

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION PURSUANT TO 1994)
HOUSE BILL NO. 501 FOR THE APPROVAL OF)
AMERICAN ELECTRIC POWER / KENTUCKY POWER)
COMPANY COLLABORATIVE DEMAND-SIDE)
MANAGEMENT PROGRAMS, AND FOR AUTHORITY) Case No.
TO IMPLEMENT A TARIFF TO RECOVER COSTS,) 2007-00371
NET LOST REVENUES AND RECEIVE INCENTIVES)
ASSOCIATED WITH THE IMPLEMENTATION OF THE)
KENTUCKY POWER COMPANY COLLABORATIVE)
DEMAND-SIDE MANAGEMENT PROGRAMS)

O R D E R

This matter comes before the Commission through the August 15, 2007 filing of American Electric Power d/b/a Kentucky Power Company ("Kentucky Power") on behalf of its Demand-Side Management ("DSM") Collaborative.¹ The filing includes a revised tariff proposing an increased DSM surcharge for Kentucky Power's residential customers, to become effective September 27, 2007, and summary status reports on each of Kentucky Power's DSM programs through June 30, 2007.

Kentucky Power initially filed a revised DSM tariff which included an increase in the DSM surcharge factor for residential customers from \$.000152 per kWh to \$.000765

¹ The DSM Collaborative includes Kentucky Power, the Attorney General's Office, Kentuckians for the Commonwealth, Big Sandy Area Development District, Northeast Kentucky Area Development Council, Kentucky Tech Northeast Region, Christian Appalachian Project, Kentucky Division of Energy (as a result of restructuring within Kentucky state government, the Kentucky Division of Energy is now the Governor's Office of Energy Policy), Coleman Oil, Cedar Knoll Galleria, Kentucky Industrial Utility Customers, Big Sandy Area Community Action Program, LKLP – Community Action Council, Middle Kentucky River Area Development Council, Appalachian Regional Defense Fund, and Appalachian Service Project.

per kWh.² The revised DSM surcharge factor was calculated using the methodology proposed by Kentucky Power and approved by the Commission in previous Kentucky Power DSM cases. However, as a result of Case No. 2005-00341,³ Kentucky Power's base rates changed for the first time since Kentucky Power's DSM programs began. Due to this rate change, Kentucky Power subsequently proposed corresponding changes to the lost revenue factor component of the DSM adjustment clause factor. In its September 6, 2007 response to Commission Staff's data request, Kentucky Power decreased its proposed DSM factor to \$.000637 from the \$.000765 factor requested in its application. The reduction resulted from the change in the lost revenue calculations and an error that was discovered and corrected by Kentucky Power when it drafted its response.

The summary status reports describe year-to-date and program-to-date costs, as well as demand and energy savings attributed to each program through June 30, 2007. Kentucky Power's September 6, 2007 data response included corrected schedules affected by its recalculations. The filing also includes cost projections for the existing DSM programs agreed upon by the DSM Collaborative for calendar year 2008.

² Kentucky Power's DSM surcharge for commercial customers was discontinued on November 21, 2005 as approved by the Commission in Case No. 2005-00333, Joint Application Pursuant to 1994 House Bill No. 501 for Approval of American Electric Power/Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-side Management Programs.

³ Case No. 2005-00341, General Adjustments In Electric Rates of Kentucky Power Company, Order dated March 14, 2006.

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Kentucky Power has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on these programs.
2. Kentucky Power's revised residential DSM surcharge factor is reasonable as it reflects the ongoing level of DSM program costs and the true-up of prior-period DSM costs and revenues.

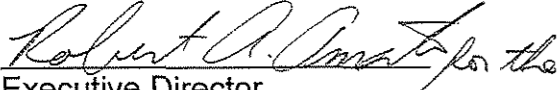
IT IS THEREFORE ORDERED that:

1. Kentucky Power's revised tariff containing a DSM surcharge factor of \$.000637 per kWh for residential customers is approved effective for service rendered on and after September 27, 2007.
2. Within 10 days from the date of this Order, Kentucky Power shall file a revised tariff showing the date of issue and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 20th day of September, 2007.

By the Commission

ATTEST:


Executive Director