

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REQUEST OF KENTUCKY POWER)	
COMPANY D/B/A AMERICAN ELECTRIC POWER)	
TO CHANGE THE GAS PRICE INDEX IT MAY)	CASE NO. 2004-00375
USE IN DETERMINING THE COSTS)	
RECOVERABLE THROUGH ITS FUEL)	
ADJUSTMENT CLAUSE)	

ORDER

In Case No. 2000-00495-B,¹ the Commission authorized American Electric Power's ("AEP") use of a proxy mechanism to establish the energy portion of non-economy energy purchases. The proxy mechanism approximates the energy costs of a "Peaking Unit Equivalent" based on the operating characteristics of a General Electric simple cycle gas turbine. The gas cost for this hypothetical turbine is the sum of the daily midpoint price for Columbia Gas Transmission ("Columbia") (delivered – Citygate) as published in that day's edition of *Platt's Gas Daily* and the current tariff rate for Columbia's Park and Lend Service.² AEP may recover through its Fuel Adjustment Clause ("FAC") as non-economy purchase power costs the lower of its actual purchased power costs or the "peaking unit equivalent cost."

¹ Case No. 2000-00495-B, An Examination By the Public Service Commission of the Application of the Fuel Adjustment Clause of American Electric Power Company From May 1, 2001 To October 31, 2001 (Ky.PSC Oct. 2, 2002).

² Id. at 2.

On August 12, 2004, AEP requested that the Commission modify the proxy mechanism to permit the use of the Columbia Gas Appalachia price published in *Platt's Gas Daily* in lieu of the published Columbia (delivered-Citygate) price. In support of its request, the utility stated that *Platt's Gas Daily* had ceased on or about August 2, 2004 to publish the Columbia (delivered-Citygate) price.

Finding that the Columbia Gas Appalachia price is representative of natural gas cost in the general area in which AEP serves and has similar pricing characteristics as the Columbia (delivered-Citygate) price, the Commission HEREBY ORDERS that:

1. AEP's request is granted.
2. AEP shall, effective August 2, 2004, use the Columbia Gas Appalachia price published in *Platt's Gas Daily* to calculate a "Peaking Unit Equivalent" cost for possible recovery of non-economy purchased energy costs through its FAC.

Done at Frankfort, Kentucky, this 10th day of November, 2004.

By the Commission

ATTEST:


Executive Director