

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

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JUN 05 2007

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF KENTUCKY POWER COMPANY)
FOR AN ORDER APPROVING A PILOT REAL-TIME)
PRICING PROGRAM FOR LARGE COMMERCIAL) CASE NO. 2007-00166
AND INDUSTRIAL CUSTOMERS)

KENTUCKY POWER COMPANY

RESPONSES TO COMMISSION STAFF'S FIRST SET OF DATA REQUESTS

June 5, 2007

Kentucky Power Company

REQUEST

Refer to page 3 of the April 20, 2007 testimony of Larry C. Foust which states that customers who participate in the real-time pricing ("RTP") program will designate the amount of load to be billed under the standard tariff and that the remaining load will be billed at real time rates.

- a. How often will the designated amount (subject to the standard tariff) change?
- b. Will the first usage each month be assumed to be the designated amount subject to the standard tariff?
- c. Provide a sample actual usage for one month for a participating customer and the total amount that would be billed. Show the calculation of each part of the bill separately. Provide all information used to perform the calculations including the designated amount and all components of the sample prices obtained on a real-time basis.

RESPONSE

- (a) Customers can change the designated KW amount once a year to be effective June 1st.
- (b) All usage equal to or less than the equivalent designated KW for each meter interval will be billed at standard tariff rates. Any usage above the equivalent designated KW level for the billing interval will be billed at the real time market rates.
- (c) A billing example is attached.

WITNESS: Larry C Foust

**Example of Billing for RTP Pilot program
 for a CIP - TOD Primary Customer**

Summary:

Total Bill	
Standard Bill	\$241,150.36
RTP Bill	<u>\$7,746.69</u>
Total	\$248,897.05

Billing Determinants:

Hour Ending	Usage KWH	Designated Load	Usage > Designated Load	Usage <= Designated Load
	1	6,500	8,000	0
	2	6,400	8,000	0
	3	6,300	8,000	0
	4	6,200	8,000	0
	5	6,200	8,000	0
	6	6,300	8,000	0
	7	6,400	8,000	0
	8	7,000	8,000	0
	9	7,200	8,000	0
	10	7,400	8,000	0
	11	7,600	8,000	0
	12	7,800	8,000	0
	13	8,000	8,000	0
	14	8,200	8,000	200
	15	8,400	8,000	400
	16	8,600	8,000	600
	17	8,400	8,000	400
	18	8,200	8,000	200
	19	8,200	8,000	200
	20	8,100	8,000	100
	21	7,500	8,000	0
	22	7,000	8,000	0
	23	6,900	8,000	0
	24	6,800	8,000	0
<hr/>				
Day Energy	175,600		2,100	173,500
Demand -on	8,600		600	8,000
-off	7,000		0	7,000
Energy Used				
Rest of Month	5,092,400		60,900	5,031,500
(Assume same usage pattern all month.)				
Monthly Usage	5,268,000		63,000	5,205,000
Monthly Demand -on	8,600		600	8,000
-off	7,000		0	7,000

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RTP Bill Calculation

Program Charge:	Total
	\$150.00

Energy Charge:	Hour	Excess Use	LMP \$/MWH	Energy Loss Factor	
	14	6,000	\$65.00	1.03361	\$403.11
Assumes hourly LMP is consistent throughout the month.	15	12,000	\$66.00	1.03361	\$818.62
	16	18,000	\$67.00	1.03361	\$1,246.53
	17	12,000	\$75.00	1.03361	\$930.25
	18	6,000	\$70.00	1.03361	\$434.12
	19	6,000	\$60.00	1.03361	\$372.10
	20	3,000	\$55.00	1.03361	\$170.55
Total		63,000			\$4,375.27

Demand Charge:		
KW	600	
Rate	\$1.241	
Diversity Factor	0.77	
Demand Loss Factor	1.06908	
Reserve Margin	1.15	\$704.89

Transmission Charge		
KW	600	
Rate	\$1.7574	
Diversity Factor	0.77	
Demand Loss Factor	1.06908	\$868.01

Other Market Services:		
KWH	63,000	
Rate	\$0.000406	\$25.58

Distribution Charge:		
KW	600	
Rate	\$2.77	\$1,662.00

Surcharges:	Rate/KWH	
Fuel	\$0.000000	\$0.00
System Sales	\$0.000000	\$0.00
Demand Side Mgmt	\$0.000000	\$0.00
Net Merger Savings	(\$0.000620)	(\$39.06)
Capacity Charge	\$0.000000	\$0.00
	Rate /\$ before environmental	
Environmental	0.0000000%	\$0.00
Total Surcharge		(\$39.06)

Total Bill	\$7,746.69
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Standard Bill Calculation:

			Total
Service Charge	\$276.00		\$276.00
Energy Charge:			
KWH	5,205,000		
Rate	\$0.01685		
	\$87,704.25		\$87,704.25
Demand Charge:			
	On	Off	
KW	8,000	7,000	
Rate	\$13.79	\$3.68	
	\$110,320.00	\$25,760.00	\$136,080.00
Surcharges:	Rate/KWH		
Fuel	\$0.004250		\$22,121.25
System Sales	(\$0.001435)		(\$7,470.74)
Demand Side Mgmt	\$0.000000		\$0.00
Net Merger Savings	(\$0.000620)		(\$3,227.10)
Capacity Charge	\$0.000508		\$2,644.14
Environmental	Rate /\$ before environmental		
	1.2693000%		\$3,022.56
Total Surcharge			\$17,090.11
Total Bill			<u>\$241,150.36</u>

Kentucky Power Company

REQUEST

Refer to page 3 of Mr. Foust's testimony where he states that customers qualifying under the QP and COP TOD tariffs will be eligible to participate in the RTP.

- a. How many customers qualify for the RTP pilot under the QP and CIP TOD tariff?
- b. Explain why Kentucky Power wishes to limit the number of participants in the pilot RTP program to ten.
- c. If the total number of customers served under these two tariffs that may wish to participate in the RTP pilot exceeds the 10-customer limit that Kentucky Power proposes, how does Kentucky Power intend to choose the 10 customers that will be allowed to participate?
- d. Explain how the real-time pricing program will be communicated and explained to those customers that are potentially eligible.

RESPONSE

- (a) There are 106 customers taking service under tariffs QP and CIP-TOD. All are eligible to participate.
- (b) Kentucky Power limited the number of participants in the pilot program to limit the amount of fixed expenses associated with the pilot program. Ten participants allow the Company to manually bill the participating customers rather than develop an expensive computer billing program that would be required for a large number of participants.
- (c) Customers will be chosen on a first-come basis.
- (d) A letter will be sent to the eligible customers by the Company through the Company's customer representatives that will announce the program. The letter will request that any interested customers should follow-up with the Company's customer representative to get further information and discuss further details regarding the program.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

Why is Kentucky Power asking for 4 to 6 months to implement the RTP program? Provide a detailed discussion of the activities Kentucky Power will perform in the 4 months from the Commission's Order approving the tariff to implementation.

RESPONSE

Kentucky Power is asking that the program begin no earlier than June 1, 2008 to coincide with the beginning of a planning year (and associated cost rates) for PJM. Matching the start of the program with the beginning of a PJM planning year allows customers to know the capacity costs to be charged for the entire year for which they are committing. Kentucky Power requires 4 to 6 months after an order is issued by this Commission approving a pilot program for the Company to develop and implement the tools, information and reports required by a program. The Company does not want to begin developing the required billing engine, program information for the customer, customer communication systems or website modifications until it knows what program is approved by the Commission.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

Refer to page 4 of Mr. Foust's testimony which states that "customers must enroll by each May 15 to commence service beginning June 1 and must stay with the service for the entire planning year.." Provide the amount of notice customers must give in order to discontinue participation in the program.

RESPONSE

There are no notice provisions. Existing customers must re-enroll in the program by May 15th to continue in the program. Otherwise they will be dropped from the program beginning June 1st.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

Provide the calculation for the proposed program charge of \$150 per month to contribute to incremental billing, administration and communication cost for the program.

RESPONSE

The \$150 per month program charge was set based upon a review of the program charges for other companies' RTP programs. That amount is a reasonable level, which should not inhibit customers from participating in the pilot program. The exact cost to implement the program has not been estimated, therefore the Company proposes to compare the recoveries received from customers to the actual incremental costs incurred to implement the program and feed back to customers any over- or under-recoveries pursuant to a future order of the Commission.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

Will upgrades to customer metering or other equipment be necessary in order to participate in the program? If so, provide a detailed listing of the costs and state who will pay these costs.

RESPONSE

No upgrades to customer metering will be required. A customer will require the internet to access the Company's communication system to view pricing and other information. The Company will then provide the customer with the necessary system access and password.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

On page 5 of his testimony, Mr. Foust states that Kentucky Power will track the incremental costs incurred to implement and administer the program and seek recovery of any costs that exceed the amount recovered from the participating customers in the next rate proceeding.

- a. Explain whether Kentucky Power believes that the program charge was developed to cover the incremental costs. If incremental costs are not covered, explain why Kentucky Power does not believe the program charge should be put at a sufficient level to cover the incremental costs.
- b. If the program charge will not cover the incremental costs, approximately what level of program charge would be necessary?

RESPONSE

(a) No. See the response to Commission Staff Question #5. Setting the program charge at a substantially higher level could act as a deterrent to customer participation.

(b) The exact cost of the program has not been determined yet so we are unable to estimate what level of program charge is necessary to recover the costs.

WITNESS: Larry C Foust

Kentucky Power Company

REQUEST

In their Application, Kentucky Utilities Company and Louisville Gas and Electric Company state that their program was designed to be bill neutral with respect to a customer's historical usage. Will Kentucky Power's RTP pilot be bill neutral to customers that do not change consumption patterns? Explain.

RESPONSE

Kentucky Power's pilot program was not designed to be bill neutral for customers that do not change consumption patterns. Real time market prices are very different than the Company's rates. Market based energy prices are much higher and market based capacity rates are much lower than the Company's standard tariffs. It may be possible to find the right combination of designated load and real-time market capacity and energy rates to produce a revenue neutral situation but it would be different for each customer and the real-time market energy prices for the future are not known. The Company's intent for the program is to introduce customers to real-time market pricing and to test the ability of customers to react to the real time pricing signals, i.e. test the customer's ability to shift load from higher priced hours to lower priced hours. The Company wants to encourage customers to participate at the level of risk with which they are comfortable. Therefore, the level of load designated by the customer may or may not be revenue neutral for the customer.

WITNESS: Larry C Foust

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

STATE OF OHIO

CASE NO. 2007-00166

COUNTY OF FRANKLIN

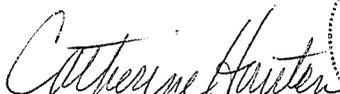
AFFIDAVIT

Larry C. Foust, upon first being duly sworn, hereby makes oath that if the foregoing questions were propounded to him at a hearing before the Public Service Commission of Kentucky, he would give the answers recorded following each of said questions and that said answers are true.



Larry C. Foust

Subscribed and sworn before me by Larry C. Foust this 23rd day of May, 2007.



Notary Public



CATHERINE HURSTON
Notary Public, State of Ohio
My Commission Expires 11 15 2009

My Commission Expires _____