

Dear Ms. Riley:

Thank you for your comments regarding the rate increase proposed by Kentucky Power Co. (American Electric Power Co.) Your comments will be placed into the case file for the Commission's review as it considers this matter. For your future reference, the case number in this matter is 2009-00459. Please cite it in any future correspondence regarding this case so that your comments may be readily directed to the case file.

Thank you again for your interest.

Andrew Melnykovich  
Director of Communications  
Kentucky Public Service Commission  
502-564-3940 x208

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COMMISSION

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**From:** PSC - Public Information Officer  
**Sent:** Monday, January 18, 2010 12:21 PM  
**To:** Melnykovich, Andrew (PSC)  
**Subject:** FW: Dea Riley/Kentucky Power Rate Increase

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**From:** Dea Riley[SMTP:REDACTED]  
**Sent:** Saturday, January 16, 2010 12:42:04 PM  
**To:** PSC - Public Information Officer; PSC - Consumer Web Inquiry  
**Subject:** Dea Riley/Kentucky Power Rate Increase  
**Auto forwarded by a Rule**

Kentucky Public Service Commission  
P.O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615

Chairman David Armstrong, Vice Chairman James W. Gardner, Commissioner Charles R. Borders

Sent via e-mail transmission: [psc.info@ky.gov](mailto:psc.info@ky.gov), [psc.consumer.inquiry@ky.gov](mailto:psc.consumer.inquiry@ky.gov)

January 15, 2010

Dear Sirs:

It has been brought to my attention via the Lexington Herald Leader report "Kentucky Power requests 35% rate Increase" published December 29th - Kentucky Power has submitted a request for consideration of rate increase to be effective January of 2010. I humbly request you decline the rate increase on behalf of the citizens of Kentucky until a full review and financial audit of KP's operational and fiscal practices is completed. The audacity of such a request is galling, considering the current circumstances of Kentucky's overall economic crisis, KP's lack of reliable service maintenance and general operational procedures with coinciding service outages. At the exact moment of KP's 34.5% rate increase request many of the 20 Kentucky counties KP boasts as "serving" were without power. Of the 175 thousand total persons served by KP within Eastern KY, more than 75 K found themselves rendered powerless after a

December snowstorm merely one week prior to the request. Many citizens remained without power for more than 14 days, forcing the closure of schools, businesses and churches – grossly affecting the regions ability to generate viable income while consecutively burdening cities, counties and citizens with increased expenditures impossible to have foreseen in their yearly budgeting estimates. Currently Pike Country Judge Executive Wayne T. Rutherford has launched legitimate claim against KP for the extended outages. In addition the Pike Co., Fiscal Court has now taken initial legal steps necessary to seek reparation from KP - the party they claim most responsible for the extended service failure. These facts are the ones that should be the most relevant in your consideration of the rate increase request.

The request itself proves that KP is void of consideration as to the financial reality Kentuckians currently face and their culpability in the greater hardship placed on citizens due to their purported malfeasance. Specifically Eastern KY and the 20 counties served face a financial impact greater than any other Kentucky region. Currently, Kentucky's unemployment rate has reached a 30-year high; our poverty ranking is 23.5% an increase from 15.3% in 2001, while numerous reports detail a significant increase in food and nutrition service and utility payments aid. Of Kentucky's 120 counties, easily the 20 counties served by KP face the most disparaging economic outlook. This fact, KP is well aware considering the length of time they have operated in the region. The amount of the increase is worth note too; the request represents a minimal \$40.00 per month increase to consumers who reside in a region currently struggling to meet monthly utility payments. This grandiose rate increase is preposterous if one simply evaluates the facts.

I have reviewed KP quarterly operating budgets and AEP annual financial statements and without boring you with the details it is apparent that both AEP and KY Power currently maintain a positive operating budget. Fourth quarter reporting will likely reflect a negative operating amount due to the prolonged outage's affect on monthly billing totals resulting in a significant decline in overall proceeds. The rate increase and reduced billing in conjunction with a request for rate increase is a correlation too obvious to be considered coincidental. In other words the citizens of Kentucky are being charged for KP's inability to provide reliable service. It is that simple.

I would like to refer to KP's own statement included in the rate increase request: *"The increased costs of doing business, including those for operations, safety, equipment, materials, supplies and labor – not to mention the ever-increasing costs of meeting environmental and regulatory obligations – have all risen since our last rate case. We cannot sustain the reliable level of service that our customers expect with our current rate structure and that has necessitated this filing," said Tim Mosher, president and COO of Kentucky Power.*" What Mr. Mosher lacks to clarify in his statement is that each of the reasons provided to justify KP's request of a rate increase are results of poor internal operating (maintenance) practices rather than outside factors as he eludes. It would be a far more convincing statement if KP were credited with having provided reliable service first.

The mission of the Public Service Commission is to *"foster the provision of safe and reliable service at a reasonable price to the customers of jurisdictional utilities while providing for the financial stability of those utilities by setting fair and just rates, and supporting their operational competence by overseeing regulated activities."* Clearly the requested increase does not meet the standards as set forth by the PSC.

Thank you for your consideration.

Respectfully,

Dea Riley  
502-395-2677  
REDACTED