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June 30, 2011

RECEIVED

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**HAND DELIVERED**

JUN 30 2011

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

PUBLIC SERVICE  
COMMISSION

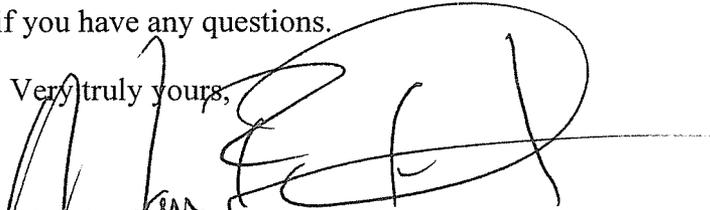
**RE: Application of Kentucky Power Company for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers, P.S.C. Case No. 2007-00166**

Dear Mr. Derouen:

Enclosed please find the original and ten copies of Kentucky Power Company's June 30, 2010 Annual Report in the above matter. A copy is being served on the Attorney General and counsel for Kentucky Industrial Utility Customers, Inc.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Mark R. Overstreet

cc: Michael Kurtz  
Dennis G. Howard, II

COMMONWEALTH OF KENTUCKY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

JUN 30 2011

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 )

ANNUAL REPORT OF KENTUCKY POWER COMPANY  
TO COMMISSION ORDER DATED FEBRUARY 1, 2008

June 30, 2011



## Kentucky Power Company

### REQUEST

Show the range and frequency of hourly integrated AEP-zone Locational Marginal Price (LMP) for a 12-month period.

### RESPONSE

Attached as Page 2 of 2 is a summary of the AEP-zone Real-Time LMP for the forty eight month period ending May 31, 2011. This summary shows, for each month, the high, low and average price and the price range. The attachment also shows the number of hours during the month the Real-Time LMP price fell into the price ranges shown on the schedule.

WITNESS: Lila P Munsey





## Kentucky Power Company

### REQUEST

Show the range and frequency of the customer's 15-minute usage profile.

### RESPONSE

The Company does not have and has never had any customers on the Experimental Real-Time Pricing (RTP) Tariff.

WITNESS: Lila P Munsey



## Kentucky Power Company

### REQUEST

Show the variance of day-ahead and real-time AEP-zone LMP.

### RESPONSE

Attached as Page 2 of 2 is a schedule showing the difference between AEP's Real-Time LMP versus the Day-Ahead LMP for each of the forty eight months for the period ending May 31, 2011. The schedule shows the monthly high and low along with the average difference for the month. The schedule also shows the number of hours of each month that the variance fell into the indicated ranges. As shown on the schedule the average difference for the forty eight month period was \$0.28 per MWh or \$0.00028 per kWh.

WITNESS: Lila P Munsey





**Kentucky Power Company**

**REQUEST**

Provide a spreadsheet designed to calculate estimated standard and real-time pricing billings.

**RESPONSE**

Please see the enclosed CD for an electronic file of the requested information.

**WITNESS:** Lila P Munsey



## Kentucky Power Company

### REQUEST

Provide any other reports that may be required.

### RESPONSE

Attached are four additional schedules supporting the Company's response to these data requests and explaining the operation of the Real -Time Pricing Program.

Attachment 1, is a summary of the AEP-Zone Day-Ahead LMP for the forty eight month period ending May 31, 2011. This summary shows, for each month, the high and low Day-Ahead price. The attachment also shows the number of hours during the month the Day-Ahead LMP price fell into the price ranges shown on the schedule. This schedule was used in the development of the Company's response to Item No. 3.

Attachment 2, is a comparison of a 10,000 kW demand customer taking service at the transmission voltage delivery on the CIP-TOD Tariff versus the same customer taking service under the RTP Tariff. This graph demonstrates that the cross over point is at approximately 265 hours per month, with the RTP Tariff being less costly for loads that operate up to 265 hours per month (up to 36% load factor). For the portion of the customer's load that operates more than 265 hours per month, the Company's standard CIP-TOD tariff is less costly.

Attachment 3, is a comparison of a 1,000 kW demand customer taking service at the primary voltage delivery on the QP Tariff versus the same customer taking service under the RTP Tariff. This graph demonstrates that the cross over point occurs at approximately 530 hours per month with the RTP Tariff being less costly for loads that operate up to 530 hours per month (up to 73% load factor). For the portion of the customer's load that operates more than 530 hours per month, the Company's standard QP tariff is less costly.

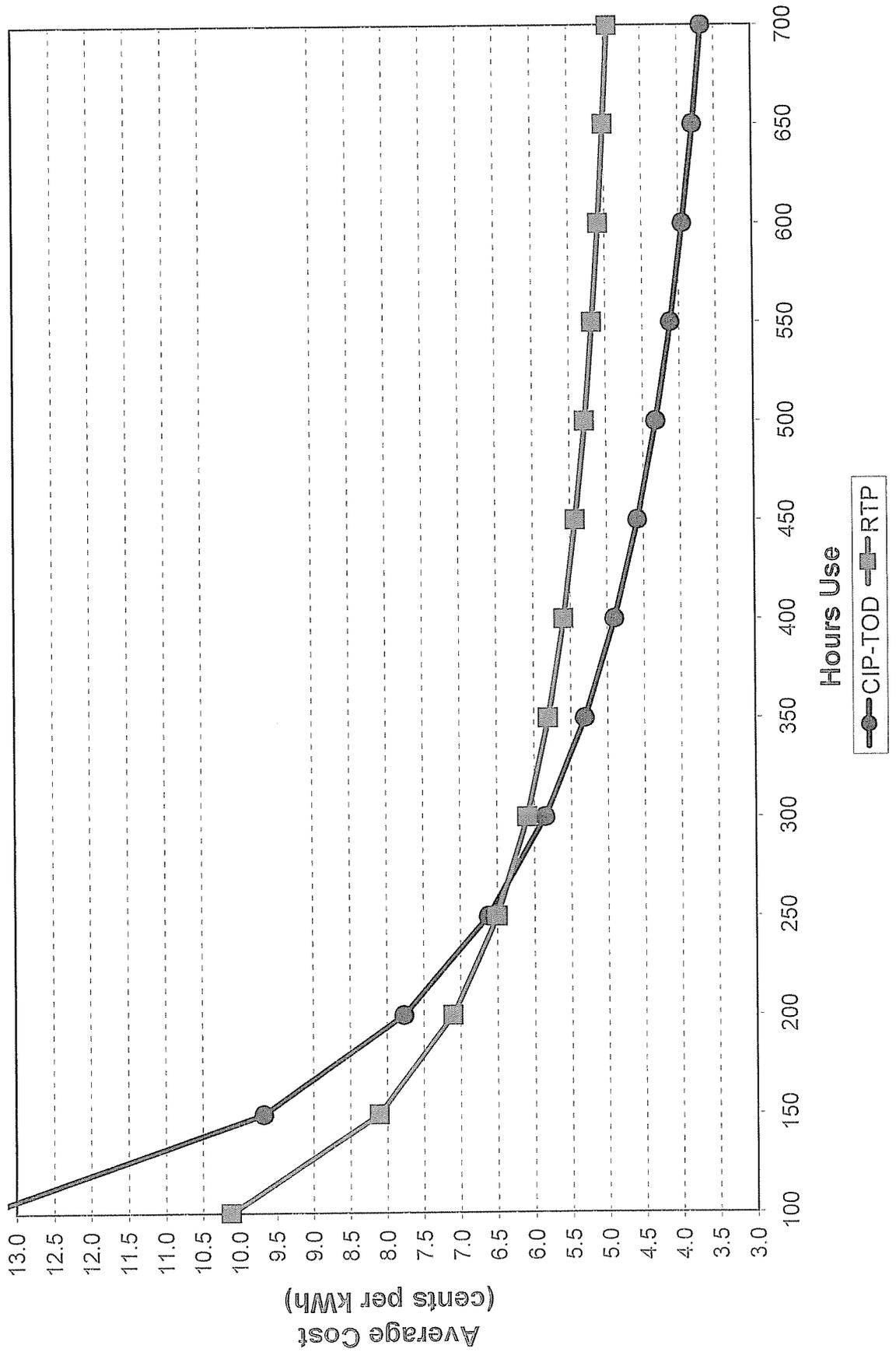
Attachment 4, is an analysis of the 2010 AEP-zone LMP hourly prices. This schedule demonstrates the number of hours throughout 2010 when the LMP hourly prices were greater than KPCo's average rate for both the CIP-TOD and the QP customers.

Attachments 2, 3 and 4 illustrate that the Company's RTP program design appropriately recognizes the relationship between the Company's standard tariffs and real-time pricing. The Company's RTP program gives customers the flexibility to experiment with real-time pricing by allowing customers to designate a portion of their load as standard tariff load and any load in excess of the designated amount as RTP Tariff load. This approach allows customers to keep their higher load factor usage under standard tariff billing and still have the opportunity to place their lower load factor usage on real-time pricing

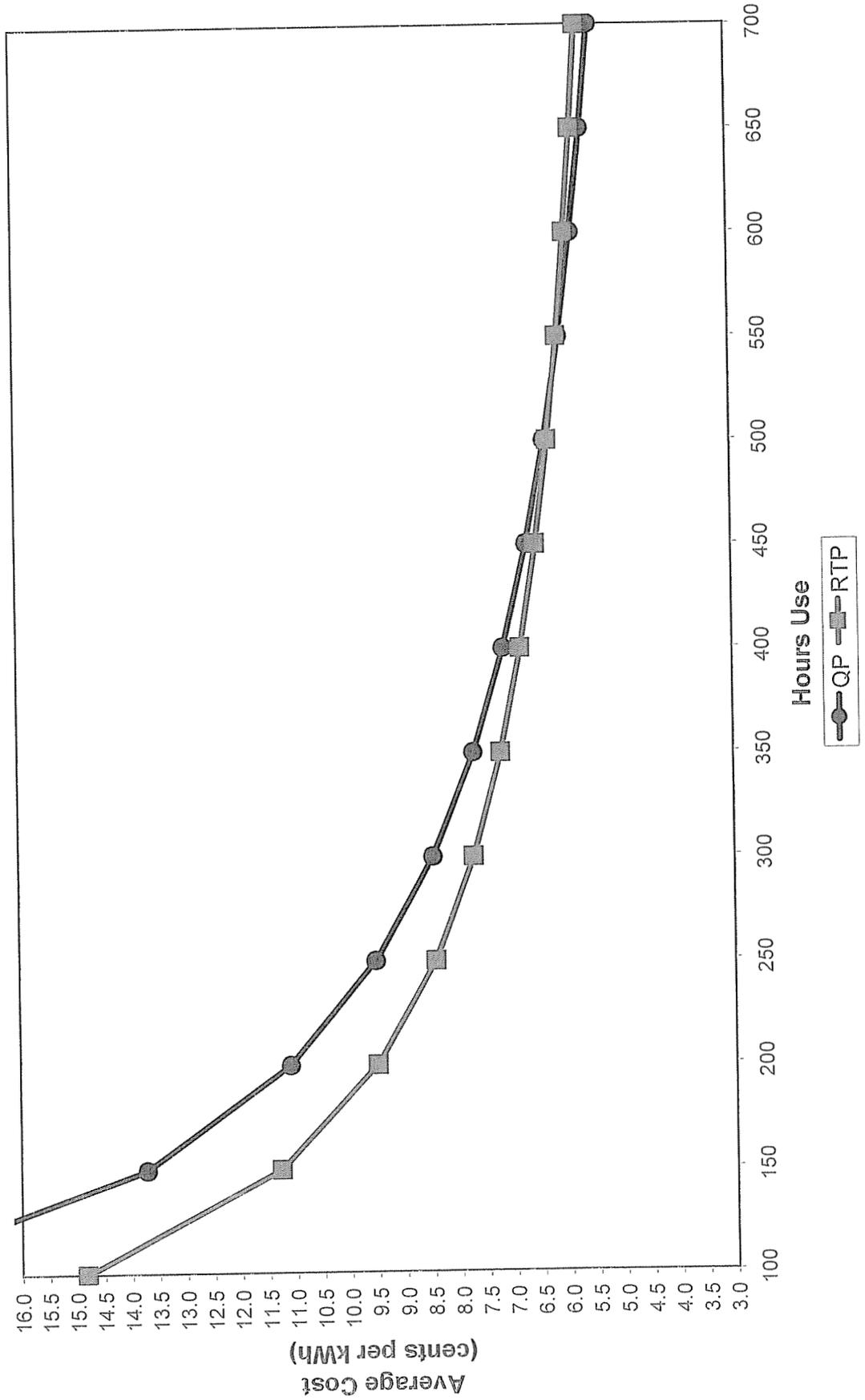
WITNESS: Lila P Munsey



Kentucky Power Company  
 Comparison of CIP-TOD vs. RTP  
 10,000 kW Demand - Transmission Voltage



Kentucky Power Company  
 Comparison of QP vs. RTP  
 1,000 kW Demand - Primary Voltage



**Kentucky Power Company  
 Analysis of 2010 AEP Zone LMP Hourly Prices**

	<b>Real Time LMP \$ / MWH</b>	<b>Hours</b>	<b>% of Annual Hours</b>
<b>Yearly Simple Average of AEP Zone LMP</b>	\$38.36		
Hours >= \$75		390	4.45%
Hours >= \$50		1,355	15.47%
<b>Maximum Off-peak hours</b>	\$309.71	5,120	58.45%
<b>Total Company</b>			
<b>Total Company Average Rate</b>	\$51.16		
Hours < \$51.16		7,495	85.56%
Hours >= \$51.16		1,266	14.45%
<b>Industrial Classes</b>			
<b>QP Average Rate</b>	\$52.62		
Hours >= \$52.62		1,174	13.40%
<b>CIP - TOD Average Rate</b>	\$45.93		
Hours >= \$45.93		1,722	19.66%
<b>Industrial Classes</b>			
<b>Energy Only Charge</b>			
KP CIP-TOD - Transm. Energy Charge Average	\$27.36		
Hours >= \$27.36		7,043	80.40%
<b>Energy Only Charge</b>			
KP QP - Transm. Energy Charge Average	\$30.63		
Hours >= \$30.63		5,543	63.28%



**Kentucky Power Company**

**REQUEST**

Provide the current number of program participants.

**RESPONSE**

The Company does not have and has never had any customers on the RTP Tariff.

**WITNESS:** Lila P Munsey



## Kentucky Power Company

### REQUEST

Provide the type of industry or primary business activity of each participant.

### RESPONSE

The Company does not have and has never had any customers on the RTP Tariff.

Although the Real-Time Pricing Tariff is not targeted to a particular industry or business activity, the analyses provided in this report indicate that customer's having a portion of their existing load that is low load factor could benefit from the RTP Tariff. In addition, customers that can temporarily increase production to take advantage of opportunities in their product market or advantageous conditions in the energy market may also benefit from the RTP Tariff.

WITNESS: Lila P Munsey



**Kentucky Power Company**

**REQUEST**

Provide the number of participants that have withdrawn from the program and the reason for such withdrawal.

**RESPONSE**

The Company does not have and has never had any customers on the RTP Tariff.

**WITNESS:** Lila P Munsey



**Kentucky Power Company**

**REQUEST**

Provide the average, minimum and maximum monthly electrical usage and cost for program participants during each 12-month reporting period and the 12-month period immediately preceding enrollment into the program.

**RESPONSE**

The Company does not have and has never had any customers on the RTP Tariff.

**WITNESS:** Lila P Munsey



## Kentucky Power Company

### REQUEST

Provide all comments and suggestions solicited from program participants.

### RESPONSE

The Company does not have and has never had any RTP Tariff program participants. Over the past several years, the Company has had ongoing discussions with eligible customers from the Ashland, Hazard and Pikeville districts who continue their contemplation of participating in the RTP Tariff program. Many of the eligible customers are interested in the concept of the RTP Tariff; however, these customers have expressed concern about market risk and the potential increase in their electricity costs. Other comments the Company received were that the estimated customer savings, based upon the sample bill spreadsheet calculations, were limited and did not seem to offset the potential risk of market pricing. In addition, RTP rate savings which may have been available with customer load modification were limited by the customer's process or plant operation. Some of the customers did not believe their plant operation gave them the flexibility to change their use of electricity hourly and still maintain the same level of output.

It is noteworthy to mention that in a Commission Order in Kentucky Power Company's last retail rate case (Case No. 2009-00459), the RTP tariff was continued for three years, and will allow customers to enroll at any point during a year for a minimum period of 12 months.

WITNESS: Lila P Munsey



## Kentucky Power Company

### REQUEST

An evaluation of the program's effect on Kentucky Power's peak and/or base demand as compared to its historical data for the 12-month period immediately preceding implementation of the program.

### RESPONSE

The Company does not have and has never had any customers on the RTP Tariff. Therefore, the RTP Tariff has had no effect on the Company's peak and/or base demand.

WITNESS: Lila P Munsey



## Kentucky Power Company

### REQUEST

Provide a statement of whether the program is achieving the stated objectives and an evaluation of the comments and suggestions of the program participants.

### RESPONSE

The RTP Tariff program has helped the Company educate some of its largest customers concerning the market value of the electricity they consume. In addition, it has also helped educate customers concerning the type of equipment and changes in operations that would be necessary to take advantage of any hourly pricing product. Although no customers have elected to take part or all of their service under Tariff RTP, the discussions that have been generated have increased customer understanding and awareness and initiated customer analyses of their operations and the potential under all KPCo service offerings and provisions.

WITNESS: Lila P Munsey



## Kentucky Power Company

### REQUEST

Provide the program costs to the date of the report, along with the details of any deviations from the program budget contained in the Company's application.

### RESPONSE

Kentucky Power has not incurred any additional program costs beyond the \$326,607 as provided in its previous annual report. The unamortized balance of those RTP programming administrative costs remaining on KPCo's books as of May 31, 2011, is \$201,925.

The Company's application did not contain specific budgeted program costs. Therefore, the Company is unable to detail any deviations.

WITNESS: Lila P Munsey



**Kentucky Power Company**

**REQUEST**

Provide a cumulative comparison of the information furnished in Item No. 9 of this filing to allow year-to-year comparison of program results.

**RESPONSE**

The Company does not have and has never had any customers on the RTP Tariff.

**WITNESS:** Lila P Munsey