

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE )  
FUEL ADJUSTMENT CLAUSE OF AMERICAN ) CASE NO. 2006-00507  
ELECTRIC POWER COMPANY FROM )  
NOVEMBER 1, 2004 TO OCTOBER 31, 2006 )

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission, on December 18, 2006, established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of American Electric Power Company ("AEP") for the 2-year period ended October 31, 2006, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

In establishing this review, the Commission ordered AEP to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. AEP submitted this information on January 22, 2007 and filed supplemental information in response to a Commission Staff data request on March 20, 2007. On its own motion, the Commission revised the procedural schedule set forth in the December 18, 2006 Order when Intervenor Kentucky Industrial Utility Customers, Inc. ("KIUC") served notice of its intent to file testimony. The public hearing originally scheduled for March 14, 2007 was rescheduled for April 26, 2007<sup>1</sup> and was later postponed until May 10, 2007.<sup>2</sup>

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<sup>1</sup> KIUC notified the Commission by its letter of January 25, 2007 of its intent to file testimony, but elected not to do so after participating in one round of interrogatories.

<sup>2</sup> At the May 10 hearing, AEP provided proof of publication of the hearing notice in all publications in which it intended to provide notice of the hearing with the exception of one newspaper that failed to publish the notice. On its own motion, the Commission continued the hearing until July 18, 2007. AEP furnished proof of publication in that newspaper during the July 18<sup>th</sup> hearing.

## METERING ISSUES

During the July 18, 2007 hearing, AEP described certain metering discrepancies at its 69 kV Leach to South Neal tie line with Appalachian Power Company and its Bellefonte tie line with Ohio Power Company. AEP requested that this case be continued generally to allow it sufficient time to evaluate the impact of the problem. AEP indicated that it would move the Commission to schedule an informal conference to report the results of its investigation to all parties.

An informal conference was held on September 19, 2007, at which AEP distributed copies of an excerpt from the July 6, 1951 Interconnection Agreement Between Appalachian Power Company, Kentucky Power, Ohio Power Company, Indiana & Michigan Electric Company and American Electric Power Service Corporation As Agent (“Interconnection Agreement”). AEP believes that the Federal Energy Regulatory Commission-approved Interconnection Agreement prescribes the methodology for correcting the errors resulting from the metering inaccuracies. Article 8.6 of the Interconnection Agreement states in part that “[i]f on any test of metering equipment, an inaccuracy shall be disclosed exceeding two percent, the account between the Members for service theretofore delivered shall be adjusted to correct for the inaccuracy disclosed over the shorter of the following two periods: (1) for the thirty-day period immediately preceding the day of the test or (2) for the period that such inaccuracy may be determined to have existed.” Staff requested that AEP provide a written explanation of the problem discussed at the informal conference, the results of its investigation of the problem, and its

recommendation for correcting the problem, to be filed in the records of both this case and Case No. 2007-00276.<sup>3</sup>

On October 10, 2007, AEP filed its response, in which it described the metering inaccuracies and the remedial measures it has taken as well as additional steps it plans to take. AEP explained that, since the discrepancies were discovered in June 2007, the adjustment it proposes to make is for the month of May 2007, as required by Section 8.6 of the Interconnection Agreement. Since the time period of the adjustment (May 2007) is beyond the October 31, 2006 ending date for the period under review, AEP requests that the Commission issue an Order closing this 2-year review. AEP also suggests that any further adjustments can be considered in a future review.

#### FAC ROLL-IN

AEP proposed that the month of March 2006 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the kWh sales [S(b)] components of its FAC. It further proposed that its base fuel cost be changed to 21.24 mills per kWh, the fuel cost for the proposed base period. AEP's current base fuel cost is 16.51 mills per kWh.

In establishing the appropriate level of base fuel cost to be included in AEP's rates, the Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by AEP. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of March 2006 is a reasonably representative generation month of AEP. The analysis of AEP's monthly fuel clause filings showed that

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<sup>3</sup> Case No. 2007-00276, An Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company From November 1, 2006 Through April 30, 2007.

the actual fuel cost incurred for the 2-year review period ranged from a low of 12.93 mills per kWh in December 2004 to a high of 24.72 mills per kWh in May 2006, with an average cost for the period of 19.29 mills per kWh. Based upon this review, the Commission finds that AEP has complied with Commission Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 21.24 mills per kWh should be approved.

#### FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. AEP's request that adjustments resulting from the metering inaccuracies described herein be considered in a future FAC proceeding is reasonable and should be granted.
2. AEP has complied with the provisions of 807 KAR 5:056.
3. The test month of March 2006 should be used as AEP's base period for this review.
4. AEP's proposed base period fuel cost of 21.24 mills per kWh should be approved.
5. The establishment of a base fuel cost of 21.24 mills per kWh requires a transfer (roll-in) of 4.73 mills per kWh from the FAC rate to AEP's base rates and can best be accomplished by a uniform increase in all energy rates.
6. The rates in Appendix A, are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 16.51 mills and the new base fuel cost of 21.24 mills per kWh.

7. The rates in Appendix A are fair, just and reasonable and should become effective with AEP's first billing cycle for January 2008.

8. Beginning with its first billing cycle for January 2008, AEP should use an FAC rate based on a base fuel cost of 21.24 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by AEP through the FAC for the period November 1, 2004 to October 31, 2006 are approved.

2. AEP's proposed base fuel cost of 21.24 mills per kWh is approved.

3. The rates in Appendix A are approved to be effective with AEP's first billing cycle for January 2008.

4. Beginning with its first billing cycle for January 2008, AEP shall use an FAC rate based on a base fuel cost of 21.24 mills per kWh.

5. Any adjustments resulting from the metering inaccuracies described herein shall be considered in a future FAC proceeding

6. Within 20 days of the date of this Order, AEP shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 19<sup>th</sup> day of December, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00507 DATED December 19, 2007

The following rates and charges are prescribed for the customers in the area served by American Electric Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

TARIFF R.S.  
RESIDENTIAL SERVICE

Energy Charge:  
All kWh per month per kWh \$ .06475

TARIFF R.S.  
RESIDENTIAL SERVICE  
STORAGE WATER HEATING PROVISION

Tariff Code:  
012 per kWh \$ .03137  
013 per kWh \$ .03137  
014 per kWh \$ .03137

TARIFF R.S.  
RESIDENTIAL SERVICE  
LOAD MANAGEMENT WATER HEATING PROVISION

Tariff Code:  
011 per kWh \$ .03137

TARIFF R.S.-L.M.-T.O.D.  
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME OF DAY

Energy Charge:  
All kWh used during on-peak billing period \$ .10650  
All kWh used during off-peak billing period \$ .03137

TARIFF R.S.-T.O.D.  
RESIDENTIAL SERVICE TIME OF DAY

Energy Charge:	
All kWh used during on-peak billing period	\$ .10650
All kWh used during off-peak billing period	\$ .03137

S.G.S.  
SMALL GENERAL SERVICE

Energy Charge: (Tariff Code 211,212)	
First 500 kWh per month	\$ .09297
All over 500 kWh per month	\$ .05278

S.G.S.  
SMALL GENERAL SERVICE

Energy Charge: (Tariff Code 225,226)	
All kWh used during on-peak billing period	\$ .12700
All kWh used during off-peak billing period	\$ .03137

S.G.S.  
SMALL GENERAL SERVICE  
OPTIONAL UNMETERED SERVICE PROVISION

Energy Charge: (Tariff Code 204 (Mtrd), 213 (Umr))	
First 500 kWh per month	\$ .09297
All over 500 kWh per month	\$ .05278

M.G.S.  
MEDIUM GENERAL SERVICE

Energy Charge:	
Secondary Service Voltage: (Tariff Code 215,216,218)	
kWh equal to 200 times kW of monthly billing demand	\$ .07461
kWh in excess of 200 times kW of monthly billing demand	\$ .06299
Primary Service Voltage: (Tariff Code 217,220)	
kWh equal to 200 times kW of monthly billing demand	\$ .06791
kWh in excess of 200 times kW of monthly billing demand	\$ .05999
Subtransmission Service Voltage: (Tariff Code 236)	
kWh equal to 200 times kW of monthly billing demand	\$ .06217
kWh in excess of 200 times kW of monthly billing demand	\$ .05794

M.G.S.  
MEDIUM GENERAL SERVICE  
RECREATIONAL LIGHTING SERVICE PROVISION

Energy Charge per kWh: (Tariff Code 214) \$ .06992

M.G.S.  
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge: (Tariff Code 223,224)  
All kWh used during on-peak billing period \$ .11864  
All kWh used during off-peak billing period \$ .03254

EXPERIMENTAL TARIFF M.G.S.-T.O.D.  
MEDIUM GENERAL SERVICE TIME-OF-DAY PROVISION

Energy Charge: (Tariff Code 229,230)  
All kWh used during on-peak billing period \$ .11864  
All kWh used during off-peak billing period \$ .03254

L.G.S.  
LARGE GENERAL SERVICE

Energy Charge per kWh:  
Secondary Service Voltage (Tariff Code 240,242) \$ .05593  
Primary Service Voltage (Tariff Code 244,246) \$ .04888  
Subtransmission Service Voltage (Tariff Code 248) \$ .03823  
Transmission Service Voltage (Tariff Code 250) \$ .03438

L.G.S.  
LARGE GENERAL SERVICE  
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge per kWh: (Tariff Code 251)  
All kWh used during on-peak billing period \$ .10065  
All kWh used during off-peak billing period \$ .03226

TARIFF Q.P.  
QUANTITY POWER

Energy Charge per kWh:  
Secondary Service Voltage (Tariff Code 356) \$ .02569  
Primary Service Voltage: (Tariff Code 358) \$ .02517  
Subtransmission Service Voltage: (Tariff Code 359) \$ .02485  
Transmission Service Voltage: (Tariff Code 360) \$ .02460



TARIFF C.I.P.-T.O.D.  
COMMERCIAL AND INDUSTRIAL POWER-TIME OF DAY.

Energy Charge per kWh:	
Primary Service Voltage: (Tariff Code 370)	\$ .02158
Subtransmission Service Voltage: (Tariff Code 371)	\$ .02133
Transmission Service Voltage: (Tariff Code 372)	\$ .02113

TARIFF M.W.  
MUNICIPAL WATERWORKS

Energy Charge per kWh (Tariff Code 540)	\$ .06150
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TARIFF O.L.  
OUTDOOR LIGHTING

OVERHEAD LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens) (Tariff Code 094)	\$ 6.89
150 Watts (16,000 Lumens) (Tariff Code 113)	\$ 7.78
200 Watts (22,000 Lumens) (Tariff Code 097)	\$ 9.45
400 Watts (50,000 Lumens) (Tariff Code 098)	\$ 15.14
Mercury Vapor per Lamp:	
175 Watts (7,000 Lumens) (Tariff Code 093)	\$ 7.29
400 Watts (20,000 Lumens) (Tariff Code 095)	\$ 12.35

POST-TOP LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens) (Tariff Code 111)	\$ 10.24
150 Watts (16,000 Lumens) (Tariff Code 122)	\$ 16.73
Mercury Vapor per Lamp:	
175 Watts (7,000 Lumens) (Tariff Code 099)	\$ 8.44

FLOOD LIGHTING SERVICE

High Pressure Sodium per Lamp:	
200 Watts (22,000 Lumens) (Tariff Code107)	\$ 10.70
400 Watts (50,000 Lumens) (Tariff Code109)	\$ 14.89
Metal Halide	
250 Watts (20,500 Lumens) (Tariff Code110)	\$ 16.62
400 Watts (36,000 Lumens) (Tariff Code116)	\$ 21.80
1,000 Watts (110,000 Lumens) (Tariff Code131)	\$ 46.99

TARIFF S.L.  
STREET LIGHTING

Rate per Lamp (Tariff Code 528):

Overhead Service on Existing Distribution Poles

High Pressure Sodium

100 Watts ( 9,500 Lumens)	\$ 5.64
150 Watts (16,000 Lumens)	\$ 6.43
200 Watts (22,000 Lumens)	\$ 8.05
400 Watts (50,000 Lumens)	\$ 11.69

Service on New Wood Distribution Poles

High Pressure Sodium

100 Watts ( 9,500 Lumens)	\$ 8.94
150 Watts (16,000 Lumens)	\$ 9.78
200 Watts (22,000 Lumens)	\$ 11.30
400 Watts (50,000 Lumens)	\$ 14.94

Service on New Metal or Concrete Poles

High Pressure Sodium

100 Watts ( 9,500 Lumens)	\$ 14.84
150 Watts (16,000 Lumens)	\$ 15.48
200 Watts (22,000 Lumens)	\$ 19.60
400 Watts (50,000 Lumens)	\$ 20.79