

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR	)	CASE NO.
A GENERAL ADJUSTMENT OF ELECTRIC RATES	)	2009-00459

O R D E R

Kentucky Power Company ("Kentucky Power"), a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"), is an electric utility which generates, transmits, distributes and sells electricity to approximately 175,000 customers in all or portions of 20 eastern Kentucky counties. The most recent adjustment of its base rates was in March 2006 in Case No. 2005-00341.<sup>1</sup>

B A C K G R O U N D

On December 29, 2009, Kentucky Power submitted its application based on a historical test year covering the 12 months ending September 30, 2009 and seeking an increase in revenues of \$123.6 million, or 24.5 percent, with a proposed effective date of January 29, 2010.

A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001, Section 10, and a notice of filing deficiencies was issued. On January 15, 2010, Kentucky Power filed information to cure the noted deficiencies and proposed a new effective date of February 15, 2010. Our letter of

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<sup>1</sup> Case No. 2005-00341, General Adjustments in Electric Rates of Kentucky Power Company (Ky. PSC Mar. 14, 2006).

January 20, 2010 found that the additional information satisfied the minimum filing requirements as of January 15, 2010.

The Commission found that an investigation would be necessary to determine the reasonableness of Kentucky Power's proposed rates and suspended them for five months, from February 15, 2010 up to and including July 14, 2010, pursuant to KRS 278.190(2). That Order included a procedural schedule for processing this case, which provided for discovery on the application, intervenor testimony, discovery on intervenor testimony, rebuttal testimony by Kentucky Power, a public hearing, and an opportunity for the parties to file post-hearing briefs.

Parties which sought and were granted full intervention in this proceeding are the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), Kentucky Industrial Utility Customers, Inc. ("KIUC"), Community Action Kentucky ("CAK"), Hazard Perry County Community Ministries, Inc. ("Hazard Perry Co."), the Kentucky School Boards Association ("KSBA"), and Wal-Mart Stores East, LP and Sam's East ("Wal-Mart"). Pike County Senior Citizens Programs, Inc. ("Pike Senior Citizens") requested and was granted limited intervention. All full intervenors and Commission Staff conducted discovery on Kentucky Power. All full intervenors except for the AG filed direct testimony in this matter to which Kentucky Power responded with its rebuttal testimony.

On April 28, 2010, Kentucky Power filed a motion requesting that an informal conference be scheduled on May 3, 2010 to discuss all issues pertaining to this case. It also requested that the informal conference be held in conjunction with a conference in

Case No. 2009-00545<sup>2</sup> in an attempt to resolve issues in both cases. The motion was granted and the informal conference was held at the Commission's offices on May 3, 2010. Subsequent conferences continuing the discussions from May 3 were held at the Commission's offices on May 7 and 17, 2010.

On May 20, 2010, Kentucky Power, on behalf of itself and the full intervenors, filed a Unanimous Settlement Agreement ("Agreement") with the Commission.<sup>3</sup> The terms of the Agreement were described as "[t]he product of compromise and negotiation and reflect a fair, just and reasonable resolution of the issues" in this case.<sup>4</sup> The Agreement consists of a 24-page document with two exhibits. The first exhibit, Exhibit 1, shows the allocation of the agreed-upon increase in revenues. The second exhibit, Exhibit 2, shows the alternative allocation of the revenue increase in the event the Commission approves the purchased power contract and cost recovery thereof, which are the subject of Case No. 2009-00545. Kentucky Power also submitted the written testimony of Errol K. Wagner, its Director of Regulatory Services, in support of the Agreement. Mr. Wagner's testimony included exhibits containing Kentucky Power's revised tariffs based on the terms of the Agreement and its proof of revenues based on those terms.

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<sup>2</sup> Case No. 2009-00545, Application of Kentucky Power Company for Approval of Renewable Energy Purchase Agreement for Wind Energy Resources Between Kentucky Power Company and FPL Illinois Wind, LLC, filed January 12, 2010.

<sup>3</sup> Pike Senior Citizens, a limited intervenor, was not a party to the Agreement.

<sup>4</sup> The Agreement did not resolve the issues related to Case No. 2009-00545 but established a procedure for addressing those issues within that case.

Pike Senior Citizens, which did not agree to the terms of the Agreement, provided notice that it intended to conduct cross-examination of Mr. Wagner and other Kentucky Power witnesses at the evidentiary hearing regarding the amount and the allocation of the revenue increase provided for in the Agreement. Under the terms of the Agreement, Kentucky Power and the full intervenors all agreed to waive cross-examination of each other's witnesses at the evidentiary hearing.

A formal evidentiary hearing in this matter was held on May 25, 2010, during which Kentucky Power presented testimony in support of both the Agreement and its rate application.

#### AGREEMENT

The Agreement, attached as Appendix A to this Order, reflects a unanimous resolution by Kentucky Power and the full intervenors of all contested issues in this case, except for those concerning the purchased power agreement which is the subject of Case No. 2009-00545. In its rate application, Kentucky Power proposed a revenue increase of approximately \$123.6 million. The Agreement contains the unanimous recommendation of the parties thereto that Kentucky Power's revenues be increased by \$63.66 million. The major provisions of the Agreement include the following:

- Kentucky Power will increase its base rates for providing electric service by \$63.66 million for service rendered on and after June 29, 2010.
- The agreed-upon increase does not include the cost of the purchased power contract. The parties agreed that issues involving that contract should be decided by the Commission in Case No. 2009-00545.
- The agreed-upon increase is based on increased reliability expenditures of \$10 million annually, which will be in addition to \$7,237,965 expended in the test year. The Agreement states how this increased funding will be used by Kentucky Power, that it will file an annual work plan with the Commission outlining its planned reliability expenditures for the next

year, and identifies annual reports it will file with the Commission and the AG on its actual reliability expenditures.<sup>5</sup>

- The parties to the Agreement request that the Commission issue an Order approving or disapproving the purchased power request in Case No. 2009-00545 at the same time it issues its Order in this case.
- The Agreement does not constitute a waiver by Kentucky Power, the AG, or KIUC (the parties in Case No. 2009-00545) of their rights to appeal or seek rehearing of the Commission's Order in that case.
- If the Commission approves the purchased power contract and that Order becomes final and non-appealable, the rates agreed upon in the Agreement to generate the additional \$63.66 million in revenue shall be increased to recover \$14.48 million (or the amount approved by the Commission) associated with the purchased power contract.
- Kentucky Power will revise the baseline level for cost recovery under its environmental surcharge to \$44,185,079 as proposed in its application.
- Kentucky Power's System Sales Clause tariff shall be modified so that sharing of off-system sales margins shall be calculated using an annual baseline of \$15,290,363. Any differences between the monthly baseline amounts and actual monthly off-system sales margins shall be shared by ratepayers and the company on a 60-40 basis, respectively.
- Kentucky Power will continue to use the depreciation rates in effect in the test year which have been previously approved by the Commission.
- Kentucky Power will amortize the costs of the major storms experienced in 2009 over five years, resulting in an annual expense of \$4,656,155.
- Kentucky Power will amortize a monthly amount of \$20,833 associated with its payments to support the Management Research Group and the Kentucky Consortium of Carbon Storage which were deferred pursuant to the Commission's Order in Case No. 2008-00308.<sup>6</sup>

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<sup>5</sup> In addition to committing to expend over \$17 million per year in expenses for reliability improvements, Kentucky Power has also committed to maintain its \$2 million test-year level of capital improvements for reliability purposes.

<sup>6</sup> Case No. 2008-00308, Joint Application of Duke Energy Kentucky, Inc., Kentucky Power Company, Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to Certain Payments Made to the Carbon Management Research Group and the Kentucky Consortium for Carbon Storage (Ky. PSC Oct. 30, 2008).

- For purposes of environmental surcharge calculations and to account for allowance for funds used during construction, Kentucky Power will use a 10.5-percent return on equity.
- For its Home Energy Assistance Program, Kentucky Power will increase the monthly per-meter residential charge from \$0.10 to \$0.15 per month. Kentucky Power will match each \$0.15 collected with a contribution of \$0.125 until new base rates are established by Order of the Commission in Kentucky Power's next base rate case.
- Kentucky Power's existing Real-Time Pricing tariff shall be continued for three years, with customers able to enroll at any point during a year for a minimum period of 12 months.
- The existing rate subsidy being provided by Kentucky Power's Quantity Power ("QP") rate class and Commercial-Industrial Power Time-of-Day ("CIP-TOD") rate class shall be reduced by 25 percent.
- The QP tariff rate shall reflect the instant increase, up to full cost, in the tariff's demand charge. The balance, if any, will be added to the energy charge.
- The residential customer charge will be increased from the current level of \$5.86 to \$8.00 as proposed in Kentucky Power's application.
- All non-rate tariff terms which Kentucky Power proposed to change will be changed as proposed in the application and witnesses' testimony.
- If the Commission approves the Agreement in its entirety, each party agrees it will seek neither a rehearing with the Commission nor an appeal to Franklin County Circuit Court.

#### PIKE SENIOR CITIZENS' ISSUES

Pike Senior Citizens, as a limited intervenor, did not sponsor any witnesses or offer any testimony in this proceeding. Instead, citing the position contained in KIUC's testimony, Pike Senior Citizens claims the \$63.66 million increase in revenues is greater than the amount of additional revenues needed by Kentucky Power.<sup>7</sup> It also argues that the allocation of the overall agreed-upon increase of 12.48 percent is not equitably

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<sup>7</sup> KIUC had recommended an increase of approximately \$41 million.

distributed among the customer classes based on the 16.84-percent increase for the residential class contained in the Agreement.<sup>8</sup> Pike Senior Citizens avers that this increase will create a hardship on senior citizens living on fixed incomes and will likely lead to increases in the number of customers disconnected for non-payment.

The Commission heard the issues raised by Pike Senior Citizens and others during the three public meetings it held in Kentucky Power's service territory regarding this case.<sup>9</sup> We appreciate and sympathize with Pike Senior Citizens, other organizations and all of the ratepayers affected by our decision in this matter. However, the statutes and regulations under which the Commission must perform its duties require that utilities be allowed to charge fair, just and reasonable rates for the services they provide. In this case, Pike Senior Citizens argues that, for the new rates to be fair, just and reasonable, each customer class should receive the same (equal) percentage increase. That argument would have some merit only if the costs of serving each customer class were the same, or equal. Those costs, however, which include a utility's return on its investment in the facilities used to provide service to each class, are not the same. As shown in Kentucky Power's response to the Commission Staff's hearing data request, attached hereto as Appendix C, at existing rates, the residential class is the only customer class which provided a return on the utility's net investment rate base during the test year that was less than its overall return. In fact, the residential class's return was negative, meaning revenues from residential sales were not enough to cover

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<sup>8</sup> All customer classes, except for the QP and CIP-TOD classes, will receive approximately the same percentage increase as the residential class.

<sup>9</sup> Those meetings were held in Ashland, Kentucky on April 13, 2010, Pikeville, Kentucky on April 20, 2010, and Hazard, Kentucky on April 21, 2010.

the costs to serve that class. Moreover, with the revenue increase contained in the Agreement, and with the increase allocated as set out in the Agreement, the residential class will continue to be the only class providing a return less than the overall return. With results such as these, the Commission must conclude that the residential customer class is being treated in a fair, just and reasonable manner under the terms of the Agreement. Accordingly, the evidence does not support Pike Senior Citizens' argument that the residential class be allocated the same percentage rate increase as the overall percentage increase in total revenues. Therefore, we will not grant Pike Senior Citizens' request to reduce the amount or alter the allocation of the revenue increase proposed in the Agreement.

#### ANALYSIS AND CONCLUSIONS

Based on a review of the Agreement, the attachments thereto, and the entire case record, we find that the Agreement is reasonable and in the public interest. It is the product of arm's-length negotiation among knowledgeable, capable parties and should be approved. Such approval is based solely on the reasonableness of the Agreement in total and does not constitute a precedent on any individual issue or rate-making theory or adjustment.

In addition to hearing comments about the proposed rate increase during the three local public hearings, the Commission heard citizens complaining about and criticizing Kentucky Power's vegetation management plan, which in their view exacerbated the outages resulting from the December snowstorms. The Commission received hundreds of comments at these public hearings, and in the form of calls, letters and petitions. These matters are of great concern to the Commission.



The Commission, therefore, is appreciative, in particular, of the parties' recognition of the need for increased reliability expenditures in Kentucky Power's service territory as part of the Agreement. This was a very important factor in the Commission's acceptance of the Agreement. According to Kentucky Power's testimony, this increase will enable it to achieve a four-year cycle for performing vegetation management over its entire service territory. We intend to closely review the annual work plans Kentucky Power will be filing for future calendar years as well as the post-calendar year reports on the work that has actually been performed. The Commission looks forward to working with Kentucky Power in the future in this important endeavor. It should be noted that the reports Kentucky Power will be filing are in addition to the reports it is already filing pursuant to the Commission's Order in Case No. 2006-00494.<sup>10</sup> In addition to reviewing the work plans and reports submitted by Kentucky Power, we plan to closely monitor the work in the field to gauge the progress being made as Kentucky Power moves toward reaching the aforementioned four-year cycle.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Kentucky Power are denied.
2. The Agreement attached hereto and incorporated herein as Appendix A is approved.

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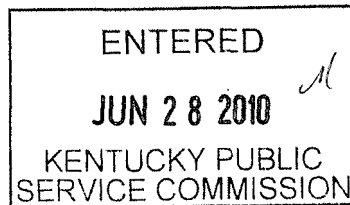
<sup>10</sup> Case No. 2006-00494, An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities and Certain Reliability Maintenance Practices (Ky. PSC Oct. 26, 2007).

3. The rates and charges in Appendix B, attached hereto and incorporated herein, are the rates included in the Agreement and are fair, just and reasonable for Kentucky Power to charge for service rendered on and after June 29, 2010.

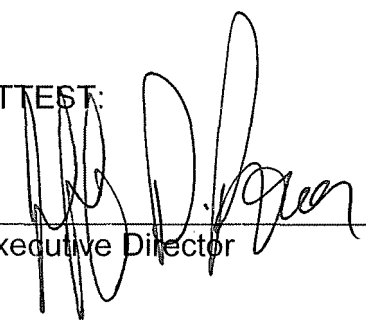
4. The non-rate tariff charges proposed in Kentucky Power's application, set forth in its proposed tariffs and described in its witnesses' testimony, are approved effective as of the date of this Order.

5. Kentucky Power shall file, within 20 days of the date of this Order, revised tariffs as approved herein reflecting their effective date and that they were approved pursuant to this Order.

By the Commission



ATTEST:

  
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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00459 DATED JUN 28 2010

RECEIVED  
MAY 20 2010  
PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:  
GENERAL ADJUSTMENTS IN ELECTRIC  
RATES OF KENTUCKY POWER COMPANY

CASE NO. 2009-00459

**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement Agreement, made and entered into this 19<sup>th</sup> day of May, 2010, by and among Kentucky Power Company ("Kentucky Power"); Attorney General, Commonwealth of Kentucky ("Attorney General"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Community Action Kentucky, Inc. ("CAK"); Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Wal-Mart"); Hazard Perry County Community Ministries, Inc. ("Community Ministries"); and Kentucky School Boards Association ("KSBA"),

WITNESSETH:

**WHEREAS**, on December 29, 2009 Kentucky Power filed pursuant to KRS 278.190 an application styled "In the Matter of: Application for General Adjustments of Electric Rates of Kentucky Power Company," P.S.C. Case No. 2009-00459 ("Rate Application") with the Public Service Commission of Kentucky ("Commission") seeking an annual increase in retail electric rates and charges totaling \$123.6 million and seeking authority to implement or amend certain tariffs; and

**WHEREAS**, on December 29, 2009 Kentucky Power filed an application styled "The Application for Approval of Renewable Energy Purchase Agreement for Wind Energy Resources Between Kentucky Power Company and FPL Illinois Wind, LLC, P.S.C. Case No. 2009-00545 ("Wind Application") for approval pursuant to KRS 278.300 of a 20-year purchase

power agreement. A portion of the increase sought by Kentucky Power in P.S.C. Case No. 2009-00459 was to recover the net increase in costs resulting from Kentucky Power's obligations under the purchase power agreement that is the subject of P.S.C. Case No. 2009-00545. KIUC and the Attorney General sought and were granted intervention in P.S.C. Case No. 2009-00545; and

**WHEREAS**, the Attorney General, KIUC, CAK, Wal-Mart, KSBA, and Community Ministries filed motions for full intervention in P.S.C. Case No. 2009-00459. The Commission granted the intervention motions. Collectively the Attorney General, KIUC, CAK, Wal-Mart, KSBA, and Community Ministries are referred to in this Unanimous Settlement Agreement as the "Intervenors;" and

**WHEREAS**, certain of the Intervenors in P.S.C. Case No. 2009-00459 filed written testimony raising issues regarding Kentucky Power's Rate Application; and

**WHEREAS**, Kentucky Power and the Intervenors have had a full opportunity for discovery, including the filing of written data requests and responses; and

**WHEREAS**, Kentucky Power offered the Intervenors and the Pike County Seniors, along with Commission Staff, the opportunity to meet and review the issues presented by Kentucky Power's application in this proceeding and for purposes of settlement; and

**WHEREAS**, Kentucky Power and the Intervenors have reviewed the issues raised in P.S.C. Case No. 2009-00459 by Kentucky Power and the Intervenors, and Kentucky Power and the Intervenors have reached a unanimous settlement of the case, including the issues raised therein; and

**WHEREAS**, Kentucky Power and the Intervenors execute this Unanimous Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for

approval pursuant to KRS 278.190, and for further approval by the Commission of the rate increase, rate structure and tariffs as described herein; and

**WHEREAS**, Kentucky Power and the Intervenors hereto believe that this Unanimous Settlement Agreement provides for fair, just and reasonable rates.

**WHEREAS**, the adoption of this Unanimous Settlement Agreement will eliminate the need for the Commission and the parties to expend considerable resources in the litigation of this proceeding, and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein.

**NOW, THEREFORE**, for and in consideration of the mutual premises set forth above, and the agreements and covenants set forth herein, Kentucky Power and the Intervenors hereby agree as follows:

1. General Rate Increase.

Effective for service rendered on or after June 29, 2010, the first day of the first billing cycle of July, 2010, Kentucky Power shall implement an increase in retail base rates sufficient to generate additional annual retail revenues of \$63.66 million based on the September 30, 2009 test year used by Kentucky Power in the Rate Application.

(a) Kentucky Power agrees to design rates and tariffs that will generate the additional \$63.66 million in retail rates. The tariffs shall be in the same format as set forth in the Rate Application, except as otherwise provided in this Unanimous Settlement Agreement.

(i) In designing rates to generate additional annual revenue of \$63.66 million the revenue requirements shall be allocated among the tariff classes in accordance with the revenue allocation attached as EXHIBIT 1 to this Unanimous Settlement Agreement. In calculating the allocations set forth in EXHIBIT 1 to this Unanimous Settlement Agreement, \$10

million of the increase in revenue requirements, that is associated with the increased reliability spending described in paragraph 5 of this Unanimous Settlement Agreement, was allocated solely to tariff classes with primary and secondary service offerings.

(ii) As part of the Commission's consideration of the reasonableness of this Unanimous Settlement Agreement, the tariffs designed in accordance with this subparagraph shall be filed with the Commission and served on the Intervenors no later than May 18, 2010.

(iii) Within ten days of the entry of the Commission's Order approving this Unanimous Settlement Agreement and the rates and thereunder, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

(b) The rates described in subparagraph (a) of this paragraph shall remain in effect until the Commission's Order in Kentucky Power's next base rate case, unless and until modified in accordance with subparagraphs 2(d) and 2(e) of this Unanimous Settlement Agreement.

2. Commission Action On Wind Application And Rates Related Thereto.

Kentucky Power and the Intervenors acknowledge that a portion of the \$123.6 million increase sought by Kentucky Power in the Rate Application was related to the increased net costs that would result if the purchase power agreement that is the subject of the proceedings in P.S.C. Case No. 2009-00545 is approved. Kentucky Power, KIUC and the Attorney General have not resolved the issues arising in connection with P.S.C. Case No. 2009-00545, but have agreed to the following procedures with respect to the proceedings in P.S.C. Case No. 2009-00545 and their relationship to the rate adjustment sought by Kentucky Power in this P.S.C. Case No. 2009-00459:

(a) Upon execution of this agreement by Kentucky Power and the Intervenors, Kentucky Power, KIUC and the Attorney General shall request that a hearing be conducted by the Commission on Kentucky Power's Wind Application in P.S.C. Case No. 2009-00545 immediately upon the conclusion of the hearing, currently scheduled for May 25, 2010, seeking approval of this Unanimous Settlement Agreement;

(b) Kentucky Power and the Intervenors shall request that the Commission enter an order approving, modifying, or disapproving Kentucky Power's Wind Application in P.S.C. Case No. 2009-00545 before or at the same time as it enters its order with respect to this Unanimous Settlement Agreement;

(c) Nothing in this Unanimous Settlement Agreement shall constitute a waiver by KIUC, the Attorney General, or Kentucky Power of their rights to appeal or seek rehearing of any Commission order in P.S.C. Case No. 2009-00545;

(d) Upon the entry of an order approving the purchase power agreement that is the subject of P.S.C. Case No. 2009-00545 which is final and non-appealable, the rates set forth in paragraph 1(a) of this Unanimous Settlement Agreement may, if the purchase power agreement is in effect, immediately reflect without further order or action of the Commission an amount sufficient to generate annual retail revenues of \$14.479 million (or the amount as modified by the Commission) calculated based upon the September 30, 2009 test year used by Kentucky Power in the Rate Application in addition to the increased revenues and rates described in paragraph 1 of this Unanimous Settlement Agreement.

(e) Kentucky Power agrees to design tariffs that will generate the additional \$14.479 million (or the amount as modified by the Commission) in retail revenues.



(i) In designing rates to generate annual retail revenue of \$14.479 million (or the amount as modified by the Commission) in addition to the \$63.66 million increase described in paragraph 1 of this Unanimous Settlement Agreement, the revenue requirements shall be allocated among the tariff classes in accordance with the revenue allocation attached as EXHIBIT 2 to this Unanimous Settlement Agreement.

(ii) The tariffs shall be in the same format as set forth in the Rate Application, except as otherwise provided in this Unanimous Settlement Agreement.

(iii) Immediately upon the occurrence of the conditions precedent set forth in subparagraph (2)(d) of this Unanimous Settlement Agreement, or soon thereafter as reasonably possible, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

(f) If and upon becoming effective, the rates described in subparagraphs (d) and (e) of this paragraph shall remain in effect until the Commission's Order in Kentucky Power's next base rate case.

3. Kentucky Power's Tariff E.S.

Kentucky Power shall retain its existing Tariff E.S. except that the annual baseline level for environmental cost recovery under the tariff shall be \$44,185,079 and the monthly baseline amounts shall be as set forth in Exhibit EKW-5, page 125 of 142 to the Rate Application.

4. Kentucky Power's System Sales Clause Tariff.

Kentucky Power's System Sales Clause tariff for its off-system sales margins shall continue in full force and effect, with the following modifications. Effective for service rendered in the first billing cycle of July 2010 (beginning June 29, 2010) the sharing of off-system sales margins shall be calculated using an annual baseline of \$15,290,363. The July 2010 system sales margins shall be calculated using the May 2010 system sales margins. The monthly amounts shall be as set forth in Section V, Workpaper S-4, Page 26, Column 7 of the Rate Application. Any difference between each month's actual off-system sales margins and the monthly baseline shall be shared between the ratepayers and Kentucky Power on a 60%-40% basis respectively for service rendered on or after the first billing cycle of July 2010 (beginning June 29, 2010).

5. Reliability.

Kentucky Power shall make the following expenditures for Distribution Vegetation Management with respect to system reliability.

(a) Beginning on the effective date of the rates described in paragraph 1(a) of this Unanimous Settlement Agreement and annually thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power agrees to make expenditures in the sum of \$7,237,965 for Distribution Vegetation Management with respect to system reliability. For the year 2010 only, Kentucky Power shall spend during the period June 29 through December 31, 2010 an amount under this subparagraph (5)(a) equal to \$7,237,965 multiplied by that percentage of the calendar days of 2010 the rates described in paragraph 1(a) are in effect.

(b) Beginning on the effective date of the rates described in paragraph 1(a) of this Unanimous Settlement Agreement and annually thereafter until the entry of the

Commission's order in Kentucky Power's next base rate case, Kentucky Power agrees to make expenditures in the sum of \$10,000,000 for Distribution Vegetation Management with respect to system reliability in addition to the sums set forth in subparagraph (5)(a) of this Unanimous Settlement Agreement. For the year 2010 only, Kentucky Power shall spend during the period June 29 through December 31, 2010 an amount under this subparagraph (5)(b) equal to \$10,000,000 multiplied by that percentage of the calendar days of 2010 the rates described in paragraph 1(a) of this Unanimous Settlement Agreement are in effect.

(c) On or before May 21, 2010 Kentucky Power shall provide to the Intervenor and file with the Commission detailed plans for the expenditure of the sums described in subparagraphs (a) and (b) of this paragraph for the portion of the year 2010 the rates described in paragraph 1(a) of this Unanimous Settlement Agreement are in effect. The work plan shall identify on a circuit by circuit basis the Distribution Vegetation Management work to be performed during the remainder of 2010 and the projected operation and maintenance expenditures during 2010 to carry out the planned work.

(i) Beginning September 30, 2010, and each September 30 thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power shall file with the Commission a reliability work plan outlining the Distribution Vegetation Management expenditures for the following calendar year. The work plan shall identify on a circuit by circuit basis the Distribution Vegetation Management work to be performed during the relevant calendar year and the projected operation and maintenance expenditures during the relevant period to carry out the planned work.

(ii) Kentucky Power shall use reasonable and prudent efforts to adhere to and carry out any work plan filed in connection with this subparagraph. Kentucky Power may

alter its proposed spending upon discovery of a more pressing need for Distribution Vegetation Management expenditures relating to system reliability purposes. Kentucky Power shall notify the Commission in writing within 30 days of any material deviation from the work plans filed in connection with this subparagraph.

(d) Beginning April 1, 2011, and each April 1 thereafter until the entry of the Commission's order in Kentucky Power's next base rate case, Kentucky Power shall file with the Commission the following reports concerning system reliability and the expenditure of the funds described in subparagraphs (a) and (b) of this paragraph:

(i) the Kentucky Power Customer Average Interruption Duration Index for the reporting period;

(ii) the Kentucky Power System Average Interruption Frequency Index for the reporting period;

(iii) the Kentucky Power System Average Interruption Duration Index for the reporting period;

(iv) a description on a circuit by circuit basis of the Distribution Vegetation Management work performed by Kentucky Power during the reporting period;

(v) a description on a circuit by circuit basis of the operation and maintenance expenditures for Distribution Vegetation Management performed by Kentucky Power during the reporting period; and

(vi) any unanticipated problems or further information useful to the Commission's review of the report. In the event Kentucky Power is unable to complete a material portion of the planned work on a circuit during a reporting period, Kentucky Power shall provide an explanation for its inability to do so.

(e) A copy of any report or notice filed with the Commission under this paragraph (5) shall concurrently be served upon the Office of the Attorney General.

6. Depreciation And Amortization.

(a) Kentucky Power shall continue to include in the calculation of its annual depreciation expense the depreciation rates currently approved by the Commission in, and utilized by the Kentucky Power since, its 1991 rate case (P.S.C. Case No. 91-066.)

(b) Kentucky Power shall amortize for financial reporting purposes the \$23,280,776 in deferred costs associated with January, February, May and December, 2009 storms over a five year period at an annual amount of \$4,656,155.

(c) Kentucky Power shall amortize for financial reporting purposes a monthly amount of \$20,833 associated with payments to the Management Research Group and The Kentucky Consortium for Carbon Storage which are being deferred pursuant to the Commission's Order in Case No. 2008-00308.

7. Rate of Return On Equity For Certain Purposes.

The parties to this Unanimous Settlement Agreement have specified a return on equity of 10.5% for purposes of determining the rate increase referred in paragraph 1 above. For purposes of the Tariff E.S., and for accounting for allowance for funds used during construction (AFUDC), Kentucky Power shall be entitled to use a 10.5% rate of return on equity.

8. Home Energy Assistance Program.

Effective for bills rendered in connection with service provided on or after June 29, 2010 (the first date of the July 2010 billing cycle), Kentucky Power shall increase the present monthly charge of \$0.10 per residential meter on the monthly bill of each residential customer to a monthly charge of \$0.15 per residential meter.

(a) The funds collected in connection with the \$0.15 per residential meter charge, along with the contributions to be made by Kentucky Power as set out in subparagraph 8(c) of this agreement, will be credited to the monthly bills of customers qualifying for the Home Energy Assistance Program ("HEAP") (certified to Kentucky Power through CAK) in accordance with the agreement between Kentucky Power and CAK (formerly known as Kentucky Association for Community Action, Inc.) approved by the Commission in P.S.C. Case No. 2006-00373.

(b) This charge will be recovered as provided by KRS 278.285(4).

(c) Kentucky Power agrees to contribute \$0.125 for each monthly payment of \$0.15 to the HEAP by a residential customer. Kentucky Power's obligation to make the \$0.125 monthly contribution shall continue until new base rates are established by entry of the Commission's Order in Kentucky Power's next general base rate case.

(d) Up to ten percent of the sum of revenues collected through (i) the \$0.15 per month per meter charge; and (ii) Kentucky Power's contributions to HEAP provided for in subparagraph (c) of this Unanimous Settlement Agreement, may be expended on HEAP administrative expenses.

9. QP, RTP and CIP-TOD Rate Design And Tariffs.

(a) The existing RTP Tariff shall be extended for an additional three-year period; further the tariff shall be amended to permit customers to enroll at any point during a year for a minimum twelve consecutive month period.

(b) In designing rates, Kentucky Power shall reduce by 25% the existing rate subsidy currently being provided by the CIP-TOD and QP tariff classes to other tariff classes.

(c) In designing the QP Tariff rate the full amount of the revenue increase shall be assigned, up to full cost, to the demand charge component of the rate. The balance, if any, shall be assigned to the energy charge.

10. Customer Charge For Residential Class. The Customer charge for the Residential Class (RS) shall be increased to \$8.00 per month (Exhibit EKW-5 Page 31 of 142). All miscellaneous non-recurring charges shall remain unchanged.

11. Non-Rate Tariff Changes.

Kentucky Power and the Intervenors agree that the non-rate terms of the following tariffs may be modified or implemented as described in the indicated direct testimony:

<u>Tariff Modified or Implemented</u>	<u>Testimony</u>
Utility Gross Receipts Tax (School Tax) Tariff	E.K. Wagner – Page 49 (Pre-Filed Direct Testimony)
Kentucky Sales Tax Tariff	E.K. Wagner -- Page 49 (Pre-filed Direct Testimony)
Terms and Conditions (Bill Format)	E.K. Wagner – Pages 49-50 (Pre-filed Direct Testimony)
Terms and Conditions (Additional Deposit Requirement for Certain Customers) (Sheet No. 2-3, paragraph 4(D))	E.K. Wagner -- Page 56 (Pre-filed Direct Testimony)
Terms and Conditions (Company Liability) (Sheet No. 2-5, paragraph 7)	E.K. Wagner -- Page 56 (Pre-filed Direct Testimony)
Experimental Residential Service Time-Of-Day 2 (RS-T.O.D.2)	D.M. Roush --Pages 13-14 (Pre-filed Direct Testimony)
Experimental Small General Service Time-Of-Day (S.G.S.-T.O.D.)	D.M. Roush --Pages 13-14 (Pre-filed Direct Testimony)
Experimental Large General Service Time-Of-Day (L.G.S.-T.O.D.)	D.M. Roush --Pages 13-14 (Pre-filed Direct Testimony)

<u>Tariff Modified or Implemented</u>	<u>Testimony</u>
Outdoor Lighting (O.L.)	D.M. Roush –Page 12 (Pre-filed Direct Testimony)
Street Lighting (S.L.)	D.M. Roush –Page 12 (Pre-filed Direct Testimony)
Emergency Curtailable Service-Capacity and Energy Rider (E.C.S.-C.&E.)	D.M. Roush –Pages 15-16 (Pre-filed Direct Testimony)
Energy Price Curtailable Service Rider (E.P.C.S.)	D.M. Roush –Pages 15-16 (Pre-filed Direct Testimony)
Net Metering Service (N.M.S.)	Exhibit EKW-5 – Pages 105, 110 and 116
Alternate Feed Service Rider (A.F.S.)	D.M. Roush –Pages 18-19 (Pre-filed Direct Testimony)

Kentucky Power and the Intervenors also agree that the incidental, non-rate text changes discussed at page 47 of Mr. Wagner’s Pre-Filed Direct Testimony and identified on Exhibit EKW-5 shall be implemented.

12. DSM Collaborative.

Kentucky Power continues to encourage KSBA’s participation in the upcoming DSM Collaborative and is agreeable to KSBA joining the Collaborative. Kentucky Power will discuss at the collaborative possible DSM incentives for schools.

13. Filing Of Unanimous Settlement Agreement With The Commission And Request For Approval.

Following the execution of this Unanimous Settlement Agreement, Kentucky Power and the Intervenors shall file this Unanimous Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Unanimous Settlement Agreement so that Kentucky Power may begin billing under the approved adjusted rates for service rendered on or after the first billing cycle of July, 2010 (June 29, 2010).



14. Good Faith And Best Efforts To Seek Approval.

(a) This Unanimous Settlement Agreement is subject to approval by the Public Service Commission.

(b) Kentucky Power and the Intervenors shall act in good faith and use their best efforts to recommend to the Commission that this Unanimous Settlement Agreement be approved in its entirety and without modification, and that the rates and charges set forth herein implemented.

(c) Kentucky Power and certain Intervenors filed testimony in this case and Kentucky Power filed rebuttal testimony. Kentucky Power also filed testimony in support of the Unanimous Settlement Agreement. For purposes of any hearing, the Intervenors and Kentucky Power waives all cross-examination of the other parties' witnesses except for supporting this Recommendation, unless the Commission disapproves this Recommendation, and each further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

(d) Kentucky Power and the Intervenors further agree to support the reasonableness of this Unanimous Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of this Settlement Agreement.

(e) No party to this Unanimous Settlement Agreement shall challenge any Order of the Commission approving the Unanimous Settlement Agreement in its entirety and without modification, except as it relates to the rate impact of the Commission's order in P.S.C. Case No. 2009-00545.

15. Failure Of Commission To Approve Unanimous Settlement Agreement.

If the Commission does not accept and approve this Unanimous Settlement Agreement in its entirety and without modification, this Unanimous Settlement Agreement shall be void and withdrawn by Kentucky Power and the Intervenors from further consideration by the Commission and none of the parties to this Unanimous Settlement Agreement shall be bound by any of the provisions herein.

16. Continuing Commission Jurisdiction.

This Unanimous Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

17. Effect of Unanimous Settlement Agreement.

This Unanimous Settlement Agreement shall inure to the benefit of and be binding upon the parties to this Unanimous Settlement Agreement, their successors and assigns.

18. Complete Agreement.

This Unanimous Settlement Agreement constitutes the complete agreement and understanding among the parties to this Unanimous Settlement Agreement, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Unanimous Settlement Agreement.

19. Independent Analysis.

The terms of this Unanimous Settlement Agreement are based upon the independent analysis of the parties to this Unanimous Settlement Agreement, are the product of compromise and negotiation, and reflect a fair, just and reasonable resolution of the issues herein. Notwithstanding anything contained in this Unanimous Settlement Agreement, Kentucky Power

agreement.

22. Authority To Bind.

Each of the signatories to this Unanimous Settlement Agreement hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

23. Construction Of Agreement.

This Unanimous Settlement Agreement is a product of negotiation among all parties to this Unanimous Settlement Agreement, and no provision of this Unanimous Settlement Agreement shall be construed in favor of or against any party hereto. This Unanimous Settlement Agreement is submitted for purposes of this case only and is not to be deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility.

24. Counterparts.

This Unanimous Settlement Agreement may be executed in multiple counterparts.

25. Future Rate Proceedings.

Nothing in this Unanimous Settlement Agreement shall preclude, prevent or prejudice any party to this Unanimous Settlement Agreement from raising any argument or issue, or challenge any adjustment, in any future rate proceeding of Kentucky Power.

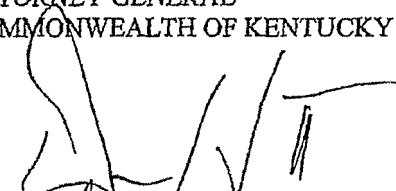
IN WITNESS WHEREOF, this Unanimous Settlement Agreement has been agreed to as of this 19<sup>th</sup> day of May 2010.

KENTUCKY POWER COMPANY

By: Mal R. [Signature]

Its: Attorney

ATTORNEY GENERAL  
COMMONWEALTH OF KENTUCKY

By:   
Its: COUNSEL  
*Assistant Attorney General*

KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.

*David W. Beal*  
By: *Michael P. Hunt*  
Its: *Attorneys*

COMMUNITY ACTION KENTUCKY,  
INC.

By: [Handwritten Signature]

Its: Attorney



WAL-MART STORES EAST, LP  
AND SAM'S EAST, INC.

By: Holly Radcliff

Their: Attorney

HAZARD PERRY COUNTY  
COMMUNITY MINISTRIES, INC.

By: DW Bouchard  
Its: Exec. Director

KENTUCKY SCHOOL BOARDS  
ASSOCIATION

By: W. Allen Miller

Its: Attorney for and on behalf of  
KSBA

Exhibit 1

Kentucky Power Company  
Settlement Revenue Allocation  
Twelve Months Ended September 30, 2009

Class (1)	Current Revenue (2)		Basic Increase		Reliability Increase		Total Increase		Total Settlement Revenue (9)=(2)+(7)
	\$	%	\$	%	\$	%	\$	%	
	(3)	(4)	(5)	(6)	(7)=(3)+(5)	(8)	(8)	(8)	(9)
RS	196,964,517	13.99	27,564,832	2.85	33,171,258	16.84	16.84	230,135,775	
SGS	14,551,918	13.99	2,036,515	2.85	2,450,723	16.84	16.84	17,002,641	
MGS	51,640,578	13.99	7,227,007	2.81	8,679,495	16.81	16.81	60,320,073	
LGS	58,995,442	13.99	8,256,307	2.59	9,784,790	16.59	16.59	68,780,232	
QP	54,976,107	5.20	2,857,375	1.39	3,619,503	6.58	6.58	58,595,610	
CIP-TOD	124,336,206	3.62	4,496,324	0.00	4,496,324	3.62	3.62	128,832,530	
MW	582,698	13.99	81,548	2.85	98,134	16.84	16.84	680,832	
OL	6,588,349	13.99	922,028	2.85	1,109,560	16.84	16.84	7,697,909	
SL	1,129,448	13.99	158,064	2.85	190,213	16.84	16.84	1,319,661	
Total	509,765,263	10.51	53,600,000	1.96	63,600,000	12.48	12.48	573,365,263	

**Exhibit 2**

Kentucky Power Company  
 Settlement Revenue Allocation with Wind Purchase  
 Twelve Months Ended September 30, 2009  
 Allocation of Wind Based upon KIUC's Method 2

Class (1)	Current Revenue (2)	Basic & Reliability Increase		Wind Increase		Total Increase		Total Settlement Revenue With Wind (9)=(2)+(7)
		\$ (3)	% (4)	\$ (5)	% (6)	\$ (7)=(3)+(5)	% (8)	
RS	196,964,517	33,171,258	16.84	6,726,967	3.42	39,898,225	20.26	236,862,742
SGS	14,551,918	2,450,723	16.84	496,994	3.42	2,947,717	20.26	17,499,635
MGS	51,640,578	8,679,495	16.81	1,763,690	3.42	10,443,185	20.22	62,083,763
LGS	58,995,442	9,784,790	16.59	2,014,882	3.42	11,799,672	20.00	70,795,114
QP	54,976,107	3,619,503	6.58	1,136,414	2.07	4,755,917	8.65	59,732,024
CIP-TOD	124,336,206	4,496,324	3.62	2,057,565	1.65	6,553,889	5.27	130,890,095
MW	582,698	98,134	16.84	19,901	3.42	118,035	20.26	700,733
OL	6,588,349	1,109,560	16.84	225,013	3.42	1,334,573	20.26	7,922,922
SL	1,129,448	190,213	16.84	-38,574	3.42	228,787	20.26	1,358,235
Total	509,765,263	63,600,000	12.48	14,480,000	2.84	78,080,000	15.32	587,845,263

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00459 DATED JUN 28 2010

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein 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

Service Charge per month	\$	8.00
Energy Charge per kWh	\$	.08590
Storage Water Heating Provision - Per kWh	\$	.04940
Load Management Water Heating Provision - Per kWh	\$	.04940
Home Energy Assistance Program Charge Per meter per month	\$	.15

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

Service Charge per month	\$	10.55
Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.13227
All kWh used during off-peak billing period	\$	.04940
Home Energy Assistance Program Charge Per meter per month	\$	.15

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

Service Charge per month	\$	10.55
Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.13227
All kWh used during off-peak billing period	\$	.04940
Home Energy Assistance Program Charge Per meter per month	\$	.15

TARIFF R.S.-T.O.D.2  
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-DAY 2

Service Charge per month	\$ 11.45
Energy Charge per kWh:	
All kWh used during summer on-peak billing period	\$ .11406
All kWh used during winter on-peak billing period	\$ .13829
All kWh used during off-peak billing period	\$ .07390
Home Energy Assistance Program Charge	
Per meter per month	\$ .15

S.G.S.  
SMALL GENERAL SERVICE

Service Charge per month	\$ 11.50
Energy Charge per kWh:	
First 500 kWh per month	\$ .13160
All over 500 kWh per month	\$ .07116

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

Service Charge per month	\$ 15.10
Energy Charge per kWh:	
All kWh used during on-peak billing period	\$ .15326
All kWh used during off-peak billing period	\$ .04940

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

Service Charge per month	\$ 7.50
Energy Charge per kWh:	
First 500 kWh per month	\$ .13160
All over 500 kWh per month	\$ .07116

TARIFF S.G.S.-T.O.D.  
EXPERIMENTAL SMALL GENERAL SERVICE TIME-OF-DAY

Service Charge per month	\$ 14.95
Energy Charge per kWh:	
All kWh used during summer on-peak billing period	\$ .13538
All kWh used during winter on-peak billing period	\$ .15553
All kWh used during off-peak billing period	\$ .08700

M.G.S.  
MEDIUM GENERAL SERVICE

Secondary Service Voltage:

Service Charge per month	\$ 13.50
Energy Charge per kWh:	
kWh equal to 200 times kW of monthly billing demand	\$ .09862
kWh in excess of 200 times kW of monthly billing demand	\$ .08460
Demand Charge per kW	\$ 1.64

Primary Service Voltage:

Service Charge per month	\$ 25.00
Energy Charge per kWh:	
kWh equal to 200 times kW of monthly billing demand	\$ .09054
kWh in excess of 200 times kW of monthly billing demand	\$ .08098
Demand Charge per kW	\$ 1.59

Sub-transmission Service Voltage:

Service Charge per month	\$ 182.00
Energy Charge per kWh:	
kWh equal to 200 times kW of monthly billing demand	\$ .08361
kWh in excess of 200 times kW of monthly billing demand	\$ .07851
Demand Charge per kW	\$ 1.55

The minimum monthly charge for industrial and coal mining customers contracting for 3-phase service after October 1, 1959 shall be \$6.84 per kW of monthly billing demand.

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

Service Charge per month	\$ 13.50
Energy Charge per kWh	\$ .09004

M.G.S.  
MEDIUM GENERAL SERVICE  
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Service Charge per month	\$ 3.00
Energy Charge per kWh:	
All kWh used during on-peak billing period	\$ .14801
All kWh used during off-peak billing period	\$ .05130



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

Service Charge per month	\$ 14.30
Energy Charge per kWh:	
All kWh used during on-peak billing period	\$ .14801
All kWh used during off-peak billing period	\$ .05130

L.G.S.  
LARGE GENERAL SERVICE

<u>Secondary Service Voltage:</u>	
Service Charge per month	\$ 85.00
Energy Charge per kWh	\$ .07795
Demand Charge per kW	\$ 4.02
 <u>Primary Service Voltage:</u>	
Service Charge per month	\$ 127.50
Energy Charge per kWh	\$ .06514
Demand Charge per kW	\$ 3.89
 <u>Sub-transmission Service Voltage:</u>	
Service Charge per month	\$ 535.50
Energy Charge per kWh	\$ .04942
Demand Charge per kW	\$ 3.80
 <u>Transmission Service Voltage:</u>	
Service Charge per month	\$ 535.50
Energy Charge per kWh	\$ .04644
Demand Charge per kW	\$ 3.76
 <u>All Service Voltages:</u>	
Excess Reactive Charge per KVA	\$ 3.46

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

Service Charge per month	\$ 81.80
Energy Charge per kWh:	
All kWh used during on-peak billing period	\$ .12971
All kWh used during off-peak billing period	\$ .05116

L.G.S.  
LARGE GENERAL SERVICE TIME-OF-DAY

<u>Secondary Service Voltage:</u>	
Service Charge per month	\$ 85.00
Energy Charge:	
On-Peak Energy Charge per kWh	\$ .09778
Off-Peak Energy Charge per kWh	\$ .04116
Demand Charge per kW	\$ 7.64
 <u>Primary Service Voltage:</u>	
Service Charge per month	\$ 127.50
Energy Charge:	
On-Peak Energy Charge per kWh	\$ .07959
Off-Peak Energy Charge per kWh	\$ .03965
Demand Charge per kW	\$ 4.58
 <u>Sub-transmission Service Voltage:</u>	
Service Charge per month	\$ 535.50
Energy Charge:	
On-Peak Energy Charge per kWh	\$ .07729
Off-Peak Energy Charge per kWh	\$ .03891
Demand Charge per kW	\$ .24
 <u>Transmission Service Voltage:</u>	
Service Charge per month	\$ 535.50
Energy Charge:	
On-Peak Energy Charge per kWh	\$ .07655
Off-Peak Energy Charge per kWh	\$ .03854
Demand Charge per kW	\$ .15
 <u>All Service Voltages:</u>	
Excess Reactive Charge per KVA	\$ 3.46

TARIFF Q.P.  
QUANTITY POWER

<u>Secondary Service Voltage:</u>	
Service Charge per month	\$ 276.00
Energy Charge per kWh	\$ .03285
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	\$ 18.51
Of Monthly Off-Peak Excess Billing Demand	\$ 8.65

Primary Service Voltage:

Service Charge per month	\$ 276.00
Energy Charge per kWh	\$ .03233
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	\$ 15.00
Of Monthly Off-Peak Excess Billing Demand	\$ 5.56

Sub-transmission Service Voltage:

Service Charge per month	\$ 662.00
Energy Charge per kWh	\$ .03201
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	\$ 10.13
Of Monthly Off-Peak Excess Billing Demand	\$ 1.20

Transmission Service Voltage:

Service Charge per month	\$1,353.00
Energy Charge per kWh	\$ .03176
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	\$ 9.00
Of Monthly Off-Peak Excess Billing Demand	\$ 1.10

All Service Voltages:

Reactive demand charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the kW of monthly metered demand is \$.69 per KVAR.

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

Primary Service Voltage:

Service Charge per month	\$ 276.00
Energy Charge per kWh	\$ .02962
Demand Charge per kW	
On-Peak	\$ 16.77
Off-Peak	\$ 5.56
Minimum Billing Demand per kW	\$ 16.88

Sub-transmission Service Voltage:

Service Charge per month	\$ 794.00
Energy Charge per kWh	\$ .02906
Demand Charge per kW	
On-Peak	\$ 12.06
Off-Peak	\$ 1.20
Minimum Billing Demand per kW	\$ 12.17

Transmission Service Voltage:

Service Charge per month	\$1,353.00
Energy Charge per kWh	\$ .02880
Demand Charge per kW	
On-Peak	\$ 10.98
Off-Peak	\$ 1.10
Minimum Billing Demand per kW	\$ 11.09

All Service Voltages:

Reactive demand charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the kW of monthly metered demand is \$.69 per KVAR.

TARIFF M.W.  
MUNICIPAL WATERWORKS

Service Charge per month	\$ 22.90
Energy Charge - All kWh per kWh	\$ .08300

Subject to a minimum monthly charge equal to the sum of the service charge plus \$4.10 per KVA as determined from customer's total connected load.

TARIFF O.L.  
OUTDOOR LIGHTING

OVERHEAD LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens)	\$ 8.75
150 Watts (16,000 Lumens)	\$ 9.90
200 Watts (22,000 Lumens)	\$ 12.20
250 Watts (28,000 Lumens)	\$ 13.35
400 Watts (50,000 Lumens)	\$ 19.15
Mercury Vapor per Lamp:	
175 Watts (7,000 Lumens)	\$ 9.75
400 Watts (20,000 Lumens)	\$ 16.85

POST-TOP LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens)	\$ 13.10
150 Watts (16,000 Lumens)	\$ 21.45
100 Watts Shoe Box (9,500 Lumens)	\$ 20.00
250 Watts Shoe Box (28,000 Lumens)	\$ 24.00
400 Watts Shoe Box (50,000 Lumens)	\$ 27.90
Mercury Vapor per Lamp:	
175 Watts (7,000 Lumens)	\$ 11.20

FLOOD LIGHTING SERVICE

High Pressure Sodium per Lamp:	
200 Watts (22,000 Lumens)	\$ 13.60
400 Watts (50,000 Lumens)	\$ 18.85
Metal Halide	
250 Watts (20,500 Lumens)	\$ 18.20
400 Watts (36,000 Lumens)	\$ 24.10
1,000 Watts (110,000 Lumens)	\$ 52.20
250 Watts Mongoose (19,000 Lumens)	\$ 21.80
400 Watts Mongoose (40,000 Lumens)	\$ 25.50
Per Month:	
Wood Pole	\$ 2.85
Overhead Wire Span not over 150 Feet	\$ 1.60
Underground Wire Lateral not over 50 Feet	\$ 6.25

TARIFF S.L.  
STREET LIGHTING

Rate per Lamp:

Overhead Service on Existing Distribution Poles

High Pressure Sodium

100 Watts (9,500 Lumens)	\$ 7.25
150 Watts (16,000 Lumens)	\$ 8.30
200 Watts (22,000 Lumens)	\$ 10.30
400 Watts (50,000 Lumens)	\$ 16.05

Service on New Wood Distribution Poles

High Pressure Sodium

100 Watts (9,500 Lumens)	\$ 10.25
150 Watts (16,000 Lumens)	\$ 11.40
200 Watts (22,000 Lumens)	\$ 13.15
400 Watts (50,000 Lumens)	\$ 18.45

Service on New Metal or Concrete Poles

High Pressure Sodium

100 Watts (9,500 Lumens)	\$ 18.90
150 Watts (16,000 Lumens)	\$ 19.85
200 Watts (22,000 Lumens)	\$ 25.25
400 Watts (50,000 Lumens)	\$ 27.45

TARIFF COGEN/SPP I  
COGENERATION AND/OR SMALL POWER PRODUCTION  
100 KW OR LESS

Monthly Metering Charges:

Single Phase

Standard Measurement	\$ 6.75
Time-of-Day Measurement	\$ 7.15

Polyphase

Standard Measurement	\$ 7.75
Time-of-Day Measurement	\$ 8.10

Energy Credit per kWh:

Standard Meter – All kWh	\$ .02900
Time-of-Day Meter	
On-Peak kWh	\$ .03060
Off-Peak kWh	\$ .02780

Capacity Credit:

Standard Meter per kW	\$ 2.84
Time-of-Day Meter per kW	\$ 6.82

TARIFF COGEN/SPP II  
COGENERATION AND/OR SMALL POWER PRODUCTION  
OVER 100 KW

Metering Charges:

Single Phase

Standard Measurement	\$ 6.75
Time-of-Day Measurement	\$ 7.15

Polyphase

Standard Measurement	\$ 7.75
Time-of-Day Measurement	\$ 8.10

Energy Credit per kWh:

Standard Meter – All kWh	\$ .02900
Time-of-Day Meter	
On-Peak kWh	\$ .03060
Off-Peak kWh	\$ .02780

Capacity Credit:

Standard Meter per kW	\$ 2.84
Time-of-Day Meter per kW	\$ 6.82

RIDER E.C.S. – C. & E.  
EMERGENCY CURTAILABLE SERVICE – CAPACITY & ENERGY RIDER

Customer Charge per month	\$ 10.00
---------------------------	----------

TARIFF N.U.G.  
NON-UTILITY GENERATOR

Reservation Charge per kW:

Sub-transmission	\$ 3.65
Transmission	\$ 2.30

All Service Voltages:

Reactive demand charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the kW of monthly metered demand is \$.69 per KVAR.

TARIFF C.C.  
CAPACITY CHARGE

Energy Charge per kWh:

Service Tariff	
C.I.P. – T.O.D.	\$ .000667
All Other	\$ .000970

TARIFF R.T.P.  
EXPERIMENTAL REAL-TIME PRICING TARIFF

Capacity Charge per kW		
Results of applicable annual RPM auction price	\$	5.301
Diversity Factor		
C.I.P.-T.O.D.	\$	.72
Q.P.	\$	.72
Reserve Margin	\$	1.165
Transmission Charge per kW		
NITS	\$	2.1116
Diversity Factor		
C.I.P.-T.O.D.	\$	.66
Q.P.	\$	.63
Other Market Services Charge per kWh		
Secondary	\$	.002499
Primary	\$	.002404
Sub-transmission	\$	.002359
Transmission	\$	.002337
Distribution Charge per kW		
Secondary	\$	7.39
Primary	\$	4.34

RIDER A.F.S.  
ALTERNATE FEED SERVICE RIDER

Monthly Rate for Annual Test of Transfer Switch/Control Module	\$	13.57
Monthly Capacity Reservation Demand Charge per kW	\$	4.34



APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2009-00459 DATED JUN 28 2010

June 2, 2010

**HAND DELIVERED**

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

JUN 02 2010

PUBLIC SERVICE  
COMMISSION

Mark R. Overstreet  
(502) 209-1219  
(502) 223-4387 FAX  
moverstreet@stites.com

RE: P.S.C. Case No. ~~2005-00545~~ 2009-00459

RCS

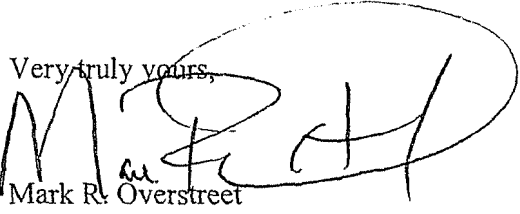
Dear Mr. Derouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Power Company's Response to Hearing Data Request No. 1.

A copy of this letter and each of the enclosures is being served by first class mail and by e-mail transmission on counsel for each of the parties to this proceeding. A courtesy copy of this letter and the enclosures also is being mailed and transmitted by e-mail to Stephen A. Sanders, counsel for Pike County Senior Citizen Programs, Inc., which is not a party to this proceeding.

If you have any questions please do not hesitate to contact me.

Jeff R. Derouen  
June 2, 2010  
Page 2

Very truly yours,  
  
Mark R. Overstreet

Enclosure

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- Dennis G. Howard, II
- Lawrence W. Cook
- Paul D. Adams
- Holly Rachel Smith
- Michael L. Kurtz
- David F. Boehm
- Matthew Malone
- Sam R. Collins
- Joe F. Childers
- Richard M. Hopgood
- Steve Criss

Kentucky Power Company  
 Settlement Revenue Allocation  
 Twelve Months Ended September 30, 2009

Class (1)	Current		Basic Increase		Reliability Increase		Total Increase		Total Settlement Revenue (10)=(2)+(8)	Settlement Return on Rate Base (11)
	Revenue (2)	Return on Rate Base (3)	\$ (4)	% (5)	\$ (6)	% (7)	\$ (8)=(4)+(6)	% (9)		
RS	196,964,517	-2.88%	27,564,832	13.99	5,606,426	2.85	33,171,258	16.84	230,135,775	0.88%
SGS	14,551,918	6.37%	2,036,515	13.99	414,208	2.85	2,450,723	16.84	17,002,641	11.55%
MGS	51,640,578	5.64%	7,227,007	13.99	1,452,488	2.81	8,679,495	16.81	60,320,073	11.18%
LGS	58,995,442	4.05%	8,256,307	13.99	1,528,483	2.59	9,784,790	16.59	68,780,232	9.58%
QP	54,976,107	5.23%	2,857,375	5.20	762,128	1.39	3,619,503	6.58	58,595,610	7.99%
CIP-TOD	124,336,206	6.37%	4,496,324	3.62	0	0.00	4,496,324	3.62	128,832,530	8.27%
MWV	582,698	6.55%	81,548	13.99	16,586	2.85	98,134	16.84	680,832	12.93%
OL	6,588,349	6.86%	922,028	13.99	187,532	2.85	1,109,560	16.84	7,697,909	10.26%
SL	1,129,448	14.45%	158,064	13.99	32,149	2.85	190,213	16.84	1,319,661	19.38%
Total	509,765,263	1.11%	53,600,000	10.51	10,000,000	1.96	63,600,000	12.48	573,365,263	4.92%

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