

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 11 2008

PUBLIC SERVICE  
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM FOR KENTUCKY )  
POWER COMPANY FOR THE SIX-MONTH ) CASE NO.  
BILLING PERIODS ENDING JUNE 30, 2006 AND ) 2007-00381  
December 31, 2006, AND FOR THE TWO-YEAR )  
BILLING PERIOD ENDING JUNE 30, 2007 )

\* \* \* \* \*

**Notice of Determination of Adjustment**

Kentucky Power Company notifies the Public Service Commission as follows:

1. By letter dated July 18, 2007, Kentucky Power Company notified the Commission of metering equipment inaccuracies at its 69 kV Leach to South Neal tie line with Appalachian Power Company ("APCo") and its Bellefonte 69 kV tie line with Ohio Power Company. The metering equipment inaccuracies produced an erroneous settlement between Kentucky Power and its two sister utilities.

2. In subsequent filings with the Commission, and at the September 19, 2007 informal conference in Case No. 2006-00507, Kentucky Power indicated the erroneous inter-company settlement would be subsequently adjusted. The Company also proposed to adjust, subject to Commission review and approval, the Company's environmental surcharge, system sales tracker and fuel adjustment clause filings with the Commission to reflect the adjusted settlement once the amount of the adjustment

was determined. Lastly, Kentucky Power indicated it would inform the Commission when the amount of the inter-company adjustment was finally determined.

3. The amount of the inter-company adjustment arising in connection with the metering equipment inaccuracies has been finally determined. Kentucky Power has been informed by APCo that, in accordance with Section 8.6 of the Interconnection Agreement, the inter-company settlement between APCo and Kentucky Power for the thirty-day period preceding the discovery of the inaccuracy (May, 2007) will be adjusted to correct the error resulting from the metering equipment inaccuracies. No further adjustments will be made.

4. On February 29, 2008, APCo made a filing with the West Virginia Public Service Commission reflecting the adjustment of inter-company settlements between APCo and Kentucky Power for the thirty-day period preceding the discovery of the inaccuracy. The West Virginia Commission is expected to issue its Order during June, 2008, with a July 1, 2008 effective date.

5. As previously explained, the adjustment will affect the Fuel Adjustment Clause (FAC) calculations, the System Sales calculations and the Environmental Surcharge calculations. The FAC, System Sales and Environmental Surcharge adjustments tend to offset one another. The net effect of the adjustments is a \$66,075 credit to the customers.

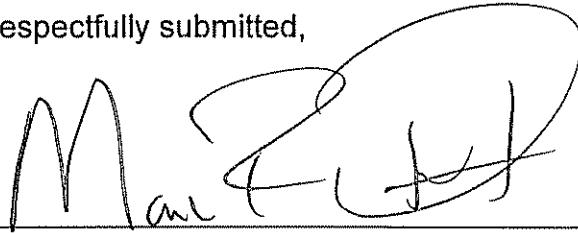
6. The Company proposes to make a one-time adjustment in connection with the regularly scheduled Environmental surcharge, System sales tracker and FAC filings immediately following the Commission's Order approving the proposed adjustments.

The adjustments will be reflected as a net credit on customers' bills in the month following the filing.

Wherefore, Kentucky Power Company respectfully requests that it be permitted to adjust its customers' bills by applying a net credit of \$66,075 to the bills in the month following the regularly scheduled Environmental surcharge, System sales tracker and FAC filings immediately subsequent to the Commission's Order approving the proposed adjustments.

This 11<sup>th</sup> day of March, 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark Overstreet', written over a horizontal line.

Mark R. Overstreet  
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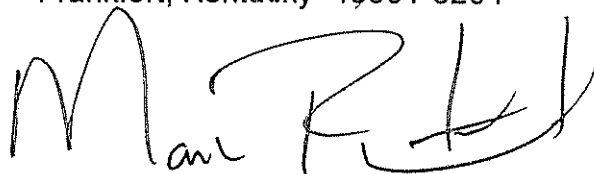
COUNSEL FOR KENTUCKY POWER  
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by hand delivery, on this 11<sup>th</sup> day of March, 2008 upon:

David F. Boehm  
Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202

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A handwritten signature in black ink, appearing to read "Mark R. Overstreet", written over a horizontal line.

Mark R. Overstreet