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March 6, 2006

**PARTIES OF RECORD:**

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

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's content should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Isaac Scott at (502) 564-3940, Extension 444.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

Attachment

**INTRA-AGENCY MEMORANDUM**

**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Main Case File No. 2005-00341

**FROM:** Isaac Scott, Team Leader 

**DATE:** March 6, 2006

**RE:** CASE NO. 2005-00341, GENERAL ADJUSTMENTS IN ELECTRIC RATES OF KENTUCKY POWER COMPANY

Pursuant to the Commission Staff's February 23, 2006 notice in the above case, an informal conference was held on March 1, 2006 at the Commission's Offices. A list of the participants is included with this memo as Attachment 1. The Kentucky Cable Telecommunications Association and Kentucky Association for Community Action, Inc. had previously indicated they would not be present at this conference.

The Commission Staff's February 23, 2006 notice identified for discussion three issues related to the Settlement Agreement filed in this case on February 7, 2006. The first issue concerned the effective date of the new rates contained in Kentucky Power's proposed tariffs filed on February 17, 2006. The Settlement Agreement provides that the increase in retail base rates would become effective for the first billing cycle of April 2006, which begins on March 30, 2006. The proposed tariffs Kentucky Power filed on February 17, 2006 are to be effective for bills rendered on and after March 30, 2006. The "bills rendered" phrase would cause the new rates to be applied retroactively to service rendered after March 1, 2006. Generally new tariffs carry a "service rendered" effective date. The Commission Staff advised the parties that the Settlement Agreement language did not appear to be clear on whether the new rate tariffs should be effective with bills rendered or service rendered. Kentucky Power indicated that it understood the Settlement Agreement provision to mean bills rendered, while the AG and KIUC indicated that the intent was to be service rendered. After further discussion by the parties, Kentucky Power agreed to refile its proposed tariffs early next week with an effective date of service rendered on and after March 30, 2006.

The second issue dealt with the proposed revisions to the Environmental Surcharge Tariff. The Settlement Agreement provides that \$28,106,683 will be incorporated into base rates from the environmental surcharge, and that the monthly baseline amounts of the roll-in would be "as set forth in the Company's proposal in this case." The Commission Staff pointed out that in this case, Kentucky Power had proposed two approaches in conjunction with the roll-in. Kentucky Power handed out revised Environmental Surcharge Tariff sheets that correctly reflected the parties' agreement on this issue, as opposed to the proposed tariff sheets filed on February 17, 2006. The Commission Staff indicated that revised tariff sheets resolved the issue and Kentucky Power indicated that it would file the revised tariff sheets.

The last issue dealt with the Settlement Agreement provision for a 1-year trial that would permit industrial customer participation in PJM's Economic Demand Response Program. The Commission Staff noted that there was nothing included in the proposed tariffs filed on February 17, 2006 that addressed this provision. Kentucky Power and KIUC explained that they envisioned the need for a special contract to specifically address each customer's participation in the program. A general discussion followed concerning the operation and mechanics of the program. In order to resolve the concerns, Kentucky Power and KIUC suggested that either the parties would agree to remove the provision from the Settlement Agreement or submit a clarification that the provision in the Settlement Agreement was only a framework and that the actual details of governing how an industrial customer would participate in the program would be included in a special contract that would be submitted for Commission review and approval prior to it becoming effective. After further discussion, the parties agreed to submit a revision to the Settlement Agreement to clarify that customer participation in the PJM Economic Demand Response Program will be by a negotiated special contract which will be subject to Commission approval.

The Commission Staff also raised a question concerning the fuel revenue line shown in the proof of revenues filed on February 17, 2006. After some review, Kentucky Power indicated that a base fuel adjustment clause roll-in that occurred after the June 30, 2005 test year had been reflected in the proposed revenues but the current revenues did not reflect the roll-in. Kentucky Power stated it would file additional information to explain what was being shown in the proof of revenues concerning the fuel revenues.

The Commission Staff also asked Kentucky Power to provide a schedule, in electronic form, of the various rates and miscellaneous charges that will be changing as a result of the Settlement Agreement. Kentucky Power indicated that would be provided, and Commission Staff received the schedule later on March 1, 2006. A hard copy of the schedule is included with this memo as Attachment 2.

Attachments:           Conference Participants  
                              Schedule of Rates and Miscellaneous Charges

cc:     Parties of Record



**KENTUCKY POWER COMPANY**  
**CASE NO. 2005-00341**  
**Settlement Rate Summary**

<u>Tariff</u>	<u>Description</u>	<u>Customer</u>	<u>Energy</u>	<u>Demand</u>
(1)	(2)	(3)	(4)	(5)
		\$/mo	c/kWh	\$/kW
RS		5.86		
	All kWh		6.002	
	Storage Water Heating kWh		2.664	
	Load Management Water Heating kWh		2.664	
RS-LM-TOD		8.36		
	On-Peak		10.177	
	Off-Peak		2.664	
	Conservation and Load Management Credit		0.745	
	Separate Metering	3.00		
RS-TOD		8.36		
	On-Peak		10.177	
	Off-Peak		2.664	
SGS		11.50		
	First 500 kWh		8.824	
	Over 500 kWh		4.805	
SGS Non-metered		7.50		
	First 500 kWh		8.824	
	Over 500 kWh		4.805	
SGS-LM-TOD		15.10		
	On-Peak		12.227	
	Off-Peak		2.664	

**KENTUCKY POWER COMPANY**  
**CASE NO. 2005-00341**  
**Settlement Rate Summary**

<u>Tariff</u> (1)	<u>Description</u> (2)	<u>Customer</u> (3) \$/mo	<u>Energy</u> (4) ¢/kWh	<u>Demand</u> (5) \$/kW
<b>MGS</b>				
	Secondary	13.50		1.31
	kWh equal to 200 times kW of monthly billing demand		6.988	
	kWh in excess of 200 times kW of monthly billing demand		5.826	
	Primary	21.00		1.28
	kWh equal to 200 times kW of monthly billing demand		6.318	
	kWh in excess of 200 times kW of monthly billing demand		5.526	
	Subtransmission	153.00		1.25
	kWh equal to 200 times kW of monthly billing demand		5.744	
	kWh in excess of 200 times kW of monthly billing demand		5.321	
	Recreational Lighting	13.50		
	All kWh		6.519	
	Industrial and Coal Mining Minimum Charge			5.46
	<b>MGS-LM-TOD</b>	3.00		
	On-Peak		11.391	
	Off-Peak		2.781	
	<b>MGS-TOD</b>	14.30		
	On-Peak		11.391	
	Off-Peak		2.781	
<b>LGS</b>				
	Secondary	85.00	5.120	3.45
	Primary	127.50	4.415	3.36
	Subtransmission	535.50	3.350	3.30
	Transmission	535.50	2.965	3.24
	Excess kVA Charge			2.97

**KENTUCKY POWER COMPANY**  
**CASE NO. 2005-00341**  
**Settlement Rate Summary**

<u>Tariff</u> (1)	<u>Description</u> (2)	<u>Customer</u> (3) \$/mo	<u>Energy</u> (4) ¢/kWh	<u>Demand</u> (5) \$/kW
LGS-LM-TOD		81.80		
	On-Peak		9.592	
	Off-Peak		2.753	
QP				
	Secondary	276.00	2.096	
	On-Peak			13.28
	Off-Peak Excess			4.79
	Primary	276.00	2.044	
	On-Peak			11.53
	Off-Peak Excess			3.31
	Subtransmission	662.00	2.012	
	On-Peak			8.81
	Off-Peak Excess			0.88
	Transmission	1,353.00	1.987	
	On-Peak			7.47
	Off-Peak Excess			0.77
	Excess kVAr Charge			0.67
CIP-TOD				
	Primary	276.00	1.685	
	On-Peak			13.79
	Off-Peak			3.68
	Minimum Demand Charge			14.79
	Subtransmission	662.00	1.660	
	On-Peak			10.83
	Off-Peak			0.98
	Minimum Demand Charge			11.80
	Transmission	1,353.00	1.640	
	On-Peak			9.35
	Off-Peak			0.84
	Minimum Demand Charge			10.32
	Excess kVAr Charge			0.67

**KENTUCKY POWER COMPANY**  
**CASE NO. 2005-00341**  
**Settlement Rate Summary**

<u>Tariff</u> (1)	<u>Description</u> (2)	<u>Customer</u> (3) \$/mo	<u>Energy</u> (4) ¢/kWh	<u>Demand</u> (5) \$/kW
MW		22.90		
	All kWh		5.677	
	Minimum Charge			3.65
OL				
	Mercury Vapor			
	175 Watt	6.95		
	400 Watt	11.60		
	High Pressure Sodium			
	100 Watt	6.70		
	150 Watt	7.50		
	200 Watt	9.05		
	400 Watt	14.35		
	Floodlights			
	200 Watt HPS	10.30		
	400 Watt HPS	14.10		
	250 Watt MH	16.15		
	400 Watt MH	21.05		
	1000 Watt MH	45.20		
	Post Top			
	175 Watt MV	8.10		
	100 Watt HPS	10.05		
	150 Watt HPS	16.45		
	Wood Pole	2.30		
	Overhead Span	1.30		
	Underground Lateral	5.35		

**KENTUCKY POWER COMPANY****CASE NO. 2005-00341****Settlement Rate Summary**

<u>Tariff</u> (1)	<u>Description</u> (2)	<u>Customer</u> (3) \$/mo	<u>Energy</u> (4) ¢/kWh	<u>Demand</u> (5) \$/kW
SL				
	Overhead Service on Existing Distribution Poles			
	High Pressure Sodium			
	100 Watt	5.45		
	150 Watt	6.15		
	200 Watt	7.65		
	400 Watt	10.90		
	Service on New Wood Distribution Poles			
	High Pressure Sodium			
	100 Watt	8.75		
	150 Watt	9.50		
	200 Watt	10.90		
	400 Watt	14.15		
	Service on New Metal or Concrete Poles			
	High Pressure Sodium			
	100 Watt	14.65		
	150 Watt	15.20		
	200 Watt	19.20		
	400 Watt	20.00		
CATV				
	Charge for attachments on a two-user pole	7.21		
	Charge for attachments on a three-user pole	4.47		

**KENTUCKY POWER COMPANY****CASE NO. 2005-00341****Settlement Rate Summary**

<u>Tariff</u> (1)	<u>Description</u> (2)	<u>Customer</u> (3) \$/mo	<u>Energy</u> (4) ¢/kWh	<u>Demand</u> (5) \$/kW
<b>COGEN/SPP I and COGEN/SPP II</b>				
	<b>Metering Charges</b>			
	Standard Measurement - Single Phase	6.75		
	- Polyphase	8.45		
	TOD Measurement - Single Phase	7.55		
	- Polyphase	8.85		
	<b>Capacity and Energy Credits</b>			
	Standard Meter		2.81	0.72
	TOD Meter			
	On-Peak kWh		3.54	1.73
	Off-Peak kWh		2.29	
	<b>NUG</b>			
	Subtransmission			4.16
	Transmission			2.31
	Excess kVAr Charge			0.67
	<b>Terms and Conditions of Service</b>			
	Reconnect for non-payment - regular hours	12.94		
	Reconnect for non-payment - overtime hours	17.26		
	Reconnect for non-payment - call out	35.95		
	Reconnect for non-payment - double time	44.58		
	Termination or field trip	8.63		
	Returned Check Charge	7.00		
	Meter Test Charge	14.38		