

ACTUAL: April 2005

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY  
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.32933	7,631,600	(1,732,600)
KPCO	1,450,000	0.07838	1,816,300	(366,300)
I&M	5,100,000	0.18844	4,366,700	733,300
OPCO	8,129,000	0.23532	5,453,100	2,675,900
CSP	2,595,000	0.16853	3,905,300	(1,310,300)
<b>TOTAL</b>	<b>23,173,000</b>	<b>1.00000</b>	<b>23,173,000</b>	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,732,600)	***** + *****	(15,329,784)
KPCO	(366,300)	***** + *****	(3,240,968)
I&M	733,300	9.40 + 3.60	9,532,900
OPCO	2,675,900	5.32 + 2.39	20,631,189
CSP	(1,310,300)	***** + *****	(11,593,337)

EQUALIZATION CAPACITY RATE: 8.8478496421  
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: May 2005

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY  
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.32933	7,631,600	(1,732,600)
KPCO	1,450,000	0.07838	1,816,300	(366,300)
I&M	5,100,000	0.18844	4,366,700	733,300
OPCO	8,129,000	0.23532	5,453,100	2,675,900
CSP	2,595,000	0.16853	3,905,300	(1,310,300)
<b>TOTAL</b>	<b>23,173,000</b>	<b>1.00000</b>	<b>23,173,000</b>	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,732,600)	***** + *****	(15,370,909)
KPCO	(366,300)	***** + *****	(3,249,662)
I&M	733,300	9.40 + 3.09	9,158,917
OPCO	2,675,900	5.32 + 2.56	21,086,092
CSP	(1,310,300)	***** + *****	(11,624,438)

EQUALIZATION CAPACITY RATE: 8.8715854159  
 (This is the average \$/kW rate paid by deficit members.)

NOTES:

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: June 2005

PAGE (3)

**CALCULATION OF MEMBER PRIMARY CAPACITY  
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT**

MEMBER	MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)	MEMBER LOAD RATIO (APPENDIX I) (2)	PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)	SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)
APCO	5,899,000	0.32933	7,631,600	(1,732,600)
KPCO	1,450,000	0.07838	1,816,300	(366,300)
I&M	5,100,000	0.18844	4,366,700	733,300
OPCO	8,129,000	0.23532	5,453,100	2,675,900
CSP	2,595,000	0.16853	3,905,300	(1,310,300)
TOTAL	23,173,000	1.00000	23,173,000	

**MEMBER CAPACITY \$ SETTLEMENT**

MEMBER	SURPLUS (DEFICIT) CAPACITY KW (1)	CAPACITY RATE \$/kW * (2)	CREDIT (CHARGE) ** \$ (3)
TOTAL OF ALL ABOVE			
APCO	(1,732,600)	*****	(15,224,847)
KPCO	(366,300)	*****	(3,218,782)
I&M	733,300	9.40	9,085,587
OPCO	2,675,900	5.32	20,872,020
CSP	(1,310,300)	*****	(11,513,978)

EQUALIZATION CAPACITY RATE: 8.7872835269  
 (This is the average \$/kW rate paid by deficit members.)

**NOTES:**

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: July 2005  
 PERIOD

CALCULATION OF MEMBER PRIMARY CAPACITY  
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.32131	7,436,400	(1,537,400)
KPCO	1,450,000	0.07647	1,769,800	(319,800)
I&M	5,100,000	0.18616	4,308,500	791,500
OPCO	8,100,000	0.24456	5,660,100	2,439,900
CSP	2,595,000	0.17150	3,969,200	(1,374,200)
<b>TOTAL</b>	<b>23,144,000</b>	<b>1.00000</b>	<b>23,144,000</b>	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,537,400)	***** + *****	(13,490,194)
KPCO	(319,800)	***** + *****	(2,806,143)
I&M	791,500	9.40 + 2.78	9,640,470
OPCO	2,439,900	5.32 + 2.35	18,714,033
CSP	(1,374,200)	***** + *****	(12,058,166)

EQUALIZATION CAPACITY RATE: 8.7746806338

(This is the average \$/kW rate paid by deficit members.)

NOTES:

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members' having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
 Charges should be recorded in Account 555, Purchased Power.

ACTUAL: August 2005

PAGE (3)

CALCULATION OF MEMBER PRIMARY CAPACITY  
SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.31548	7,301,500	(1,402,500)
KPCO	1,450,000	0.07508	1,737,600	(287,600)
I&M	5,100,000	0.18278	4,230,300	869,700
OPCO	8,100,000	0.24374	5,641,100	2,458,900
CSP	2,595,000	0.18292	4,233,500	(1,638,500)
TOTAL	23,144,000	1.00000	23,144,000	

MEMBER CAPACITY \$ SETTLEMENT

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,402,500)	***** +	(12,504,493)
KPCO	(287,600)	***** +	(2,564,201)
I&M	869,700	9.40 +	10,792,977
OPCO	2,458,900	5.32 +	18,884,352
CSP	(1,638,500)	***** +	(14,608,635)

EQUALIZATION CAPACITY RATE: 8.9158592201

(This is the average \$/kW rate paid by deficit members.)

NOTES:

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
Charges should be recorded in Account 555, Purchased Power.

ACTUAL: September 2005

PAGE (3)

**CALCULATION OF MEMBER PRIMARY CAPACITY  
 SURPLUS/(DEFICIT) KW AND \$ SETTLEMENT**

<u>MEMBER</u>	<u>MEMBER PRIMARY CAPACITY KW (APPENDIX II) (1)</u>	<u>MEMBER LOAD RATIO (APPENDIX I) (2)</u>	<u>PRIMARY CAPACITY KW RESERVATION (SYS. KW) * (2) (3)</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (4) = (1) - (3)</u>
APCO	5,899,000	0.31188	7,244,700	(1,345,700)
KPCO	1,450,000	0.07423	1,724,300	(274,300)
I&M	5,100,000	0.18470	4,290,400	809,600
OPCO	8,100,000	0.24836	5,769,100	2,330,900
CSP	2,680,000	0.18083	4,200,500	(1,520,500)
<b>TOTAL</b>	<b>23,229,000</b>	<b>1.00000</b>	<b>23,229,000</b>	

**MEMBER CAPACITY \$ SETTLEMENT**

<u>MEMBER</u>	<u>SURPLUS (DEFICIT) CAPACITY KW (1)</u>	<u>CAPACITY RATE \$/kW * (2)</u>	<u>CREDIT (CHARGE) ** \$ (3)</u>
APCO	(1,345,700)	***** + *****	(12,684,559)
KPCO	(274,300)	***** + *****	(2,585,550)
I&M	809,600	9.40 + 3.93	10,791,968
OPCO	2,330,900	5.32 + 2.75	18,810,363
CSP	(1,520,500)	***** + *****	(14,332,222)

EQUALIZATION CAPACITY RATE: 9.4259929947

(This is the average \$/kW rate paid by deficit members.)

**NOTES:**

\* The sum of the Member's Primary Capacity Investment Rate (Appendix III) and the Member's Capacity Fixed Operating Rate (Appendix IV & V) applicable to Members having a Member Primary Capacity Surplus.

\*\* Credits should be recorded in Account 447, Sales for Resale.  
 Charges should be recorded in Account 555, Purchased Power.



**Kentucky Power Company**

**REQUEST**

With regard to the AEP Capacity Adjustments shown on Section V, S-4, page 30, and Mr. Wagner's testimony pages 38-39, please explain in which expense account the test year AEP Pool capacity payment of \$28,750,934 is recorded. If recorded in account 5550004, reconcile the amount of \$28,750,934 to the test year account 5550004 amount of \$29,084,203.

**RESPONSE**

The AEP Pool capacity payment of \$28,750,934 is recorded in account 5550004. The amounts shown on Section V, S-4, page 30, and Mr. Wagner's testimony pages 38-39 of \$28,750,934 are the actual charges for the test period. The \$29,084,203 recorded in account 5550004 reflects the actual charges recorded on a one-month lag basis. Each month the Company records an estimate for the current month along with an adjustment for the difference in the prior month's estimate to actual, which accounts for the difference.

**WITNESS:** Errol K Wagner





## Kentucky Power Company

### REQUEST

With regard to the 830 MW generation capacity addition associated with CSP's new generating unit shown on Section V, S-4, page 30, please provide the following information:

- a. When (year/month) will this generating unit be completed and incorporated in the Capacity Equalization Settlement calculations and what is the basis for this fact?
- b. When will the impact of this generating unit addition be reflected as an incremental AEP Pool Capacity charge to KPCo and what is the basis for this fact?
- c. Provide workpapers showing all calculations for the monthly incremental charges to KPCo shown in column (5) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
- d. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

### RESPONSE

- a. Columbus Southern Power Company (CSP) purchased the existing Waterford Combined Cycle Plant located in Ohio and interconnected with the Ohio Power Company. The closing date, coincident with transfer of operational control, was September 28, 2005. This plant has been incorporated into the Capacity Equalization Settlement since that date.
- b. Waterford's incremental AEP Pool Capacity charge began impacting KPCo's Capacity Equalization Rate in September 2005. Please refer to the Company's response to AG 58-1(a).
- c. Please see work papers AG 1st Set Data Requests; Item No. 62, Pages 3 - 5.

Page 3: Work paper is a summary of pages AG 1st Set Data Requests, Item No. 62, Pages 3 - 9.

Page 4: There are no assumptions made in this work paper as all numbers are historic actuals obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Page 5: Columbus Southern Power Company (CSP) closed on the existing Waterford generation unit on September 28, 2005.

d. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 5.

Page 3: Work paper is a summary of pages AG 1st Set Data Requests; Item No. 62; Pages 3 - 9.

Page 4: All calculations presented in this work paper utilize actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Page 5: All calculations presented in sections "Peak Load During Preceding 12-Month (MW)" and "MLR", plus "Primary Capacity (kW)" lines "APCO", "KPCO", "I&M", and "OPCO" utilize actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Section "Primary Capacity" line "CSP" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Waterford's capacity.

Section "Primary Capacity" line "Total" is the summation of the actual values of "APCO", "KPCO", "I&M" and "OPCO" and the adjusted value of "CSP".

Sections "Capacity Payment – Credit / (Charge)", "Capacity Rate (\$/kW)", and "Capacity Surplus" are calculations made based on the adjusted lines "CSP" section "Primary Capacity (kW)" Primary Capacity and the known formula for the AEP System Pool Interchange Power Statement.

**WITNESS:** Errol K Wagner



## **Kentucky Power Company**

### **REQUEST**

With regard to the 481 MW generation capacity addition associated with APCo's new generating unit shown on Section V, S-4, page 30, please provide the following information:

- a. When (year/month) will this generating unit be completed and incorporated in the Capacity Equalization Settlement calculations and what is the basis for this fact?
- b. When will the impact of this generating unit addition be reflected as an incremental AEP Pool Capacity charge to KPCo and what is the basis for this fact?
- c. Provide workpapers showing all calculations for the monthly incremental charges to KPCo shown in column (6) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
- d. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

### **RESPONSE**

- a. Appalachian Power Company (APCO) purchased the existing Ceredo Combustion Turbine Plant, also referred to as Project Harvest, located in West Virginia and interconnected with APCO. The closing date, coincident with transfer of operational control is expected to occur in early December 2005.

Ceredo, given a transfer of operational control date sometime in December 2005, will be incorporated into the December 2005 Capacity Equalization Settlement charge.

- b. Ceredo's incremental AEP Pool Capacity charge, given a transfer of operational control date sometime in December 2005, is expected to begin impacting KPCo's Capacity Equalization Rate in December 2005. The date of inclusion corresponds with APCO's assumption of operational control.
- c. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 6.

Page 3 Please refers to Company's response to AG 58-1 (c)

Page 4 Please refers to Company's response to AG 58-1 (c)

Page 5 Please refers to Company's response to AG 58-1 (c)

Page 6 Appalachian Power Company (CSP) expects to close on the existing Ceredo generation plant in early December 2005. Therefore, the generation capacity should be added to the section "Primary Capacity (kW)" line "APCO" on a monthly basis for the test year to accurately reflect the know and measurable adjustment to APCO's Primary Capacity (kW).

d. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 6.

Page 3 Please refers to Company's response to AG 58-1 (d)

Page 4 Please refers to Company's response to AG 58-1 (d)

Page 5 Please refers to Company's response to AG 58-1 (d)

Page 6 All calculations presented in sections "Peak Load During Preceding 12-Month (MW)" and "MLR", plus "Primary Capacity (kW)" lines "KPCO", "I&M", and "OPCO" utilize actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Section "Primary Capacity" line "APCO" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Ceredo's capacity.

Section "Primary Capacity" line "CSP" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Waterford's capacity.

Section "Primary Capacity" line "Total" is the summation of the actual values of "KPCO", "I&M" and "OPCO" and the adjusted values of "APCO" and "CSP".

Sections "Capacity Payment – Credit / (Charge)", "Capacity Rate (\$/kW)", and "Capacity Surplus" are calculations made based on the adjusted lines "APCO" and "CSP" section "Primary Capacity (kW)" Primary Capacity and the known formula for the AEP System Pool Interchange Power Statement.

**WITNESS:** Errol K Wagner



## **Kentucky Power Company**

### **REQUEST**

With regard to the net effect of the 289 MW load addition to CSP's system shown on Section V, S-4, page 30, please provide the following information:

- a. What is the basis for the assumed 289 MW load addition, when (year/month) will this load addition occur, and please describe the specifics of the load addition?
- b. Provide workpapers showing all calculations for the monthly incremental credits to KPCo shown in column (7) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
- c. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.
- d. Why hasn't the Company made a similar credit adjustment for the load addition to APCo's system that triggered the APCo generating unit addition?

### **RESPONSE**

a. On November 9, 2005, the Public Utility Commission of Ohio (PUCO) issued an order in case 05-765-EL-UNC approving the transfer of Monongahela Power Company's (Mon Power) Ohio service territory to American Electric Power's Columbus Southern Power Company (CSP). The transfer will become effective on January 1, 2006, and CSP will assume the obligation to provide electric service to Mon Power's approximately 29,000 customers.

b. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 7.

Page 3 Please refers to Company's response to AG 58-1 (c)

Page 4 Please refers to Company's response to AG 58-1 (c)

Page 5 Please refers to Company's response to AG 58-1 (c)

Page 6 Please refers to Company's response to AG 59-1 (c)



Page 7 Subject to the PUCO's order issued November 9, 2005, in case 05-765-EL-UNC AEP's Columbus Southern Power Company (CSP) will, on January 1, 2006, assume the obligation to serve Monongahela Power Company's approximately 29,000 Ohio customers. The transfer will become effective December 31, 2005. Therefore, Mon Power's forecasted peak load needs to be added on a monthly basis to the section "Peak Load During Preceding 12-Months (MW)" line "CSP" to accurately reflect the known and measurable impact of the Mon Power load acquisition on the test year. Additionally, CSP has signed a full requirements contract with Mon Power to provide generation capacity for the Mon Power acquisition customers. Therefore, this full requirements capacity contract between Mon Power and CSP needs to be added on a monthly basis to section "Primary Capacity (kW)" line "CSP" to accurately reflect the known and measurable impact of the CSP capacity addition via the Mon Power full requirements contract.

c. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 7.

Page 3 Please refers to Company's response to AG 58-1 (d)

Page 4 Please refers to Company's response to AG 58-1 (d)

Page 5 Please refers to Company's response to AG 58-1 (d)

Page 6 Please refers to Company's response to AG 59-1 (d)

Page 7 All data presented in section "Peak Load During Preceding 12-Month (MW)" lines "APCO", "KPCO", "I&M", and "OPCO", plus "Primary Capacity (kW)" lines "KPCO", "I&M", and "OPCO" utilize actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Section "Peak Load During Preceding 12-Months (MW)" line "CSP" is the summation of the actual settlement data obtained from July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and forecasted peak load contributed to CSP's peak by through the acquisition of Mon Power's approximately 29,000 Ohio customers.

Section "MLR" all rows, all columns are calculated by taking the monthly actual or projected load from corresponding row and column of section "Peak Load During Preceding 12-Months (MW)" and dividing it by the section "Peak Load During Preceding 12-Months (MW)" line "Total".

Section "Primary Capacity" line "APCO" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Ceredo's capacity.

Section "Primary Capacity" line "CSP" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Waterford's capacity.

Section "Primary Capacity" line "Total" is the summation of the actual values of "KPCO", "I&M" and "OPCO" and the adjusted values of "APCO" and "CSP".

Section "Capacity Payment – Credit / (Charge)", "Capacity Rate (\$/kW)", and "Capacity Surplus" are calculations made based on the adjusted lines "APCO" and "CSP" section "Primary Capacity (kW)" plus the adjusted line "CSP" section "Peak Load During Preceding 12-Months (MW)" and the associated adjustment based "MLR" percentages and the known formula for the AEP System Pool Interchange Power Statement.

d. APCO's generation unit addition was driven by normal load growth over a long period of time while the CSP load addition was driven by the extraordinary event ordered by the PUCO in Case No. 05-765-EL-UNC.

**WITNESS:** Errol K. Wagner



## Kentucky Power Company

### REQUEST

With regard to the net effect of removing 250 MW from CSP's capacity shown on Section V, S-4, page 30, please provide the following information:

- a. What is the basis for the assumed 250 MW capacity retirement, when (year/month) will this capacity retirement occur, and please describe the specific capacity retirement(s)?
- b. Provide workpapers showing all calculations for the monthly incremental credits to KPCo shown in column (8) of Section V, page 30. In addition, provide the assumptions the Company has made in these calculations and the basis for these assumptions.
- c. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.
- d. Why hasn't the Company made a similar credit adjustment for any APCo capacity retirements resulting from APCo generating unit addition or that are anticipated in the near-term future?
- e. Are there no capacity retirements for OPCo and I&M anticipated in the near-term future? If so, provide all details regarding these anticipated capacity retirements and what impact they would have on KPCo's near-term AEP Pool capacity costs. If not, how is the Company sure about this?

### RESPONSE

- a. Columbus Southern Power Company (CSP) plans to retire Conesville Units 1 and 2 by January 1, 2006, following review and approval by PJM Interconnection, LLC (PJM) by that date.
- b. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 8.

Page 3 Please refer to Company's response to AG 58-1 (c)

Page 4 Please refer to Company's response to AG 58-1 (c)

Page 5 Please refer to Company's response to AG 58-1 (c)

Page 6 Please refer to Company's response to AG 59-1 (c)

Page 7 Please refer to Company's response to AG 60-1 (b)

Page 8 Subject to CSP's letter to PJM dated September 20, 2005, wherein CSP requests authorization from PJM to deactivate Conesville Units 1 and 2 and PJM's subsequent response letter dated October 21, 2005, providing tentative approval of said deactivation. Therefore, it is proper to reduce section "Primary Capacity (kW)" line "CSP" by the aforementioned Conesville capacity to properly reflect said known and measurable Primary Capacity reductions in the test year.

c. Please see work papers AG 1st Set Data Requests; Item No. 62; Pages 3 - 8.

Page 3 Please refers to Company's response to AG 58-1 (d)

Page 4 Please refers to Company's response to AG 58-1 (d)

Page 5 Please refers to Company's response to AG 58-1 (d)

Page 6 Please refers to Company's response to AG 59-1 (d)

Page 7 Please refers to Company's response to AG 60-1 (c)

Page 8 All data presented in section "Peak Load During Preceding 12-Month (MW)" lines "APCO", "KPCO", "I&M", and "OPCO", plus "Primary Capacity (kW)" lines "KPCO", "I&M", and "OPCO" utilize actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements.

Section "Peak Load During Preceding 12-Months (MW)" line "CSP" is the summation of the actual settlement data obtained from July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and the forecasted peak load contributed to CSP peak through the acquisition of Mon Power's approximately 29,000 Ohio customers.

Section "MLR" all rows, all columns are calculated by taking the monthly actual or projected load from corresponding row and column of section "Peak Load During Preceding 12-Months (MW)" and dividing it by the section "Peak Load During Preceding 12-Months (MW)" line "Total".

Section "Primary Capacity" line "APCO" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements and Ceredo's capacity.

Section "Primary Capacity" line "CSP" is the summation of the actual settlement data obtained from the July 2004 to June 2005 monthly AEP System Pool Interchange Power Statements, Waterford's capacity, and the deactivation Conesville Unit 1 and 2.

Section "Primary Capacity" line "Total" is the summation of the actual values of "KPCO", "I&M" and "OPCO" and the adjusted values of "APCO" and "CSP".

Section "Capacity Payment – Credit / (Charge)", "Capacity Rate (\$/kW)", and "Capacity Surplus" are calculations made based on the adjusted lines "APCO" and "CSP" section "Primary Capacity (kW)" plus the adjusted line "CSP" section "Peak Load During Preceding 12-Months (MW)" and the associated adjustment based "MLR" percentages and the known formula for the AEP System Pool Interchange Power Statement.

d. APCO has not retired any units and is not currently contemplating any such action in the near-term future.

e. There are no capacity retirements anticipated for either OPCO or I&M in the near-term future.

**WITNESS:** Errol K Wagner



## Kentucky Power Company

### REQUEST

With regard to the Annualization of Load Changes during the test year or shortly thereafter, shown on Section V, S-4, page 30, please provide the following information:

- a. Does this adjustment reflect the annualization of load changes during and after the test year for just KPCo or for all of the members of the AEP-System East Zone?
- b. How far beyond the end of the test year do the post-test year load changes extend?
- c. Describe the methodology used by the Company to annualize the load changes during the test year and the methodology used to annualize the load changes anticipated after the test year.
- d. Provide workpapers showing all calculations made in support of the monthly incremental charges in column (9). In addition, provide the assumptions the Company has made in this calculations and the basis for these assumptions.
- e. Indicate which parts of the calculations and assumptions for this proposed adjustment is based on actual, verifiable data and which parts are based on estimates and projections.

### RESPONSE

- a. The adjustment reflects anticipated load changes for all members of the AEP-System East Zone, if applicable. In fact, the Company's peak demand experienced on January 24, 2005 was not adjusted; however, adjusting some of the other members' peak demands affects the Company's member-load-ratio (MLR).
- b. The load changes extend to January 2006.
- c. Please refer to attachment provided as page 3 of this response that summarizes and explains the assumptions employed in the annualization of the load changes.
- d. The requested workpapers are provided as attachment, pages 4 through 10, of this response.



The calculations were done sequentially, as shown on the column headings of Section V, S-4, page 30, with the results in page 10 of the attachment corresponding to column (10).

e. Footnotes (1) through (5) on page 3 of this response pertain to actual, verifiable data, while footnotes (6) and (7) pertain to best available demand projections expected to occur in January 2006. With regard to Section V, S-4, page 30, and the accompanying attachment, pages 4 through 10, the 830-MW generation unit added to CSP already occurred on September 28, 2005, the 481-MW generation unit added to APCO is projected to occur during the month of December 2005, and the removal of 250-MW from CSP's capacity is projected to occur on December 31, 2005.

**WITNESS:** Errol K Wagner

BACK-UP INFO FOR KY CAPACITY						KPSC Case No. 2005-00341	
SETTLEMENT CALCULATIONS						AG 1st Set Data Requests	
ANNUALIZED ASSUMPTIONS						Item No. 62	
(MLRs & Associated Peak Demands)						Page 3 of 10	
					Adjusted		
	Actual Demand	Adj.(6)	Adj.(7)	Adj.(8)	Demand		
	(MW)	(MW)	(MW)	(MW)	(MW)	MLR	
APCO(1)	7080		358	0	7438	0.32722	
KPCO(2)	1685				1685	0.07413	
I&M(3)	4102				4102	0.18046	
OPCO(4)	5470		(358)		5112	0.22489	
CSP(5)	4105	289			4394	0.19330	
<b>Adjusted AEP Demand</b>					<b>22,731</b>	<b>1.00000</b>	
Note: (1) Actual:12/20/04							
(2) Actual: 01/24/05							
(3) Actual: 06/29/05							
(4) Actual: 07/26/05							
(5) Actual: 07/25/05							
(6) Monongahela Power load.							
(7) Century/Pechiney load							
(8) Reduction of line losses.							

Test Year in KPCO Rate Case  
KPCO Capacity Payments

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	TOTAL
<b>Baseline</b>	(1,538,912)	(1,459,267)	(1,831,044)	(1,857,139)	(1,793,310)	(1,864,356)	(2,484,659)	(3,034,222)	(3,178,613)	(3,240,968)	(3,249,662)	(3,218,782)	(28,750,934)
<b>Waterford effect</b>	(442,108)	(414,197)	(438,137)	(441,859)	(424,546)	(425,591)	(462,828)	(480,368)	(507,372)	(515,256)	(524,540)	(519,284)	(5,596,087)
<b>Proj. Harvest incremental effect</b>	(233,201)	(216,250)	(232,251)	(234,595)	(224,542)	(218,676)	(250,542)	(263,193)	(279,203)	(282,941)	(290,344)	(287,357)	(3,013,095)
<b>Mon Power incremental effect</b>	21,937	20,244	25,553	25,924	24,769	23,796	20,589	21,171	22,501	22,782	23,458	23,214	275,939
<b>Removing Conesville capacity</b>	118,135	109,394	117,822	119,019	113,867	110,502	127,300	133,939	142,174	144,034	147,968	146,441	1,530,594
<b>MLR Forecast incremental effect</b>	<u>(1,189,905)</u>	<u>(1,145,432)</u>	<u>(775,087)</u>	<u>(772,411)</u>	<u>(750,628)</u>	<u>(815,697)</u>	<u>(14,153)</u>	<u>594,507</u>	<u>626,910</u>	<u>637,156</u>	<u>646,705</u>	<u>640,291</u>	<u>(2,317,742)</u>
<b>Sum of effects</b>	(1,725,142)	(1,646,241)	(1,302,099)	(1,303,922)	(1,261,078)	(1,325,666)	(579,635)	6,056	5,010	5,775	3,248	3,304	(9,120,391)
<b>Baseline plus Sum</b>	(3,264,054)	(3,105,508)	(3,133,143)	(3,161,061)	(3,054,388)	(3,190,022)	(3,064,294)	(3,028,166)	(3,173,603)	(3,235,193)	(3,246,414)	(3,215,478)	(37,871,325)
<b>Adjusted Baseline</b>	<b>(3,264,054)</b>	<b>(3,105,508)</b>	<b>(3,133,143)</b>	<b>(3,161,061)</b>	<b>(3,054,388)</b>	<b>(3,190,022)</b>	<b>(3,064,294)</b>	<b>(3,028,166)</b>	<b>(3,173,603)</b>	<b>(3,235,193)</b>	<b>(3,246,414)</b>	<b>(3,215,478)</b>	<b>(37,871,325)</b>

Note: Adjusted Baseline includes the interaction of the three changes [Same as "Baseline plus Sum" for the Incremental Method]

Historic data for Test Year in KPCO Rate Case

PEAK LOAD DURING PRECEDING 12-MONTHS (MW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6298	6298	6298	6298	6298	6298	7080	7080	7080	7080	7080	7080
KPCO	1478	1478	1478	1478	1478	1478	1615	1685	1685	1685	1685	1685
I&M	4243	4243	4051	4051	4051	4051	4051	4051	4051	4051	4051	4051
OPCO	5121	5121	5059	5059	5059	5059	5059	5059	5059	5059	5059	5059
CSP	3871	3871	3637	3623	3623	3623	3623	3623	3623	3623	3623	3623
TOTAL	21011	21011	20523	20509	20509	20509	21428	21498	21498	21498	21498	21498

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	0.29975	0.29975	0.30687	0.30709	0.30709	0.30709	0.33041	0.32933	0.32933	0.32933	0.32933	0.32933
KPCO	0.07034	0.07034	0.07202	0.07207	0.07207	0.07207	0.07537	0.07838	0.07838	0.07838	0.07838	0.07838
I&M	0.20194	0.20194	0.19739	0.19752	0.19752	0.19752	0.18905	0.18844	0.18844	0.18844	0.18844	0.18844
OPCO	0.24373	0.24373	0.24650	0.24667	0.24667	0.24667	0.23609	0.23532	0.23532	0.23532	0.23532	0.23532
CSP	0.18424	0.18424	0.17722	0.17665	0.17665	0.17665	0.16908	0.16853	0.16853	0.16853	0.16853	0.16853
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000	2,595,000
TOTAL	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000	23,173,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(8,952,193)	(8,488,882)	(10,138,914)	(10,270,373)	(9,917,385)	(10,310,285)	(14,728,622)	(14,351,879)	(15,034,850)	(15,329,784)	(15,370,909)	(15,224,847)
KPCO	(1,538,912)	(1,459,267)	(1,831,044)	(1,857,139)	(1,793,310)	(1,864,356)	(2,484,659)	(3,034,222)	(3,178,613)	(3,240,968)	(3,249,662)	(3,218,782)
I&M	5,528,260	5,410,548	6,899,808	6,891,822	6,740,181	7,639,569	9,614,367	9,026,923	9,246,913	9,532,900	9,158,917	9,085,587
OPCO	19,278,147	18,112,030	17,715,144	17,879,589	17,179,848	17,228,106	18,686,443	19,212,962	20,336,840	20,631,189	21,086,092	20,872,020
CSP	(14,315,302)	(13,574,429)	(12,644,994)	(12,643,899)	(12,209,334)	(12,693,034)	(11,087,529)	(10,853,784)	(11,370,290)	(11,593,337)	(11,624,438)	(11,513,978)
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0

Test Year in KPSC Rate Case - Including Waterford (830MW in CSP)

PEAK LOAD DURING PRECEDING 12-MONTHS (MW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6298	6298	6298	6298	6298	6298	7080	7080	7080	7080	7080	7080
KPCO	1478	1478	1478	1478	1478	1478	1615	1685	1685	1685	1685	1685
I&M	4243	4243	4051	4051	4051	4051	4051	4051	4051	4051	4051	4051
OPCO	5121	5121	5059	5059	5059	5059	5059	5059	5059	5059	5059	5059
CSP	3871	3871	3637	3623	3623	3623	3623	3623	3623	3623	3623	3623
TOTAL	21011	21011	20523	20509	20509	20509	21428	21498	21498	21498	21498	21498

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	0.29975	0.29975	0.30688	0.30708	0.30708	0.30708	0.33041	0.32933	0.32933	0.32933	0.32933	0.32933
KPCO	0.07034	0.07034	0.07202	0.07207	0.07207	0.07207	0.07537	0.07838	0.07838	0.07838	0.07838	0.07838
I&M	0.20194	0.20194	0.19739	0.19752	0.19752	0.19752	0.18905	0.18844	0.18844	0.18844	0.18844	0.18844
OPCO	0.24373	0.24373	0.24650	0.24667	0.24667	0.24667	0.23609	0.23532	0.23532	0.23532	0.23532	0.23532
CSP	0.18424	0.18424	0.17722	0.17665	0.17665	0.17665	0.16908	0.16853	0.16853	0.16853	0.16853	0.16853
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000	5,899,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000
TOTAL	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000	24,003,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(10,764,877)	(10,180,415)	(11,947,242)	(12,094,493)	(11,667,626)	(12,046,880)	(16,678,197)	(16,344,850)	(17,141,936)	(17,468,586)	(17,552,194)	(17,384,144)
KPCO	(1,981,020)	(1,873,464)	(2,269,181)	(2,298,998)	(2,217,856)	(2,289,947)	(2,947,487)	(3,514,590)	(3,685,985)	(3,756,224)	(3,774,202)	(3,738,066)
I&M	3,324,189	3,253,407	4,750,604	4,729,702	4,625,635	5,242,864	7,516,505	7,102,470	7,275,560	7,500,577	7,206,324	7,148,627
OPCO	17,705,976	16,634,958	16,215,179	16,362,224	15,721,867	15,766,029	17,308,286	17,810,082	18,851,898	19,124,754	19,546,441	19,348,000
CSP	(8,284,268)	(7,834,487)	(6,749,360)	(6,698,436)	(6,462,019)	(6,672,066)	(5,199,107)	(5,053,112)	(5,299,536)	(5,400,522)	(5,426,370)	(5,374,416)
TOTAL	0	0	(0)	0	0	0	0	0	0	0	0	0

Capacity Rate (\$/kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	8.3072240381	7.8561966342	8.1444079278	8.2166245082	7.9266245082	8.1842781762	8.2085710259	8.1480661481	8.5454213259	8.7082592443	8.7499385853	8.6661644483
KPCO	8.3072240381	7.8561966342	8.1444079278	8.2166245082	7.9266245082	8.1842781762	8.2085710259	8.1480661481	8.5454213259	8.7082592443	8.7499385853	8.6661644483
I&M	13.1500000000	12.8700000000	13.1200000000	13.1800000000	12.8900000000	14.6100000000	13.3700000000	12.3100000000	12.6100000000	13.0000000000	12.4900000000	12.3900000000
OPCO	7.7700000000	7.3000000000	7.3300000000	7.4100000000	7.1200000000	7.1400000000	7.0300000000	7.1800000000	7.6000000000	7.7100000000	7.8800000000	7.8000000000
CSP	8.3072240381	7.8561966342	8.1444079278	8.2166245082	7.9266245082	8.1842781762	8.2085710259	8.1480661481	8.5454213259	8.7082592443	8.7499385853	8.6661644483

Capacity Surplus

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
I&M	252,790	252,790	362,089	358,855	358,855	358,855	562,192	576,967	576,967	576,967	576,967	576,967
OPCO	2,278,761	2,278,761	2,212,166	2,208,127	2,208,127	2,208,127	2,462,061	2,480,513	2,480,513	2,480,513	2,480,513	2,480,513
TOTAL	2,531,551	2,531,551	2,574,255	2,566,982	2,566,982	2,566,982	3,024,252	3,057,480	3,057,480	3,057,480	3,057,480	3,057,480

Test Year in KPCO Rate Case - Including Waterford (830MW in CSP) and Project Harvest (481MW in APCO)

PEAK LOAD DURING PRECEDING 12-MONTHS (MW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6298	6298	6298	6298	6298	6298	7080	7080	7080	7080	7080	7080
KPCO	1478	1478	1478	1478	1478	1478	1615	1685	1685	1685	1685	1685
I&M	4243	4243	4051	4051	4051	4051	4051	4051	4051	4051	4051	4051
OPCO	5121	5121	5059	5059	5059	5059	5059	5059	5059	5059	5059	5059
CSP	3871	3871	3637	3623	3623	3623	3623	3623	3623	3623	3623	3623
TOTAL	21011	21011	20523	20509	20509	20509	21428	21498	21498	21498	21498	21498

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	0.29975	0.29975	0.30688	0.30708	0.30708	0.30708	0.33041	0.32933	0.32933	0.32933	0.32933	0.32933
KPCO	0.07034	0.07034	0.07202	0.07207	0.07207	0.07207	0.07537	0.07838	0.07838	0.07838	0.07838	0.07838
I&M	0.20194	0.20194	0.19739	0.19752	0.19752	0.19752	0.18905	0.18844	0.18844	0.18844	0.18844	0.18844
OPCO	0.24373	0.24373	0.24650	0.24667	0.24667	0.24667	0.23609	0.23532	0.23532	0.23532	0.23532	0.23532
CSP	0.18424	0.18424	0.17722	0.17665	0.17665	0.17665	0.16908	0.16853	0.16853	0.16853	0.16853	0.16853
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000	3,425,000
TOTAL	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000	24,484,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(7,798,207)	(7,359,706)	(9,051,491)	(9,174,096)	(8,843,884)	(9,083,683)	(13,831,002)	(13,558,469)	(14,231,065)	(14,496,567)	(14,587,658)	(14,447,249)
KPCO	(2,214,221)	(2,089,714)	(2,501,432)	(2,533,593)	(2,442,399)	(2,508,624)	(3,198,029)	(3,777,783)	(3,965,188)	(4,039,164)	(4,064,545)	(4,025,423)
I&M	2,046,876	2,003,293	3,504,942	3,477,489	3,400,974	3,854,789	6,300,719	5,986,719	6,132,618	6,322,286	6,074,258	6,025,625
OPCO	16,795,069	15,779,151	15,346,073	15,483,032	14,877,084	14,918,873	16,509,954	16,997,371	17,991,646	18,252,052	18,654,496	18,465,111
CSP	(8,829,517)	(8,333,024)	(7,298,092)	(7,252,833)	(6,991,775)	(7,181,355)	(5,781,642)	(5,647,838)	(5,928,011)	(6,038,607)	(6,076,551)	(6,018,063)
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0

Capacity Rate (\$/kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	8.1313996114	7.6741627947	7.9852044696	8.0569109204	7.7669109204	7.9775085919	8.0895858632	8.0542732964	8.4538224590	8.6115410795	8.6656530012	8.5822445283
KPCO	8.1313996114	7.6741627947	7.9852044696	8.0569109204	7.7669109204	7.9775085919	8.0895858632	8.0542732964	8.4538224590	8.6115410795	8.6656530012	8.5822445283
I&M	13.1500000000	12.8700000000	13.1200000000	13.1800000000	12.8900000000	14.6100000000	13.3700000000	12.3100000000	12.6100000000	13.0000000000	12.4900000000	12.3900000000
OPCO	7.7700000000	7.3000000000	7.3300000000	7.4100000000	7.1200000000	7.1400000000	7.0300000000	7.1800000000	7.6000000000	7.7100000000	7.8800000000	7.8000000000
CSP	8.1313996114	7.6741627947	7.9852044696	8.0569109204	7.7669109204	7.9775085919	8.0895858632	8.0542732964	8.4538224590	8.6115410795	8.6656530012	8.5822445283

Capacity Surplus

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
I&M	155,656	155,656	267,145	263,846	263,846	263,846	471,258	486,330	486,330	486,330	486,330	486,330
OPCO	2,161,528	2,161,528	2,093,598	2,089,478	2,089,478	2,089,478	2,348,500	2,367,322	2,367,322	2,367,322	2,367,322	2,367,322
TOTAL	2,317,184	2,317,184	2,360,743	2,353,324	2,353,324	2,353,324	2,819,758	2,853,652	2,853,652	2,853,652	2,853,652	2,853,652

Test Year in KPSCO Rate Case - Including Waterford, Project Harvest, and Monongahela Power (289MW Load and Capacity)

PEAK LOAD DURING PRECEDING 12-MONTHS (MW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6298	6298	6298	6298	6298	6298	7080	7080	7080	7080	7080	7080
KPCO	1478	1478	1478	1478	1478	1478	1615	1685	1685	1685	1685	1685
I&M	4243	4243	4051	4051	4051	4051	4051	4051	4051	4051	4051	4051
OPCO	5121	5121	5059	5059	5059	5059	5059	5059	5059	5059	5059	5059
CSP	4160	4160	3926	3912	3912	3912	3912	3912	3912	3912	3912	3912
TOTAL	21300	21300	20812	20798	20798	20798	21717	21787	21787	21787	21787	21787

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	0.29568	0.29568	0.30261	0.30282	0.30282	0.30282	0.32601	0.32496	0.32496	0.32496	0.32496	0.32496
KPCO	0.06939	0.06939	0.07102	0.07106	0.07106	0.07106	0.07437	0.07734	0.07734	0.07734	0.07734	0.07734
I&M	0.19920	0.19920	0.19465	0.19478	0.19478	0.19478	0.18654	0.18594	0.18594	0.18594	0.18594	0.18594
OPCO	0.24042	0.24042	0.24308	0.24324	0.24324	0.24324	0.23295	0.23220	0.23220	0.23220	0.23220	0.23220
CSP	0.19531	0.19531	0.18864	0.18810	0.18810	0.18810	0.18014	0.17956	0.17956	0.17956	0.17956	0.17956
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000	3,714,000
TOTAL	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000	24,773,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(7,700,975)	(7,269,555)	(8,938,648)	(9,059,645)	(8,734,352)	(8,977,122)	(13,740,493)	(13,467,147)	(14,134,210)	(14,398,404)	(14,486,968)	(14,347,594)
KPCO	(2,192,284)	(2,069,469)	(2,475,879)	(2,507,669)	(2,417,629)	(2,484,827)	(3,177,440)	(3,756,612)	(3,942,687)	(4,016,383)	(4,041,087)	(4,002,209)
I&M	2,172,010	2,125,762	3,647,386	3,621,285	3,541,606	4,014,186	6,403,512	6,078,597	6,226,735	6,419,314	6,167,480	6,118,100
OPCO	16,884,307	15,862,992	15,445,457	15,583,993	14,974,093	15,016,155	16,577,452	17,064,295	18,062,485	18,323,916	18,727,945	18,537,814
CSP	(9,163,058)	(8,649,730)	(7,678,316)	(7,637,964)	(7,363,718)	(7,568,392)	(6,063,031)	(5,919,133)	(6,212,323)	(6,328,443)	(6,367,369)	(6,306,111)
TOTAL	0	0	0	0	0	0	0	0	(0)	(0)	0	(0)

Capacity Rate (\$/kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	8.1500490236	7.6934708293	8.0048530251	8.0767100860	7.7867100860	8.0031411339	8.1003097078	8.0625000909	8.4618568140	8.6200244603	8.6730458907	8.5896053445
KPCO	8.1500490236	7.6934708293	8.0048530251	8.0767100860	7.7867100860	8.0031411339	8.1003097078	8.0625000909	8.4618568140	8.6200244603	8.6730458907	8.5896053445
I&M	13.1500000000	12.8700000000	13.1200000000	13.1800000000	12.8900000000	14.6100000000	13.3700000000	12.3100000000	12.6100000000	13.0000000000	12.4900000000	12.3900000000
OPCO	7.7700000000	7.3000000000	7.3300000000	7.4100000000	7.1200000000	7.1400000000	7.0300000000	7.1800000000	7.6000000000	7.7100000000	7.8800000000	7.8000000000
CSP	8.1500490236	7.6934708293	8.0048530251	8.0767100860	7.7867100860	8.0031411339	8.1003097078	8.0625000909	8.4618568140	8.6200244603	8.6730458907	8.5896053445

Capacity Surplus

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
I&M	165,172	165,172	278,002	274,756	274,756	274,756	478,946	493,793	493,793	493,793	493,793	493,793
OPCO	2,173,013	2,173,013	2,107,156	2,103,103	2,103,103	2,103,103	2,358,101	2,376,643	2,376,643	2,376,643	2,376,643	2,376,643
TOTAL	2,338,184	2,338,184	2,385,158	2,377,859	2,377,859	2,377,859	2,837,048	2,870,436	2,870,436	2,870,436	2,870,436	2,870,436

Test Year in KPCO Rate Case - Including Waterford, Project Harvest, Monongahela Power (289MW Load and Capacity), and Removal of Convesville 1&2 Capacity from CSP

PEAK LOAD DURING PRECEDING 12-MONTHS (MW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6298	6298	6298	6298	6298	6298	7080	7080	7080	7080	7080	7080
KPCO	1478	1478	1478	1478	1478	1478	1615	1685	1685	1685	1685	1685
I&M	4243	4243	4051	4051	4051	4051	4051	4051	4051	4051	4051	4051
OPCO	5121	5121	5059	5059	5059	5059	5059	5059	5059	5059	5059	5059
CSP	4160	4160	3926	3912	3912	3912	3912	3912	3912	3912	3912	3912
TOTAL	21300	21300	20812	20798	20798	20798	21717	21787	21787	21787	21787	21787

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	0.29568	0.29568	0.30261	0.30282	0.30282	0.30282	0.32601	0.32496	0.32496	0.32496	0.32496	0.32496
KPCO	0.06939	0.06939	0.07102	0.07106	0.07106	0.07106	0.07437	0.07734	0.07734	0.07734	0.07734	0.07734
I&M	0.19920	0.19920	0.19465	0.19478	0.19478	0.19478	0.18654	0.18594	0.18594	0.18594	0.18594	0.18594
OPCO	0.24042	0.24042	0.24308	0.24324	0.24324	0.24324	0.23295	0.23220	0.23220	0.23220	0.23220	0.23220
CSP	0.19531	0.19531	0.18864	0.18810	0.18810	0.18810	0.18014	0.17956	0.17956	0.17956	0.17956	0.17956
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000
TOTAL	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(7,178,984)	(6,784,155)	(8,419,811)	(8,535,654)	(8,232,315)	(8,484,467)	(13,180,968)	(12,890,241)	(13,523,032)	(13,778,640)	(13,852,544)	(13,719,644)
KPCO	(2,074,149)	(1,960,075)	(2,358,057)	(2,388,650)	(2,303,762)	(2,374,326)	(3,050,141)	(3,622,673)	(3,800,513)	(3,872,349)	(3,893,119)	(3,855,769)
I&M	2,826,886	2,766,694	4,285,829	4,263,080	4,169,279	4,725,614	7,027,008	6,650,817	6,812,900	7,023,608	6,748,067	6,694,039
OPCO	17,351,328	16,301,763	15,890,903	16,034,603	15,407,068	15,450,347	16,986,864	17,481,099	18,503,670	18,771,486	19,185,384	18,990,609
CSP	(10,925,082)	(10,324,226)	(9,398,865)	(9,373,379)	(9,040,270)	(9,317,168)	(7,782,764)	(7,619,002)	(7,993,025)	(8,144,106)	(8,187,788)	(8,109,235)
TOTAL	0	0	0	0	0	0	0	0	(0)	(0)	(0)	(0)

Capacity Rate (\$/kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	8.2424299291	7.7891142575	8.0881939327	8.1603163172	7.8703163172	8.1113800502	8.1626547642	8.1116473483	8.5098544278	8.6707045755	8.7172113598	8.6335792064
KPCO	8.2424299291	7.7891142575	8.0881939327	8.1603163172	7.8703163172	8.1113800502	8.1626547642	8.1116473483	8.5098544278	8.6707045755	8.7172113598	8.6335792064
I&M	13.1500000000	12.8700000000	13.1200000000	13.1800000000	12.8900000000	14.6100000000	13.3700000000	12.3100000000	12.6100000000	13.0000000000	12.4900000000	12.3900000000
OPCO	7.7700000000	7.3000000000	7.3300000000	7.4100000000	7.1200000000	7.1400000000	7.0300000000	7.1800000000	7.6000000000	7.7100000000	7.8800000000	7.8000000000
CSP	8.2424299291	7.7891142575	8.0881939327	8.1603163172	7.8703163172	8.1113800502	8.1626547642	8.1116473483	8.5098544278	8.6707045755	8.7172113598	8.6335792064

Capacity Surplus

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
I&M	214,972	214,972	326,664	323,451	323,451	323,451	525,580	540,278	540,278	540,278	540,278	540,278
OPCO	2,233,118	2,233,118	2,167,927	2,163,914	2,163,914	2,163,914	2,416,339	2,434,693	2,434,693	2,434,693	2,434,693	2,434,693
TOTAL	2,448,091	2,448,091	2,494,591	2,487,365	2,487,365	2,487,365	2,941,919	2,974,971	2,974,971	2,974,971	2,974,971	2,974,971



Test Year in KPSCO Rate Case - Including Waterford, Project Harvest, Monongahela Power, Conesville, and MLR Forecast

FORECASTED PEAK LOAD (MW)

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
APCO	7438	7438	7438	7438	7438	7438	7438	7438	7438	7438	7438	7438
KPCO	1685	1685	1685	1685	1685	1685	1685	1685	1685	1685	1685	1685
I&M	4102	4102	4102	4102	4102	4102	4102	4102	4102	4102	4102	4102
OPCO	5112	5112	5112	5112	5112	5112	5112	5112	5112	5112	5112	5112
CSP	4394	4394	4394	4394	4394	4394	4394	4394	4394	4394	4394	4394
TOTAL	22731	22731	22731	22731	22731	22731	22731	22731	22731	22731	22731	22731

MLR

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCC	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722	0.32722
KPCO	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413
I&M	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046	0.18046
OPCO	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489	0.22489
CSP	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330	0.19330
TOTAL	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

Primary Capacity (kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000	6,380,000
KPCO	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
I&M	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
OPCO	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000	8,129,000
CSP	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000	3,464,000
TOTAL	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000	24,523,000

Capacity Payment - Credit / (Charge)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	(14,591,595)	(13,882,830)	(14,006,373)	(14,131,176)	(13,654,307)	(14,260,644)	(13,698,588)	(13,537,083)	(14,187,242)	(14,462,574)	(14,512,737)	(14,374,441)
KPCO	(3,264,054)	(3,105,508)	(3,133,143)	(3,161,061)	(3,054,388)	(3,190,022)	(3,064,294)	(3,028,166)	(3,173,603)	(3,235,193)	(3,246,414)	(3,215,478)
I&M	8,871,234	8,682,341	8,850,995	8,891,472	8,695,833	9,856,177	9,019,650	8,304,554	8,506,940	8,770,041	8,425,986	8,358,524
OPCO	20,310,742	19,082,164	19,160,584	19,369,704	18,611,645	18,663,925	18,376,386	18,768,485	19,866,363	20,153,902	20,598,282	20,389,162
CSP	(11,326,326)	(10,776,167)	(10,872,063)	(10,968,939)	(10,598,782)	(11,069,435)	(10,633,154)	(10,507,790)	(11,012,458)	(11,226,177)	(11,265,115)	(11,157,767)
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0

Capacity Rate (\$/kW)

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
APCO	8.8736406577	8.4426168147	8.5177471019	8.5936443485	8.3036443485	8.6723783853	8.3305728196	8.2323562405	8.6277397203	8.7951782675	8.8256846528	8.7415818994
KPCO	8.8736406577	8.4426168147	8.5177471019	8.5936443485	8.3036443485	8.6723783853	8.3305728196	8.2323562405	8.6277397203	8.7951782675	8.8256846528	8.7415818994
I&M	13.1500000000	12.8700000000	13.1200000000	13.1800000000	12.8900000000	14.6100000000	13.3700000000	12.3100000000	12.6100000000	13.0000000000	12.4900000000	12.3900000000
OPCO	7.7700000000	7.3000000000	7.3300000000	7.4100000000	7.1200000000	7.1400000000	7.0300000000	7.1800000000	7.6000000000	7.7100000000	7.8800000000	7.8000000000
CSP	8.8736406577	8.4426168147	8.5177471019	8.5936443485	8.3036443485	8.6723783853	8.3305728196	8.2323562405	8.6277397203	8.7951782675	8.8256846528	8.7415818994

Capacity Surplus

	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
I&M	674,619	674,619	674,619	674,619	674,619	674,619	674,619	674,619	674,619	674,619	674,619	674,619
OPCO	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995	2,613,995
TOTAL	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614	3,288,614



**Kentucky Power Company**

**REQUEST**

Please provide the pro forma adjusted monthly KPCo MLR ratios (equivalent to the June 2005 MLR ratio of 7.838%) implicit in the adjusted test year AEP Pool capacity costs shown in column (10) of Section V, S-4, page 30.

**RESPONSE**

Please refer to the attachment provided as page 3 in response to Question No. 62, far right-hand column.

**WITNESS:** Errol K Wagner



## Kentucky Power Company

### REQUEST

With regard to the PJM Implicit Congestion costs and FTR revenues shown on RWB Exhibits 1 and 2 and discussed in the testimony of Mr. Bradish, please provide the following information:

- a. The actual test year PJM Implicit Congestion costs of \$4,597,608 and FTR revenues of \$4,287,874 are booked in accounts 4470093 and 4470101, respectively. How have these costs and revenues been treated for ratemaking purposes in this case?
- b. Are these dollar amounts included in the test year actual data in column (3) of Section V, S-4, page 32?
- c. Mr. Bradish states that the projected annualized PJM Implicit Congestion costs of \$4,958,940 and FTR revenues of \$7,961,292 were calculated based on the annualization of nine months of actual history ending June 30, 2005. Please provide a workpaper showing the calculations of these annualized amounts.
- d. Are these annualized dollar amounts included in the test year forecasted data in column (4) of Section V, S-4, page 32?
- e. Mr. Bradish states that the going-forward PJM Congestion costs and FTR revenues should not be treated in base rates but, rather, through a separate Tracking Mechanism. Under this proposal, how would the projected annualized costs of \$4,958,940 and revenues of \$7,961,292 be treated for ratemaking purposes in this case? And what adjustments has the Company made to remove the impact from base rates of the actual PJM Implicit Congestion costs of \$4,597,608 and FTR revenues of \$4,287,874 that are booked in accounts 4470093 and 4470101, respectively?
- f. What is the impact on the Company's base rate revenue requirement in this case of reflecting the annualized projected costs/revenues vis-à-vis the actual test year costs/revenues for these 4 items?

**RESPONSE**

- a. KPCo has proposed that PJM related congestion costs and FTR revenues above or below the adjusted test year level be recovered through a tracker mechanism as stated on page 11, line 21 through page 12, line 6 of Witness Bradish direct testimony. Witness Roush also addresses this mechanism beginning on page 11 of his direct testimony. The adjusted test year level is included in base rates.
  
- b. Yes, the actual PJM congestion costs and FTR revenues are included in the test year actual data in column (3) of section V, S-4, page 32.
  
- c. Please see pages 2, 3, and 4 of this item. Please note that projected congestion costs were calculated as stated on page 6, lines 20 - 22 of my direct testimony. With the anticipated operation of the new Wyoming - Jackson Ferry 765 kV transmission line beginning in June 2006, projected congestion costs were anticipated to decline by 29.66%. With regards to FTR revenue, the projected annualized amount was calculated as stated in my direct testimony beginning on page 9, line 19 through page 10, line 2. As with the projected congestion costs, projected FTR revenues were also expected to decline by 19.28% beginning in June 2006 due to the operation of the new 765 kV transmission line.
  
- d. Yes, the projected annualized PJM congestion costs and FTR revenues are included in the test year forecasted data in column (4) of section V, S-4, page 32.
  
- e. See response to part (a) above. The projected annualized costs and revenues would not be recovered in the tracking mechanism. Only actual deviations from the projected annualized costs and revenues would be recovered through the tracker mechanism. If the Commission does not accept the use of a tracking mechanism, the projected annualized values would provide a basis for the base rate value.
  
- f. The use of the projected annualized costs and revenues instead of actual values reduces the revenue requirement for KPCo. by \$3,312,086.

**WITNESS:** Robert W Bradish

FTR Revenue Forecast for 2006

19.28% Reduction in FTR revenue due to Wyoming - Jackson Ferry 765 kV

Account	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total	Monthly Avg.
AEP Internal	10,503,952	10,503,952	10,503,952	10,503,952	10,503,952	8,478,790	8,478,790	8,478,790	8,478,790	8,478,790	8,478,790	8,478,790	111,871,288	
96% Received	10,083,794	10,083,794	10,083,794	10,083,794	10,083,794	8,139,638	8,139,638	8,139,638	8,139,638	8,139,638	8,139,638	8,139,638	107,396,436	8,949,703
KPCo MLR (7.413%)	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413		
KPCo LSE Share	747,512	747,512	747,512	747,512	747,512	603,391	603,391	603,391	603,391	603,391	603,391	603,391	7,961,298	663,441

Congestion Cost Forecast for 2006

29.66% Reduction in congestion cost due to Wyoming - Jackson Ferry 765 kV

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total	
AEP Internal	6,740,885	6,740,885	6,740,885	6,740,885	6,740,885	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	66,895,199	5,574,600
Total	6,740,885	6,740,885	6,740,885	6,740,885	6,740,885	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	4,741,539	66,895,199	
KPCo MLR (7.413%)	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413	0.07413		
KPCo LSE Share	499,702	499,702	499,702	499,702	499,702	351,490	351,490	351,490	351,490	351,490	351,490	351,490	4,958,941	413,245

Net FTR Revenue Minus Congestion Cost

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total	
Total AEP	3,763,066	3,763,066	3,763,066	3,763,066	3,763,066	3,737,251	3,737,251	3,737,251	3,737,251	3,737,251	3,737,251	3,737,251	44,976,089	
Total w/96%	3,342,908	3,342,908	3,342,908	3,342,908	3,342,908	3,398,099	3,398,099	3,398,099	3,398,099	3,398,099	3,398,099	3,398,099	40,501,237	
KPCo Net MLR Amount	247,810	247,810	247,810	247,810	247,810	251,901	251,901	251,901	251,901	251,901	251,901	251,901	3,002,357	250,196
Check	247,810	247,810	247,810	247,810	247,810	251,901	251,901	251,901	251,901	251,901	251,901	251,901	3,002,357	

**Historical Congestion Cost**

		Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
AEP Implicit Congestion	LSE	3,617,075	2,319,866	12,346,744	13,112,246	6,058,134	1,859,422	3,825,686	8,412,602	9,116,194
		Oct'04 - Jun'05								
		Total	Avg							
		60,667,969	6,740,885							



FTR Revenue Backcast

		Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
AEP Internal	(\$)	6,132,842	4,478,523	16,828,551	19,283,621	9,217,671	3,937,052	6,019,509	10,201,234	18,436,564
		Oct'04 - Jun'05								
		Total	Avg							
		94,535,566	10,503,952							



## Kentucky Power Company

### REQUEST

Exhibits RWB 1, 3, and 4 show the actual test year and proposed projected annualized costs for PJM Operating Reserves, PJM Net Synchronous Condensing, Net Reactive Supply, and Net Blackstart. In this regard, please provide the following information:

- a. Where are each of the actual costs recorded on the Company's books, using the accounts and account numbers in the response to KPSC-1-12? And how have these costs been treated for ratemaking purposes in this case?
- b. Are the actual test year dollar amounts included in the test year actual data in column (3) of Section V, S-4, page 32?
- c. Provide workpapers showing how the Company annualized each of these cost elements based on nine months of actual history ending June 30, 2005.
- d. Are these annualized dollar amounts included in the test year forecasted data in column (4) of Section V, S-4, page 32?
- e. What is the impact on the Company's base rate revenue requirement in this case of reflecting the annualized projected costs vis-à-vis the actual test year costs for these 4 items?

### RESPONSE

- a. The following table outlines the account number associated with PJM Operating Reserves, PJM Net Synchronous Condensing, Net Reactive Supply and Net Blackstart.

Item	Account Number
PJM Operating Reserves	4470108
PJM Net Synchronous Condensing	5550041
Net Reactive Supply	5550042
Net Blackstart	5550043

KPCo has proposed that these PJM related costs be recovered as base rate items.

b. Yes, the actual PJM Operating Reserves, PJM Net Synchronous Condensing, Net Reactive Supply and Net Blackstart costs are included in the test year actual data in column (3) of section V, S-4, page 32.

c. Please see page 2 of this item. Please note that the 2006 forecast has been modified as noted on page 2 under the columns entitled "Revised Forecast". The monthly average provided in the filing for each of these items was based on the total amount divided by the number of months in which values recorded in the specified account . However, amounts had been incurred for each of the nine months, but were reclassified to their present account in subsequent months. This occurred for all accounts in October and for all accounts except PJM Operating Reserves in November.

d. Yes, the projected annualized costs for PJM Operating Reserves, PJM Net Synchronous Condensing, Net Reactive Supply and Net Blackstart costs are included in the test year forecasted data in column (4) of section V, S-4, page 32. Please see page 3 of this item for a revised schedule, which incorporates the changes noted in part (c).

e. The use of actual test year costs that contain only nine months of data understates the revenue requirement for KPCo. This occurs due to the fact that twelve months of costs are included in the projected annualized amounts whereas only nine months of actual data are available. The projected annualized amount portrays what the costs would be based on a full year of operating in PJM.

**WITNESS:** Robert W Bradish

Revised Workpaper for the Annualization of Projected Amounts for:

PJM Oper.-Reserve Rev-LSE  
 PJM Ancillary Serv.-Sync  
 PJM OATT Ancill.-Reactive  
 PJM OATT Ancill.-Black

Kentucky Power Company

(Revenue) / Expense	Account	2004			2005						Grand Total	Provided in Filing		Revised Forecast	
		10	11	12	1	2	3	4	5	6		Avg. Monthly Amount	Annualized	Revised 9 Month Avg.	Annualized
PJM Oper.Reserve Rev-LSE	4470108		(\$123,076)	\$229,951	\$134,619	\$124,741	\$130,580	\$136,100	(\$11,875)	\$376,082	\$997,123	\$124,640	\$1,495,684	\$110,791	\$1,329,497
PJM Ancillary Serv.-Sync	5550041			\$118,434	\$72,459	\$21,475	\$33,640	\$10,266	\$14,236	(\$11,160)	\$259,350	\$37,050	\$444,599	\$28,817	\$345,799
PJM OATT Ancill.-Reactive	5550042			\$36,929	(\$5,263)	\$38,197	\$56,107	\$18,193	\$44,858	\$41,239	\$230,260	\$32,894	\$394,731	\$25,584	\$307,013
PJM OATT Ancill. - Black	5550043			\$1,308	\$2	\$2,881	\$1,978	\$1,249	(\$154)	\$163	\$7,427	\$1,061	\$12,732	\$825	\$9,903

**Revised**  
 Kentucky Power Company  
 Adjustment to Reflect Normalization of PJM (Revenues) and Expenses  
 Test Year Twelve Months Ended 06/30/2005

LINE NO. (1)	Month / Year (2)	Test Year Amount (3)	Monthly 2006 Forecast Amount (4)	Adjustment Required (5)
1	Jul 04	\$0	(\$84,179)	(\$84,179)
2	Aug 04	\$0	(\$84,179)	(\$84,179)
3	Sep 04	\$0	(\$84,179)	(\$84,179)
4	Oct 04	\$201,445	(\$84,179)	(\$285,624)
5	Nov 04	(\$133,116)	(\$84,179)	\$48,937
6	Dec 04	\$793,440	(\$84,179)	(\$877,619)
7	Jan 05	\$614,445	(\$84,179)	(\$698,624)
8	Feb 05	(\$71,303)	(\$84,179)	(\$12,876)
9	Mar 05	\$451,388	(\$84,179)	(\$535,567)
10	Apr 05	\$118,429	(\$84,179)	(\$202,608)
11	May 05	\$205,097	(\$84,179)	(\$289,276)
12	Jun 05	(\$375,931)	(\$84,179)	\$291,752
13	Total	<u>\$1,803,894</u> =====	<u>(\$1,010,148)</u> =====	<u>(\$2,814,042)</u> =====
14	Adj., Required to Reflect Normalization of PJM Adm. Charges in Test Year			(\$2,814,042)
15	Allocation Factor PDAF			0.986
16	KPSC Jurisdictional Amount (Ln 14 X Ln 15)			<u>(\$2,774,645)</u> =====



**Kentucky Power Company**

**REQUEST**

Exhibit DWB-1, page 2 shows KPCo MLR ratios of 0.07538 starting in January and declining to 0.07183 to December. In this regard, please provide the following information:

- a. Are the months listed the projected months of January 2006 through December 2006? If not, indicate which months they represent.
- b. Are the projected KPCo MLR ratios listed equivalent to the June 2005 KPCo MLR ratio of 7.838% shown on Exhibit EKW-1? If not, explain how these MLR ratios differ from the referenced 7.838% ratio.

**RESPONSE**

- a. Yes.
- b. Yes, the methods used to calculate the projected 2006 MLRs is the same method used to calculate the 2005 MLR.

**WITNESS:** Dennis W Bethel





## KENTUCKY POWER COMPANY

### REQUEST

With regard to the amortization of the deferred PJM Expansion costs shown on Section V, S-4, page 35 and discussed on pages 10-11 of Mr. Bethel's testimony, please provide the following information:

- a. When exactly were these PJM Expansion costs incurred?
- b. When did KPCo defer the allocated PJM Expansion costs of \$1.14 million and in which deferral account were these costs booked?
- c. Did KPCo request KPSC approval or in any other way receive KPSC approval for the booking of this deferred cost? If not, why not?
- d. What was the 1/05 deferred cost starting balance; what amortization period is used to amortize this deferred cost balance; what is the basis for this amortization period; and what was the unamortized deferred cost balance as of 6/30/05?
- e. In which expense account in the response to KPSC-1-12 are the actual test year expenses of \$85,014 reflected?

### RESPONSE

- a. The PJM expansion costs have been incurred from 2002 through the present.
- b. The AEP East Operating Companies, including KPCo, began deferring PJM expansion costs in 2002 in accordance with FERC orders to other utilities, *See, e.g. Duke Energy Corp.*, 94 FERC ¶ 61,080 (2001), in which FERC approved the deferral of RTO formation costs inclusive of related carrying charges in Account 186, Miscellaneous Deferred Debits. On July 2, 2003, the FERC in Docket No. AC03-20-000 approved AEP's request to continue deferring its RTO formation and PJM expansion costs and
- c. related carrying charges in Account 186 until AEP fully integrated into PJM. KPCo has continued to defer its PJM expansion costs through 2005.

In August 2004, AEP filed a request with the FERC Chief Accountant to transfer RTO formation and PJM expansion costs deferred in Account 186 to Account 182.3, Other Regulatory Assets, and to begin amortizing the deferred PJM expansion costs on January 1, 2005 and to defer a carrying charge in Account 182.3 on the unamortized balance of the regulatory assets until the deferred costs are fully amortized. The FERC Chief Accountant subsequently approved AEP's requested accounting for these costs in Docket No. AC04-101-000.

c. The FERC has approved AEP's deferral of PJM expansion costs including those costs incurred by KPCo. The Company has not requested separate approval from the KPSC to defer these same costs. See the above response to AG 1-67b.

d. The amount of PJM expansion costs deferred on KPCo's books as of 01/01/2005 was \$1,299,666. These deferred PJM expansion costs are being amortized beginning January 2005 as approved by the FERC Chief Accountant in his letter order dated April 4, 2005 in Docket No. AC04-101-000. The deferred PJM expansion costs are being amortized on a straight-line basis over 10 years commensurate with the rate recovery period requested in a March 8, 2005 joint FERC application with Commonwealth Edison and Dayton Power & Light in Docket No. EL05-74-000. The FERC Order in Docket EL05-74-000 dated May 6, 2005 did not except to the 10-year recovery period for these costs. The unamortized balance of PJM expansion costs deferred on KPCo's books as of 06/30/2005 was \$1,123,585.

e. Account 4073000, Regulatory Debits

WITNESS: Dennis Bethel