COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE 2002 INTEGRATED RESOURCE	)	
PLANNING REPORT OF KENTUCKY	)	CASE NO. 2002-00377
POWER COMPANY D/B/A AMERICAN	)	
ELECTRIC POWER COMPANY	)	

O R D E R

On November 15, 2002, Kentucky Power Company d/b/a American Electric Power Company ("Kentucky Power") filed its 2002 Integrated Resource Plan ("IRP"). Pursuant to Commission regulation, 807 KAR 5:058, Sections 7 and 8, the IRP shows Kentucky Power's forecasted load and planned generating resources for a 15-year period, which in this case is 2002 – 2016. Intervention was requested by, and granted to, the Attorney General's Office, the Kentucky Division of Energy, and Kentucky Industrial Utility Customers, Inc.

For years 2002 through 2004, Kentucky Power's IRP shows its generating resources as including its ownership of 1,060 MW of coal-fired generation at the Big Sandy Station and its purchase by contract of 390 MW of coal-fired generation from the Rockport Station ("Rockport"). However, since Kentucky Power's contract to purchase 390 MW of Rockport was due to terminate on December 31, 2004, Kentucky Power anticipated that, for years 2005 through 2016, it would rely upon market power to replace its Rockport purchases.

For over two decades, Kentucky Power and four affiliated utilities that operate outside of Kentucky have been members of a power pool. In general, a power pool is a contractual arrangement whereby the member utilities agree that their respective generating resources will be collectively used to meet the total load requirements of all the members.

At the time it filed its IRP, Kentucky Power anticipated that its historic five-member power pool would soon be reconfigured as a three-member power pool. Consequently, all of the projections for future load and generation resources reflected Kentucky Power and two other pool members, rather than four other members. Some months after filing its IRP, Kentucky Power began to question whether its power pool would really be reconfigured to three members and it requested the Commission to hold this case in abeyance until that issue was resolved. The Commission granted Kentucky Power's request and this case has been in abeyance since March 3, 2003.

Since that time, Kentucky Power filed a separate application for approval of an extension, until December 2022, of its contract to purchase 390 MW from Rockport.[1] That purchase power contract extension was approved by the Commission's December 13, 2004 Order in Case No. 2004-00420. As part of that approval process, and in recognition that Kentucky Power's power pool would remain at five members for the foreseeable future, Kentucky Power agreed to file a new IRP no later than June 30, 2009. That IRP filing will reflect the generating resources available to Kentucky Power as a "stand-alone" utility, as well as the generating resources available to it as a

[1] Case No. 2004-00420, Application of Kentucky Power Company for Approval of a Stipulation and Settlement Agreement Resolving State Regulatory Matters.

member of any power-pooling arrangement that is anticipated to exist during the period reflected in the IRP.

On February 28, 2005, the parties to this case filed a joint motion to dismiss, citing the fact that Kentucky Power's IRP is based on a three-member pool which has not materialized. The motion also cites the recent extension of the Rockport purchase power contract, which was not reflected in the IRP. Finally, the motion states that the requirement in the Commission's December 13, 2004 Order in Case No. 2004-00420 that Kentucky Power file its next IRP no later than mid-2009, reflects an understanding by the parties to that case that this proceeding would be dismissed.

Based on the joint motion to dismiss and being otherwise sufficiently advised, the Commission finds that the motion should be granted and this case should be removed from the Commission's docket. Since the time Kentucky Power prepared and filed its 2002 IRP, subsequent events have occurred which invalidate the major assumptions in that IRP. While those subsequent events render Kentucky Power's 2002 IRP ineffective as a planning document, those events will have a very positive impact on Kentucky Power and its retail ratepayers by extending for many years the availability of relatively low-cost generating resources.

The Commission further finds that, but for the cooperative efforts of Kentucky Power and its affiliates, securing an 18-year extension of the Rockport purchase power contract would have been difficult, if not impossible. All of the parties that participated in those contract negotiations, as well as Commission Staff, should be praised for their success in achieving a result that will provide significant benefits for many years to both retail ratepayers and their utility. The situation is truly representative of how regulation can and should work to the collective benefit of diverse interests.

IT IS THEREFORE ORDERED that this case is dismissed and is removed from the Commission's docket.

Done at Frankfort, Kentucky, this 9th day of March, 2005.

By the Commission

ATTEST:

Executive Director