$0 00271	608,369,000	8,308,500	600,060,500	\$9,906,999	671,859,248	\$0 00348	\$2,338,070	\$2,449,168	(\$111,098)	(\$112,637)	\$1,626,164	\$3,043,271	\$4,669,435
6	April	2007	\$10,713,323	516,093,000	\$0 02076	\$0 01651	\$0 00425	516,093,000	7,495,300	508,597,700	\$8,396,948	576,985,227	\$0 00421	\$2,429,108	\$3,043,271	(\$614,163)	(\$623,216)	\$2,161,540	\$1,626,164	\$3,787,704
7	May	2007	\$12,645,960	525,019,000	\$0 02409	\$0 01651	\$0 00758	525,019,000	7,464,500	517,554,500	\$8,544,825	534,596,054	\$0 00271	\$1,448,755	\$1,626,164	(\$177,409)	(\$179,967)	\$3,923,063	\$2,161,540	\$6,084,603
8	June	2007	\$9,828,806	518,644,000	\$0 01895	\$0 01651	\$0 00244	518,644,000	8,001,300	510,642,700	\$8,430,711	554,740,596	\$0 00425	\$2,357,648	\$2,161,540	\$196,108	\$199,181	\$1,245,968	\$3,923,063	\$5,169,031
9	July	2007	\$11,170,414	550,457,000	\$0 02029	\$0 01651	\$0 00378	550,457,000	8,382,800	542,074,200	\$8,949,645	570,025,567	\$0 00758	\$4,320,794	\$3,923,063	\$397,731	\$403,880	\$2,049,040	\$1,245,968	\$3,295,008
10	August	2007	\$11,924,434	614,693,000	\$0 01940	\$0 01651	\$0 00289	614,693,000	9,540,300	605,152,700	\$9,991,071	588,502,866	\$0 00244	\$1,435,947	\$1,245,968	\$189,979	\$192,975	\$1,748,891	\$2,049,040	\$3,797,931
11	September	2007	\$10,154,999	501,528,000	\$0 02025	\$0 01651	\$0 00374	501,528,000	7,328,800	494,199,200	\$8,159,229	583,841,548	\$0 00378	\$2,206,921	\$2,049,040	\$157,881	\$160,222	\$1,848,305	\$1,748,891	\$3,597,196
12	October	2007	\$10,449,016	478,813,000	\$0 02182	\$0 01651	\$0 00531	478,813,000	6,752,300	472,060,700	\$7,793,722	525,980,247	\$0 00289	\$1,520,083	\$1,748,891	(\$228,808)	(\$232,081)	\$2,506,642	\$1,848,305	\$4,354,947
13	November	2007	\$12,091,821	578,309,000	\$0 02091	\$0 01651	\$0 00440	578,309,000	7,775,800	570,533,200	\$9,419,503	490,667,455	\$0 00374	\$1,835,096	\$1,848,305	(\$13,209)	(\$13,389)	\$2,510,346	\$2,506,642	\$5,016,988
14	December	2007	\$13,424,480	634,751,000	\$0 02115	\$0 01651	\$0 00464	634,751,000	9,667,300	625,083,700	\$10,320,132	649,279,303	\$0 00531	\$3,447,673	\$2,506,642	\$941,031	\$955,589	\$2,900,388	\$2,510,346	\$5,410,734
15	<b>Total</b> Line 3 thru 14		\$143,540,228								\$113,466,794			\$27,262,780	\$26,158,278	\$1,104,502	\$1,121,935			
16	January	2008	\$17,233,774	759,166,000	\$0 02270	\$0 02124	\$0 00146	759,166,000	11,023,800	748,142,200	\$15,890,540	733,279,192	\$0 00440 1/	\$3,226,428	\$2,510,346	\$716,082	\$726,633	\$1,092,288	\$2,900,388	\$3,992,676
17	February	2008	\$14,665,666	650,662,000	\$0 02254	\$0 02124	\$0 00130	650,662,000	9,801,500	640,860,500	\$13,611,877	697,050,333	\$0 00464 1/	\$3,234,314	\$2,900,388	\$333,926	\$339,033	\$833,119	\$1,092,288	\$1,925,407
18	<b>Total</b> Line 15 thru 17		\$175,439,668								\$142,969,211			\$33,723,522	\$31,569,012	\$2,154,510	\$2,187,601			

1/ The FAC Rate for the months of January and February 2008 uses the Base Fuel Rate of \$0 01651 from November & December 2007

	January 2008	February 2008	Total
Monthly FAC Revenues	\$3,226,428	\$3,234,314	\$6,460,742
Less:			
Monthly Deferral	\$2,510,346	\$2,900,388	\$5,410,734
Net Over/(Under) Recovery Position	\$716,082	\$333,926	\$1,050,008
Total Revenue Shortfall	\$0	\$0	\$0

Kentucky Power Company  
Half Step Process

Note: Base Fuel Rate changed in January 2008, but used FAC Rate Calculated in November & December 2007 using Base Fuel Rate of \$0 01651

Line No	Month (1)	Year (2)	Fuel Cost (3)	Total Sales KWH (4)	Cost per KWH (5)	Base Fuel Rate (6)	Current Month FAC Rate (7)	Total Sales KWH (8)	Olive Hill & Vanceburg KWH (9)	KY Jurisdictional Sales KWH (10)	Base Fuel Revenues (11)	Retail KWH Billed (12)	FAC Rate FILED from Two Months Prior (13)	FAC Revenues (14)	Recoverable FAC Revenue/ (Refund) Two Months Prior (15)	KY Jurisdictional Over or (Under) Recovery (16)	Total Company Over or (Under) Recovery (17)	Deferred FAC Journal ID FA0325 Current Month (18)	Deferred FAC Entry of One Month Prior (19)	Estimated Deferred FAC Balance in Account 5010005 (20)
					(C3 / C4)		(C5 - C6)	(C4)	(9)	(C8 - C9)	(C6 * C10)	(12)	(C7)	(C12 * C13)	(C18)	(C14 - C15)	(C16/C10*C8)	(C7 * C10)	(19)	(C18 + C19)
1	November	2006	\$12,319,588	614,517,000	\$0 02005	\$0 01651	\$0 00354	614,517,000	8,201,900	606,315,100	\$10,010,262							\$2,146,355		
2	December	2006	\$12,827,967	690,567,000	\$0 01858	\$0 01651	\$0 00207	690,567,000	9,469,800	681,097,200	\$11,244,915							\$1,409,871	\$2,146,355	\$3,556,226
3	January	2007	\$14,252,907	713,118,000	\$0 01999	\$0 01651	\$0.00348	713,118,000	9,334,100	703,783,900	\$11,619,472	690,057,176	\$0 00354	\$2,442,802	\$2,146,355	\$296,447	\$300,378	\$2,449,168	\$1,409,871	\$3,859,039
4	February	2007	\$15,190,477	733,065,000	\$0 02072	\$0 01651	\$0 00421	733,065,000	10,197,800	722,867,200	\$11,934,537	714,919,512	\$0 00207	\$1,479,883	\$1,409,871	\$70,012	\$71,000	\$3,043,271	\$2,449,168	\$5,492,439
5	March	2007	\$11,693,591	608,369,000	\$0 01922	\$0 01651	\$0 00271	608,369,000	8,308,500	600,060,500	\$9,906,999	671,859,248	\$0.00348	\$2,338,070	\$2,449,168	(\$111,098)	(\$112,637)	\$1,626,164	\$3,043,271	\$4,669,435
6	April	2007	\$10,713,323	516,093,000	\$0 02076	\$0 01651	\$0 00425	516,093,000	7,495,300	508,597,700	\$8,396,948	576,985,227	\$0 00421	\$2,429,108	\$3,043,271	(\$614,163)	(\$623,216)	\$2,161,540	\$1,626,164	\$3,787,704
7	May	2007	\$12,645,960	525,019,000	\$0 02409	\$0 01651	\$0 00758	525,019,000	7,464,500	517,554,500	\$8,544,825	534,596,054	\$0 00271	\$1,448,755	\$1,626,164	(\$177,409)	(\$179,967)	\$3,923,063	\$2,161,540	\$6,084,603
8	June	2007	\$9,828,806	518,644,000	\$0 01895	\$0 01651	\$0 00244	518,644,000	8,001,300	510,642,700	\$8,430,711	554,740,596	\$0 00425	\$2,357,648	\$2,161,540	\$196,108	\$199,181	\$1,245,968	\$3,923,063	\$5,169,031
9	July	2007	\$11,170,414	550,457,000	\$0 02029	\$0 01651	\$0 00378	550,457,000	8,382,800	542,074,200	\$8,949,645	570,025,567	\$0 00758	\$4,320,794	\$3,923,063	\$397,731	\$403,880	\$2,049,040	\$1,245,968	\$3,295,008
10	August	2007	\$11,924,434	614,693,000	\$0 01940	\$0 01651	\$0 00289	614,693,000	9,540,300	605,152,700	\$9,991,071	588,502,866	\$0 00244	\$1,435,947	\$1,245,968	\$189,979	\$192,975	\$1,748,891	\$2,049,040	\$3,797,931
11	September	2007	\$10,154,999	501,528,000	\$0 02025	\$0 01651	\$0 00374	501,528,000	7,328,800	494,199,200	\$8,159,229	583,841,548	\$0 00378	\$2,208,921	\$2,049,040	\$157,881	\$160,222	\$1,848,305	\$1,748,891	\$3,597,196
12	October	2007	\$10,449,016	478,813,000	\$0 02182	\$0 01651	\$0 00531	478,813,000	6,752,300	472,060,700	\$7,793,722	525,980,247	\$0.00289	\$1,520,083	\$1,748,891	(\$228,808)	(\$232,080)	\$2,506,642	\$1,848,305	\$4,354,947
13	November	2007	\$12,091,821	578,309,000	\$0 02091	\$0 01651	\$0.00440	578,309,000	7,775,800	570,533,200	\$9,419,503	490,667,455	\$0 00374	\$1,835,096	\$1,848,305	(\$13,209)	(\$13,389)	\$2,510,346	\$2,506,642	\$5,016,988
14	December	2007	\$13,424,480	634,751,000	\$0 02115	\$0 01651	\$0.00464	634,751,000	9,667,300	625,083,700	\$10,320,132	649,279,303	\$0 00531	\$3,447,673	\$2,506,642	\$941,031	\$955,589	\$2,900,388	\$2,510,346	\$5,410,734
15	<b>Total Line 3 thru 14</b>		\$143,540,228								\$113,466,794			\$27,262,780	\$26,158,278	\$1,104,502	\$1,121,936			
16	January	2008	\$17,233,774	759,166,000	\$0 02270	\$0.02124	\$0 00146	759,166,000	11,023,800	748,142,200	\$15,890,540	733,279,192	\$0.00440 1/	\$3,226,428	\$2,510,346	\$716,082	\$726,633	\$1,092,288	\$2,900,388	\$3,992,676
17	February	2008	\$14,665,666	650,662,000	\$0 02254	\$0.02124	\$0 00130	650,662,000	9,801,500	640,860,500	\$13,611,877	697,050,333	\$0.00227 2/	\$1,582,304	\$1,418,940	\$163,364	\$165,863	\$833,119	\$1,092,288	\$1,925,407
18	<b>Total Line 15 thru 17</b>		\$175,439,668								\$142,969,211			\$32,071,512	\$30,087,564	\$1,983,948	\$2,014,432			

1/ The FAC Rate for the months of January and February 2008 uses the Base Fuel Rate of \$0 01651 from November & December 2007

2/ February 2008 is a Half Step Process, instead of using \$0 00464 as the FAC factor from December 2007, use \$0 00237 (\$0 00464 - \$0 00473 / 2 = \$0 00237)  
The change is Base Fuel Rate is \$0 00473 (\$0 02124 - \$0 01651)

	January 2008	February 2008	Total
Monthly FAC Revenues	\$3,226,428	\$1,582,304	\$4,808,732
Less: Monthly Deferral	\$2,510,346	\$2,900,388	\$5,410,734
Net Over/(Under) Recovery Position	\$716,082	\$333,926	\$1,050,008
Total Revenue Shortfall	\$0	(\$1,652,010)	(\$1,652,010)