

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY POWER COMPANY D/B/A)	
AMERICAN ELECTRIC POWER FOR)	
AUTHORITY TO IMPLEMENT TARIFF)	
RIDERS FOR EMERGENCY)	CASE NO. 99-271
CURTAILABLE SERVICE (E.C.S.) AND)	
PRICE CURTAILABLE SERVICE)	
(P.C.S.))	

O R D E R

Kentucky Power Company, d/b/a American Electric Power (Kentucky Power) filed its application requesting Commission approval of tariff riders for Emergency Curtailable Service (E.C.S.) and Price Curtailable Service (P.C.S.) on May 28, 1999. The proposed tariff riders, included in Appendix A to this Order, will provide for voluntary curtailments by customers taking service under Kentucky Power s Quantity Power and Commercial and Industrial Power Time-of-Day tariffs. To be eligible, a customer must have an on-peak curtailable demand of not less than 3,000 kilowatts. Any customer that curtails service pursuant to either rider will receive a payment for the energy curtailed under the provisions of the applicable rider.

TARIFF PROVISIONS

E.C.S. Rider

This rider sets out two seasons: (1) the Winter Season, consisting of the months of December, January and February; and (2) the Summer Season, consisting of the months of June, July and August. A customer will not be subject to curtailment for more

than 50 hours during a season and will receive a curtailment credit based on a rate of \$.35 per kilowatt-hour (KWH) if it agrees to a maximum curtailment of four hours, or \$.50 per KWH if it agrees to a maximum curtailment period of eight hours.

P.C.S. Rider

This rider includes four seasons: (1) the Winter Season, consisting of the months of December, January and February; (2) the Spring Season, consisting of the months of March, April and May; (3) the Summer Season, consisting of the months of June, July and August; and (4) the Fall Season, consisting of the months of September, October and November. A customer may select a maximum curtailment period of four, eight, or 16 hours and specify the maximum number of days during a given season that it may be requested to curtail.

The curtailment credit will be based on 80 percent of the Into Cinergy On-Peak price for the date of curtailment, as published in Power Market Week s Daily Price Report, but under any circumstances will not fall below the specified price per KWH that has been selected by the customer.

Request For Approval

Kentucky Power stated that it proposed these riders due to: (1) projections that generating capacity may be in very short supply for the Summer of 1999 in the Midwest Region of the United States; (2) the potential for short-term emergency operating conditions; and (3) a need to provide large industrial customers with additional curtailment options which include payment for their load actually curtailed.

Kentucky Power proposed to record the amount of any monthly credits paid to customers under either tariff rider in Account 555 Purchased Power. It also requested

approval to include these customer payments in its Fuel Adjustment Clause (FAC) calculations since the payment is for curtailed energy.

Discussion of Issues

The Commission recognizes the concerns expressed by Kentucky Power in its application and commends Kentucky Power for attempting to address these concerns through the proposed tariff riders. The Commission also recognizes Kentucky Power s concerns regarding its recovery of the costs of monthly credits incurred under the riders. Although it is appropriate for Kentucky Power to record the credits in Account 555 Purchased Power, that does not mean that all such payments will be automatically eligible for recovery through the FAC.

The Commission s FAC regulation, 807 KAR 5:056, provides that amounts recorded in Account 555 Purchased Power, are eligible for recovery through the FAC if the purchases can be justified on the basis of economic dispatch. Kentucky Power may include the costs of monthly credits incurred under the riders in its monthly FAC calculations, but those costs will be subject to review and possible disallowance in subsequent FAC proceedings in the same manner as any other purchased power transaction pursuant to the provisions of 807 KAR 5:056.

FINDINGS AND ORDERS

The Commission, based on the evidence of record and being sufficiently advised, hereby finds that:

1. The proposed E.C.S. and P.C.S. tariff riders are for a proper purpose and will not impair Kentucky Power s ability to provide service to its customers.

2. The proposal to record the costs incurred for the monthly credits paid under either of the proposed riders in Account 555 Purchased Power is appropriate and consistent with the provisions of the Uniform System of Accounts adopted by this Commission for the electric utilities under its jurisdiction.

3. The costs of the monthly credits incurred under the proposed tariff riders are properly included in Kentucky Power's FAC calculations, but the appropriateness of recovering such costs through the FAC cannot be determined until such time as the costs have been reviewed pursuant to 807 KAR 5:056.

IT IS THEREFORE ORDERED that:

1. Tariff riders E.C.S. and P.C.S. are approved as filed and shall be effective on and after the date of this Order.

2. Any costs of monthly credits paid under the riders and included in Kentucky Power's FAC calculations shall be reviewed and determined appropriate for recovery in subsequent FAC proceedings.

3. Within 10 days from the date of this Order, Kentucky Power shall file its new E.C.S. and P.C.S. tariff riders which show the effective date specified herein.

Done at Frankfort, Kentucky, this 29th day of June, 1999.

By the Commission

ATTEST:

Executive Director