

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|---------------------|
| AN EXAMINATION OF THE APPLICATION OF THE |) | |
| FUEL ADJUSTMENT CLAUSE OF AMERICAN |) | CASE NO. 2004-00463 |
| ELECTRIC POWER COMPANY FROM |) | |
| NOVEMBER 1, 2002 TO OCTOBER 31, 2004 |) | |

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on December 13, 2004 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of American Electric Power Company ("AEP") for the 2 years ended October 31, 2004, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

In establishing this review, the Commission ordered AEP to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. AEP submitted this information on January 21, 2005 and filed supplemental information in response to a Commission staff data request on February 25, 2005. A public hearing was held on March 17, 2005.

AEP proposed that the month of September 2004 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the kWh sales [S(b)] components of its FAC. It further proposed that its base fuel cost be changed to 16.51 mills per kWh, the fuel cost for the proposed base period. AEP's current base fuel cost is 12.00 mills per kWh.

In establishing the appropriate level of base fuel cost to be included in AEP's rates, the Commission must determine whether the proposed base period cost per kWh is

representative of the level of fuel cost currently being experienced by AEP. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of September 2004 is a reasonably representative generation month of AEP. The analysis of AEP's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year review period ranged from a low of 9.34 mills per kWh in November 2002 to a high of 17.48 mills per kWh in October 2004, with an average cost for the period of 13.70 mills per kWh. Based upon this review, the Commission finds that AEP has complied with Administrative Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 16.51 mills per kWh should be approved.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. AEP has complied with the provisions of Administrative Regulation 807 KAR 5:056.
2. The test month of September 2004 should be used as AEP's base period for this review.
3. AEP's proposed base period fuel cost of 16.51 mills per kWh should be approved.
4. The establishment of a base fuel cost of 16.51 mills per kWh requires a transfer (roll-in) of 4.51 mills per kWh from the FAC rate to AEP's base rates and can best be accomplished by a uniform increase in all energy rates.
5. The rates in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 12.00 mills and the new base fuel cost of 16.51 mills per kWh.

6. The rates in Appendix A are fair, just and reasonable and should be approved to be effective with AEP's first billing cycle for July 2005.

7. Beginning with its first billing cycle for July 2005, AEP should use an FAC rate based on a base fuel cost of 16.51 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by AEP through the FAC for the period November 1, 2002 to October 31, 2004 are approved.

2. AEP's proposed base fuel cost of 16.51 mills per kWh is approved.

3. The rates in Appendix A are approved to be effective with AEP's first billing cycle for July 2005.

4. Beginning with its first billing cycle for July 2005, AEP shall use an FAC rate based on a base fuel cost of 16.51 mills per kWh.

5. Within 20 days of the date of this Order, AEP shall file with the Commission its revised tariff sheets setting out the approved rates.

Done at Frankfort, Kentucky, this 23rd day of June, 2005.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2004-00463 DATED June 23, 2005

The following rates and charges are prescribed for the customers in the area served by American Electric Power Company. All other rates and charges not specifically mentioned in this Order shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

TARIFF R.S.
RESIDENTIAL SERVICE

Energy Charge:

| | |
|------------------------------------|-----------|
| First 500 kWh per month per kWh | \$.05498 |
| All over 500 kWh per month per kWh | \$.04766 |

TARIFF R.S.
RESIDENTIAL SERVICE
STORAGE WATER HEATING PROVISION

Tariff Code:

| | |
|-------------|-----------|
| 012 per kWh | \$.02396 |
| 013 per kWh | \$.02396 |
| 014 per kWh | \$.02396 |

TARIFF R.S.
RESIDENTIAL SERVICE
LOAD MANAGEMENT WATER HEATING PROVISION

Tariff Code:

| | |
|-------------|-----------|
| 011 per kWh | \$.02396 |
|-------------|-----------|

TARIFF R.S.-L.M.-T.O.D.
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME OF DAY

Energy Charge:

| | |
|---|-----------|
| All kWh used during on-peak billing period | \$.07830 |
| All kWh used during off-peak billing period | \$.02396 |

EXPERIMENTAL TARIFF R.S.-T.O.D.
RESIDENTIAL SERVICE TIME OF DAY

| | |
|---|-----------|
| Energy Charge: | |
| All kWh used during on-peak billing period | \$.07830 |
| All kWh used during off-peak billing period | \$.02396 |

S.G.S.
SMALL GENERAL SERVICE

| | |
|--------------------------------------|-----------|
| Energy Charge: (Tariff Code 211,212) | |
| First 500 kWh per month | \$.06758 |
| All over 500 kWh per month | \$.04114 |

S.G.S.
SMALL GENERAL SERVICE

| | |
|---|-----------|
| Energy Charge: (Tariff Code 225,226) | |
| All kWh used during on-peak billing period | \$.09533 |
| All kWh used during off-peak billing period | \$.02505 |

S.G.S.
SMALL GENERAL SERVICE
OPTIONAL UNMETERED SERVICE PROVISION

| | |
|--|-----------|
| Energy Charge: (Tariff Code 204 (Mtrd), 213 (Umr)) | |
| First 500 kWh per month | \$.06758 |
| All over 500 kWh per month | \$.04114 |

M.G.S.
MEDIUM GENERAL SERVICE

| | |
|---|-----------|
| Energy Charge: | |
| Secondary Service Voltage: (Tariff Code 215,216,218) | |
| kWh equal to 200 times KW of monthly billing demand | \$.05736 |
| kWh in excess of 200 times KW of monthly billing demand | \$.04768 |
| Primary Service Voltage: (Tariff Code 217,220) | |
| kWh equal to 200 times KW of monthly billing demand | \$.05179 |
| kWh in excess of 200 times KW of monthly billing demand | \$.04521 |
| Subtransmission Service Voltage: (Tariff Code 236) | |
| kWh equal to 200 times KW of monthly billing demand | \$.04703 |
| kWh in excess of 200 times KW of monthly billing demand | \$.04351 |

M.G.S.
MEDIUM GENERAL SERVICE
RECREATIONAL LIGHTING SERVICE PROVISION

Energy Charge per kWh: (Tariff Code 214) \$.05754

M.G.S.
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge: (Tariff Code 223,224)
All kWh used during on-peak billing period \$.08606
All kWh used during off-peak billing period \$.03059

EXPERIMENTAL TARIFF M.G.S.-T.O.D.
MEDIUM GENERAL SERVICE TIME-OF-DAY PROVISION

Energy Charge: (Tariff Code 229,230)
All kWh used during on-peak billing period \$.08606
All kWh used during off-peak billing period \$.03059

L.G.S.
LARGE GENERAL SERVICE

Energy Charge per kWh:
Secondary Service Voltage (Tariff Code 240,242) \$.04078
Primary Service Voltage (Tariff Code 244,246) \$.03419
Subtransmission Service Voltage (Tariff Code 248) \$.02890

L.G.S.
LARGE GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge per kWh: (Tariff Code 251)
All kWh used during on-peak billing period \$.07226
All kWh used during off-peak billing period \$.02414

TARIFF Q.P.
QUANTITY POWER

Energy Charge per kWh:
Primary Service Voltage: (Tariff Code 358) \$.01726
Subtransmission Service Voltage: (Tariff Code 359) \$.01677
Transmission Service Voltage: (Tariff Code 360) \$.01661

TARIFF C.I.P.-T.O.D.
COMMERCIAL AND INDUSTRIAL POWER-T.O.D.

Energy Charge per kWh:

| | |
|--|-----------|
| Primary Service Voltage: (Tariff Code 370) | \$.01726 |
| Subtransmission Service Voltage: (Tariff Code 371) | \$.01677 |
| Transmission Service Voltage: (Tariff Code 372) | \$.01661 |

TARIFF M.W.
MUNICIPAL WATERWORKS

| | |
|---|-----------|
| Energy Charge per kWh (Tariff Code 540) | \$.04658 |
|---|-----------|

TARIFF O.L.
OUTDOOR LIGHTING

OVERHEAD LIGHTING SERVICE

High Pressure Sodium per Lamp:

| | |
|---|----------|
| 100 Watts (9,500 Lumens) (Tariff Code 094) | \$ 5.22 |
| 150 Watts (16,000 Lumens) (Tariff Code 113) | \$ 6.18 |
| 200 Watts (22,000 Lumens) (Tariff Code 097) | \$ 7.89 |
| 400 Watts (50,000 Lumens) (Tariff Code 098) | \$ 12.75 |

Mercury Vapor per Lamp:

| | |
|---|---------|
| 175 Watts (7,000 Lumens) (Tariff Code 093) | \$ 5.36 |
| 400 Watts (20,000 Lumens) (Tariff Code 095) | \$ 8.95 |

POST-TOP LIGHTING SERVICE

High Pressure Sodium per Lamp:

| | |
|---|----------|
| 100 Watts (9,500 Lumens) (Tariff Code 111) | \$ 8.99 |
| 150 Watts (16,000 Lumens) (Tariff Code 112) | \$ 14.69 |

Mercury Vapor per Lamp:

| | |
|--|---------|
| 175 Watts (7,000 Lumens) (Tariff Code 099) | \$ 6.24 |
|--|---------|

FLOOD LIGHTING SERVICE

High Pressure Sodium per Lamp:

| | |
|---|----------|
| 200 Watts (22,000 Lumens) (Tariff Code 107) | \$ 9.17 |
| 400 Watts (50,000 Lumens) (Tariff Code 109) | \$ 12.61 |

Metal Halide

| | |
|--|----------|
| 250 Watts (20,500 Lumens) (Tariff Code 110) | \$ 14.37 |
| 400 Watts (36,000 Lumens) (Tariff Code 116) | \$ 18.81 |
| 1,000 Watts (110,000 Lumens) (Tariff Code 131) | \$ 40.37 |

TARIFF S.L.
STREET LIGHTING

Rate per Lamp (Tariff Code 528):

Overhead Service on Existing Distribution Poles

High Pressure Sodium

| | |
|---------------------------|---------|
| 100 Watts (9,500 Lumens) | \$ 4.56 |
| 150 Watts (16,000 Lumens) | \$ 5.10 |
| 200 Watts (22,000 Lumens) | \$ 5.93 |
| 400 Watts (50,000 Lumens) | \$ 8.22 |

Service on New Wood Distribution Poles

High Pressure Sodium

| | |
|---------------------------|----------|
| 100 Watts (9,500 Lumens) | \$ 7.19 |
| 150 Watts (16,000 Lumens) | \$ 7.85 |
| 200 Watts (22,000 Lumens) | \$ 9.17 |
| 400 Watts (50,000 Lumens) | \$ 11.47 |

Service on New Metal or Concrete Poles

High Pressure Sodium

| | |
|---------------------------|----------|
| 100 Watts (9,500 Lumens) | \$ 14.63 |
| 150 Watts (16,000 Lumens) | \$ 15.20 |
| 200 Watts (22,000 Lumens) | \$ 19.20 |
| 400 Watts (50,000 Lumens) | \$ 20.02 |