Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
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Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
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Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

September 28, 2007

PARTIES OF RECORD:

RE: Case No. 2006-00507
AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF AMERICAN ELECTRIC POWER COMPANY FROM NOVEMBER 1, 2004 THROUGH OCTOBER 31, 2006

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 Daryl Newby as (502) 564-3940, extension 253.

Sincerely,

Beth O'Donnell
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2006-00507

FROM: Daryl Newby, Team Leader; Chris Whelan; Robert Cowan

DATE: September 28, 2007

SUBJECT: Informal Conference

On September 19, 2007, pursuant to the Staff Notice, an informal conference ("IC") was held at the request of Kentucky Power Company ("Kentucky Power") at the Commission's offices at 211 Sower Boulevard, Frankfort, KY. A copy of the IC attendance list is included as Attachment 1. The purpose of the IC was to discuss certain metering discrepancies at its 69 kV Leach to South Neal tie line with Appalachian Power Company and its Bellefonte 69 kV tie line with Ohio Power Company. In open hearing on July 18, 2007, Kentucky Power notified the Commission, the Attorney General and Kentucky Industrial Utility Customers, Inc. of potential metering problems. Kentucky Power requested that this case be continued generally to allow it sufficient time to evaluate the impact of the problem. Kentucky Power also indicated that it would move the Commission to schedule an informal conference to report the results of its investigation to all parties.

At the IC, Kentucky Power stated that Kentucky, Virginia and West Virginia are affected by the metering discrepancy problem and that Kentucky Power will be meeting with the regulatory authorities in those states to present the findings of its investigation. Kentucky Power distributed a summary of the effect of the metering discrepancy problem for the period of May 2007 upon: (1) the fuel adjustment charge, (2) the customer's share of system sales and (3) the environmental surcharge. A copy of the summary is included as Attachment 2.

Kentucky Power also distributed copies of an excerpt from its July 6, 1951 Interconnection Agreement Between Appalachian Power Company, Kentucky Power Company, Ohio Power Company, Indiana & Michigan Electric Company and With American Electric Power Service Corporation As Agent. Kentucky Power believes that this FERC approved agreement prescribes the methodology for correcting the metering inaccuracies that Kentucky Power has discovered. A copy of the excerpt is included as Attachment 3.

Kentucky Power agreed to provide a written explanation of the problem, the results of its investigation of the problem and its recommendation for correcting the problem, to be included in the case file of Case No. 2006-00507 and Case No. 2007-00276.

The IC was then adjourned.

Attachment

Case No. 2006-00507 Kentucky Power Compay
September 19, 2007 Informal Conference

Name	Representing
Daryl Newby	PSC
Chris Whelan	PSC
Robert Cowan	PSC
Bob Russell	Kentucky Power
Mark R. Overstreet	Stites & Harbison / Ky. Power Co
Craig Baker	ARPSC
Errol Wagner	KPCo
Tim Mosher	KPCO
Larry Cook	AG

Kentucky Power Company
Period of May 2007

	As Filed	Revised	Benefit to the Customer
Fuel Costs	10,896,965	10,906,930	(9,965)
Customer's Share of System Sales	412,452	293,804	(118,648)
Environmental Surcharge	949,835	753,049	196,786
Total	12,259,252	11,953,783	68,173

INTERCONNECTION AGREEMENT

BETWEEN

APPALACHIAN POWER COMPANY

KENTUCKY POWER COMPANY

OHIO POWER COMPANY

COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY *

INDIANA & MICHIGAN ELECTRIC COMPANY

AND WITH

AMERICAN ELECTRIC POWER SERVICE CORPORATION,

AS AGENT

Dated: July 6, 1951, as modified and supplemented by:

Modification No. 1, August 1, 1951
Modification No. 2, September 20, 1962
Modification No. 3, April 1, 1975
  Supplement No. 1 to
  Modification No. 3, August 1, 1979
  Supplement No. 2 to
  Modification No. 3, August 27, 1979
Modification No. 4, November 1, 1980 *
Compliance Filing (FERC ordered), Opinion 266,
  Docket Nos. ER82-579-006 and EL86-10-001

* Pursuant to Modification No. 4 the terms "Member" and "Members", whenever said terms appear in the 1951 Agreement, shall, on and after the time when Modification No. 4 shall become effective, include Columbus Company.

Members in proportion to their respective MEMBER LOAD RATIOS.

(The following illustrates the application of the principle and procedure for effecting such settlements:

It is assumed that Appalachian Company has delivered a block of SYSTEM INTERCHANGE TO FOREIGN COMPANY which has been supplied by carrying a block of load that would not otherwise be carried at Windsor Station of Ohio Company; the out-of-pocket cost incurred by Ohio Company being 3.50 mills per kilowatt-hour.

Charges payable to and credits payable from the SYSTEM ACCOUNT for such energy shall be at the following rates: (1) charge Appalachian Company and Indiana Company at rates per kilowatt-hour equal to the product of 3.50 mills per kilowatt-hour and their respective MEMBER LOAD RATIOS, and (2) pay Ohio Company at a rate equal to the sum of the rates charged Appalachian Company and Indiana.)

As described under subdivision 7.5 above, electric power and energy for sales to Foreign Companies shall be considered to be supplied from the higher cost of the following two sources: (1) from the highest cost source carrying load on the System, excluding sources operated for minimum operating requirements, or (2) the highest cost source supplying electric power and energy to the System under arrangements with Foreign Companies. Similarly, following the determination and designation of such source for the aforesaid sales, electric power and energy for SYSTEM INTERCHANGE TO FOREIGN COMPANY deliveries shall be considered to be supplied from the higher cost of the balance of said two sources.

ARTICLE 8

DELIVERY POINTS, METERING POINTS AND METERING

Delivery Points

8.1 All electric energy delivered under this agreement shall be of the character commonly known as three-phase sixty-cycle energy, and shall be delivered at the various Interconnection one Member on the premises of another Member shall be owned and maintained by the Member installing such equipment. Upon termination of this agreement the Member owning such metering equipment shall remove it from the premises of the other Member. Authorized representatives of any Member shall have access at all reasonable hours to the premises where the meters are located and to the records made by the meters.

8.5 The aforesaid metering equipment shall be tested by the owner at suitable intervals and its accuracy of registration maintained in accordance with good practice. On request of any Member, special tests shall be made at the expense of the Member requesting such special test.

8.6 If on any test of metering equipment, an inaccuracy shall be disclosed exceeding two percent, the account between the Members for service theretofore delivered shall be adjusted to correct for the inaccuracy disclosed over the shorter of the following two periods: (1) for the thirty-day period immediately preceding the day of the test or (2) for the period that such inaccuracy may be determined to have existed. Should the metering equipment as hereinabove provided for fail to register at any time, the electric power and energy delivered shall be determined from the check meters, if installed, or otherwise shall be determined from the best available data.

ARTICLE 9

RECORDS AND STATEMENTS

9.1 In addition to meter records to be kept by the Members as provided under Article 8, the Members shall keep in duplicate such log sheets and other records as may be needed to afford a clear history of the various deliveries of electric power and energy made pursuant to the provisions of this agreement. The