

421 West Main Street
Post Office Box 634
Frankfort, KY 40602-0634
(502) 223-3477
(502) 223-4124 Fax
www.stites.com

April 20, 2007

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**PUBLIC SERVICE
COMMISSION**

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

HAND DELIVERED

Ms. Beth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: Kentucky Power Company's Real-Time Pricing Pilot Program Tariff
~~(Administrative Case No. 2006-00045)~~

Dear Mr. O'Donnell:

Case No. 2007-00166

In conformity with the Commission's December 21, 2006 Order in the above-styled matter and 807 KAR 5:011, Section 2, please find enclosed four copies of Kentucky Power's tariff implementing a pilot real-time pricing program for large commercial and industrial program.

To assist the Commission with its review of the tariff I also am enclosing an original and ten copies of the testimony of Larry C. Foust.

Copies of the filings are being served on representatives of the Attorney General's Office and Kentucky Industrial Utility Customers, Inc.

Finally, Kentucky Power would be pleased to meet with the Commission staff to answer any questions it might have concerning the tariff.

Very truly yours,



Mark R. Overstreet

cc: Dennis G. Howard, II
Michael L. Kurtz

KE057:KE185:15487:1:FRANKFORT

CERTIFICATE OF SERVICE

Allen Anderson
South Kentucky RECC
925-929 North Main Street
P.O. Box 910
Somerset, Kentucky 42502-0910

Jackie B. Browning
Farmers RECC
504 South Broadway
P.O. Box 1298
Glasgow, Kentucky 42141-1298

Elizabeth E. Blackford
Lawrence W. Cook
Office of the Attorney General
Utility & Rate Intervention Division
Suite 200
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

Carol H. Fraley
Grayson RECC
109 Bagby Park
Grayson, Kentucky 41143

Larry Hicks
Salt River Electric Cooperative Corp.
111 West Brashear Avenue
P.O. Box 609
Bardstown, Kentucky 40004

Tyson A. Kamuf
Sullivan, Mountjoy, Stainback
& Miller, PSC
100 St. Ann Street
P.O. Box 727
Owensboro, Kentucky 42302-0727

Dudley Bottom, Jr.
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, Kentucky 40065

Sharon K. Carson
Jackson Energy Cooperative
115 Jackson Energy Lane
McKee, Kentucky 40447

Kerry K. Howard
Licking Valley RECC
271 Main Street
P.O. Box 605
West Liberty, Kentucky 41472

Lisa Kilkelly
Legal Aid Society
Suite 300
416 West Muhammad Ali Boulevard
Louisville, Kentucky 40202

Daniel W. Brewer
Bluegrass Energy Cooperative Corp.
1201 Lexington Road
P.O. Box 990
Nicholasville, Kentucky 40340-0990

Elizabeth L. Cocanougher
E.ON U.S., LLC
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232-2010

Paul G. Embs
Clark Energy Cooperative, Inc.
2640 Ironworks Road
P.O. Box 748
Winchester, Kentucky 40392-0748

Ted Hampton
Cumberland Valley Electric, Inc.
Highway 25E
P.O. Box 440
Gray, Kentucky 40734

James L. Jacobus
Inter-County Energy Corporation
1009 Hustonville Road
P.O. Box 87
Danville, Kentucky 40423-0087

Robert M. Marshall
Owen Electric Cooperative, Inc.
8205 Highway 127 North
P.O. Box 400
Owenton, Kentucky 40359

James M. Miller
Sullivan Mountjoy, Stainback
& Miller, PSC
100 St. Ann Street
P.O. Box 727
Owensboro, Kentucky 42302-0727

Kendrick R. Riggs
Stoll Keenon Ogden, PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

Anthony P. Overby
Fleming-Mason Energy Cooperative
P.O. Box 328
Flemingsburg, Kentucky 41041

Bobby D. Sexton
Big Sandy RECC
504 11th Street
Paintsville, Kentucky 41240-1422

Michael L. Miller
Nolin RECC
411 Ring Road
Elizabethtown, Kentucky 42701-8701

Barry L. Myers
Taylor County RECC
100 West Main Street
P.O. Box 100
Campbellsville, Kentucky 42719

Charles A. Lile
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P.O. Box 707
Winchester, Kentucky 40392-0707

David A. Spainhoward
Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson Kentucky 42420

Jason R. Bentley
McBrayer, McGinnis, Leslie
& Kirkland, PLLC
Suite 308
305 Ann Street
Frankfort, Kentucky 40601

Anne Marie Regan
Office of Kentucky Legal Services
1139 East Broadway
Louisville, Kentucky 40204

Allison Lankford
McBrayer, McGinnis, Leslie
& Kirkland, PLLC
Suite 1000
201 East Main Street
Lexington, Kentucky 40507

David F. Boehm
Kurt J. Boehm
Boehm Krutz & Lowry
Suite 1510
36 East Seventh Street
Cincinnati, Ohio 45202

Ralph Combs
Suite 5B
Untied Bank Square
Versailles, Kentucky 40383

Rocco O. D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, Ohio 45202

John J. Finnigan, Jr.
The Union Light, Heat
and Power Company
139 East Fourth Street
Cincinnati, Ohio 45202

Scott H. DeBroff
Smigel, Anderson & Sacks
River Chase Office Center
4431 North Front Street
Harrisburg, Pennsylvania 17110

W. Duncan Crosby, III
Stoll, Keenon & Ogden, PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202

Mark A. Bailey
Kenergy Corp.
3111 Fairview Drive
P.O. Box 1389
Owensboro, Kentucky 42302

G. Kelly Nuckols
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P.O. Box 4030
Paducah, Kentucky 42002-4030

Burns E. Mercer
Meade County RECC
P.O. Box 489
Brandenburg, Kentucky 40108-0489

Kent Blake
Louisville Gas & Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232-2010

Michael S. Beer
Kentucky Utilities Company
% Louisville Gas & Electric Company
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232-2010

TARIFF RTP
(Experimental Real-Time Pricing Tariff)

AVAILABILITY OF SERVICE.

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers normally taking firm service under Tariffs Q.P. or C.I.P.-T.O.D. for their total capacity requirements from the Company. The customer will pay real-time prices for load in excess of an amount designated by the customer. This experimental tariff will be limited to a maximum of 10 customers. The incremental cost of any special metering or communications equipment required for service under this experimental tariff beyond that normally provided under the applicable standard Q.P. or C.I.P.-T.O.D. tariff shall be borne by the customer. The Company reserves the right to terminate this Tariff at any time after the end of the experiment.

PROGRAM DESCRIPTION.

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis for a three-year period. The RTP Tariff will offer customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market.

CONDITIONS OF SERVICE.

The customer must have a demand of not less than 1 MW and specify at least 100 kW as being subject to this Tariff. The customer designates the maximum amount of load to be supplied by Kentucky Power Company under the applicable Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage equal to or less than the customer-designated level of load will be billed under the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage in excess of the customer-designated level will be billed under Tariff RTP. All reactive demand shall be billed in accordance with the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D.

RATE.

1. Capacity Charge.

The Capacity Charge, stated in \$/kW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year. The auction price will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the 5 highest coincident peaks established for the class at the time of the 5 highest PJM hourly values. The price will be further adjusted for demand losses (DL) and a factor to reflect the PJM-required reserve margin (RM).

$$\text{Capacity Charge} = \text{RPM} \times \text{DF} \times \text{DL} \times \text{RM}$$

Where:

RPM = Results of the annual RPM auction price applicable to the AEP load zone = \$1.241 / kW-month

DF = Diversity Factor

C.I.P. - T.O.D. = 0.77

Q.P. = 0.71

DL = Demand Loss Factor

RM = Reserve Margin = RPM clearing price reserve margin = _____

(Continued on Sheet No. 30-2)

DATE OF ISSUE XXXXXXXXXX XX, XXXX DATE EFFECTIVE Service rendered on and after XXXXXX XX, XXXX

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00045 dated XXXXXXXXXX XX, XXXX

TARIFF RTP
(Experimental Real-Time Pricing Tariff)

RATE (continued).

2. Energy Charge.

The Energy Charge, stated in \$/kWh, will be determined hourly using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL). The charge will be applied to the usage in excess of the customer-designated level for each billing period.

$$\text{Energy Charge} = \text{LMP} \times \text{EL}$$

Where:

LMP = AEP Zone Real-Time Locational Marginal Price
 EL = Energy Loss Factor excluding marginal losses for transmission and subtransmission

3. Transmission Charge.

The Transmission Charge, stated in \$/kW, will be determined from the Network Integration Transmission Service (NITS) rate for the AEP East Zone. The NITS rate will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the coincident peak established for the class at the time of the highest AEP East Zone hourly value. The price will be further adjusted for demand losses (DL).

$$\text{Transmission Charge} = \text{NITS} \times \text{DF} \times \text{DL}$$

Where:

NITS = NITS Rate for the AEP East Zone = \$1.7574 / kW
 DF = Diversity Factor
 C.I.P. - T.O.D. = 0.78
 Q.P. = 0.71
 DL = Demand Loss Factor

4. Other Market Services Charge.

The Other Market Services Charge, stated in \$/kWh is developed using all other PJM related market costs allocated to Kentucky Power Company from PJM not captured elsewhere. It is applied to all usage in excess of the customer-designated level for each billing period.

Secondary = \$0.000417 / kWh
 Primary = \$0.000406 / kWh
 Subtransmission = \$0.000400 / kWh
 Transmission = \$0.000395 / kWh

5. Distribution Charge.

The Distribution Charge, stated in \$/kW, is equivalent to the distribution portion of the current rates included in Tariff Q.P. and Tariff C.I.P. - T.O.D.

Secondary = \$4.46 / kW
 Primary = \$2.77 / kW

(Continued on Sheet No. 30-3)

DATE OF ISSUE XXXXXXXXXX XX, XXXX DATE EFFECTIVE Service rendered on and after XXXXXX XX, XXXX

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TARIFF RTP
(Experimental Real-Time Pricing Tariff)

RATE (continued).

6. Program Charge.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the Experimental Real-Time Pricing Tariff.

7. Riders.

Bills rendered under this Tariff for RTP usage shall be subject to any current or future non-generation related riders.

A customer's total bill shall equal the sum of the RTP bill for all usage in excess of the customer-designated level and the standard tariff bill for usage equal to or below the designated level.

DELAYED PAYMENT CHARGE.

This tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

MONTHLY BILLING DEMAND.

Billing demand in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered during the month by a demand meter. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months. The RTP monthly billing demand shall be the customer's monthly billing demand in excess of the customer-designated level.

TERM.

Customers who participate in this experimental tariff are required to enter into a written service agreement. Customer participation will coincide with the PJM planning year which runs from June 1 through May 31. Customers must enroll by May 15 of each year to begin service on June 1 and must stay with the service for the entire planning year. Customers who choose not to re-enroll in the program are ineligible to return to the program. No additional customers will be placed under this tariff after June 1, 2010.

(Continued on Sheet No. 30-4)

DATE OF ISSUE XXXXXXXXXX XX, XXXX DATE EFFECTIVE Service rendered on and after XXXXXXXX XX, XXXX

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TARIFF RTP
(Experimental Real-Time Pricing Tariff)

TRANSFORMER AND LINE LOSSES.

Demand losses will be applied to the Capacity and Transmission Charges using the following factors:

- Secondary = 1.09752
- Primary = 1.06908
- Subtransmission = 1.04605
- Transmission = 1.03056

Energy losses will be applied to the Energy Charge using the following factors:

- Secondary = 1.05938
- Primary = 1.03361
- Subtransmission = 1.01667
- Transmission = 1.01310

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

A customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

DATE OF ISSUE XXXXXXXXXX XX, XXXX DATE EFFECTIVE Service rendered on and after XXXXXX XX, XXXX

ISSUED BY <u>E.K. WAGNER</u>	<u>DIRECTOR OF REGULATORY SERVICES</u>	<u>FRANKFORT, KENTUCKY</u>
NAME	TITLE	ADDRESS

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**BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF

CONSIDERATION OF THE)	
REQUIREMENTS OF THE FEDERAL)	
ENERGY POLICY ACT OF 2005)	ADMINISTRATIVE
REGARDING TIME-BASED METERING,)	CASE NO.
DEMAND RESPONSE, AND)	2006-00045
INTERCONNECTION SERVICE)	

**DIRECT TESTIMONY
OF
LARRY C. FOUST

ON BEHALF OF
KENTUCKY POWER COMPANY**

April 20, 2007

**DIRECT TESTIMONY OF
LARRY C. FOUST, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

CASE NO. 2006-00045

TABLE OF CONTENTS

I.	Introduction	1
II.	Background	1
III.	Proposed Real-Time Pricing Program	2
IV.	Reporting	8

**DIRECT TESTIMONY OF
LARRY C. FOUST, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

1

Introduction

2 Q. Please state your name, business address, and position.

3 A. My name is Larry C. Foust. My business address is 1 Riverside Plaza, Columbus,
4 Ohio 43215. I currently hold the position of Regulatory Specialist in the
5 Regulated Pricing and Analysis department for the American Electric Power
6 Service Corporation (AEPSC), a subsidiary of American Electric Power
7 Company, Inc. (AEP).

8

Background

9 Q. Please summarize your educational background and employment history.

10 A. I received my Bachelor of Science in Business Administration in 1977 from The
11 Ohio State University, majoring in Accounting. I am a Certified Public
12 Accountant. In 1977 I began my career as a Budget Analyst in the Generation
13 Department of the Columbus and Southern Ohio Electric Company. In 1979 I
14 became an Accountant in the Special Studies section of the Accounting
15 Department. After the Columbus and Southern Ohio Electric Company was
16 acquired by AEP, I transferred to AEPSC in 1982 as a Rate Case Coordinator. In
17 1999 I became part of AEPSC's Customer Choice Implementation organization.
18 In 2001 I became an Issues Manager in the Energy Delivery organization and in
19 2004 I accepted my current position.

20 Q. What are your principal areas of responsibility as a Regulatory Specialist in the
21 Regulated Pricing and Analysis Department?

1 A. My responsibilities are to perform pricing and costing services for rate cases,
2 regulatory filings and rulemakings, as well as provide pricing and costing services
3 to Kentucky Power Company (KPCo) and other AEP electric utility operating
4 companies in the areas of regulatory analysis, cost of service studies and rate
5 design. I also assist KPCo and other AEP electric utility operating companies in
6 the preparation of filings before this and other commissions under whose
7 jurisdiction these companies provide electric service.

8 Q. For whom are you testifying in this proceeding?

9 A. I am testifying on behalf of Kentucky Power Company, which I will refer to
10 throughout my testimony either as KPCo, or as "the Company".

11 Q. Have you previously filed testimony with the Kentucky Public Service
12 Commission (Commission)?

13 A. Yes. I filed testimony on behalf of KPCo in its last rate case, Case No. 2005-
14 00341.

15 Q. What is the purpose of your testimony?

16 A. The purpose of my testimony is to support the Company's proposed real-time
17 pricing program and Tariff RTP. Tariff RTP is attached to my testimony as
18 Exhibit LCF-1. The rates shown in the tariff are based upon current data and will
19 be updated when the program begins.

20 **Proposed Real-Time Pricing Program**

21 Q. Why is the Company proposing a real-time pricing (RTP) program?

22 A. The Company, along with other jurisdictional utilities in Kentucky, except Duke
23 Kentucky, were directed "to develop voluntary pilot real-time pricing programs

1 for their large commercial and industrial customers” in an Order issued by the
2 Kentucky Public Service Commission in this proceeding on December 21, 2006.

3 Q. Please describe KPCo’s proposed real-time pricing program.

4 A. KPCo is proposing a market-based hourly real-time pricing program in which
5 participating customers choose the amount of load which they are willing to have
6 subject to standard tariff pricing with the remaining load for any given billing
7 period subject to real-time pricing. All usage less than or equal to the designated
8 demand level will be billed under the Company’s standard tariff rates applicable
9 for the customer and all usage above the designated demand level will be billed
10 under real-time rates. The customer’s total bill will be the sum of the real-time
11 pricing calculation and the standard tariff calculation. This allows customers the
12 ability to understand the impacts of real-time pricing at a level of risk with which
13 they are comfortable before deciding whether real-time pricing is a viable option
14 for their operations.

15 Q. What customers are eligible to participate in the pilot program?

16 A. Customers qualifying under the Company’s Q.P. and C.I.P.-T.O.D. Tariffs will be
17 eligible to participate. The Company proposes to limit the experiment to 10
18 customers.

19 Q. When will the program begin?

20 A. The Company will require approximately 4 to 6 months after the Commission’s
21 order to implement the proposal. However, the Company proposes that the
22 program begin no sooner than June 1, 2008 and be set for a three-year trial period.
23 The Company chose June 1, 2008 to begin its experiment to coincide with PJM

1 Interconnection, L.L.C.'s (PJM) planning years which begin on June 1 of each
2 year and run through May 31 of the following year. Much of the pricing and
3 commitments (such as transmission and capacity) for PJM follow these planning
4 years.

5 Q. Are customers committed to the program for the entire three-year period?

6 A. No. Customers must enroll by each May 15 to commence service beginning June
7 1 and must stay with the service for the entire planning year, again to coincide
8 with the PJM planning year cycle. Customers who choose not to re-enroll in the
9 program are ineligible to return to the real-time pricing program.

10 Q. Will customers be able to continue on this tariff after the three year period?

11 A. Yes. Any customers taking service under this tariff at the end of the three-year
12 experiment will be able to continue under the tariff until such time the
13 Commission has evaluated and determined whether or not the experimental
14 program should continue. However, no new customers will be placed on the tariff
15 after the end of the three year experiment until the Commission has ruled on the
16 future of this offering.

17 Q. What information can the Company provide to the Customer to explore the RTP
18 program prior to their possible enrollment in the program?

19 A. The Company could provide reports showing the range and frequency of the
20 hourly integrated AEP-zone locational marginal price (LMP) for a 12-month
21 period, the range and frequency of the customer's 15-minute usage profile, where
22 available, and the variance of day-ahead and real-time AEP-zone LMP. In
23 addition the Company could provide a spreadsheet designed to calculate estimated

1 standard and RTP billings. There may be other reports that could be developed to
2 help customers in their decision process.

3 Q. What information could the Company provide to customers after they have
4 enrolled in the program?

5 A. The Company can provide the day-ahead and real-time AEP-zone LMP. Final
6 real-time settlement prices may be delayed several days.

7 Q. How will the real-time rates be determined?

8 A. The Company will base their rates on the real-time prices established within the
9 PJM RTO market since the eastern operating companies of the AEP system
10 operate in this market. The real-time energy prices are readily available from
11 PJM.

12 Q. What costs will make up the RTP portion of the customer's bill?

13 A. The RTP portion of the bill will consist of a capacity charge, an energy charge, a
14 transmission charge, other market services charge and a distribution charge. In
15 addition, the customer will pay a program charge to contribute to incremental
16 costs incurred by the Company for billing, administration and communications
17 required for this program. The Company proposes to establish the program
18 charge at a reasonable level to reduce possible barriers that may exist rather than
19 subject potential customers to the full cost. The Company will track the
20 incremental costs incurred to implement and administer the program and seek
21 recovery of any costs that exceed the amounts recovered from the participating
22 customers in the next rate proceeding. The RTP portion of the customer's bill
23 will also be subject to any current or future non-generation related riders.

1 Q. How will the capacity portion of the customer's RTP bill be determined?

2 A. The rate applied to the capacity portion of the RTP bill will be based upon the
3 annual PJM Reliability Pricing Model auction price for the PJM planning year. A
4 class average diversity factor will be applied to the rate to compensate for the fact
5 that not all customers peak at the same time. The diversity factor will be updated
6 annually. A demand loss factor will be applied to determine the price at the
7 customer's service voltage level and a reserve margin factor will be applied to
8 reflect the fact that PJM requires reserve capacity be held for reliability purposes
9 for each customer. The reserve margin factor will also be updated annually. The
10 adjusted rate will then be applied to the customer's monthly billing demand as
11 calculated under the appropriate tariff in excess of the designated portion of load
12 served under the customer's appropriate standard tariff.

13 Q. How will the energy portion of the customer's RTP bill be determined?

14 A. The rate applied to the energy portion of the customer's bill will be based on the
15 Real-Time hourly LMP for the AEP load zone. Beginning June 1, 2007 that price
16 will reflect the inclusion of marginal losses determined by PJM. Therefore, to set
17 the price at the customer's service voltage level, the LMP must be adjusted to
18 reflect only fixed losses for the transmission and subtransmission levels and fixed
19 and marginal losses for secondary and primary levels. The adjusted rate will be
20 applied to the customer's usage in excess of the designated level for each billing
21 period.

22 Q. How will the transmission charge portion of the customer's RTP bill be
23 determined?

1 A. The transmission charge will be based upon the Network Integration
2 Transmission Service rate for the AEP East Zone set forth in the PJM Open
3 Access Transmission Tariff (OATT). The OATT rate may change during the trial
4 period as a result of filings made before the Federal Energy Regulatory
5 Commission. The OATT rate will be adjusted by a class average diversity factor
6 and also a demand loss factor to get the price stated at the customer's service
7 voltage level. The diversity factor will be updated annually. The adjusted rate
8 will be applied to the customer's monthly highest demand in excess of the
9 designated portion of load served under the applicable standard tariff. The
10 customer's monthly highest demand will equal the on-peak demand plus any off-
11 peak excess demand for customers under Tariff Q.P., or will equal the higher of
12 the on-peak or off-peak demand determined under Tariff C.I.P.- T.O.D.

13 Q. How will the Other Market Services charge of the customer's bill be determined?

14 A. The Other Market Services charge is developed by using all other PJM related
15 market costs allocated to Kentucky Power Company not captured elsewhere.
16 These costs include, but are not limited to charges for black start capability,
17 synchronous condensing, reactive supply, regulation, spinning reserves, net
18 congestion, operating reserves, transmission owner scheduling charges, point to
19 point revenue credits, PJM expansion cost recovery, RTO formation cost
20 recovery, amortization of PJM RTO integration costs and PJM administrative
21 charges. This rate will be updated annually. The charge will be applied to all
22 energy usage in excess of the designated portion for each billing period.

1 Q. How is the distribution charge for the RTP portion of the customer's bill
2 determined?

3 A. The distribution charge reflects the distribution portion of the current rates of the
4 applicable tariffs and only applies to customers taking service at the primary and
5 secondary voltage levels. It is set at the average distribution facilities cost
6 developed in the Company's last rate case. This rate could change as a result of
7 future rate cases that the Company could file. The rate will be applied to the
8 customer's monthly billing demand in excess of the designated portion.

9 **Reporting**

10 Q. Will the Company report the results of the program to the Commission?

11 A. Yes. In the Commission's December 21, 2006 Order in this proceeding the
12 Commission stated that "Annual reports will be required with the content to be
13 determined after the proposed pilots have been filed". The Company proposes
14 that the annual reports be submitted 90 days after the end of each plan year and a
15 final report be submitted 6 months after the end of the three-year pilot.

16 Q. Does this conclude your direct testimony?

17 A. Yes, it does.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY


STATE OF KENTUCKY

ADM. CASE NO. 2006-00045

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 to before me by LARRY C. FOUST this 17th day of April 2007.



Notary Public

My Commission Expires January 14, 2009

TARIFF RTP
(Experimental Real-Time Pricing Tariff)

AVAILABILITY OF SERVICE.

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers normally taking firm service under Tariffs Q.P. or C.I.P.-T.O.D. for their total capacity requirements from the Company. The customer will pay real-time prices for load in excess of an amount designated by the customer. This experimental tariff will be limited to a maximum of 10 customers. The incremental cost of any special metering or communications equipment required for service under this experimental tariff beyond that normally provided under the applicable standard Q.P. or C.I.P.-T.O.D. tariff shall be borne by the customer. The Company reserves the right to terminate this Tariff at any time after the end of the experiment.

PROGRAM DESCRIPTION.

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis for a three-year period. The RTP Tariff will offer customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market.

CONDITIONS OF SERVICE.

The customer must have a demand of not less than 1 MW and specify at least 100 kW as being subject to this Tariff. The customer designates the maximum amount of load to be supplied by Kentucky Power Company under the applicable Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage equal to or less than the customer-designated level of load will be billed under the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage in excess of the customer-designated level will be billed under Tariff RTP. All reactive demand shall be billed in accordance with the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D.

RATE.

1. Capacity Charge.

The Capacity Charge, stated in \$/kW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year. The auction price will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the 5 highest coincident peaks established for the class at the time of the 5 highest PJM hourly values. The price will be further adjusted for demand losses (DL) and a factor to reflect the PJM-required reserve margin (RM).

$$\text{Capacity Charge} = \text{RPM} \times \text{DF} \times \text{DL} \times \text{RM}$$

Where:

RPM = Results of the annual RPM auction price applicable to the AEP load zone = \$1.241 / kW-month

DF = Diversity Factor

C.I.P. - T.O.D. = 0.77

Q.P. = 0.71

DL = Demand Loss Factor

RM = Reserve Margin = RPM clearing price reserve margin = _____

(Continued on Sheet No. 30-2)

DATE OF ISSUE XXXXXXXXXX XX, XXXX DATE EFFECTIVE Service rendered on and after XXXXXXXX XX, XXXX

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**TARIFF RTP
 (Experimental Real-Time Pricing Tariff)**

RATE (continued).

2. Energy Charge.

The Energy Charge, stated in \$/kWh, will be determined hourly using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL). The charge will be applied to the usage in excess of the customer-designated level for each billing period.

$$\text{Energy Charge} = \text{LMP} \times \text{EL}$$

Where:

LMP = AEP Zone Real-Time Locational Marginal Price
 EL = Energy Loss Factor excluding marginal losses for transmission and subtransmission

3. Transmission Charge.

The Transmission Charge, stated in \$/kW, will be determined from the Network Integration Transmission Service (NITS) rate for the AEP East Zone. The NITS rate will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the coincident peak established for the class at the time of the highest AEP East Zone hourly value. The price will be further adjusted for demand losses (DL).

$$\text{Transmission Charge} = \text{NITS} \times \text{DF} \times \text{DL}$$

Where:

NITS = NITS Rate for the AEP East Zone = \$1.7574 / kW
 DF = Diversity Factor
 C.I.P. - T.O.D. = 0.78
 Q.P. = 0.71
 DL = Demand Loss Factor

4. Other Market Services Charge.

The Other Market Services Charge, stated in \$/kWh is developed using all other PJM related market costs allocated to Kentucky Power Company from PJM not captured elsewhere. It is applied to all usage in excess of the customer-designated level for each billing period.

Secondary = \$0.000417 / kWh
 Primary = \$0.000406 / kWh
 Subtransmission = \$0.000400 / kWh
 Transmission = \$0.000395 / kWh

5. Distribution Charge.

The Distribution Charge, stated in \$/kW, is equivalent to the distribution portion of the current rates included in Tariff Q.P. and Tariff C.I.P. - T.O.D.

Secondary = \$4.46 / kW
 Primary = \$2.77 / kW

(Continued on Sheet No. 30-3)

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RATE (continued).

6. Program Charge.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the Experimental Real-Time Pricing Tariff.

7. Riders.

Bills rendered under this Tariff for RTP usage shall be subject to any current or future non-generation related riders.

A customer's total bill shall equal the sum of the RTP bill for all usage in excess of the customer-designated level and the standard tariff bill for usage equal to or below the designated level.

DELAYED PAYMENT CHARGE.

This tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

MONTHLY BILLING DEMAND.

Billing demand in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered during the month by a demand meter. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months. The RTP monthly billing demand shall be the customer's monthly billing demand in excess of the customer-designated level.

TERM.

Customers who participate in this experimental tariff are required to enter into a written service agreement. Customer participation will coincide with the PJM planning year which runs from June 1 through May 31. Customers must enroll by May 15 of each year to begin service on June 1 and must stay with the service for the entire planning year. Customers who choose not to re-enroll in the program are ineligible to return to the program. No additional customers will be placed under this tariff after June 1, 2010.

(Continued on Sheet No. 30-4)

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TRANSFORMER AND LINE LOSSES.

Demand losses will be applied to the Capacity and Transmission Charges using the following factors:

- Secondary = 1.09752
- Primary = 1.06908
- Subtransmission = 1.04605
- Transmission = 1.03056

Energy losses will be applied to the Energy Charge using the following factors:

- Secondary = 1.05938
- Primary = 1.03361
- Subtransmission = 1.01667
- Transmission = 1.01310

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

A customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

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