

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	CASE NO.
POWER COMPANY FOR THE SIX-MONTH	)	2011-00031
BILLING PERIOD ENDING DECEMBER 31, 2010	)	

O R D E R

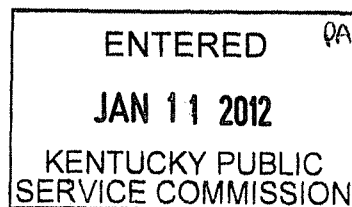
On December 12, 2011, an informal conference (“IC”) was held in this matter at the Commission’s offices in Frankfort, Kentucky. The purpose of the IC was to discuss certain outstanding issues raised by Commission Staff. In particular, a discussion was had concerning whether Kentucky Power had appropriately reflected environmental compliance expense amounts for lime hydrate, polymer, and steam expense at multiple Ohio Power Company units which were included in Kentucky Power’s rate base and at the same time these same environmental costs were excluded in the monthly base level for environmental cost recovery purposes. Based upon its own internal review of this issue, Kentucky Power indicated at the IC that it would no longer seek to recover the above-mentioned environmental compliance expenses in its monthly environmental surcharge. Rather, Kentucky Power will recover such expenses through its base rates. In addition, during its review of the lime hydrate, polymer, and steam expense issue, Kentucky Power discovered that it had failed to adjust the AEP Pool capacity rate due to the change in the surplus company’s weighting since August 2010. Both of these

Issues resulted in an over-recovery of environmental compliance expenses in its environmental surcharge during the review period ending October 31, 2010.

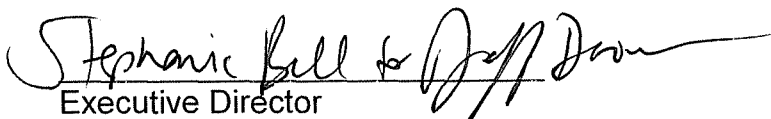
Based on the affirmative statements made by Kentucky Power representatives at the December 12, 2011 IC, the evidentiary record will need to be further developed to incorporate those changes proposed by Kentucky Power.

IT IS THEREFORE ORDERED that Kentucky Power shall, within 20 days of the date of this Order, file supplemental testimony addressing Kentucky Power's decision to no longer seek recovery via its environmental surcharge of those environmental compliance expenses related to lime hydrate, polymer, and steam expense at multiple Ohio Power Company units, the over-recovery as a result of both Kentucky Power's failure to adjust the capacity factor expenses since August 2010 and the inclusion of the lime hydrate, polymer, and steam expenses at multiple Ohio Power Company units. In addition, Kentucky Power should address how it proposes to refund any over-recovery in the supplemental testimony.

By the Commission



ATTEST:

  
Executive Director

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