

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO.
POWER COMPANY FROM NOVEMBER 1, 2006)	2007-00276
THROUGH APRIL 30, 2007)	

O R D E R

On August 3, 2007, the Commission initiated this case to examine Kentucky Power Company's ("Kentucky Power") application of its fuel adjustment clause from November 1, 2006 through April 30, 2007. Kentucky Power was ordered to appear at the Commission's offices on October 11, 2007 to submit itself for examination in this matter. While it complied with the Commission's Order, at the hearing Kentucky Power advised that the *Floyd County Times*, one of the newspapers it used to provide notice of the hearing, failed to publish the notice in a timely manner. The hearing was conducted as scheduled; however, it was continued generally to allow time for proper notice to be published by the *Floyd County Times*.

In addition to the need for a proper notice, there is an additional reason to continue the hearing. On the day immediately preceding the hearing date, Kentucky Power filed certain information in Case No. 2006-00507¹ which is relevant to this proceeding. However, the filing date limited the ability of the Commission Staff to

¹ Case No. 2006-00507, An Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2004 Through October 31, 2006.

conduct a thorough review of the information prior to the hearing. Accordingly, the Staff anticipates further questions of Kentucky Power based on this most recently filed information. To facilitate such questioning, a data request to which Kentucky Power is to respond within 14 days of the date of this Order is included as Appendix A, attached hereto and incorporated herein.

IT IS THEREFORE ORDERED that:

1. The October 11, 2007 hearing in this matter is continued to December 3, 2007, and shall reconvene on that date at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 211 Sower Blvd., in Frankfort, Kentucky. At the continued hearing there shall be no opening statements or summaries of testimony.

2. The information requested in Appendix A to this Order is due within 14 days of the date of this Order. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and 7 copies to the Commission.

a. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

b. Any party shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

c. For any requests to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

3. All information filed in the record of Case No. 2006-00507 beginning July 18, 2007 and continuing up to the date of this Order shall be incorporated by reference into the record of this case.

4. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

5. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 7th day of November, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00276 DATED November 7, 2007

DATA REQUEST TO KENTUCKY POWER COMPANY

1. Refer to the October 10, 2007 letter from Kentucky Power's counsel, Mark Overstreet, to Beth O'Donnell, Executive Director of the Commission ("October 10 letter").
 - a. The second paragraph under the heading The Metering Equipment Inaccuracies indicates that there were different causes for the inaccuracies discovered at the two interconnections in June 2007. For the Leach to South Neal tie line interconnection with Appalachian Power Company ("APCO") the cause was identified as a programming error. When was "the portion of the metering equipment that aggregates the usage data" last programmed?
 - b. Explain why, given the nature of the error (using the wrong plus/minus designator), Kentucky Power has not concluded that the date the equipment was last programmed is when the inaccuracies began.
 - c. The second paragraph under the heading The Adjustment in May, 2007 Billings indicates that the impact of correcting the inaccuracies for May 2007 is a net credit to Kentucky Power's customers of \$66,075. Given that the section headed Additional Staff Inquiries indicates that there may be some further adjustments in the case of APCO concerning the Leach to South Neal tie line, is it correct to conclude that

the monetary impacts of the inaccuracies can be computed separately for the two different interconnections? If no, explain why not.

d. Item (g) under the heading Remedial Measures states that metering equipment at certain stations in Kentucky will be upgraded at a cost of approximately \$2 million.

(1) Explain the types of equipment that will be replaced and the relevancy of the equipment to correcting the metering inaccuracies at the Leach to South Neal tie line interconnection and the Bellefonte-Pleasant Street tie line interconnection.

(2) Explain how replacement of equipment will ensure that a programming error such as the error that occurred at the Leach to South Neal tie interconnection will not reoccur.

2. At the October 11, 2007 hearing, Kentucky Power's witness, Errol Wagner, in response to the question posed by Commission Staff counsel at 9:08:40 a.m. as shown on the video recording of the hearing, indicated that Kentucky Power had gone back several months but could not determine when the metering inaccuracies started.

a. What specific calendar months (for what years) were included in the "several months" to which Mr. Wagner referred?

b. Is it correct to conclude, based on Mr. Wagner's responses at the hearing, that Kentucky Power has been unable to determine if inaccuracies occurred during any month other than May 2007? Explain the response.

3. Refer to the second and third paragraphs of the October 10 letter under the heading Additional Staff Inquiries and to Attachment 6 to the October 10 letter.

a. Provide a list of the specific items shown on the flowchart in the attachment, including the Consolidated Energy Accounting System (“CEAS”) and all the items to the left that feed into the CEAS, which includes the full name of the item and the account or sub-account in which it is recorded in Kentucky Power’s books of account. Clearly reflect all cross-references, as necessary, to the Uniform System of Accounts adopted by the Commission for electric utilities.

b. For each item listed in part (a) of this response, explain its function in the metering process.

4. Refer to the first paragraph of the October 10 letter under the heading Additional Staff Inquiries which refers to the possibility of the West Virginia Commission (“WVC”) allowing APCO to true-up its settlements related to the metering inaccuracies at the Leach to South Neal tie line to a date prior to May 2007.

a. Given Kentucky Power’s position that Article 8.6 of the 1951 Interconnection Agreement between Kentucky Power, American Electric Power (“AEP”) Service Corporation, and the other AEP operating companies (“Interconnection Agreement”) governs the matter of the metering inaccuracies at the two tie line interconnections, explain how the WVC and APCO can consider a time period for settlements that is prior to the 30-day period established in Article 8.6.

b. The second half of the paragraph indicates that, should the WVC permit APCO to recover costs back to a date prior to May of 2007, the AEP System has elected to transfer any sums beyond the 30-day “contract period” set forth in Article 8.6

of the Interconnection Agreement to Kentucky Power. Does AEP intend to accept whatever adjustments APCO is permitted and have those applied to Kentucky Power, with Kentucky Power having no recourse but to accept them? Explain the response.

c. Provide a further narrative description, along with an example of a hypothetical month, that shows how additional adjustments by APCO will impact Kentucky Power.