

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF)	
AMERICAN ELECTRIC POWER)	CASE NO. 2001-00263
TO REVISE ITS CAPACITY AND)	
ENERGY CONTROL PROGRAM)	

O R D E R

Kentucky Power Company d/b/a American Electric Power (Kentucky Power) filed a tariff proposing limited changes to its existing Capacity and Energy Control Program. By Order dated August 27, 2001, the Commission suspended the operation of the tariff in order to conduct a further investigation. Kentucky Industrial Utility Customers, Inc. requested and was granted full intervention. Kentucky Power responded to the Commission Staff's request for information and an informal conference was held at the Commission's offices in Frankfort, Kentucky.

Kentucky Power is a wholly owned subsidiary of American Electric Power (AEP), an electric utility holding company. Kentucky Power, along with four affiliated electric utilities also owned by AEP, is a member of an integrated power pool, commonly known as the AEP Power Pool. AEP has recently completed its acquisition and merger with the Central and Southwest Corporation (CSW), which was also an electric utility holding company. Since the acquisition, the territories served by the original AEP subsidiary utilities have been referred to as the AEP Eastern System, while the territories served by the former CSW subsidiary utilities have been referred to as the AEP Western System. As a result of this corporate merger and name change

to differentiate service territories, Kentucky Power's tariff needed to be revised to reflect that it was now part of the AEP Eastern System.

Two of Kentucky Power's utility affiliates, Columbus and Southern Power Company and Ohio Power Company, are based in the state of Ohio and their respective generating assets became deregulated on January 1, 2001. As a result of this deregulation, the existing five-member AEP Power Pool will be reduced to three members since the two Ohio members will now be selling all of their generation at wholesale at market-based rates. Kentucky Power acknowledged that reducing the AEP Power Pool to three members will require additional changes to its Capacity and Energy Control Program, but those changes will not be filed until later this year after all regulatory approvals have been obtained to effectuate the new three-member pool.

Based on a review of the proposed tariff and being otherwise sufficiently advised, the Commission finds that the revisions are reasonable and should be approved. However, once the AEP Power Pool becomes operational with only three members and the generation of the two Ohio utility affiliates has been transferred to an unregulated affiliate, the Capacity and Energy Control Program will have to be revised to reflect these changes. Specifically, new definitions will be needed for such terms as the AEP Eastern System, internal load obligations, AEP generation, systems, and pools. Also, the Mandatory Load Curtailment portion of the tariff, which is Subpart 14 of the Capacity Deficiency Program, will need to be revised to reflect that native load customers will not be curtailed due to a deficiency in unregulated generation serving customers in other jurisdictions. These revisions should be filed within 60 days of the AEP Power Pool becoming operational on a three-member basis.

A final issue which also needs to be addressed is the recent enactment by the 2002 General Assembly of Senate Bill No. 257, which contains a provision requiring jurisdictional utilities to operate their transmission systems in such a manner that retail electric service within the utility's certified territory boundary has the highest priority during an emergency and is the last class of service to be curtailed or interrupted. Kentucky Power will need to file, by August 30, 2002, a revised tariff to reflect this mandatory transmission priority for retail service within its territorial boundary.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed Capacity and Energy Control Program, designated as First Revised Sheet Nos. 3-1 through 3-9, is approved.
2. No later than 60 days after the AEP Power Pool becomes operational on a three-member basis, Kentucky Power shall file revisions to the tariff approved herein to reflect new definitions of terms and the elimination of any curtailment due to deficiencies in unregulated generation, as discussed in the findings above.
3. No later than August 30, 2002, Kentucky Power shall file revisions to the tariff approved herein to reflect the mandatory transmission priority for electric service within its certified territory as required by Senate Bill No. 257.

Done at Frankfort, Kentucky, this 26th day of June, 2002.

By the Commission

ATTEST:


Executive Director