

Kentucky Power Company - PSC Case No. 2005-00341

Summary of Legal Fees and Expenses
Stites & Harbison, PLLC

<u>Ln</u> <u>No</u> (1)	<u>Thru Date</u> (2)	<u>Timekeeper</u> (3)	<u>Rate</u> (4)	<u>Hours</u> (5)	<u>Fees</u> (6)	<u>Expenses</u> (7)	<u>Grand Total</u> (8)
1	6/30/05	B F Clark	\$270	3.2	\$864.00	\$0.00	\$864.00 *
2	8/31/05	B F Clark	\$270	1.2	\$324.00		\$324.00
		M R Overstreet	\$210	27.8	\$5,838.00	\$1.60	\$5,839.60
3	9/30/05	B F Clark	\$270	68.2	\$18,414.00		\$18,414.00
4		J Villines	\$230	32.5	\$7,475.00		\$7,475.00
5		M R Overstreet	\$210	48.5	\$10,185.00		\$10,185.00
6		R B Crittenden	\$140	1	\$140.00		\$140.00
7		P J Tipton	\$60	12.3	\$738.00	\$11.96	<u>\$749.96</u>
8		Total					<u>\$43,991.56</u>

* This amount was paid July 28, 2005

Kentucky Power Company

REQUEST

Provide a copy of Kentucky Power's most recent depreciation study. If no such study exists, provide a copy of Kentucky Power's most recent depreciation schedule. The schedule should include a list of all facilities by account number, service life and accrual rate for each, the methodology that supports the schedule, and the date the schedule was last updated.

RESPONSE

Please refer to the Company's September 26, 2005 Application filing, Volume 3, Exhibit JEH-1 attached to the testimony of Witness James E. Henderson. Please also refer to the Depreciation Study Workpapers filed on September 26, 2005.

WITNESS: J.E. Henderson

Kentucky Power Company

REQUEST

Describe the status of any outstanding recommendations relating to Kentucky jurisdictional electric operations contained in Kentucky Power's management audits. Identify any savings or costs related to management audit recommendations, the impact of which is not already reflected in the test year of this case.

RESPONSE

As of October 11, 2005, the following recommendations are outstanding:

II-2

Recommendation: Each circuit within the Hazard Service Area should be analyzed and a reliability improvement plan developed (Refer to Finding II-6 and Finding II-7)

Response: The Company reviews at least 20% (11 circuits) of the Hazard service area circuits per year. For the reliability improvement plan please see the Company's response below to V-1, V-2 and V-3.

II-4

Recommendation: Develop a methodology for specifically tying capital and operations and maintenance investments to reliability indicators (Refer to Finding II-6 and Finding II-7).

Response: The Company continues limited use of the CYME Reliability Assessment Module (RAM). RAM helps evaluate the effects of altering circuit configuration and protective device placement and is an add-on to the program that AEP has used for several years when modeling circuit load flows and voltage profiles. In addition, a software tool prototype is under development to calculate the impact of expenditures on reliability indices, and is still expected to be completed by the end of 2005.

II-7

Recommendation: Develop a method for addressing momentary outages (Refer to Finding II-10).

Response: The Company has considered some momentary outage information, where appropriate, for reliability improvements for many years. The cost of this normal business practice is included in the test year. However, the Company continues exploration with the vendor for enhanced metering devices to capture momentary outage events on distribution circuits. The Company does not yet have the implementation cost of this project and it was not included in the test year. It is anticipated that these costs to measure momentary outages beyond current practices would be substantial.

IV-5

Recommendation: Continue with the established plan to improve the radio communications network in the Hazard Service Area (Refer to Finding IV-7)

Response: The Company continues to improve radio communications in remote sections of the Hazard area, with an additional site scheduled for operation in the later part of fourth quarter of 2005.

V-1, V-3, V-5

Recommendations:

V-1: Determine the annual vegetation management workload increment (Refer to Finding V-7)

V-3: Budget for vegetation management based on the annual workload increment (Refer to Finding V-8 and Finding V-9).

V-5: Develop and implement practices designed to manage tree-caused outages (Refer to Finding V-6, Finding V-10, and Finding V-11).

Response: Under the current vegetation approach, the Company uses a combination of factors to drive tree trimming such as reliability monitoring, customer expectations, vegetation growth rates, and workloads. The cost of this current vegetation approach is included in the test year. Audit's recommendations are to establish pruning cycles based on average tree growth, and to increase the use of hot-spotting. The Company agrees with the Audit's recommendation to use tree growth inventories to better predict the need for future cycle trimming. To adopt the Audit's recommendation would require additional financial resources to obtain the technology required to inventory vegetation on KPCo's system, to conduct the tree inventory, to increase the number of tree trimming crews, and to provide additional administrative oversight in order to implement an effective cycle-based program.

V-4

Recommendation: Use hotspotting to minimize tree-related outages until the system is on a sustainable Pruning cycle (Refer to Finding V-5).

Response: The Company agrees that hot-spotting is an essential and appropriate method to control fast growing vegetation that poses an immediate threat to service reliability, however, the Company does not believe increasing the use of hot-spot trimming provides a comprehensive and cost effective method to manage vegetation on its system.

WITNESS: Everett Phillips

Kentucky Power Company

REQUEST

Concerning Kentucky Power's demand side management ("DSM") programs:

- a. Describe the status of the DSM programs during and as of test-year end.
- b. Identify the revenues and expenses associated with Kentucky Power's DSM programs during the test year. Include the account number used to record revenue and expense transactions for the DSM programs.

RESPONSE

a. Targeted Energy Efficiency Program

The Targeted Energy Efficiency Program piggybacks its resources with the Weatherization Assistance Program to help weatherize the homes of low-income families living within the Kentucky Power service territory. These families would not otherwise receive assistance due to budget constraints in the Weatherization Assistance Program. During the test-year, the DSM Collaborative projected the weatherization of 151 all-electric and 106 non-all-electric homes. Actual participation levels for all-electric and non-all-electric homes were 177 all-electric (117% of goal) and 129 non-all-electric homes (121% of goal).

This program continues to be an important and vitally needed program due to the large number of low-income families living within the Kentucky Power service territory. By lowering their energy consumption each month, these families have greater use of their income and are less likely to fall behind on their utility bill.

Modified Energy Fitness Program

The Modified Energy Fitness Program is targeted to residential all-electric customers living within the Kentucky Power service territory who use a minimum average of 1,000 kWh per month. Participants receive, at no cost to the customer, an energy audit and, where applicable, have installed a mixture of energy conservation measures. Honeywell DMC Services, Inc. is our implementation contractor.

During the test-year, the DSM Collaborative projected the weatherization of 705 homes. The actual participation level was 762 homes (108% of goal). This program continues to be very well received due to the large number of all-electric customers living within the Kentucky Power service territory.

High Efficiency Heat Pump – Mobile Home Program

The High Efficiency Heat Pump - Mobile Home Program provides an incentive to customers to replace less efficient central electric heating systems with a high efficiency heat pump. This program is promoted by participating HVAC dealers operating within the Kentucky Power service territory.

During the test-year, the DSM Collaborative projected the installation of 83 high efficiency heat pumps. The actual participation level was 80 high efficiency heat pumps (96% of goal). The Collaborative continues to believe that there is a need for this program due to the large number of customers living in mobile homes within the Kentucky Power service territory.

Mobile Home New Construction Program

The Mobile Home New Construction Program provides a financial incentive to new mobile home buyers to encourage the installation of an upgraded insulation package and a high efficiency heat pump or high efficiency air conditioning system. This program is promoted by participating mobile home dealers operating within the Kentucky Power service territory.

During the test-year, the DSM Collaborative projected the installation of 127 high efficiency heat pumps and 7 high efficiency air conditioning systems. Actual participation levels for high efficiency heat pumps and air conditioning systems were 137 (107% of goal) and 0 (0% of goal). The Collaborative continues to believe that there is a need for this program due to the number of new applications for service for new mobile homes in the Kentucky Power service territory.

The Collaborative is requesting Commission approval to discontinue the incentive for the air conditioning measure at the end of this year due to lower than expected participation levels and the revised federal energy efficiency standards that are scheduled to go into effect on January 23, 2006.

b. The revenue for the continued operation of Kentucky Power's DSM programs is collected via a DSM surcharge. The surcharge is calculated by sector for residential and commercial customers. During the test year, Kentucky Power collected \$774,194 from residential customers and \$17,735 from commercial customers. The account number used to record the revenue collected for the residential and commercial programs is 4560007.

The DSM program expenses are categorized by sector and by individual program for residential and commercial customers. During the test-year, residential and commercial program expenses were \$820,489 and \$68,324 respectively. The account number used to record expenses for the residential and commercial programs is 9080009.

To further explain the residential and commercial program expenditures, the attached spreadsheet will identify the program costs, lost revenue, efficiency incentive, and maximizing incentive for each residential and commercial program.

WITNESS: Errol Wagner

KENTUCKY POWER COMPANY
 DSM PROGRAM EXPENDITURES
 TEST YEAR
 July 1, 2004 - June 30, 2005

PROGRAM DESCRIPTIONS	ACTUAL PROGRAM COSTS	TOTAL NET LOST REVENUES	EFFICIENCY INCENTIVE	MAXIMIZING INCENTIVE	TOTAL INCENTIVE	TOTAL COSTS TO BE RECOVERED
RESIDENTIAL PROGRAMS						
Targeted Energy Efficiency						
- All Electric	\$197,151	\$28,071	\$0	\$9,858	\$9,858	\$235,080
- Non-All Electric	7,924	3,842	1,433	0	1,433	13,199
High - Efficiency Heat Pump						
- Resistance Heat	0	561	0	0	0	561
- Non Resistance Heat	0	0	0	0	0	0
High - Efficiency Heat Pump						
- Mobile Home	40,647	16,729	4,023	0	4,023	61,399
Mobile Home New Construction						
- Heat Pump	82,995	42,195	8,656	0	8,656	133,846
- Air Conditioner	0	20	0	0	0	20
Modified Energy Fitness	284,479	68,059	23,846	0	23,846	376,384
TOTAL RESIDENTIAL PROGRAMS	613,196	159,477	37,958	9,858	47,816	820,489
COMMERCIAL PROGRAMS						
Smart Financing - Existing Building	0	39,374	0	0	0	39,374
Smart Financing - New Building	0	28,950	0	0	0	28,950
TOTAL COMMERCIAL PROGRAMS	0	68,324	0	0	0	68,324
TOTAL COMPANY	\$613,196	\$227,801	\$37,958	\$9,858	\$47,816	\$888,813