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January 13, 2006

Honorable Mark R. Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KY 40602-0634

RE: Case No. 2006-00006

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Beth O'Donnell
Executive Director

BOD/sh
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF UTILITY DEPOSIT AGREEMENT BETWEEN KENTUCKY POWER COMPANY AND KES ACQUISITION COMPANY LLC AS A SPECIAL CONTRACT AND REQUEST FOR DEVIATION FROM RULES	)))))	CASE NO. 2006-00006

O R D E R

On December 29, 2005, Kentucky Power Company ("Kentucky Power") filed its Utility Deposit Agreement ("Agreement") with KES Acquisition Company LLC ("KES") as a special contract pursuant to 807 KAR 5:006, Sections 13 and 14. It further applied to the Commission for permission to deviate from 807 KAR 5:006, Sections 6 and 14, and from those provisions of its tariff that are contrary to the Agreement. Pursuant to its terms, the Agreement will become effective on January 16, 2006, with the first payment due on that date.

The Agreement primarily governs the deposit, billing, and termination-of-service terms of Kentucky Power's provision of electric service to KES. In the Agreement, Kentucky Power agreed to accept a deposit from KES that is less than two-twelfths of KES's estimated annual usage. In return KES agreed, among other things, to make bi-monthly electronic payments to streamline termination-of-service procedures and to restrict its rights against Kentucky Power in the event it files a bankruptcy petition.

Pursuant to KRS 278.180(1), no change can be made in any rate[1] by a utility except upon 30 days' notice to the Commission. Therefore, although Kentucky Power proposed that the new payment methods required under the Agreement commence on January 16, 2006, the Agreement cannot lawfully become effective before January 28, 2006.

Based upon a review of the application, the Commission finds that further investigation is necessary to determine whether the proposed Agreement is reasonable, and that investigation cannot be concluded by January 28, 2006. Pursuant to KRS 278.190(2), the Commission will suspend the new charges for 5 months, to become effective June 27, 2006.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed Agreement with KES is suspended through June 27, 2006.

2. Kentucky Power shall file with the Commission, no later than 10 days from the date of this Order, the original and 6 copies of the information requested in Appendix A of this Order. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to

[1] KRS 278.010(12) defines a rate as "any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof." The Agreement contains provisions that relate to the payment of charges. It requires KES to make electronic bi-monthly payments. In addition, the proposed Agreement requires a deviation from Commission regulations. Until that deviation is granted, the Agreement's provisions cannot be implemented.

questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

Done at Frankfort, Kentucky, this 13th day of January, 2006.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00006 DATED January 13, 2006.

1. State the reasons for Kentucky Power's belief that the Utility Deposit Agreement is necessary.

2. Explain whether KES currently has a deposit securing its account with Kentucky Power.

a. If KES currently has a deposit with Kentucky Power, provide the amount and date of the deposit.

b. If KES does not have a deposit with Kentucky Power, explain the reason in detail.

3. As applicable, provide the names and addresses of the owners of the facilities that are now operated by KES ("Facilities").

4. Explain whether electric consumption is expected to increase or decrease under current KES ownership of the Facilities and your reasons for such belief.

5. Provide the deposit amount required of the former owner of the Facilities and state the amount of the deposit, if any, that was forfeited.

6. Provide a record of the prior 12 months' payment history of the prior owner and any current/successor owner of the Facilities. Identify by date and amount any payment that was late or delinquent and when such payment was made.

7. Provide the monthly kWh usage and monthly billing amount for KES, or its predecessor, for the most recent 12-month period available.

8. Explain how Kentucky Power determined that $150,000 is the proper deposit amount required to protect its interests. Provide all supporting calculations and workpapers necessary to arrive at the $150,000 deposit requirement.

9. Provide the amount of the deposit required if calculated at 2/12ths and 3/12ths of the customer's actual or estimated bill. Provide all calculations performed to arrive at the deposit amount.

10. Explain whether Kentucky Power routinely requires special deposit arrangements for its industrial customers, or if the proposed deposit arrangement with KES is unusual or unique.

11. Identify all bankruptcy and other legal proceedings that reflect on the credit worthiness under the current and former ownership of KES Facilities.

12. Will Kentucky Power pay interest on this deposit?

a. If yes, explain why there are no provisions in the proposed deposit arrangement for the payment of interest on the deposit.

b. Explain how interest will be accrued and paid on this deposit.