

421 West Main Street
Post Office Box 634
Frankfort, KY 40602-0634
[502] 223-3477
[502] 223-4124 Fax
www.stites.com

June 11, 2012

Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

JUN 11 2012

PUBLIC SERVICE
COMMISSION

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: Kentucky Power Company's Real-Time Pricing Rider -- Rider RTP

Dear Mr. Derouen:

Enclosed please find and accept for filing four complete copies of Kentucky Power Company's Rider RTP. It is being filed in satisfaction of the Company's commitment in Case No. 2012-00226 to file a substitute for Tariff R.T.P. on or before June 11, 2012.

Also enclosed are an original and ten copies of the Company's Application for approval of Rider RTP. Kentucky Power is seeking approval of Rider RTP contingent upon the Commission granting Kentucky Power authority to withdraw its existing Tariff R.T.P. It is not the Company's intent to offer both Tariff R.T.P. and Rider RTP simultaneously, and thus the request for approval of Tariff RTP is contingent upon if and when its Application to withdraw Tariff R.T.P. is approved by the Commission. The Company thus is requesting that the notice period required by KRS 278.180 be shortened to July 1, 2012 to coincide as nearly as possible with the requested June 28, 2012 requested effective date for the withdrawal of Tariff R.T.P.

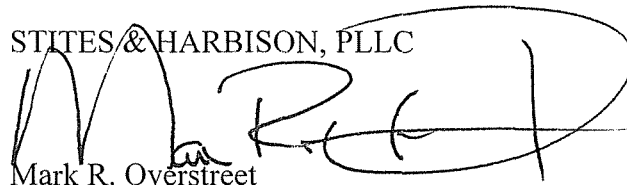
Also filed in support of the Application is the testimony of Ranie K. Wohnhas.

Please do not hesitate to contact me if you have any questions.

Jeff R. Derouen
June 11, 2012
Page 2

Very truly yours,

STITES & HARBISON, PLLC

A handwritten signature in black ink, appearing to read 'MRO', is written over the printed name 'Mark R. Overstreet'. The signature is stylized and somewhat cursive.

Mark R. Overstreet

MRO

cc: Dennis G. Howard II, Office of Rate Intervention (with enclosures)
Michael L. Kurtz (with enclosures)

RECEIVED

JUN 11 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

The Application Of Kentucky Power)	
Company For Approval Of An)	Case No. 2012-_____
Experimental Real-Time Pricing Rider.)	

**APPLICATION FOR APPROVAL
OF AN EXPERIMENTAL REAL-TIME PRICING RIDER**

Kentucky Power Company respectfully applies to the Public Service Commission of Kentucky pursuant to KRS 278.180 and 807 KAR 5:011 for approval of its Experimental Real-Time Pricing Rider (“Rider RTP”). Kentucky Power also requests that the Commission find that good cause exists and that the notice period be shortened so that Rider RTP is effective July 1, 2012. In support of its Application Kentucky Power states:

Party

1. Kentucky Power is an electric utility organized as a corporation under the laws of the Commonwealth of Kentucky in 1919. A certified copy of Kentucky Power’s Articles of Incorporation and all amendments thereto was attached to the Joint Application in Case No. 99-149¹ as Exhibit 1. The post office address of Kentucky Power is 101A Enterprise Drive, P.O. 5190, Frankfort, Kentucky 40602-5190. Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. Kentucky Power serves approximately 173,000 customers in the following 20 counties of eastern Kentucky: Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin,

¹ *In the Matter of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149.

Martin, Morgan, Owsley, Perry, Pike and Rowan. Kentucky Power also supplies electric power at wholesale to other utilities and municipalities in Kentucky for resale. Kentucky Power is a utility as that term is defined at KRS 278.010.

Real-Time Pricing Options

2. By Order dated February 24, 2006, the Commission established Case No. 2006-00045² in conformity with the requirement of Section 1252 (F) of the United States Energy Policy Act of 2005 (16 U.S.C. § 2621(d)(14)(F)) that each state regulatory commission conduct an investigation to consider whether it was appropriate to implement the time-metering and communications standards of Section 1252(A) of the United States Energy Policy Act of 2005 (16 U.S.C. § 2621(d)(14)(A)). Under time-based rates, as explained in the Commission’s Order establishing the case, “the rate charged varies during different time periods and reflects the variance in the utility’s cost of service.”³

3. Following the filing of testimony, data requests and responses, a hearing, and briefs, the Commission found that adoption of the Section 1252 time-metering standards was not appropriate.⁴ Instead, it directed Kentucky Power and certain other jurisdictional electric utilities to “develop voluntary pilot real-time pricing programs for their large commercial and industrial customers in accordance with the discussion in...” the Commission’s Order.⁵ The programs

² Order, *In The Matter Of: The Consideration Of The Requirements Of The Federal Energy Policy Act Of 2005 Regarding Time-Based Metering, Demand Response, And Interconnection Service*, Case No. 2006-00045 (Ky. P.S.C. February 24, 2006).

³ *Id.* at 2.

⁴ Order, *In The Matter Of: The Consideration Of The Requirements Of The Federal Energy Policy Act Of 2005 Regarding Time-Based Metering, Demand Response, And Interconnection Service*, Case No. 2006-00045 at 10, 14 (Ky. P.S.C. December 21, 2006).

⁵ *Id.* at 18.

were to be operated for an initial term of three years and were for the purpose of determining “the viability and effectiveness of real-time pricing for larger customers...”⁶

Tariff R.T.P.

4. On April 20, 2007, Kentucky Power filed its proposed real-time pricing (“RTP”) tariff in accordance with the Commission’s December 21, 2006 Order.⁷ The tariff was titled Tariff R.T.P. Tariff R.T.P. unambiguously provides that it “offer[s] customers the opportunity to manage their electric *costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower price periods.*”⁸

5. Tariff R.T.P. was approved by Order of the Commission dated February 1, 2008 as a three-year pilot program.⁹ As part of the settlement of the Company’s 2009 base rate case, the pilot Tariff R.T.P. was slightly modified and extended until June 29, 2013.¹⁰

6. The Commission’s Order approving Tariff R.T.P. makes clear that the tariff is intended to provide Kentucky Power customers “the opportunity to manage their electric costs by shifting load periods.”¹¹ As the Commission explained in its Order approving the tariff, the tariff is designed to provide an incentive for those industrial and commercial customers who could shift their load to do so:

For high load factor customers, it may not be beneficial to participate. They are using power evenly throughout the time period and thus are less likely to be able

⁶ *Id.* at 13.

⁷ *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166.

⁸ Program Description, Tariff R.T.P. at 1st Revised Sheet No. 30-1 (emphasis supplied.)

⁹ Order, *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166 at 1, 14 (Ky. P.S.C. February 1, 2008).

¹⁰ Order, *In The Matter Of: Application of Kentucky Power Company For General Adjustment Of Rates*, Case No. 2009-00459 at 6 (Ky. P.S.C. June 28, 2009).

¹¹ Order, *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166 at 3 (Ky. P.S.C. February 1, 2008).

to shift their usage pattern to put more usage off-peak. Lower load factor customers, on the other hand, may benefit if they can modify their usage pattern to reduce their peak load or move load to off-peak time periods which is the intent of the program. They also would generally have more of an opportunity to change their usage patterns. A participant's ability to react to real-time prices and obtain benefits from the pilot program is enhanced by the fact that unlike other utilities subject to the Commission's Order, Kentucky Power, through its parent AEP, is a member of PJM. As a result, the derivation of real-time prices charged to customers is transparent.¹²

Like the Program Description of Tariff R.T.P., nothing in the Commission's Order approving the tariff suggests the Commission intended that customers would receive the benefits of real-time pricing under Tariff R.T.P. without either increasing their load during lower-priced periods or shifting their usage from higher-priced to lower-priced periods.

7. Tariff R.T.P. is now in effect but is the subject of the Company's recently-filed application to withdraw it.

Application To Withdraw The Existing Tariff R.T.P.

8. On June 1, 2012, Kentucky Power filed an application with the Commission to withdraw Tariff R.T.P.¹³ It was denominated Case No. 2012-00226.

9. The bases for the requested withdrawal of Tariff R.T.P. are:

(a) The tariff has not achieved its objective of encouraging customers to manage their energy costs by shifting their load periods; and

(b) Kentucky Power will incur substantial financial losses if the customers who have expressed interest in taking service under Tariff R.T.P. were to do so.

10. Case No. 2012-00226 is pending before the Commission. On June 7, 2012, Kentucky Industrial Utility Customers, Inc. filed a petition to intervene in Case No. 2012-00226

¹² *Id.* at 10-11.

¹³ *In The Matter of: Application Of Kentucky Power Company To Withdraw Its Tariff RTP Pending Submission By The Company And Approval By The Commission Of A New Real-Time Pricing Tariff*, Case No. 2012-00226.

in its own name on behalf of five of its members: Air Liquide Large Industries, U.S., LP, AK Steel Corporation, Air Products & Chemicals, Inc., EQT Corporation, and Catlettsburg Refining LLC, a subsidiary of Marathon Petroleum LP. By Order dated June 8, 2012, the Commission granted Kentucky Industrial Utility Customers, Inc.'s petition to intervene.

11. In its application to withdraw its existing Tariff R.T.P. the Company committed to file on or before June 11, 2012 a substitute for Tariff R.T.P. Rider RTP provides Kentucky Power's larger commercial and industrial customers "the opportunity to manage their electric costs by shifting load periods"¹⁴ while addressing the bases for the application to withdraw Tariff R.T.P.

Rider RTP

12. Rider RTP is filed as **EXHIBIT 1** to this application. Rider RTP offers customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods, or by adding new load during lower cost pricing periods in response to hourly real-time energy prices. As such, it is fully consistent with the Commission's Order approving Tariff R.T.P., and orders approving RTP plans offered by other jurisdictional utilities.

13. Approval of Rider RTP is being sought contingent upon the Commission's approval of the Company's application to withdraw Tariff R.T.P. If Kentucky Power's application to withdraw Tariff R.T.P. is denied the Company will withdraw its request for approval of Rider RTP.

14. Under Rider RTP, a customer baseline load ("CBL") will be established by agreement between the customer and the Company for each customer taking service under the rider. The CBL will be computed based upon one complete year of hourly customer kW load

¹⁴ Order, *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166 at 3 (Ky. P.S.C. February 1, 2008).

data developed from actual historical metered interval data for the customer's specific service delivery, adjusted as required to represent the hourly load shape to be agreed by the customer and Kentucky Power. Subsequently, the CBL will be adjusted monthly: (a) to align the CBL for the billing period with the days of the week of the current billing period; and (b) to adjust on a pro-rata basis each hour of the CBL so that the sum of the hourly kW loads for the CBL matches the sum of the hourly kW loads for the current billing period.¹⁵

15. After the first year of service under Rider RTP, the CBL may be modified by agreement between the Company and the customer. The CBL will not be modified to reflect RTP price response or the effects of weather.

16. Under Rider RTP a customer will be billed under the appropriate Standard Tariff (Tariff C.I.P-T.O.D. or Tariff Q.P.), including all appropriate riders, for the current period usage. This amount is then adjusted by a charge (or credit), calculated on the hourly difference between a customer's actual usage and its CBL (adjusted as described in paragraph 14 of this Application), multiplied by the corresponding AEP East Load Zone Settled Real Time Locational Marginal Price ("LMP") for the hourly period. The LMP is established by PJM Interconnection, LLC and reflects the value of the energy at the specific location and time it is delivered, adjusted for losses due to the customer's delivery voltage.

17. A customer whose hourly usage pattern closely matches its CBL will pay, subject to any additional charges for taking service under Rider RTP, approximately what it would have paid under its Standard Tariff. A customer whose usage exceeds its CBL for an hourly period pays an additional charge, equal to the difference between the CBL and the customer's usage in the hourly period, multiplied by the LMP corresponding to the usage period. A customer whose

¹⁵ These adjustments also are used by Louisville Gas & Electric Company and Kentucky Utilities Company in their Real-Time Pricing Riders.

usage is less than the CBL for the hourly period will received a credit equal to the difference between the customer's usage and the CBL in the hourly period, multiplied by the LMP corresponding to the usage period.

18. The use of a CBL model in the Rider RTP permits customers to manage their electric costs by shifting load from higher-priced periods to lower-priced periods. A CBL model is used by Louisville Gas & Electric Company,¹⁶ Kentucky Utilities Company,¹⁷ East Kentucky Power Cooperative, Inc.,¹⁸ and Duke Energy Kentucky, Inc.¹⁹ in their real-time pricing programs approved by the Commission.

19. The Company proposes to add to each RTP customer's bill a Monthly Program charge of \$150.00 to recoup the additional costs of the RTP program. The \$150 monthly Program Charge is identical to the Program Charge approved by the Commission in connection with the Tariff R.T.P. and is required for billing, administration and communications required to implement and administer the rider.

20. Rider RTP is available to customers taking firm service under Tariff CIP-TOD or Tariff Q.P., and who have a demand of not less than 1000 kW. To permit the establishment of a CBL, customers must have taken service for at least one year prior to taking service under Rider RTP

21. Other terms and conditions of Rider RTP are set out in **EXHIBIT 1**.

¹⁶ Order, *In The Matter Of: The Joint Application Of Louisville Gas And Electric Company And Kentucky Utilities Company For An Order Approving A Large Commercial And Industrial Real-Time Pricing Pilot Program*, Case No. 2007-00161 (Ky. P.S.C. February 1, 2008).

¹⁷ *Id.*

¹⁸ *In The Matter Of: Application Of East Kentucky Power Cooperative, Inc. For An Order Approving A Pilot-Real Time Pricing Program For Large Commercial And Industrial Customers*, Case No. 2007-00165 (Ky. P.S.C. February 1, 2008).

¹⁹ *In The Matter Of: The Application Of Union, Light, Heat And Power Company For Approval To Revise Its Real Time Pricing Program*, Case No. 2000-00302 (Ky. P.S.C. October 30, 2000).

22. Rider RTP will be offered on an experimental basis, subject to the orders of the Commission, through June 30, 2015. On or before December 30, 2015, the Company will file with the Commission and serve on any parties an evaluation of Rider RTP.²⁰ The report will also contain the Company's recommendation concerning whether Rider RTP should be continued, and if so, whether any modifications should be made to Rider RTP.

**Request To Shorten Notice Period And Consequent
Effective Date**

23. KRS 278.180(1) requires thirty days notice for any change to a tariff containing a rate. The statute also authorizes the Commission to shorten the notice period to no less than 20 days for good cause shown.

24. In Case No. 2012-0026 the Company requested that the withdrawal of Tariff R.T.P. be made effective June 28, 2012. To ensure that the effective date of Rider RTP coincides with the withdrawal of Tariff R.T.P. as nearly as possible, the Company respectfully requests that the Commission find good cause exists to shorten the notice period for Rider RTP to 20 days so that it is effective July 1, 2012.

Testimony

25. The testimony of Ranie K. Wohnhas is filed in support of this application.

Communications

26. Kentucky Power respectfully requests that communications in this matter be addressed to:

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634

²⁰ Kentucky Power also will file the annual reports required by the Commission's February 1, 2008 Order in Case No. 2007-00166.

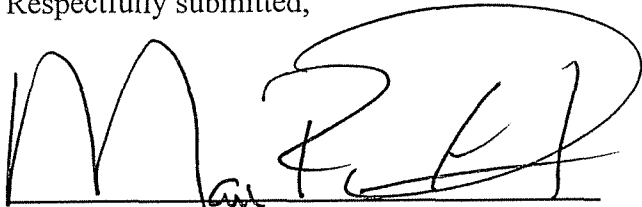
Ranie K. Wohnhas
Kentucky Power Company
P.O. Box 5190
Frankfort, Kentucky 40602-5190

Wherefore, Kentucky Power Company respectfully requests the Commission enter an
Order:

1. Approving Rider RTP effective July 1, 2012 contingent upon the Commission granting the Company's Application in Case No. 2012-00226 to withdraw Tariff R.T.P.; and
2. Granting Kentucky Power Company such further relief to which it may be entitled.

This 11th day of June, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark R. Overstreet', is written over a horizontal line. The signature is stylized and somewhat cursive.

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477

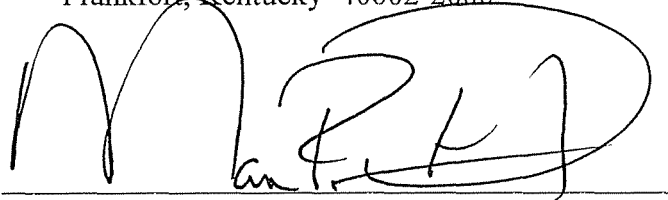
COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing, along with a copy of the foregoing was served by overnight delivery upon the following this 11th day of June, 2012.

Michael L. Kurtz
Boehm, Kurtz & Lowry
Suite 1510
36 East Seventh Street
Cincinnati, Ohio 45202

Jennifer Black Hans
Dennis G. Howard II
Lawrence W. Cook
Assistant Attorneys General
Office for Rate Intervention
P.O. Box 2000
Frankfort, Kentucky 40602-2000

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Counsel for Kentucky Power Company

EXHIBIT 1

RIDER RTP
(Experimental Real-Time Pricing Rider)

AVAILABILITY OF SERVICE.

TARIFF CODES

Q.P. Tariff

C.I.P.-T.O.D. Tariff

366 Secondary

377 Primary

367 Primary

378 Sub Transmission

368 Sub Transmission

379 Transmission

369 Transmission

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers with a demand of not less than 1,000 kW taking firm service under Tariffs Q.P. or C.I.P.-T.O.D (Standard Tariff). This experimental rider will be limited to a maximum of 10 customers who have taken service from the Company for at least one year. The incremental cost of any special metering or communications equipment required for service under this rider beyond that normally provided under the applicable Standard Tariff shall be borne by the customer. This rider is voluntary and will be offered on a pilot basis through June 30, 2015, subject to further Order of the Commission.

PROGRAM DESCRIPTION.

This rider will offer customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower cost pricing periods in response to hourly real-time energy prices

This Rider RTP is the successor to the company's Tariff RTP.

PRICING NOTIFICATION AND RESPONSIBILITY.

Hourly prices, stated in \$/kWh, will be determined using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM Interconnection, L.L.C. (PJM), adjusted upward for losses to the customer's delivery voltage. These prices will be provided to the customer by the Company on a real-time basis in a manner determined by the Company. The Company is not responsible for the customer's failure to receive or act upon the hourly prices. If a customer does not receive these prices, it is the customer's responsibility to inform the Company so the prices may be supplied.

CUSTOMER BASELINE LOAD (CBL).

The CBL is based on one complete year of hourly customer kW load data developed from actual historical metered interval data for the customer's specific service delivery, adjusted as needed to represent the hourly load shape to be agreed to by the customer and the Company. The historical load data used to compute the CBL may be adjusted to account for conditions during the period that would cause the load to not be representative of normal load conditions. Mutual agreement on the CBL is a precondition for service under Rider RTP.

The CBL for a particular billing period is determined by:

1. Selecting the historical calendar period from the 12-month CBL period that corresponds to the current billing period.
2. Shifting the historical calendar forward or back until the days of the week agree between the historical calendar period and the current billing period, and
3. Adjusting on a pro-rata basis each hour of the historical calendar period so that the sum of the hourly kW loads for the historical calendar period matches the sum of the hourly kW loads for the current billing period.

(Continued on Sheet No. 30-2)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

ISSUED BY *Lila P. Munsey* LILA P. MUNSEY MGTR REGULATORY SERVICES FRANKFORT, KY

NAME

TITLE

ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. XXXX dated

RIDER RTP
(Experimental Real-Time Pricing Rider)

BILL DETERMINATION.

A Bill will be rendered after each monthly billing period, consisting of a Standard Bill (SB) amount, a Monthly Program Charge (PC) and an RTP charge (or credit) calculated on the hourly difference between a customer's actual usage and its Customer Baseline Load (CBL) times the corresponding hourly energy prices from that billing period. Billing will be based on the following calculation:

$$\text{Bill} = \text{SB} + \text{PC} + \sum_{t=1}^n \{ \text{Price}_t \times (\text{AL}_t - \text{CBL}_t) \}$$

Where:

- Bill = Customer's bill for service under the Standard Tariff and this rider in a specific month.
- SB = Customer's bill for the current billing period based on current usage and billed under the appropriate Standard Tariff, including all applicable riders.
- PC = Monthly Program Charge.
- $\sum_{t=1}^n$ = Sum of all hours of the billing period from t=1 to n.
- Price_t = Stated in \$/kWh, determined hourly using the AEP East Load Zone Settled Real-Time Locational Marginal Price (LMP) established by PJM Interconnection, L.L.C. (PJM), adjusted upward for losses to the customer's delivery voltage.
- AL_t = Customer's actual load for hour t.
- CBL_t = Customer's baseline load for hour t.

A customer's bill will only vary from its Standard Bill to the extent that its hourly usage pattern varies from its CBL.

Any changes in Standard Tariff rates or any applicable rider will be reflected in the Standard Bill beginning on the effective date of such change in rates.

PROGRAM CHARGE.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the experimental rider.

TERM.

Customers are required to enter into a written service agreement for a minimum 12-month period and for such time thereafter until terminated by either party giving 30 days written notice to the other of the desire to terminate. Customers whose participation is terminated are not eligible to return to the rider. No additional customers will be placed under this rider after July 1, 2014.

(Cont'd on Sheet No. 30-3)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

ISSUED BY Lila P. Munsey MGR REGULATORY SERVICES FRANKFORT, KY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. XXXX dated

RIDER RTP
(Experimental Real-Time Pricing Rider)

ENERGY LOSSES.

Losses will be applied to the hourly LMP's using the following factors:

- Secondary = 1.06938
- Primary = 1.02972
- Subtransmission = 1.00954
- Transmission = 1.00577

CBL REVISIONS.

After the first year of a customer's participation in this experimental rider, the CBL may be revised upon mutual agreement pursuant to a request from either the Company or the customer. The CBL will not be revised due to RTP price response or the effects of weather. The requesting party shall provide sufficient documentation to support the requested revision. The Company will only use the revised CBL for future billings. If an agreement on a revision cannot be reached, either party can choose to discontinue the customer's participation in this rider with 30 days written notice.

SPECIAL TERMS AND CONDITIONS.

Except as provided above, all other provisions of the Standard Tariff to which this schedule is a rider shall apply. Any customer taking service under the Company's Tariff RTP at the time this Rider is approved may elect to take service under this Rider RTP, any successor thereto, or any Standard Tariff for which they are eligible for the balance of their then-existing contract.

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

ISSUED BY <u>Lila P. Munsey</u>	<u>MGR</u>	<u>REGULATORY SERVICES</u>	<u>FRANKFORT, KY</u>
NAME	TITLE	ADDRESS	

Issued by authority of an Order of the Public Service Commission in Case No. XXXX dated

RIDER RTP
(Experimental Real-Time Pricing Rider)

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DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

ISSUED BY *Lila P. Munsey*
LILA P MUNSEY MGR REGULATORY SERVICES FRANKFORT, KY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. XXXX dated

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY POWER)
COMPANY FOR APPROVAL OF AN)
EXPERIMENTAL REAL-TIME PRICING RIDER) **CASE NO. 2012-00226**

DIRECT TESTIMONY
OF
RANIE K. WOHNHAS

June 11, 2012

DIRECT TESTIMONY OF
RANIE K. WOHNHAS, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

PERSONAL BACKGROUND

1
2 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

3 A. My name is Ranie K. Wohnhas. My position is Managing Director, Regulatory and
4 Finance, Kentucky Power Company (Kentucky Power, KPCo or Company). My
5 business address is 101 A Enterprise Drive, Frankfort, Kentucky 40602.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCE.**

8 A. I earned a Bachelor of Science degree with a major in accounting from Franklin
9 University, Columbus, Ohio in December 1981. I began work with Columbus
10 Southern Power in 1978 working in various customer services and accounting
11 positions. In 1983, I transferred to Kentucky Power Company working in accounting,
12 rates and customer services. I became the Billing and Collections Manager in 1995
13 overseeing all billing and collection activity for the Company. In 1998, I transferred
14 to Appalachian Power Company working in rates. In 2001, I transferred to the AEP
15 Service Corporation (AEPSC) working as a Senior Rate Consultant. In July 2004, I
16 assumed the position of Manager, Business Operations Support with KPCo and was
17 promoted to Director in April 2006. I was promoted to my current position as
18 Managing Director, Regulatory and Finance effective September 1, 2010.

1 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR,**
2 **REGULATORY AND FINANCE?**

3 A. I am primarily responsible for managing the regulatory and financial strategy for
4 KPCo. This includes planning and executing rate filings for both federal and state
5 regulatory agencies and certificate of public convenience and necessity filings before
6 this Commission. I am also responsible for managing the Company's financial
7 operating plans including various capital and O&M operational budgets which
8 interface with all other AEP organizations impacting KPCo performance. As part of
9 the financial strategy, I work with various AEPSC departments to ensure that
10 adequate resources such as debt, equity and cash are available to build, operate and
11 maintain the KPCo electric system assets providing service to our retail and
12 wholesale customers.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

14 A. Yes. I have testified before this Commission in various fuel proceedings and the last
15 two base rate case filings (Case Nos. 2005-00341 and 2009-00459). I am also
16 testifying in our current filing for public utility status for Kentucky Transco (Case No.
17 2011-00042) and testified in support of the Company's applications: (a) for a
18 certificate of public convenience and necessity to construct the proposed Bonnyman-
19 Soft Shell 138 kV transmission line and related facilities (Case No. 2011-00295); and
20 (b) for a certificate of public convenience and necessity to retro-fit Big Sandy Unit 2
21 with a DFGD scrubber and for approval of the 2011 Environmental Compliance Plan
22 (Case No. 2011-00401). I also filed testimony in support of the Company's
23 Application to withdraw Tariff RTP (Case No. 2012-00226).

PURPOSE OF TESTIMONY

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Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support the Company's Application for Approval of an Experimental Real-Time Pricing (RTP) Rider (Rider RTP, or the Rider), as committed to by the Company in Case No. 2012-00226 dated June 1, 2012. If approved, the Rider would compensate KPCo for the costs used to serve the Company's Rider RTP customers, while providing a potential benefit to participating customers who are able to shift load in response to real-time prices.

EXHIBITS

Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

A. Yes, I am sponsoring Exhibit 1, Rider R.T.P. (Experimental Real-Time Pricing Rider).

Q. WAS THIS EXHIBIT PREPARED UNDER YOUR SUPERVISION AND DIRECTION?

A. Yes.

PROPOSED RIDER RTP

Q. WHY IS THE COMPANY PROPOSING THIS RIDER?

A. As described in its Application in Case No. 2012-00226, the Company is submitting Rider RTP for approval by the Commission. Consistent with the language of the existing Tariff RTP and the Commission's Order approving that tariff, Rider RTP offers customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods, or by adding new load during lower cost

1 pricing periods in response to hourly real-time energy prices. Customers who can not
2 or will not shift their load will not benefit from taking service under the rider.

3 **Q. WHY IS THE COMPANY PROPOSING TO MAKE THIS RTP OFFERING A**
4 **RIDER, RATHER THAN A TARIFF?**

5 A. All of the Company's Terms and Conditions and all of the provisions of a customer's
6 otherwise applicable Quantity Power (QP) or Commercial and Industrial Power-Time
7 Of Day (CIP-TOD) tariff (the Standard Tariff) will continue to apply to RTP
8 customers. Customers who participate in this program remain Standard Tariff
9 customers who are also participating in this optional energy pricing program that may
10 save them money if they take the appropriate action. As I will explain later in this
11 testimony, the customer will continue to be billed under its Standard Tariff, and then
12 a charge or credit will be added to the bill to reflect the impact of Rider RTP. This
13 program is simply a pricing option for the energy component of a customer's bill. It
14 does not impact the rates the customer pays on its Standard Tariff.

15 Treatment of the program as a rider also streamlines contracting between customers
16 and the Company, by allowing existing Standard Tariff contracts to remain in place.

17 A separate Rider RTP addendum can be added to existing contracts to govern the
18 terms of the RTP program without the need to modify the entire contract.

19 **Q. WHAT CUSTOMERS WILL BE ELIGIBLE FOR THE RIDER?**

20 A. Rider RTP will be available on an experimental basis for up to 10 QP or CIP-TOD
21 customers who have taken service from the Company for at least one year and who
22 maintain a peak demand of not less than 1,000 kW. Customers must make a 12-

1 month minimum commitment, and can exit the program with 30 days notice
 2 thereafter.

3 **Q. HOW LONG IS THIS EXPERIMENT TO LAST?**

4 A. The Company is proposing that Rider RTP will be offered on a pilot basis through
 5 June 30, 2015, subject to further order of the Commission. This period will allow all
 6 parties and the Commission to gain sufficient experience to evaluate the program. No
 7 additional customers will be placed under this Rider after July 1, 2014.

8 **Q. PLEASE DESCRIBE THE PROPOSED RIDER RTP.**

9 A. The Rider RTP is designed to provide a benefit to customers if they are able to shift
 10 load in response to real-time prices. A Customer Baseline Load (CBL) will be
 11 established, which will serve as the basing point to which actual load will be
 12 compared in order to determine if the customer has taken action to adjust load in
 13 response to real-time prices. If the customer takes no action to shift load, there will
 14 be minimal difference between the amount the customer will pay as a participant in
 15 the program and what they would pay if they did not participate. The amount of load
 16 shifted into or added in lower priced hours can provide a benefit to the customer.

17 **Q. IS THE PROPOSED RIDER RTP SIMILAR TO PROGRAMS CURRENTLY**
 18 **OFFERED BY OTHER KENTUCKY UTILITIES?**

19 A. Yes. Our proposed rider is very similar to programs offered by LG&E, KU, and
 20 Duke Kentucky. All of these other utility programs are treated as riders, and use a
 21 CBL approach in order to measure changes in a customer's usage pattern and to
 22 determine the charge or credit earned by shifting load in response to real-time prices.

23 **Q. HOW WILL A CUSTOMER'S BILL BE IMPACTED BY RIDER RTP?**

1 A. A bill will be rendered after each monthly billing period consisting of a Standard Bill
2 amount, an RTP charge or credit, and a monthly program charge. The Standard Bill
3 portion for the current billing period will be based on the customer's actual usage as
4 billed under the Standard Tariff. The RTP charge or credit will be added to or
5 subtracted from the Standard Bill based on the difference between a customer's actual
6 usage and hourly CBL multiplied by the hourly energy prices provided during the
7 billing period. The program charge will be \$150 per month, as approved by the
8 Commission in the original RTP Tariff, for billing, , and communications required to
9 implement and administer the experimental Rider.

10 **Q. WILL CUSTOMERS WHO DO NOT SHIFT LOAD OR ADD LOAD IN LOW**
11 **COST PERIODS BENEFIT BY USE OF THIS RIDER?**

12 A. No. The bill for participating customers will approximate the total bill under its
13 Standard Tariff if the customer does not change from its prior pattern of electricity
14 usage. A customer's bill will only vary from its Standard Tariff bill to the extent that
15 its usage pattern varies from its CBL.

16 **Q. HOW WILL A CUSTOMER'S CBL BE CALCULATED?**

17 A. The CBL is based on one complete year of hourly firm kW load data developed from
18 actual historical metered interval data for the customer's specific service delivery,
19 adjusted as needed to represent the customer's hourly load shape. The historical load
20 data used to compute the CBL may be adjusted to account for conditions during the
21 period that would cause the load to not be representative of normal load conditions.
22 Mutual agreement on the CBL is a precondition for use of Rider RTP.

1 Subsequently, the CBL will be adjusted monthly: (a) to align the CBL for the billing
 2 period with the days of the week of the current billing period; and (b) to adjust on a
 3 pro-rata basis each hour of the CBL so that the sum of the hourly kW loads for the
 4 CBL matches the sum of the hourly kW loads for the current billing period.

5 **Q. WILL REVISIONS TO THE CBL BE ALLOWED?**

6 A. Yes. The CBL can be modified upon mutual agreement between the Company and the
 7 customer.

8 **Q. HOW WILL REAL-TIME ENERGY PRICES BE DETERMINED?**

9 A. The energy price will be equal to the AEP East Load Zone Settled Real-Time Hourly
 10 Locational Marginal Price (LMP) as established by PJM, adjusted for losses to the
 11 customer's delivery voltage.

12 **Q. HOW WILL ENERGY PRICES BE REFLECTED IN THE COMPUTATION**
 13 **OF THE RTP CHARGE OR CREDIT?**

14 A. Each hourly price will be multiplied by the difference between the actual kW load
 15 and the CBL load in the corresponding hour. If the actual load is greater than the CBL
 16 load in a given hour, a charge will result. If actual load is less than the CBL load, a
 17 credit will result. The sum of all of the hourly charges and credits in a billing period
 18 equal that period's RTP charge or credit.

19 **Q. WILL THE COMPANY INCUR ANY INCREMENTAL COSTS TO**
 20 **IMPLEMENT THE PROPOSED RIDER?**

21 A. No incremental costs are expected at this time. Systems which were developed to
 22 implement Tariff RTP are expected to be sufficient to support implementation of this
 23 proposed rider. The incremental cost of any special metering or communications

1 equipment required for service under Rider RTP beyond that normally provided
2 under the applicable Standard Tariff shall be borne by the customer.

3 **Q. IS THE COMPANY REQUESTING ANY COST RECOVERY OR**
4 **DEFERRAL OF INCREMENTAL COSTS?**

5 A. Not at this time. To the extent incremental costs are incurred, the Company could
6 seek recovery of these costs in the future. The costs incurred to implement the
7 previous RTP program are currently being recovered in rates. They will continue to
8 be used and useful in support of the implementation of the proposed RTP program,
9 and therefore recovery of those costs in rates should be continued.

10 **Q. HOW LONG WILL IT TAKE TO IMPLEMENT THIS RIDER?**

11 A. The Company anticipates the rider will be available to customers immediately upon
12 its approval by the Commission.

13 **Q. IS THE EXPERIMENTAL RIDER RTP FAIR, JUST, AND REASONABLE?**

14 A. Yes. Rider RTP permits customers to shift load to lower priced periods and benefit
15 by doing so. The Standard Bill, which is based on the customer's current usage and
16 billed under the appropriate Standard Tariff, including all applicable riders, allows the
17 Company to recover costs associated with providing service to the RTP customers.

18 **Q. WILL THE COMPANY REPORT THE RESULTS OF THE PROGRAM TO**
19 **THE COMMISSION?**

20 A. Yes. The Company will continue to provide the same information it is already
21 providing to the Commission annually pursuant to the Order dated February 1, 2008
22 in Case No. 2007-00166, along with any other information the Commission deems to
23 be useful. This information will be provided by September 30 each year, covering the

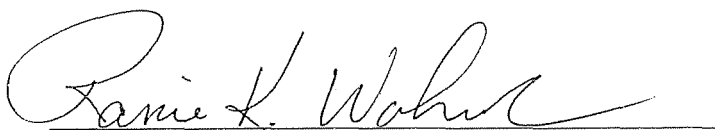
1 12-month period ending each June 30. The Company will also provide a final report 6
2 months following the end of the experimental period.

3 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

4 A. Yes it does.

VERIFICATION

The undersigned, Ranie K. Wohnhas being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief.



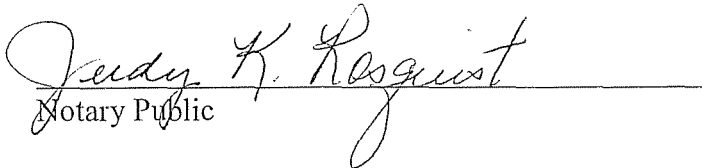
RANIE K. WOHNHAS

COMMONWEALTH OF KENTUCKY)

) CASE NO. 2012-00226

COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by, Ranie K. Wohnhas, this the 8th day of June 2012.



Notary Public

My Commission Expires: January 13, 2013

RIDER RTP
(Experimental Real-Time Pricing Rider)

(N)

AVAILABILITY OF SERVICE.

TARIFF CODES

Q.P. Tariff

C.I.P.-T.O.D. Tariff

366 Secondary
367 Primary
368 Sub Transmission
369 Transmission

377 Primary
378 Sub Transmission
379 Transmission

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers with a demand of not less than 1,000 kW taking firm service under Tariffs Q.P. or C.I.P.-T.O.D (Standard Tariff). This experimental rider will be limited to a maximum of 10 customers who have taken service from the Company for at least one year. The incremental cost of any special metering or communications equipment required for service under this rider beyond that normally provided under the applicable Standard Tariff shall be borne by the customer. This rider is voluntary and will be offered on a pilot basis through June 30, 2015, subject to further Order of the Commission.

PROGRAM DESCRIPTION.

This rider will offer customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower cost pricing periods in response to hourly real-time energy prices.

This Rider RTP is the successor to the company's Tariff RTP.

PRICING NOTIFICATION AND RESPONSIBILITY.

Hourly prices, stated in \$/kWh, will be determined using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM Interconnection, L.L.C. (PJM), adjusted upward for losses to the customer's delivery voltage. These prices will be provided to the customer by the Company on a real-time basis in a manner determined by the Company. The Company is not responsible for the customer's failure to receive or act upon the hourly prices. If a customer does not receive these prices, it is the customer's responsibility to inform the Company so the prices may be supplied.

CUSTOMER BASELINE LOAD (CBL).

The CBL is based on one complete year of hourly customer kW load data developed from actual historical metered interval data for the customer's specific service delivery, adjusted as needed to represent the hourly load shape to be agreed to by the customer and the Company. The historical load data used to compute the CBL may be adjusted to account for conditions during the period that would cause the load to not be representative of normal load conditions. Mutual agreement on the CBL is a precondition for service under Rider RTP.

The CBL for a particular billing period is determined by:

1. Selecting the historical calendar period from the 12-month CBL period that corresponds to the current billing period.
2. Shifting the historical calendar forward or back until the days of the week agree between the historical calendar period and the current billing period, and
3. Adjusting on a pro-rata basis each hour of the historical calendar period so that the sum of the hourly kW loads for the historical calendar period matches the sum of the hourly kW loads for the current billing period.

(N)

(Continued on Sheet No. 30-2)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

ISSUED BY Lila P. Munsey MGR REGULARY SERVICES FRANKFORT, KY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. XXXX dated

RIDER RTP
(Experimental Real-Time Pricing Rider)

(N)

BILL DETERMINATION.

A Bill will be rendered after each monthly billing period, consisting of a Standard Bill (SB) amount, a Monthly Program Charge (PC) and an RTP charge (or credit) calculated on the hourly difference between a customer's actual usage and its Customer Baseline Load (CBL) times the corresponding hourly energy prices from that billing period. Billing will be based on the following calculation:

$$\text{Bill} = \text{SB} + \text{PC} + \sum_{t=1}^n \{ \text{Price}_t \times (\text{AL}_t - \text{CBL}_t) \}$$

Where:

- Bill = Customer's bill for service under the Standard Tariff and this rider in a specific month.
- SB = Customer's bill for the current billing period based on current usage and billed under the appropriate Standard Tariff, including all applicable riders.
- PC = Monthly Program Charge.
- $\sum_{t=1}^n$ = Sum of all hours of the billing period from t=1 to n.
- Price_t = Stated in \$/kWh, determined hourly using the AEP East Load Zone Settled Real-Time Locational Marginal Price (LMP) established by PJM Interconnection, L.L.C. (PJM), adjusted upward for losses to the customer's delivery voltage.
- AL_t = Customer's actual load for hour t.
- CBL_t = Customer's baseline load for hour t.

A customer's bill will only vary from its Standard Bill to the extent that its hourly usage pattern varies from its CBL.

Any changes in Standard Tariff rates or any applicable rider will be reflected in the Standard Bill beginning on the effective date of such change in rates.

PROGRAM CHARGE.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the experimental rider.

TERM.

Customers are required to enter into a written service agreement for a minimum 12-month period and for such time thereafter until terminated by either party giving 30 days written notice to the other of the desire to terminate. Customers whose participation is terminated are not eligible to return to the rider. No additional customers will be placed under this rider after July 1, 2014.

(N)

(Cont'd on Sheet No. 30-3)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

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RIDER RTP
(Experimental Real-Time Pricing Rider)

(N)

ENERGY LOSSES.

Losses will be applied to the hourly LMP's using the following factors:

- Secondary = 1.06938
- Primary = 1.02972
- Subtransmission = 1.00954
- Transmission = 1.00577

CBL REVISIONS.

After the first year of a customer's participation in this experimental rider, the CBL may be revised upon mutual agreement pursuant to a request from either the Company or the customer. The CBL will not be revised due to RTP price response or the effects of weather. The requesting party shall provide sufficient documentation to support the requested revision. The Company will only use the revised CBL for future billings. If an agreement on a revision cannot be reached, either party can choose to discontinue the customer's participation in this rider with 30 days written notice.

SPECIAL TERMS AND CONDITIONS.

Except as provided above, all other provisions of the Standard Tariff to which this schedule is a rider shall apply. Any customer taking service under the Company's Tariff RTP at the time this Rider is approved may elect to take service under this Rider RTP, any successor thereto, or any Standard Tariff for which they are eligible for the balance of their then-existing contract

(N)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

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LILA P. MUNSEY MGR REGULATORY SERVICES FRANKFORT, KY
NAME TITLE ADDRESS

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RIDER RTP
(Experimental Real-Time Pricing Rider)

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(N)
|
(N)

DATE OF ISSUE June 11, 2012 DATE EFFECTIVE Service rendered on or after July 1, 2012

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NAME TITLE ADDRESS

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RIDER RTP
(Experimental Real-Time Pricing Rider)

AVAILABILITY OF SERVICE.

TARIFF CODES

Q.P. Tariff

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PROGRAM DESCRIPTION.

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This Rider RTP is the successor to the company's Tariff RTP.

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Hourly prices, stated in \$/kWh, will be determined using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM Interconnection, L.L.C. (PJM), adjusted upward for losses to the customer's delivery voltage. These prices will be provided to the customer by the Company on a real-time basis in a manner determined by the Company. The Company is not responsible for the customer's failure to receive or act upon the hourly prices. If a customer does not receive these prices, it is the customer's responsibility to inform the Company so the prices may be supplied.

CUSTOMER BASELINE LOAD (CBL).

The CBL is based on one complete year of hourly customer kW load data developed from actual historical metered interval data for the customer's specific service delivery, adjusted as needed to represent the hourly load shape to be agreed to by the customer and the Company. The historical load data used to compute the CBL may be adjusted to account for conditions during the period that would cause the load to not be representative of normal load conditions. Mutual agreement on the CBL is a precondition for service under Rider RTP.

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2. Shifting the historical calendar forward or back until the days of the week agree between the historical calendar period and the current billing period, and
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(Continued on Sheet No. 30-2)

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