TARIFF COGEN/SPP II (Cont'd.)

(Cogeneration and/or Small Power Production--Over 100 KW)

ADDITIONAL CHARGES. (Cont'd.)

Monthly Metering Charge (Cont'd)

Under Option 3, when metering voltage for COGEN/SPP facilities is the same as the Company's delivery voltage, the customer shall, at his option, either route the COGEN/SPP totalized output leads through the metering point, or make available at the metering point for the use of the Company and, as specified by the Company, metering current leads which will enable the Company to measure adequately the total electrical energy and average capacity produced by the qualifying COGEN/SPP facilities, as well as to measure the electrical energy consumption and capacity requirements of the customer's total load. When metering voltage for COGEN/SPP facilities is different from the Company's delivery voltage, metering requirements and charges shall be determined specifically for each case.

Local Facilities Charge

Additional charges to cover "interconnection costs" incurred by the Company shall be determined by the Company for each case and collected from the customer. For Options 2 and 3, the cost of metering facilities shall be covered by the Monthly Metering Charge and shall not be included in the Local Facilities Charge. The customer shall make a one-time payment for the Local Facilities Charge at the time of installation of the required additional facilities, or, at his option, up to 12 consecutive equal monthly payments reflecting an annual interest charge as determined by the Company, but not to exceed the cost of the Company's most recent issue of long-term debt. If the customer elects the installment payment option, the Company may require a reasonable security deposit.

MONTHLY CREDITS OR PAYMENTS FOR ENERGY AND CAPACITY DELIVERIES.

Energy Credit

The following credits or payments from the Company to the customer shall apply for the electrical energy delivered to the Company:

Standard Meter - All KWH	$2.81	(I)
T.O.D. Meter		
On-Peak KWH	3.54¢	(I)
Off-Peak KWH	2.29¢	(I)

(Cont'd. On Sheet 18-3)

TARIFF COGEN/SPP II (Cont'd.)
(Cogeneration and/or Small Power Production--Over 100 KW)

MONTHLY CREDITS OR PAYMENTS FOR ENERGY AND CAPACITY DELIVERIES. (Cont'd.)

Capacity Credit

If the customer contracts to deliver or produce a specified excess or total average capacity during the monthly billing period (monthly contract capacity), or a specified excess or total average capacity during the on-peak monthly billing period (on-peak contract capacity), then the following capacity credits or payment from the Company to the customer shall apply:

If standard energy meters are used,

A. ~~$0.95~~/ *$0.78*/KW/month, times the lowest of: (D)

(1) monthly contract capacity, or

(2) current month metered average capacity, i.e., KWH delivered to the Company or produced by COGEN/SPP facilities divided by 730, or

(3) lowest average capacity metered during the previous two months if less than monthly contract capacity.

If T.O.D. energy meters are used,

B. ~~$2.10~~ *$1.87*/KW/month, times the lowest of: (D)

(1) on-peak contract capacity, or

(2) current month on-peak metered average capacity, i.e., on-peak KWH delivered to the Company or produced by COGEN/SPP facilities divided by 327, or

(3) lowest on-peak average capacity metered during the previous two months, if less than on-peak contract capacity.

The above energy and capacity credit rates are subject to revisions from time to time as approved by the Commission.

ON-PEAK AND OFF-PEAK PERIODS.

The on-peak period shall be defined as starting at 7:00 A.M. and ending at 9:00 P.M., local time, Monday through Friday.

The off-peak period shall be defined as starting at 9:00 P.M. and ending at 7:00 A.M., local time, Monday through Friday, and all hours of Saturday and Sunday.

CHARGES FOR CANCELLATION OR NON PERFORMANCE CONTRACT.

If the customer should, for a period in excess of six months, discontinue or substantially reduce for any reason the operation of cogeneration and/or small power production facilities which were the basis for the monthly contract capacity or the on-peak contract capacity, the customer shall be liable to the Company for an amount equal to the total difference between the actual payments for capacity paid to the customer and the payments for capacity that would have been paid to the customer pursuant to this Tariff COGEN/SPP II or any successor tariff. The Company shall be entitled to interest on such amount at the rate of the Company's most recent issue of long-term debt at the effective date of the contract.

TERM OF CONTRACT.

Contracts under this tariff shall be made for a period not less than one year.

TARIFF S. S. C.
(System Sales Clause)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L.

RATE.

1. When the monthly net revenues from system sales are above or below the monthly base net revenues from system sales, as provided in paragraph 3 below, an additional credit or charge equal to the product of the KWHs and a system sales adjustment factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

   System Sales Adjustment Factor (A) = (.5[Tm - Tb])/Sm

   In the above formula "T" is Kentucky Power Company's (KPCo) monthly net revenues from system sales in the current (m) and base (b) periods, and "S" is the Kwh sales in the current (m) period, all defined below.

2. The net revenue from American Electric Power (AEP) System deliveries to non-associated companies that are shared by AEP Member Companies, including KPCo, in proportion to their Member Load Ratio and as reported in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 447, Sales for Resale, shall consist of and be derived as follows:

3.

   a. KPCo's Member Load Ratio share of total revenues from system sales as recorded in Account 447, less b. and c. below.

   b. KPCo's Member Load Ratio share of total out-of-pocket costs incurred in supplying the power and energy for the deliveries in a. above.

   The out-of-pocket costs include all operating, maintenance, tax, transmission losses and other expenses that would not have been incurred if the power and energy had not been supplied for such deliveries, including demand and energy charges for power and energy supplied by Third Parties.

   c. KPCo's environmental costs allocated to non-associated utilities in the Company's Environmental Surcharge Report.

4. The base monthly net revenues from system sales are as follows:

Billing Month	Base Net Revenues from System Sales (Total Company Basis)	
January	$ 2,815,074	(I)
February	$2,365,178	(I)
March	$1,832,408	(I)
April	$2,862,969	(I)
May	$2,501,869	(I)
June	$3,280,306	(I)
July	$2,994,548	(I)
August	$1,902,637	(I)
September	$1,756,798	(I)
October	$1,122,316	(I)
November	$1,331,388	(I)
December	$2,142,114	(I)

(Cont'd on Sheet No. 19-2)

TARIFF S. S. C. (Cont'd.)
(System Sales Clause)

4. Sales (S) shall be equated to the sum of (a) generation (including energy produced by generating plant during the construction period), (b) purchase, and (c) interchange-in, less (d) energy associated with pumped storage operations, less (e) inter-system sales and less (f) total system losses.

5. The system sales adjustment factor shall be based upon estimated monthly revenues and costs for system sales, subject to subsequent adjustment upon final determination of actual revenues and costs.

6. The monthly System Sales Clause shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.

7. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

Tariff F.T.
(Franchise Tariff)

AVAILABILITY OF SERVICE

Where a city or town within the territory of Kentucky Power (Company) requires the Company to pay a percentage of revenues from certain customer classifications collected within such city or town of the right to erect the Company's poles, conductors, or other apparatus along, over, under, or across such city's or town's streets, alleys, or public grounds, the Company shall increase the rates and charges to such customer classifications within such city or town by a like percentage. The aforesaid charge shall be separately stated and identified on each affected customer's bill.

TARIFF T. S.
(Temporary Service)

AVAILABILITY OF SERVICE.

Available for temporary lighting and power service where capacity is available.

RATE.

Temporary service will be supplied under any published tariff applicable to the class of business of the Customer, when the Company has available unsold capacity of lines, transforming and generating equipment, with an additional charge of the total cost of connection and disconnection.

MINIMUM CHARGE.

The same minimum charge as provided for in any applicable tariff, shall be applicable to such temporary service and for not less than one full monthly minimum.

TERM.

Variable.

SPECIAL TERMS AND CONDITIONS.

A deposit equal to the full estimated amount of the bill and/or construction costs under this tariff may be required.

This tariff is not available to customers permanently located, whose energy requirements are of a seasonal nature.

See Terms and Conditions of Service.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE
(Tariff D.S.M.C.)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., and M.W.

RATE.

1. The Demand-Side Management (DSM) clause shall provide for periodic adjustment per KWH of sales equal to the DSM costs per KWH by customer sector according to the following formula:

$$\text{Adjustment Factor} = \frac{DSM(c)}{S(c)}$$

   Where DSM is the cost by customer sector of demand-side management programs, net lost revenues, incentives, and any over/under recovery balances; (c) is customer sector; and S is the adjusted KWH sales by customer sector.

2. Demand-Side Management (DSM) costs shall be the most recent forecasted cost plus any over/under recovery balances recorded at the end of the previous period.

   a. Program costs are any costs the Company incurred associated with demand-side management which were approved by the Kentucky Power Company DSM Collaborative. Examples of costs to be included are contract services, allowances, promotion, expenses, evaluation, lease expense, etc. by customer sector.

   b. Net lost revenues are the calculated net lost revenues by customer sector resulting from the implementation of the DSM programs.

   c. Incentives are a shared-savings incentive plan consisting of one of the following elements: The efficiency incentive, which is defined as 15 percent of the estimated net savings associated with the programs. Estimated net savings are calculated based on the California Standard Practice Manual's definition of the Total Resources Cost (TRC) test, or the maximizing incentive which is defined as 5 percent of actual program expenditures if program savings cannot be measured.

   d. Over/ Under recovery balances are the total of the differences between the following:

      (i) the actual program costs incurred versus the program costs recovered through DSM adjustment clause, and

      (ii) the calculated net lost revenues realized versus the net lost revenues recovered through the DSM adjustment clause, and

      (iii) the calculated incentive to be recovered versus the incentive recovered through the DSM adjustment clause.

3. Sales (S) shall be the total ultimate KWH sales by customer sector less non-metered, opt-out and lost revenue impact KWHs by customer sector.

4. The provisions of the Demand-Side Management Adjustment Clause will be effective for the period ending December 31, 2005.

(Cont'd. On Sheet No. 22-2)

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE (Cont'd.)
(Tariff D.S.M.C.)

RATE. (Cont'd.)

5. The DSM adjustment shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments which shall include data and information as may be required by the Commission.

6. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

7. The resulting range for each customer sector per KWH during the three-year Experimental Demand-Side Management Plan is as follows:

		CUSTOMER SECTOR		
		RESIDENTIAL ($ Per KWH)	COMMERCIAL ($ Per KWH)	INDUSTRIAL* ($ Per KWH)
Floor Factor	=	0.000320	0.000041	- 0 -
Ceiling Factor	=	0.000624	0.000068	- 0 -

8. The DSM Adjustment Clause factor ($ Per KWH) for each customer sector which fall within the range defined in Item 7 above is as follows:

		CUSTOMER SECTOR		
		RESIDENTIAL	COMMERCIAL	INDUSTRIAL*
DSM (c)		$ 306,288	$ 14,259	- 0 -
S (c)		.649,080,700	261,854,100	- 0 -
Adjustment Factor	$	0.000472	0.000055	- 0 -

*The Industrial Sector has been discontinued pursuant to the Commission's Order dated September 28, 1999.

NET MERGER SAVINGS CREDIT (N.M.S.C.)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.- I.R.P., M.W., O.L., and S.L.

RATE.

The Net Merger Savings Credit shall provide for a monthly adjustment to base rates on a rate per KWH of monthly consumption. The Net Merger Savings Credit shall be calculated according to the following formula:

Net Merger Savings Credit = M.S.F. + B.A.F.

Where:

(M.S.F.) Is the Merger Savings Factor per KWH which is based on the total Company net savings that are to be distributed to the Company's Kentucky retail jurisdictional customers in each 12-month period.

	Net Savings to be Distributed	Merger Savings Factor (M.S.F.)	Balancing Adjustment Factor (B.A.F.)
Year 1*	$ 1,463,815	.021¢ per KWH	0 ¢
Year 2	2,553,660	.037¢ per KWH	.0007¢ per KWH
Year 3	3,184,645	.045¢ per KWH	.0009¢ per KWH
Year 4	3,695,003	.051¢ per KWH	.0018¢ per KWH
Year 5	4,037,167	.055¢ per KWH	.0030¢ per KWH
Year 6	4,299,432	.057¢ per KWH	.0025¢ per KWH
Year 7	4,504,920	.059¢ per KWH	
Year 8	4,626,369	.059¢ per KWH	
Year 9	5,242,785	.066¢ per KWH	

*The Net Merger Savings Credit will begin in the first full billing month available following thirty days from the consummation of the merger and will continue until the effective date of a Commission order changing the Company's base rates after Year 8 of this tariff.

(B.A.F.) Is the Balancing Adjustment Factor per KWH for the second through the twelfth months of the current distribution year, which reconciles any over-, or under-distribution of the net savings from prior periods. The B.A.F. will be determined by dividing the difference between amounts which were expected to be distributed and the amounts actually distributed from the application of the Net Merger Savings Credit from the previous year by the expected Kentucky retail jurisdictional KWH. The final B.A.F. will be applied to customer billings in the second month following the effective date of a Commission order changing the Company's base rates after Year 8 of this tariff.

TERMS OF DISTRIBUTION.

1. The total distribution to the Company's customers will, in no case, be less than the sum of the amounts shown for the first eight years above.

2. On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Net Merger Savings Credit. Such report shall include a statement showing the amounts, which were expected to be distributed, and the amounts actually distributed in previous periods, along with a calculation of the B.A.F., which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.

3. The Net Merger Savings Credit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or similar items.

RIDER E.C.S.
(Emergency Curtailable Service Rider)

AVAILABILITY OF SERVICE.

Available for Emergency Curtailable Service (ECS) to customers normally taking firm service under Tariffs Q.P. and C.I.P.-T.O.D. for their total capacity requirements from the Company. The Customer must have an on-peak curtailable demand not less than 1MW and will be compensated for kWh curtailed under the provisions of this Rider.

CONDITIONS OF SERVICE.

1. The Company reserves the right to curtail service to the Customer's ECS load when, in the sole judgment of the Company, an emergency condition exists on the American Electric Power (AEP) System. The Company shall determine that an emergency condition exists if curtailment of load served under this Rider is necessary in order to maintain service to the Company's other firm service customers according to the AEP System Emergency Operating Plan for generation capacity deficiencies.

2. The Company will endeavor to provide as much advance notice as possible of curtailments under this Rider including an estimate of the duration of such curtailments. However, the Customer's ECS load shall be curtailed within 30 minutes if so requested

3. In no event shall the Customer be subject to curtailment under the provisions of this Rider for more than 50 hours during any season. For purposes of this Rider, seasons are defined as follows:

Winter	December, January and February
Summer	June, July and August

No curtailments under this Rider shall occur in the remaining months, with the exception of test curtailments as specified under Item 6 below.

4. The Company and the Customer shall mutually agree upon the method which the Company shall use to notify the Customer of a curtailment under the provisions of this Rider. The method shall specify the means of communicating such curtailment (e.g., telephone, pager) and shall designate the Customer's representatives to receive said notification. The Customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company.

5. No responsibility or liability of any kind shall attach to or be incurred by the Company or the AEP System for, or on account of, any loss, cost, expense or damage caused by or resulting from, either directly or indirectly, any curtailment of service under the provisions of this Rider.

6. The Company reserves the right to test and verify the Customer's ability to curtail. Such test will be limited to one Curtailment per contract term. Any failure of the customer to comply with a request to curtail load will entitle the Company to call for one additional test. The Company agrees to notify the Customer as to the month in which the test will take place, and will consider avoiding tests on days which may cause a unique hardship to the Customer's overall operation. There shall be no credits for test curtailments nor charge for failure to curtail during a test.

7. The Company reserves the right to discontinue service to the Customer under this Rider if the Customer fails to curtail under any circumstances twice during a 12-month period as requested by the Company.

8. The Customer shall not receive credit for any curtailment periods in which the Customer's curtailable load is already down for an extended period due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, or any event other than the customer's normal operating conditions.

(Continued on Sheet No. 24-2)

RIDER E.C.S. (Cont'd)
(Emergency Curtailable Service Rider)

ECS CURTAILMENT OPTION.

The Customer shall select one of the following ECS Curtailment Options under this Rider:

	Credit	Maximum Duration
Option A	35 ¢/KWH	4 hours
Option B	50 ¢/KWH	8 hours

The ECS Curtailment Option Credit shall be applicable to the KWH curtailed under this Rider. The Maximum Duration is the
maximum number of hours per curtailment event for which load may be curtailed under the provisions of this Rider. The Company, to the extent practical, will endeavor to minimize the curtailment duration. However, the Customer shall receive a minimum of 2 hours credit per curtailment event

ECS CONTRACT CAPACITY.

Each Customer shall have an ECS Contract Capacity to be considered as emergency curtailable capacity under this Rider. The Customer shall specify the Non-ECS Demand, which shall be the demand at or below which the Customer will remain during curtailment periods. The ECS Contract Capacity shall be the difference between the Customer's typical on-peak demand and the Customer's specified Non-ECS Demand. The Company shall determine the Customer's typical on-peak demand, as agreed upon by the Company and the Customer. For the purpose of this Rider, the on-peak billing period is defined as 7:00 a.m. to 11:00 p.m., local time, for all weekdays, Monday through Friday.

The Customer may modify the amount of ECS Contract Capacity and/or the choice of Option no more than once prior to each season. Modifications must be received by the Company in writing no later than 30 days prior to the beginning of the season.

CURTAILED DEMAND.

For each curtailment period, Curtailed Demand shall be defined as the difference between the Customer's typical on-peak demand and the maximum 15-minute integrated demand during that curtailment period.

ECS ENERGY.

Period ECS Energy shall be defined as the product of the Curtailed Demand and the number of hours for each curtailment period. ECS Energy shall be equal to the sum of all Period ECS Energy for the calendar month.

MONTHLY CREDIT.

The Monthly Credit shall be equal to the product of the ECS Energy and the applicable Curtailment Option Credit less any charges computed for failure to curtail. The Monthly Credit will be provided to the Customer by check within 30 days after the end of the month in which the curtailment occurred. This amount will be recorded in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 555, Purchased Power, and will be recorded in a sub account so that the separate identify of this cost is preserved.

(Cont'd on Sheet No. 24-3)

RIDER E.C.S. (Cont'd)
(Emergency Curtailable Service Rider)

FAILURE TO CURTAIL.

If the Customer fails to fully comply with a request for curtailment under the provisions of this Rider, then the Noncompliance Demand shall be the difference between the maximum 15-minute integrated demand during the curtailment period and the Non-ECS Demand. Noncompliance Energy shall e the Noncompliance Demand multiplied by the number of hours for the curtailment period. For customers with kVa demands, Noncompliance Energy shall be multiplied by the Customer's average monthly power factor. Noncompliance Energy shall be billed at a rate equal to 50% of the Customer's selected ECS Curtailment Option Credit.

TERM.

Contracts under this Rider shall e made for an initial period of 1 season and shall remain in effect thereafter until either party provides to the other at least 30 days' written notice prior to the start of the next season of its intention to discontinue service under the terms of this Rider.

SPECIAL TERMS AND CONDITIONS.

Individual Customer information, including, but not limited to, ECS Contract Capacity and ECS Curtailment Option, shall remain confidential.

RIDER P.C.S.
(Price Curtailable Service Rider)

AVAILABILITY OF SERVICE.

Available for Price Curtailable Service (PCS) to customers normally taking firm service under Tariffs Q.P. and C.I.P.-T.O.D. for their total capacity requirements from the Company. The Customer must have an on-peak curtailable demand not less than 1 MW and will be compensated for kWh curtailed under the provisions of this Rider.

CONDITIONS OF SERVICE.

1. The Company reserves the right to curtail service to the Customer's PCS load at the Company's sole discretion.

2. The Company will endeavor to provide as much advance notice as possible of curtailments under this Rider including an estimate of the duration of such curtailments. However, the Customer's PCS load shall be curtailed within 1 hour if so requested.

3. For purposes of this Rider, seasons are defined as follows:

Winter	December, January and February
Spring	March, April and May
Summer	June, July and August
Fall	September, October and November

4. The Company and the Customer shall mutually agree upon the method which the Company shall use to notify the Customer of a curtailment under the provisions of this Rider. The method shall specify the means of communicating such curtailment (e.g., telephone, pager) and shall designate the Customer's representatives to receive said notification. The Customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company.

5. No responsibility or liability of any kind shall attach to or be incurred by the Company or the AEP System for, or on account of, any loss, cost, expense or damage caused by or resulting from, either directly or indirectly, any curtailment of service under the provisions of this Rider.

6. The Company reserves the right to test and verify the Customer's ability to curtail. Such test will be limited to one curtailment per contract term. Any failure of the customer to comply with a request to curtail load will entitle the Company to call for one additional test. The Company agrees to notify the Customer as to the month in which the test will take place, and will consider avoiding tests on days, which may cause a unique hardship to the Customer's overall operation. There shall be no credits for test curtailments nor charge for failure to curtail during a test.

7. The Company reserves the right to discontinue service to the Customer under this Rider if the Customer fails to curtail under any circumstances twice during a 12-month period as requested by the Company.

8. The Customer shall not receive credit for any curtailment periods in which the Customer's curtailable load is already down for an extended period due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, or any event other than the customer's normal operating conditions.

(Continued on Sheet No. 25-2)

RIDER P.C.S. (Cont'd)
(Price Curtailable Service Rider)

PCS CURTAILMENT OPTION.

The Customer shall select one of the following Maximum Duration Options under this Rider:

	Maximum Duration
Option A	4 hours
Option B	8 hours
Option C	16 hours

The Maximum Duration is the maximum number of hours per curtailment event for which load may be curtailed under the provisions of this Rider. The Customer shall receive a minimum of 2 hours credit per curtailment event.

The Customer shall specify the Maximum Number of Days during the season that the Customer may be requested to curtail The Customer shall also specify the Minimum Price at which the customer would be willing to curtail. The Company, at its discretion will determine whether the Customer shall be curtailed give the Customer's specified PSC curtailment options.

PCS CONTRACT CAPACITY.

Each Customer shall have an PCS Contract Capacity to be considered as price curtailable capacity under this Rider. The Customer shall specify the Non-PCS Demand, which shall be the demand at or below which the Customer will remain during curtailment periods. The PCS Contract Capacity shall be the difference between the Customer's typical on-peak demand and the Customer's specified Non-PCS Demand. The Company shall determine the Customer's typical on-peak demand, as agreed upon by the Company and the Customer. For the purpose of this Rider, the on-peak billing period is defined as 7:00 a.m. to 11:00 p.m., local time, for all weekdays, Monday through Friday.

The Customer may modify the amount of PCS Contract Capacity and/or the choice of Option no more than once prior to each season. Modifications must be received by the Company in writing no later than 30 days prior to the beginning of the season.

CURTAILED DEMAND.

For each curtailment period, Curtailed Demand shall be defined as the difference between the Customer's typical on-peak demand and the maximum 15-minute integrated demand during that curtailment period.

CURTAILMENT CREDIT

Period PCS Energy shall be defined as the product of the Curtailed Demand and the number of hours for each curtailment period. The Curtailment credit shall be equal to the product of the Period PCS Energy and the greater of the following: (a) 80% of the daily price index for Into Cinergy On-Peak for the date of curtailments stated in Power Markets Week's Daily Price Report, (b) the Minimum Price as specified by the Customer or (c) 3.5 cents/kWh.

MONTHLY CREDIT.

The Monthly Credit shall be equal to the product of the PCS Energy and the applicable Curtailment Option Credit less any charges computed for failure to curtail. The Monthly Credit will be provided to the Customer by check within 30 days after the end of the month in which the curtailment occurred. This amount will be recorded in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 555, Purchased Power, and will be recorded in a subaccount so that the separate identify of this cost is preserved.

(Cont'd on Sheet No. 25-3)

RIDER P.C.S. (Cont'd)
(Price Curtailable Service Rider)

FAILURE TO CURTAIL.

If the Customer fails to fully comply with a request for curtailment under the provisions of this Rider, then the Noncompliance Demand shall be the difference between the maximum 15-minute integrated demand during the curtailment period and the Non-PCS Demand. Noncompliance Energy shall be the Noncompliance Demand multiplied by the number of hours for the curtailment period. Noncompliance Energy shall be billed at a rate equal to the applicable Curtailment Credit for the curtailment period during which the Customer failed to fully comply.

TERM.

Contracts under this Rider may be made for an initial period of 1 season and shall remain in effect thereafter until either party provides to the other at least 30 days' written notice prior to the start of the next season of its intention to discontinue service under the terms of this Rider.

SPECIAL TERMS AND CONDITIONS.

Individual Customer information, including, but not limited to, PCS Contract Capacity and PCS Curtailment Options, shall remain confidential.

TARIFF N.U.G.
(Non-Utility Generator)

AVAILABILITY OF SERVICE.

This tariff is applicable to customers with generation facilities which have a total design capacity of over 1,000 kW that intend to schedule, deliver and sell the net electric output of the facility at wholesale, and who require Commissioning Power, Startup Power and/or Station Power service from the Company.

Service to any load that is electrically isolated from the Customer's generator shall be separately metered and provided in accordance with the generally available demand-metered tariff appropriate for such service to the Customer.

This tariff is not available for standby, backup, maintenance, or supplemental service for wholesale or retail loads served by customer's generator.

DEFINITIONS.

1. **Commissioning Power** - The electrical energy and capacity supplied to the customer prior to the commercial operation of the customer's generator, including initial construction and testing phases.
2. **Station Power** - The electrical energy and capacity supplied to the customer to serve the auxiliary loads at the customer's generation facilities, usually when the customer's generator is not operating. Station Power does not include Startup Power.
3. **Startup Power** - The electrical energy and capacity supplied to the customer following a planned or forced outage of the customer's generator for the purpose of returning the customer's generator to synchronous operation.

COMMISSIONING POWER SERVICE.

Customers requiring Commissioning Power shall take service under Tariff T.S. or by special agreement with the Company.

The Customer shall coordinate its construction and testing with the Company to ensure that the customer's operations do not cause any undue interference with the Company's obligations to provide service to its other customers or impose a burden on the Company's system or any system interconnected with the Company.

STATION POWER SERVICE.

Customers requiring Station Power shall take service under the generally available demand-metered tariff appropriate for the customer's Station Power requirements.

Station Contract Capacity – The Customer shall contract for a definite amount of electrical capacity in kW sufficient to meet the maximum Station Power requirements that the Company is expected to supply under the generally available demand-metered tariff appropriate for the customer.

STARTUP POWER SERVICE.

Customers requiring Startup Power have the option of contracting for such service under the terms of this tariff or under the generally available demand-metered tariff appropriate for the customer's Startup Power requirements.

Startup Contract Capacity – The Customer shall contract for a definite amount of electrical capacity in kW sufficient to meet the maximum Startup Power requirements that the Company is expected to supply.

Startup Duration – The Customer shall contract for a definite number of hours sufficient to meet the maximum period of time for which the Company is expected to supply Startup Power.

Startup Frequency – The Customer shall contract for a definite number of startup events sufficient to meet the maximum number of times per year that the Company is expected to supply Startup Power.

Other Startup Characteristics – The customer shall provide to the Company other information regarding the customer's Startup Power requirements, including, but not limited to, anticipated time-of-use and seasonal characteristics.

Notification Requirement - Whenever Startup Power is needed, the Customer shall provide advance notice to the Company.

(Cont'd. on Sheet No. 26-2)

TARIFF N.U.G. (Cont'd)
(Non-Utility Generator)

STARTUP POWER SERVICE. (cont'd)

Upon receipt of a request from the Customer for Startup Power Service under the terms of this tariff, the Company will provide the Customer a written offer containing the Notification Requirement, generation rates (including demand and energy charges) and related terms and conditions of service under which service will be provided by the Company. Such offer shall be based upon the Startup Contract Capacity, Startup Duration, Startup Frequency, and Other Startup Characteristics as specified by the customer. In no event shall the generation rates be less than the sum of the Tariff C.I.P.-T.O.D. Energy Charge, the Fuel Adjustment Clause, the System Sales clause, the Experimental Demand-Side Management Adjustment Clause, the Net Merger Savings Credit, Environmental Surcharge and the State Issues Stipulation charge. (T)

If the parties reach an agreement based upon the offer provided to the customer by the Company, a contract shall be executed that provides full disclosure of all rates, terms and conditions of service under this tariff, and any and all agreements related thereto.

Monthly Transmission and Distribution Rates

	Service Voltage		
	Subtransmission	Transmission	
Tariff Code	392	393	
Reservation Charge per kW	$4.59	$2.54	(I)

Reactive Demand Charge for each kiloVAR of maximum leading or lagging reactive demand in excess of 50% of the KW of monthly metered demand...$0 .72 per KVAR (I)

Delayed Payment Charge

This Tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

Monthly Billing Demand

The monthly billing demand in kW shall be taken each month as the highest single 15-minute integrated peak in kW as registered by a demand meter or indicator, less the Station Contract Capacity. The monthly billing demand so established shall in no event be less than the greater of (a) the Startup Contract Capacity or b) the customer's highest previously established monthly billing demand during the past 11 months.

Monthly Billing Energy

Interval billing energy shall be measured each 15-minute interval of the month as the total KWH registered by an energy meter or meters less the quotient of the Station Contract Capacity and four (4). In no event shall the interval billing energy be less than zero (0). Monthly billing energy shall be the sum of the interval billing energy for all intervals of the billing month.

(Cont'd on Sheet 26-3)

TARIFF N.U.G. (Cont'd)
(Non-Utility Generator)

TRANSMISSION SERVICE.

Transmission Provider – The entity providing transmission service to customers in the Company's service territory. Such entity may be the Company or a regional transmission entity.

Prior to taking service under this tariff, the Customer must have a fully executed Interconnection and Operation Agreement with the Company and/or the Transmission Provider or an unexecuted agreement filed with the Federal Energy Regulatory Commission under applicable procedures.

Should the Transmission Provider implement charges for Transmission Congestion, the Company shall provide 30 days written notice to the customer. Upon the expiration of such notice period, should the customer's use of Startup Power result in any charges for Transmission Congestion from the Transmission Provider, such charges, including any applicable taxes or assessments, shall be paid by or passed through to the customer without markup. Transmission Congestion is the condition that exists when market participants seek to dispatch in a pattern that would result in power flows that cannot be physically accommodated by the system.

TERM OF CONTRACT.

Contracts under this tariff will be made for an initial period of not less than one year and shall remain in effect thereafter until either party shall give at least 6 months' written notice to the other of the intention to terminate the contract. The Company reserves the right to require initial contracts for periods greater than one year.

A new initial contract period will not be required for existing customers who change their contract requirements after the original initial period unless new or additional facilities are required.

The Company may not be required to supply capacity in excess of that contracted for except by mutual agreement. Contracts will be made in multiples of 100 kW.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

This tariff shall not obligate the Company to purchase or pay for any capacity or energy produced by the Customer's generator.

Customers desiring to provide Startup and Station Power from commonly owned generation facilities that are not located on the site of the customer's generator (remote self-supply), shall take service under the terms and conditions contained within the applicable Open Access Transmission Tariff as filed with and accepted by the Federal Energy Regulatory Commission.

Tariff N.M.S. (Net Metering Service)

AVAILIBILITY OF SERVICE.

Available to customers who own and operate an eligible electric generating facility designed to operate in parallel with the Company's system. Customers served under this tariff must also take service from the Company under the applicable standard service tariff. The total rated generating capacity of all customers served under this tariff shall be limited to one tenth of one percent (0.1%) of the Company's single hour peak load during the previous year.

CONDITIONS OF SERVICE.

1. For the purposes of this tariff, an eligible customer-generator's electric generating facility must comply with all of the following requirements:
    a. generates electricity using only solar energy;
    b. has a rated capacity of not more than fifteen (15) kilowatts;
    c. is owned and operated by the customer and is located on the customer's premises;
    d. is intended for the primary purpose of supplying all or part of the customer's own electricity requirements; and
    e. is designed and installed to operate in parallel with the Company's electric distribution system without adversely affecting the operation of equipment and service of the Company and its customers and without presenting safety hazards to Company and customer personnel.

2. A Customer seeking to interconnect an eligible electric generating facility to the Company's system must submit to the Company's designated personnel a completed Interconnection Application, and a one-line diagram showing the configuration of the proposed net metering facility. The Company will provide copies of all applicable forms upon request.

3. An Interconnection Agreement between the Company and the eligible customer-generator must be executed before the net metering facility may be interconnected with the Company's system.

4. All generator equipment and installations must comply with the Company's Technical Requirements. All generator equipment shall be installed in accordance with the manufacturer's specifications as well as all applicable provisions of the National Electrical Code and state and local codes. All generator equipment and installations shall comply with all applicable safety, performance and power quality standards established by the National Electrical Code, the Institute of Electrical and Electronic Engineers and accredited testing laboratories.

5. The Customer shall provide the Company proof of qualified installation of the net metering facility. Certification by a licensed electrician shall constitute acceptable proof.

6. The Customer shall install, operate, and maintain the electric generating facility in accordance with the manufacturer's suggested practices for safe, efficient, and reliable operation in parallel with the Company's system.

(Cont'd on Sheet 27-2)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Services rendered on and after October 28, 2005

ISSUED BY E. K. WAGNER (NAME) DIRECTOR REGULATORY SERVICES (TITLE) FRANKFORT, KENTUCKY (ADDRESS)

Issued pursuant to an Order by the Public Service Commission in Case No. 2005- dated

Tariff N.M.S. (Net Metering Service) (Cont'd)

7. The Customer must provide a visibly open, lockable, manual disconnect switch, which is accessible by the Company and is clearly labeled.

8. The Company may, at its own discretion, isolate any electric generating facility if the Company has reason to believe that continued interconnection with the electric generating facility creates or contributes to a system emergency.

9. The Company may perform reasonable on-site inspections to verify the proper installation and continuing safe operation of the net metering facility and the interconnection facilities, at reasonable times and upon reasonable advance notice to the net metering customer.

10. A customer operating an electric generating facility shall maintain homeowners, commercial or other insurance providing coverage in the amount of at least one hundred thousand dollars ($100,000) for the liability of the insured against losses or damages arising from the use of the customer's electric generating facility. The customer must submit evidence of such insurance to the Company with the Interconnection Application. The Company's receipt of evidence of liability insurance does not imply an endorsement of the terms and conditions of the coverage.

11. An eligible customer-generator installation is transferable to other persons or service locations only upon notification to the Company and verification that the installation is in compliance with all applicable safety and power quality standards. All other conditions of service apply.

METERING.

Net energy metering shall be accomplished using a standard kilowatt-hour meter capable of measuring the flow of electricity in two (2) directions. If the existing electrical meter installed at the customer's facility is not capable of measuring the flow of electricity in two directions, the customer shall be responsible for all expenses for the purchase and installation of an appropriate meter or meters with such capability. In the case where two meters are used, the reading of the meter measuring the flow of energy from the customer to the Company shall be subtracted from the reading of the meter measuring the flow of energy from the Company to the customer to obtain a measurement of net kWh for billing purposes.

MONTHLY CHARGES.

Monthly charges for energy, and demand where applicable, to serve the customer's net or total load shall be determined according to the Company's standard service tariff under which the customer would otherwise be served, absent the customer's electric generating facility. Energy charges under the customer's standard tariff shall be applied to the customer's net energy for the billing period to the extent that the net energy exceeds zero. If the customer's net energy is zero or negative during the billing period, the customer shall pay only the non-energy charge portions of the standard tariff bill. If the customer's net energy is negative during a billing period, the customer shall be credited in the next billing period for the kWh difference. If time-of-day metering is used, energy flows in both directions shall be netted and accounted for at the specific time-of-use in accordance with the provisions of the customer's standard tariff and this Net Metering Service Tariff. When the customer elects to no longer take service under this Net Metering Service Tariff, any unused credit shall revert to the Company. Excess electricity credits are not transferable between customers or locations.

(Cont'd on Sheet 27-3)

Tariff N.M.S. (Net Metering Service) (Cont'd)

OTHER CHARGES.

The customer is responsible for all equipment and installation costs of the electric generating facility.

As specified in the Interconnection Application, the customer must pay a non-refundable application fee of $50. This fee includes the cost of inspection of the customer's electric generating facility if the Company deems such inspection necessary.

Should the Company determine that an interconnection study is required, the Company will advise the customer of the estimated additional cost of performing such study. Upon payment by the customer of the estimated study costs, the Company will proceed with the interconnection study to determine if installation of the customer's electric generating facility will have significant impact on the Company's system.

Should construction or upgrades of the Company's system be required in order to interconnect the customer's electric generating facility, additional charges to cover costs incurred by the Company shall be determined by the Company and paid by the customer.

The customer shall pay any additional charges, as determined by the Company, for equipment, labor, metering, testing or inspections requested by the customer.

TERM OF CONTRACT.

Any contract required under this tariff shall be the same as that required under the customer's applicable standard service tariff.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service and all provisions of the standard service tariff under which the customer takes service.

TECHNICAL REQUIREMENTS.

The technical requirements for interconnection of Net Metering Installations to the Company Distribution System are as follows: Interconnection enables the Net Metering Installation to operate in parallel with the Company Distribution System. An Interconnection Application Screening and Interconnection Study, as described in Company's Interconnection Procedures, are used to determine the impact of the Net Metering Installation on the Company Distribution System beyond the Point of Common Coupling.

The standard, IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems", contains the majority of the technical requirements necessary for interconnection. IEEE 1547 is limited to an aggregate capacity of 10 MVA or less interconnected at typical primary and/or secondary voltages. IEEE 1547 does not address planning, designing, operating, or maintaining the utility's distribution system and it does not identify or address all of the potential system impact the proposed Net Metering Installation may create beyond the Point of Common Coupling. Due to the limitations of IEEE 1547, additional technical requirements are contained herein.

(Cont'd on Sheet 27-4)

Tariff N.M.S. (Net Metering Service) (Cont'd)

TECHNICAL REQUIREMENTS. (Cont'd)

These Technical Requirements are supplementary to and do not intentionally conflict with or supersede applicable laws, ordinances, rules or regulations established by Federal, State and other governmental bodies. The Customer is responsible for conforming to all applicable laws, ordinances, rules or regulations established by Federal, State and other governmental bodies. Additional requirements for interconnection may be imposed by the Transmission System Operator to address Transmission System operating issues related to the proposed Net Metering Installation. Additional requirements may also be necessary to comply with the requirements of other approved tariffs associated with the Company or other third parties providing services.

To assure that the safety, reliability and power quality of the Distribution system is not degraded by the interconnection of the Net Metering Installation:

1) The Net Metering Installation shall comply with the Technical Requirements stated herein.

2) Any Distribution System modifications and/or modifications to the Net Metering Installation identified by the Interconnection Study, as described in the Interconnection Procedures, shall be completed.

3) The Net Metering Installation shall be operated and maintained as agreed upon by the parties.

The Net Metering Installation shall comply with the requirements specified in IEEE 1547, "Standard for Interconnecting Distributed Resources with Electric Power Systems" and the other technical requirements stated herein.

IEEE publications are available from the Institute of Electrical and Electronics Engineers, 443 Hoes Lane, P.O. Box 1331, Piscataway, NJ 08855-1331 (http://standards.ieee.org/).

EQUIPMENT DESIGN REQUIREMENTS

Data for all major equipment proposed by the Customer to satisfy the Technical Requirements must be submitted for review and approval by the Company with the completed Interconnection Application. To facilitate review and approval, the Company will maintain a list of Pre-certified Equipment. The Company's List of Pre-certified Equipment is available upon request and contains Pre-certified Equipment types, makes and models of manufactured generating equipment and interconnection system components. This listing is based upon equipment certified by recognized national testing laboratories as suitable for interconnection with a distribution system based upon compliance with IEEE Standard 1547. Suitability for interconnection does not imply that Pre-certified Equipment may be interconnected without a study to determine system impact.

The use of equipment that is not Pre-certified may delay the Company's review and approval of the Customer's design. All interconnection equipment must be approved by the Company prior to being connected to the Company's Distribution System and before parallel operation is allowed.

The interconnection system hardware and software design requirements in the Technical Requirements are intended to assure protection of the Company's Distribution System. Any additional hardware and software necessary to protect equipment at the generation facility is solely the responsibility of the Customer to determine, design, and apply.

(Cont'd on Sheet 27-5)

Tariff N.M.S. (Net Metering Service) (Cont'd)

TECHNICAL REQUIREMENTS. (Cont'd)

ISOLATING DEVICE

A group-operated isolating device must be located at the Point of Common Coupling. The isolating device must be accessible to the Company's personnel at all times and be suitable for use by the Company as a protective tagging location. The isolating device shall have a visible open gap when in the open position and be capable of being locked in the open position. The isolating device must comply with the applicable current standard that specifies the requirements for circuit breakers, reclosers and interrupting switches.

VOLTAGE UNBALANCE

Voltage unbalance is the maximum phase deviation from average as specified in ANSI C84.1.

The Customer is responsible for operating the proposed Net Metering Installation such that the voltage unbalance attributable to the Net Metering Installation shall not exceed 2.5% at the Point of Common Coupling.

INSTALLATION, MAINTENANCE AND TESTING

The Company reserves the right to witness Compliance Testing at the time of installation and maintenance testing of the interconnection system for compliance with the requirements of IEEE 1547.

The Customer is responsible for the periodic scheduled maintenance on the Net Metering Installation's interconnection system (relays, interrupting devices, control schemes, and batteries that involve the protection of the Company's Distribution System). A periodic maintenance program is to be established in accordance with the requirements of IEEE 1547. The Company may examine copies of the periodic test reports or inspection logs associated with the periodic maintenance program. Upon request Company shall be informed of the next scheduled maintenance and be able to witness the maintenance performed and any associated testing. For each test, a record shall be kept indicating the results of the tests made and the "as found" and "as left" calibration values. Visually setting, without verification, a calibration dial or tap is not considered an adequate calibration check.

The Company reserves the right, at the Company's initial expense, to install special test equipment as may be required to perform a disturbance analysis and monitor the operation and control of the Net Metering Installation to evaluate the quality of power produced by the Net Metering Installation.

(Cont'd on Sheet 27-6)

AEP KENTUCKY POWER
A unit of American Electric Power

APPLICATION FOR NET METERING INTERCONNECTION WITH THE Kentucky Power Company DISTRIBUTION SYSTEM

Customer's Name: ______________________________

Address: ______________________________

Contact Person: ______________________________

Telephone Number(s): ______________________________

E-Mail Address: ______________________________

Service Location Address: ______________________________

Information Prepared and Submitted By: ______________________________

____
(Name, Address, and E-Mail Address)

Expected Energizing and Start-up Date: ______________________________

SOLAR GENERATOR'S INVERTER DATA

Manufacturer and Model: ______________________________

Kilowatt Rating: ______________ *(95° F at location)*

Kilovolt-Ampere Rating:: ______________ *(95 ° F at location)*

Voltage Rating: ______________ Ampere Rating: ______________

Have all necessary government permits and approvals been obtained for the project prior to this application?____**Yes**

Attach the following: One-line electrical diagram; layout sketch showing the physical location of the lockable, visible disconnect switch; and inverter specifications showing manufacturer test results documenting conformance with Company's technical requirements.

Attach application filing fee: $50 *(Check is payable to Kentucky Power Company. Send application and fee to: Kentucky Power Company, Attention: Manager of Customer Services, 12333 Kevin Avenue, Ashland, KY 41102)*

Name: ______________________________

Signature: ______________________________

Title: ______________________________

Date: ______________________________

TARIFF S.I.S.
(State Issues Settlement)

AVAILABILITY OF SERVICE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L. and S.L. (N)

RATE.

	Service Tariff	
	All Other	C.I.P.-T.O.D.
Energy Charge per KWH per month	$0.000824	$0.000508

RATE CALCULATION.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2004-00420 and the Settlement and Stipulation Agreement dated October 20, 2004 as filed and approved by the Commission, Kentucky Power Company is to recover from retail ratepayers the supplemental annual payments tied to the 18-year extension of the Rockport Unit Power Agreement (USPA). Kentucky Power will apply surcharges designed to enable recovery from each tariff class of customers, an annual supplemental payment of $5.1 million annually in Years 2005 through 2009, and then increases to $6.2 million annually in Years 2010 through 2021, and then decreases to $5,792,329 in Year 2022.

2. Kentucky Power will be entitled to receive these annual supplemental payments in addition to the base retail rates established by the Commission. The costs associated with the underlying Rockport Unit 1 and 2 UPSA will continue to be included in base rates.

3. The increased annual revenues will be generated by two different KWH rates, one for CIP-TOD tariff customers and one for All Other tariff customers.

4. The allocation of the additional revenues to be collected from the CIP-TOD tariff customers and All Other tariff customers will be based upon the total annual revenue of each of the two-customer classes. Once the additional revenues have been allocated between the two customer classes based upon total annual Kentucky retail revenue, the additional revenue will be collected within the two customer classes (CIP-TOD and All Other tariffs) on a KWH basis. The KWH rate to be applied to each of these two customer class groups shall be sufficient to generate that portion of the total increase in annual revenues equal to the percentage of total annual revenues produced by each of the two customer class groups (CIP-TOD and All Other tariffs).

5. The Stipulation and Settlement Agreement is made upon the express agreement by the Parties that the receipt by Kentucky Power of the additional revenues called for by Section III(1)(a) and III(1)(b) shall be accorded the ratemaking treatment set out in Section III. In any proceeding affecting the rates of Kentucky Power during the extension of the UPSA under this Stipulation and Settlement Agreement, the provisions of Section III are an express exception to Section VI(4) of the Stipulation and Settlement Agreement.

6. The State Issues Settlement surcharges will be applied to bills monthly and will be shown on the Customer's bill as a separate line item. (N)

ENVIRONMENTAL SURCHARGE (E.S.)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L. (T)

RATE.

1. The environmental surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period as provided in Paragraph 6 below and in the current period according to the following formula:

$$\text{Monthly Environmental Surcharge Factor} = \frac{\text{Net KY Retail E(m)}}{\text{KY Retail R(m)}}$$

Where:

Net KY Retail E(m)	=	Monthly E(m) allocated to Kentucky Retail Customers, net of Over/(Under) Recovery Adjustment; Allocation based on Percentage of Kentucky Retail Revenues to Total Company Revenues in the Expense Month. (For purposes of this formula, Total Company Revenues do not include Non-Physical Revenues.)
KY Retail R(m)	=	Kentucky Retail Revenues for the Expense Month.

2. Monthly Environmental Surcharge Gross Revenue Requirement, E(m)

$$E(m) = CRR - BRR$$

Where:

CRR	=	Current Period Revenue Requirement for the Expense Month.
BRR	=	Base Period Revenue Requirement.

3. Base Period Revenue Requirement, BRR

$$BRR = ((RB_{KP(B)})(ROR_{KP(B)})/12) + OE_{KP(B)} + [((RB_{IM(B)})(ROR_{IM(B)})/12) + OE_{IM(B)}](.15)$$

Where:

$RB_{KP(B)}$	=	Environmental Compliance Rate Base for Big Sandy
$ROR_{KP(B)}$	=	Annual Rate of Return on Big Sandy Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
$OE_{KP(B)}$	=	Monthly Pollution Control Operating Expenses for Big Sandy.
$RB_{IM(B)}$	=	Environmental compliance Rate Base for Rockport
$ROR_{IM(B)}$	=	Annual Rate of Return on Rockport Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
$OE_{IM(B)}$	=	Monthly Pollution Control Operating Expenses for Rockport.

"KP(B)" identifies components from the Big Sandy Units – Base Period, and "IM(B)" identifies components from the Indiana Michigan Power Company's Rockport Units – Base Period.

The Rate Base for both Kentucky Power and Rockport should reflect the account balances as of June 30, 2005. The Operating Expense amounts should reflect the June 30, 2005 expense. The amounts reflect retirements or replacements resulting from the 1997 Plan, the 2003 Plan and the 2005 Plan. (T)

(Continued on Sheet 29-2)

KENTUCKY POWER COMPANY

ORIGINAL SHEET NO. 29-2
CANCELING __________ SHEET NO. 29-2

P.S.C. Electric No. 8

ENVIRONMENTAL SURCHARGE (E.S.) (Cont'd)

RATE (Cont'd)

The Rate of Return for Kentucky Power is a weighted average cost of capital calculation, reflecting the cost of debt as of June 30, 2005 and the rate of return on common equity authorized in Case No. 2005-00068. The Kentucky Power component in the Base Period Revenue Requirement is a result of the adoption of the Commission's Order in Case No. 2005-00341. As Kentucky Power's last general rate case had been settled, Kentucky Power proposed and the Commission accepted the use of the rate of return on common equity established in Case No. 2005-00068. (T)

The Rate of Return for Rockport should reflect the requirements of the Rockport Unit Power Agreement.

The Base Period Revenue Requirement will remain fixed until either a) a 2-year review case results in the roll-in of the surcharge into existing base rates, or b) further retirements or replacements of pollution control utility plant occur due to the installation of new pollution control utility plant associated with the approved compliance plan.

4. Current Period Revenue Requirement, CRR

$$CRR=[((RB_{KP(c)})(ROR_{KP(c)})/12) + OE_{KP(c)} + [((RB_{IM(c)})\ (ROR_{IM(c)})/12) + OE_{IM(c)}]\ (.15) - AS]\text{-}MEBC$$ (T)

Where:

$RB_{KP(C)}$	=	Environmental Compliance Rate Base for Big Sandy.
$ROR_{KP(C)}$	=	Annual Rate of Return on Big Sandy Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
$OE_{KP(C)}$	=	Monthly Pollution Control Operating Expenses for Big Sandy.
$RB_{IM(C)}$	=	Environmental Compliance Rate Base for Rockport.
$ROR_{IM(C)}$	=	Annual Rate of Return on Rockport Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
$OE_{IM(C)}$	=	Monthly Pollution Control Operating Expenses for Rockport.
AS	=	Net proceeds from the sale of SO_2 emission allowances, ERCs, and NOx emission allowances, reflected in the month of receipt. The SO_2 allowance sales can be from either EPA Auctions or the AEP Interim Allowance Agreement Allocations.
MEBC	=	Monthly Environmental Base Costs see paragraph 6 below (T)

"KP(C)" identifies components from the Big Sandy Units – Current Period, and "IM(C)" identifies components from the Indiana Michigan Power Company's Rockport Units – Current Period.

The Rate Base for both Kentucky Power and Rockport should reflect the current costs associated with the 1997 Plan and the 2003 Plan. The Rate Base for Kentucky Power should also include a cash working capital allowance based on the 1/8 formula approach, due to the inclusion of Kentucky Power's accounts receivable financing in the capital structure and weighted average cost of capital. The Operating Expenses for both Kentucky Power and Rockport should reflect the current operating expenses associated with the 1997 Plan, the 2003 Plan and the 2005 Plan. (T)

The Rate of Return for Kentucky Power is the weighted average cost of capital as authorized by the Commission in Case No. 2005-00341. (T)

(Cont'd on Sheet 29-3)

DATE OF ISSUE October 7, 2005 DATE EFFECTIVE Service rendered on or after October 27, 2005

ISSUED BY E.K.WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2005-00341 dated

ENVIRONMENTAL SURCHARGE (E.S.)

RATE (Cont'd)

The Rate of Return for Rockport should reflect the requirements of the Rockport Unit Power Agreement.

Net Proceeds from the sale of emission allowances and ERCs that reflect net gains will be a reduction to the Current Period Revenue Requirement, while net losses will be an increase.

The Current Period Revenue Requirement will reflect the balances and expenses as of the Expense Month of the filing.

5. Environmental costs "E" shall be the Company's costs of compliance with the Clean Air Act and those environmental requirements that apply to coal combustion wastes and by-products, as follows:

(a) cost associated with Continuous Emission Monitors (CEMS)

(b) costs associated with the terms of the Rockport Unit Power Agreement

(c) the Company's share of the pool capacity costs associated with Gavin scrubber(s)

(d) return on SO_2 allowance inventory

(e) costs associated with air emission fees

(f) over/under recovery balances between the actual costs incurred less the amount collected through the environmental surcharge

(g) costs associated with any Commission's consultant approved by the Commission

(h) costs associated with Low Nitrogen Oxide (NO_x) burners at the Big Sandy Generating Plant

(i) costs associated with the consumption of SO_2 allowances

(j) costs associated with the Selective Catalytic Reduction (SCR) at the Big Sandy Generating Plant

(k) costs associated with the upgrade of the precipitator at the Big Sandy Generating Plant

(l) costs associated with the over-fire air with water injection at the Big Sandy Generating Plant

(m) costs associated with the consumption of NO_x allowances

(n) return on NO_x allowance inventory

(o) 25% of the costs associated with the Reverse Osmosis Water System (the amount is subject to adjustment at subsequent 6 month surcharge reviews based on the documented utilization of of the RO Water System by the SCR)

(p) costs associated with operating approved pollution control equipment

(Cont'd on Sheet 29-4)

ENVIRONMENTAL SURCHARGE (E.S.)

(q) costs associated with maintaining approved pollution control equipment including material and contract labor (excluding plant labor)

(r) the Company's share of the pool Capacity costs associated with the following:

- Amos Unit No. 3 CEMS, Low NO_x Burners and SCR
- Cardinal Unit No 1 CEMS, Low NO_x Burners and SCR
- Gavin Plant SCR and SCR Catalyst Replacement
- Gavin Unit No 1 and 2 Low NO_x Burners
- Kammer Unit Nos 1,2 and 3 CEMS, Over Fire Air and Duct Modification
- Mitchell Unit Nos 1 and 2 Water Injection, Low NO_x burners and Low NO_x burner Modification
- Mitchell Plant Common CEMS, Replace Burner Barrier Valves
- Muskingum River Unit No 1 Low NO_x Ductwork, Over Fire Air , Over Fire Air Modification, Water Injection and Water Injection Modification
- Muskingum River Unit No 2 Low NO_x Ductwork, Over Fire Air, Over Fire Air Modification and Water Injection
- Muskingum River Unit No 3 Over Fire Air, Over Fire Air Modification with NO_x Instrumentation
- Muskingum River Unit No 4 Over Fire Air with Modification
- Muskingum River Unit No 5 Low NO_x Burner with Modification and Weld Overlays and an SCR
- Muskingum River Common CEMS
- Phillip Sporn Unit No 2 Low NO_x Burners with Modifications
- Phillip Sporn Unit No 4 and 5 Low NO_x Burners and Modulating Injection Air system with Modifications
- Phillip Sporn Common CEMS and SO_3 injection system
- Rockport Unit No 1 and 2 Low NO_x Burners

(Cont'd on Sheet 29-5)

ENVIRONMENTAL SURCHARGE (E.S.)

- Tanners Creek Unit No 1 Low NO_x Burners, with Modifications and Low NO_x Burners Leg Replacement
- Tanners Creek Unit No 2 and 3 Low NO_x Burners with Modifications
- Tanners Creek Unit No 4 Over Fire Air, Low NO_x Burners and ESP Controls Upgrade
- Tanners Creek Common CEMS
- Title V Air Emission Fees at Amos, Cardinal, Gavin, Kammer, Mitchell, Muskingum River, Phillip Sporn, Rockport and Tanners Creek plants.

6. The base monthly net cost from environmental compliance is as follows:

Billing Month	Base Net Environmental Costs
JANUARY	$2,531,784
FEBRUARY	3,003,995
MARCH	2,845,066
APRIL	2,095,535
MAY	1,514,859
JUNE	1,913,578
JULY	2,818,212
AUGUST	2,342,883
SEPTEMBER	2,852,305
OCTOBER	2,818,975
NOVEMER	2,598522
DECEMBER	1,407,969

(N)

(N)

7. The monthly environmental surcharge shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all necessary supporting data to justify the amount of the adjustments which shall include data and information as may be required by the Commission.

TARIFF N.C.R.
(Net Congestion Recovery)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L. (N)

RATE.

1. When the annual net congestion costs are above or below the annual base net costs from congestion, as provided in paragraph 3 below, an additional credit or charge equal to the product of the kWhs and a net congestion recovery factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

$$\text{Net Congestion Recovery Factor (A)} = (Ty - Tb) / Sy + BAF$$

In the above formula "T" is Kentucky Power Company's (KPCo) annual net costs from congestion in the current (y) and base (b) periods, and "S" is the kWh sales in the current (y) period, all defined below.

2. The current period is defined as the 12 months ended September 30th each year. The net congestion costs for the current period is the difference between (implicit?) congestion costs and revenues from Financial Transmission Rights (FTR) and Auction Revenue Rights (ARR) as recorded on KPCo's books in account 447.

3. The base annual net congestion cost is $(3,002,352).

4. The kWh sales shall be the total ultimate kWh sales to retail customers for the current period.

5. The Net Congestion Recovery Factor (A) shall change annually on January 1st.

6. A Balancing Adjustment Factor (BAF) will be calculated on a per kWh basis for the second through the twelfth months of the year, which reconciles any over- or under-collection of additional revenues from prior periods. The BAF will be determined by dividing the difference between amounts which were expected to be collected and the amounts actually collected from the application of this tariff from the previous year by the expected Kentucky retail jurisdictional kWh.

7. For 2007 the Net Congestion Recovery Factor shall equal the difference between the current and base period net congestion costs times the number of months (n) that Tariff N.C.R. is in effect during the current period divided by 12. That product is divided by the kWh sales in the current period. The formula is shown below:

$$\text{Net Congestion Recovery Factor (A)} = (Ty - Tb) * (n/12) / Sy$$ (N)