

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENTS IN)
ELECTRIC RATES OF) CASE NO. 2005-00341
KENTUCKY POWER COMPANY)

O R D E R

Pending before the Commission are three motions, one filed by the Attorney General's Office ("AG") and two filed by Kentucky Power Company ("Kentucky Power"). The AG's motion requests that Kentucky Power be compelled to fully respond to the AG's data request Nos. 1-179 and 1-180 or, in the alternative, that Kentucky Power's rate application be rejected as deficient for failing to comply with Commission regulation 807 KAR 5:001, Section 10(6)(u). The AG's data request Nos. 1-179 and 1-180 sought, in an electronic format, a copy of Kentucky Power's cost-of-service study, including supporting software, as well as all calculations, assumptions, and workpapers used to prepare that study.

The AG states that Kentucky Power declined to provide the requested information because to do so would violate licensing agreements. However, absent the requested information, the AG claims it is impossible to determine whether Kentucky Power's cost-of-service study is "based on a methodology generally accepted within the industry and based on current and reliable data from a single time period," as required by 807 KAR 5:001, Section 10(6)(u).

Kentucky Power filed a response in opposition to the motion, stating that the AG had originally been provided with the electronic files containing all inputs and outputs to Kentucky Power's cost-of-service study. Kentucky Power states that it subsequently received authorization from the software developer to provide the AG with a laptop computer containing the cost-of-service software utilized in this case. Additionally, Kentucky Power states that it has sponsored a witness in support of its cost-of-service study and that witness will be available at the hearing in this case to respond to questions related to the study.

Based on the motion and being otherwise sufficiently advised, the Commission finds that Kentucky Power's responses to the AG's data request Nos. 1-179 and 1-180, including the furnishing of a copy of the cost-of-service study software, are reasonable and satisfy Kentucky Power's good faith obligation to respond to discovery requests. Consequently, the Commission finds no basis to compel Kentucky Power to provide further responses to these data requests.

In determining whether Kentucky Power's rate application should be rejected for failing to comply with the filing requirements for a general adjustment in rates, Commission regulation 807 KAR 5:001, Section 2(2), authorizes the rejection of "any document which on its face does not comply with the rules and regulations of the Commission." The regulation at issue here, 807 KAR 5:001, Section 10(6)(u), requires a cost-of-service study that is based on a methodology generally accepted within the industry and based on current and reliable data from a single time period. The cost-of-service study utilized by Kentucky Power is described in the prepared direct testimony of its witness, Larry C. Foust. The study is based on a twelve coincident peak ("CP")

methodology, the same methodology Kentucky Power utilized in its last rate case. The Commission has previously accepted the use of a twelve CP methodology, and this methodology is one that is generally accepted in the industry.

The description of Kentucky Power's cost-of-service study, as set forth in the Foust direct testimony and supporting schedules, indicates that the study utilized information and data contained on Kentucky Power's books and records for the 12 months ending June 30, 2005. There is nothing on the face of Kentucky Power's cost-of-service study to indicate that it is not based on current and reliable data from a single time period. Thus, the Commission finds no basis to grant the AG's alternative relief in the form of rejecting Kentucky Power's rate application for failing to comply with the filing requirements applicable to a cost-of-service study.

The motions filed by Kentucky Power requests authority to: (1) substitute a revised response to the data request of Kentucky Industrial Utility Customers, Inc. ("KIUC"), Second Set, Item No. 49, for the original response which was provided to a different party; and (2) substitute its data requests to the AG and KIUC as filed on January 19, 2006 for those originally filed on January 18, 2006 to correct the numbering scheme. Since these substituted filings reflect no substantive changes, the Commission finds good cause and will grant the motion.

IT IS THEREFORE ORDERED that:

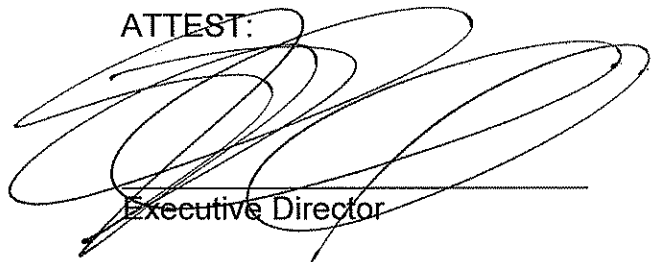
1. The AG's motion to compel further data responses or to reject the rate application is denied.

2. The motions filed by Kentucky Power to file a revised data response and to revise its data requests as filed on January 19, 2006 for those filed on January 18, 2006 are granted.

Done at Frankfort, Kentucky, this 27th day of January, 2006.

By the Commission

ATTEST:



Executive Director