

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER )  
COMPANY TO WITHDRAW ITS TARIFF RTP )  
PENDING SUBMISSION BY THE COMPANY ) CASE NO. 2012-00226  
AND APPROVAL BY THE COMMISSION OF A )  
NEW REAL-TIME PRICING TARIFF )

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on November 1, 2012 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on November 1, 2012 in this proceeding;
- The written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the hearing conducted on November 1, 2012.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at [http://psc.ky.gov/av\\_broadcast/2012-00226/2012-00226\\_01Nov12\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2012-00226/2012-00226_01Nov12_Inter.aspx). Parties wishing an annotated digital video

recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2012%20cases/2012-00226/>.

Done at Frankfort, Kentucky, this 5<sup>th</sup> day of November 2012.

A handwritten signature in cursive script, reading "Linda Faulkner", written over a horizontal line.

Linda Faulkner  
Director, Filings Division  
Public Service Commission of Kentucky

Honorable Michael L. Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

Honorable Mark R. Overstreet  
Attorney at Law  
Stites & Harbison  
421 West Main Street  
P. O. Box 634  
Frankfort, KENTUCKY 40602-0634

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APPLICATION OF KENTUCKY POWER )  
COMPANY TO WITHDRAW ITS TARIFF RTP )  
PENDING SUBMISSION BY THE COMPANY AND ) CASE NO. 2012-00226  
APPROVAL BY THE COMMISSION OF A NEW )  
REAL-TIME PRICING TARIFF )

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on **November 1, 2012**. Hearing Log, Exhibits, Exhibit List and Witness List are included with the recording on November 1, 2012.

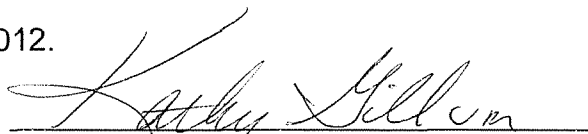
2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. The "Exhibit List" attached to this Certificate lists all exhibits introduced at the hearing of **November 1, 2012**.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of **November 1, 2012** and the time at which each occurred.

Given this 5<sup>th</sup> day of November, 2012.

  
Kathy Gillum, Notary Public  
State at Large

My commission expires: Sept 3, 2013



# Case History Log Report

Case Number: 2012-00226\_01Nov12

Case Title: Kentucky Power Company

Case Type: RTP Rider

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

**Date: 11/1/2012**

Location: Default Location

Judge: David Armstrong, Jim Gardner, Linda Breathitt

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:18:06 AM	Case Started	
10:18:11 AM	Preliminary Remarks	
10:18:23 AM	Introductions	
	Note: Kathy Gillum	Mark Overstreet counsel for KY Power; Mike Kurtz and Jody Kyler counsel for KIUC; Faith Burns PSC Staff Attorney
10:19:38 AM	Public Comment	
	Note: Kathy Gillum	Call for Public Comment: No persons present for public comment.
10:19:46 AM	Notice Has Been Given	
	Note: Kathy Gillum	Faith Burns states that the notice is adequate
10:20:01 AM	Outstanding Motions	
	Note: Kathy Gillum	Mike Kurtz states there are outstanding motions. Moves to Dismiss case on the grounds that the settlement agreement has been violated.
10:22:20 AM	Mark Overstreet (Ky Power)	
	Note: Kathy Gillum	Mr. Overstreet states they have addressed Mr. Kurtz's Motion. Requests to file Briefs on the issue. Mr. Pauley will not be present due to surgery last week.
10:24:05 AM	Faith Burns (PSC)	
	Note: Kathy Gillum	Ms. Burns states that her Mother owns property and Marathon has an easement over the property. Faith is disclosing to counsel No objections from counsel. Ms. Burns states that there are Confidentiality Petitions that still need to be addressed.
10:25:23 AM	Witness, Ranie Wahnhas (Ky Power)	
	Note: Kathy Gillum	Witness called to testify by Mark Overstreet.
10:26:00 AM	Examination by Mark Overstreet (Ky Power)	
	Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Witness adopts pre-filed testimonies and pre-filed Responses to Data Requests.
10:26:34 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding termination of Tariff RTP and replacing with the Rider.
10:27:13 AM	Exhibit 1 (KIUC)	
	Note: Kathy Gillum	Exhibit: Document titled, "Unanimous Settlement Agreement", introduced by Mike Kurtz and marked as KIUC Exhibit 1.

10:28:04 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 1. Questions regarding early termination as to the Settlement Agreement.
10:31:31 AM	Exhibit 2 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "Direct Testimony of Ranie K. Wohnhas dated June 1, 2012", introduced by Mike Kurtz and marked as KIUC Exhibit 2.
10:32:13 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 2 (Testimony of Ranie Wohnhas).
10:33:51 AM	Objection by Mark Overstreet (Ky Power) Note: Kathy Gillum	Objection: Calls for a legal conclusion.
10:36:25 AM	Exhibit 3 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "Tariff RTP, Original Sheet No. 30-1, P.S.C. Electric No. 8, filed June 1, 2008", introduced by Mike Kurtz and marked as KIUC Exhibit 3.
10:36:41 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 3 (Tariff).
10:46:12 AM	Exhibit 4 (KIUC) Note: Kathy Gillum	Exhibit: Exerpt from PSC Order in Case No. 2009-00459 introduced by Mike Kurtz and marked as KIUC Exhibit 4.
10:46:46 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding expiration date of Tariff.
10:51:56 AM	Exhibit 5 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "Tariff R.T.P., 2nd Revised Shhet No. 30-1, Canceling 1st Revised Sheet No. 30-1, P.S.C. Electric No. 9, filed July 1, 2012", introduced by Mike Kurtz as the currently effective Tariff R.T.P., and marked as KIUC Exhibit 5.
10:52:47 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding changes in Exhibit 5
10:53:31 AM	Commissioner Breathitt Note: Kathy Gillum	Commissioner Breathitt asks Mike Kurtz to clarify the meaning of the questioning.
10:54:10 AM	Exhibit 6 (KIUC) Note: Kathy Gillum	Exhibit: Letter from Mark Overstreet to the Commission with an attachment titled, KPSC Case No. 2007-00166, 2011 Annual Report, Item No. 10, page 1 of 1, introduced by Mike Kurtz and marked as KIUC Exhibit 6.
10:55:16 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 6.
10:55:57 AM	Exhibit 7 (KIUC) Note: Kathy Gillum	Exhibit: Letter from Mark Overstreet dated 12-16-11 to the Commission with an attachment titled, "Real-Time Pricing Program Evaluation Report", introduced by Mike Kurtz and marked as KIUC Exhibit 7.
10:56:24 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 7.
11:06:25 AM	Exhibit 8 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "August 2012 Financial Report pages for Kentucky Power Company", introduced by Mike Kurtz and marked as KIUC Exhibit 8.
11:06:59 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding page 2 of KIUC Exhibit 8. Questions regarding page 3 of KIUC Exhibit 8. Questions regarding last page of KIUC Exhibit 8.

11:08:24 AM	Exhibit 9 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "Kentucky Power Company, 2012 Third Quarter Report, financial Statements", introduced by Mike Kurtz and marked as KIUC Exhibit 9.
11:09:06 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding KIUC Exhibit 9 (2012 3rd Quarter Report).
11:12:30 AM	Exhibit 10 (KIUC) Note: Kathy Gillum	Exhibit: Document titled, "Regulatory Research Associates, Regulatory Focus, dated October 4, 2012", introduced by Mike Kurtz and marked as KIUC Exhibit 10.
11:13:16 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding rate making in Virginia.
11:15:58 AM	Objection by Mark Overstreet (Ky Power) Note: Kathy Gillum	Objection: Mr. Overstreet states, "Not a cost of money case".
11:16:23 AM	Mike Kurtz (KIUC)(Response to Objection) Note: Kathy Gillum	Mr. Kurtz states that KY Power made it an issue.
11:16:45 AM	Vice Chair Gardner Note: Kathy Gillum	Vice Chair Gardner states that the Commission would let it in for the limited purposes that have been expressed.
11:17:13 AM	Examination by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding Rebuttal Testimony, page 7, lines 18 thru 20.
11:22:33 AM	Examination by Faith Burns (PSC) Note: Kathy Gillum	Questions regarding Rebuttal Testimony, page 5, lines 19 thru 21. Questions regarding Rebuttal Testimony page 4, lines 9 and 10 pertaining to load shifting. Questions regarding signed contracts with customers.
11:26:28 AM	Data Request (PSC) Note: Kathy Gillum	Provide copies of contracts of customers on RTP Tariff
11:26:49 AM	Mark Overstreet Note: Kathy Gillum	They will provide with a Petition for Confidential Treatment.
11:27:36 AM	Examination by Faith Burns (PSC) continues	
11:27:56 AM	Exhibit 1 (PSC) Note: Kathy Gillum	Exhibit: Documents titled, "Tariff Q.P., Original Sheet No. 10-1, PSC Electric No. 9 and document titled Tariff C.I.P. - T.O.D., Original Sheet No. 11-1, PSC Electric No. 9, filed June 29, 2010", introduced by Faith Burns and marked jointly as PSC Exhibit 1.
11:29:00 AM	Examination by Faith Burns (PSC) continues Note: Kathy Gillum	Questions regarding PSC Exhibit 1.
11:32:46 AM	Data Request (PSC) Note: Kathy Gillum	Provide copies of QP contracts and CIP-TOD contracts of the customers on RTP Tariff
11:33:20 AM	Data Request (PSC) Note: Kathy Gillum	Provide copies of RTP billing and what those customers would have been billed had they been on prior tariffs - either QP or CIP-TOD
11:34:30 AM	Examination by Faith Burns (PSC) continues	
11:35:07 AM	Mark Overstreet (Ky Power) Note: Kathy Gillum	Mr. Overstreet states that they will not have the 4th month. They will provide the prior 3 months.
11:35:38 AM	Examination by Faith Burns (PSC) continues Note: Kathy Gillum	Questions regarding Rebuttal Testimony, page 7, line 16. Questions regarding PSC 2nd D.R. , Item 6(a) and concerning evaluation and back-billing. Questions regarding Item 6(b). Questions regarding billing for portion of load not shifted.

11:46:13 AM	Vice Chair Gardner Note: Kathy Gillum	10 customers that are on the RTP Tariff, why is it called a Rider and not a Tariff. Questions regarding the date differences. Questions regarding KIUC Exhibit 5. Vice Chair Gardner asks the witness to explain page 7 of Rebuttal Testimony. 10 customers are on the Tariff RTP not the Rider RTP. Questions regarding Tariff CIP - TOD and Tariff QP.
12:02:03 PM	Commissioner Breathitt Note: Kathy Gillum	Commissioner Breathitt asked if the tariff was asked for by the customers? Questions regarding policy discussions. Questions regarding Rebuttal Testimony, page 7, line 21 and 22. Questions regarding Rebuttal Testimony, page 8.
12:09:43 PM	Re-Direct by Mark Overstreet (Ky Power) Note: Kathy Gillum	Witness states 10 and a half percent as per Settlement Agreement. Questions regarding rate of return percentages. Net result of those operations.
12:14:04 PM	Exhibit 1 (Ky Power) Note: Kathy Gillum	Exhibit: Pre-Filed Testimony of Errol K Wagner dated May 20, 2010, in PSC Case No. 2009-00459, introduced by Mark Overstreet and marked as Ky Power Exhibit 1.
12:14:31 PM	Mike Kurtz (KIUC) Note: Kathy Gillum	Mr. Kurtz moves to admits 1-10. Mr. Overstreet states no objection except for prior objection made.
12:15:46 PM	Re-Direct by Mark Overstreet (Ky Power) Note: Kathy Gillum	Witness identifies Ky Power Exhibit 1 as portions of Errol Wagner testimony. Page 1, line 18, what is the purpose of testimony. Witness reads the answer to the question. Attachment titled EKW Exhibit 3, Sheet 30-1. Questions regarding the intent of the Tariff. Program section of the Tariff. Mr. Overstreet refers to Case 2006-00045. States that company filed RTP at direction of the PSC. Page 7 of Rebuttal Testimony, beginning on line 18 (total spikes)
12:23:41 PM	Mike Kurtz (KIUC) Note: Kathy Gillum	Both counsel approach the witness. Witness is handed a document to review. Witness reads from the document. Questions regarding changing rate schedules. No requirement to go on Tariff RTP. Questions regarding back-billing D.R. Response. Questions regarding filed rate doctrine or
12:28:03 PM	Objection by Mark Overstreet (Ky Power) Note: Kathy Gillum	Objection: Witness is not an attorney
12:28:25 PM	Vice Chair Gardner Note: Kathy Gillum	Vice Chair Gardner instructed the witness to go ahead and answer not as an attorney
12:28:49 PM	Mike Kurtz (KIUC) Note: Kathy Gillum	Questions regarding load shifting.
12:29:37 PM	Objection by Mark Overstreet (Ky Power) Note: Kathy Gillum	Objection: Compound question.
12:29:58 PM	Re-Cross by Mike Kurtz (KIUC) continues Note: Kathy Gillum	Questions regarding load shifting.
12:38:48 PM	Faith Burns (PSC) Note: Kathy Gillum	Questions regarding capacity less than 1000 kWh. Moves to admit PSC Exhibit 1
12:43:14 PM	Mike Kurtz (KIUC)	
12:43:47 PM	Mark Overstreet (Ky Power) Note: Kathy Gillum	Shifting requirements under the Tariff.



12:46:48 PM	Exhibit 2 (Ky Power) Note: Kathy Gillum	Exhibit: Exerpts from KIUC's Responses to Kentucky Power's Data Requests in PSC Case No. 2012-00226, introduced by Mark Overstreet and marked as Ky Power Exhibit 2.
12:47:54 PM	Mark Overstreet (Ky Power)	
12:49:54 PM	Mike Kurtz (KIUC) Note: Kathy Gillum	
12:50:12 PM	Lunch Break Note: Kathy Gillum	Hearing will reconvene at 2:00 p.m.
12:51:20 PM	Case Recessed	
2:04:23 PM	Case Started	
2:04:33 PM	Witness, David Roush (Ky Power) Note: Kathy Gillum	Witness called to testify by Mark Overstreet.
2:05:19 PM	Examination by Mark Overstreet (Ky Power) Note: Kathy Gillum	Qualification of witness by Mark Overstreet. Witness adopts pre-filed testimony.
2:05:43 PM	Examination by Mike Kurtz (KIUC) Note: Kathy Gillum	Questions regarding Rider RTP. Questions regarding customer base line. Questions as to calculation of how load shifted. Questions regarding PJM capacity component. Questions regarding page 4, line 17 of pre-filed testimony. Questions regarding Page 11 of PSC Order. Questions regarding page 4 of Rebuttal Testimony, line 22; page 5, line 4; line 6, and line 16. Questions regarding page 9 of Pre-Filed Testimony.
2:40:56 PM	Examination by Faith Burns (PSC) Note: Kathy Gillum	Questions regarding Rebuttal Testimony, page 10. Questions regarding load shifting as a condition of service. Ms. Burns asked for correctness of a series of numbers and stated that the responses could be provided in Post Hearing Data Responses. However, the witness testified to their correctness during the hearing. Ms. Burns stated that she no longer needs the responses in a Post Hearing Data Request.
2:45:50 PM	Commissioner Breathitt Note: Kathy Gillum	Questions regarding whether or not load shifting should be secret or not.
2:49:04 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding the capacity charge. Questions regarding PSC Exhibit 1.
3:01:37 PM	Witness Excused (David Roush)	
3:02:05 PM	Witness, Stephen Baron (KIUC) Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
3:02:39 PM	Examination by Mike Kurtz (KIUC) Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony (with corrections) and Errata letter page 24, line 9.
3:06:47 PM	Examination by Mark Overstreet (Ky Power) Note: Kathy Gillum	Questions regarding pre-filed testimony, page 4, line 13. Witness states he is supporting the Data Request Responses. Witness confirms that there were no supplemental Data Request Responses filed. Questions regarding load shifting. Questions regarding Ky Power Exhibit 2. Questions regarding pre-filed testimony page 17, lines 19-22. Witness states that first 2 sentences on page 24 of pre-filed testimony should be stricken.
12:50:00 PM	Witness Excused (Ranie Wahnhas)	

3:25:03 PM	Commissioner Breathitt Note: Kathy Gillum	Questions regarding load shifting. Witness states that the customer would not want to reveal load shifting to the general public.
3:33:47 PM	Vice Chair Gardner Note: Kathy Gillum	Questions regarding witness' experience with RTP Tariffs. Questions as to the ways of measuring load shift other than CBL.
3:39:51 PM	Re-Direct by Mike Kurtz (KIUC) Note: Kathy Gillum	Mr. Kurtz asks questions of the witness to clarify some of the questions asked by the Commission.
3:46:21 PM	Re-Cross by Mark Overstreet (Ky Power) Note: Kathy Gillum	Hypothetical questions regarding load shifting pertaining to revenue loss or gains.
3:50:28 PM	Re-Direct by Mike Kurtz Note: Kathy Gillum	Hypothetical question.
3:51:44 PM	Witness Excused (Stephen Baron)	
3:51:57 PM	Vice Chair Gardner Note: Kathy Gillum	Data Requests due November 9th Briefs due 2 weeks from today.
3:56:54 PM	Hearing Adjourned	
3:57:13 PM	Case Recessed	
3:57:17 PM	Case Stopped	



**Exhibit List Report**  
Case Number: 2012-00226\_01Nov12

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Case Title: Kentucky Power Company  
Department:  
Plaintiff:  
Prosecution:  
Defendant:  
Defense:

<b>Name</b>	<b>Description</b>
KIUC Exhibit 1	Document titled, "Unanimous Settlement Agreement",
KIUC Exhibit 10	Document titled, "Regulatory Research Associates, Regulatory Focus, dated October 4, 2012"
KIUC Exhibit 2	Document titled, "Direct Testimony of Ranie K. Wohnhas dated June 1, 2012"
KIUC Exhibit 3	Document titled, "Tariff RTP, Original Sheet No. 30-1, P.S.C. Electric No. 8, filed June 1, 2008",
KIUC Exhibit 4	Exerpt from PSC Order in Case No. 2009-00459
KIUC Exhibit 5	Document titled, "Tariff R.T.P., 2nd Revised Shhet No. 30-1, Canceling 1st Revised Sheet No. 30-1, P.S.C. Electric No. 9, filed July 1, 2012"
KIUC Exhibit 6	Letter from Mark Overstreet to the Commission with an attachment titled, KPSC Case No. 2007-00166, 2011 Annual Report, Item No. 10, page 1 of 1
KIUC Exhibit 7	Letter from Mark Overstreet dated 12-16-11 to the Commission with an attachment titled, "Real-Time Pricing Program Evaluation Report"
KIUC Exhibit 8	Document titled, "August 2012 Financial Report pages for Kentucky Power Company"
KIUC Exhibit 9	Document titled, "Kentucky Power Company, 2012 Third Quarter Report, financial Statements"
Ky Power Exhibit 1	Pre-Filed Testimony of Errol K Wagner dated May 20, 2010, in PSC Case No. 2009-00459
Ky Power Exhibit 2	Exerpts from KIUC's Responses to Kentucky Power's Data Requests in PSC Case No. 2012-00226
PSC Exhibit 1	Documents titled, "Tariff Q.P., Original Shhet No. 10-1, PSC Electric No. 9and document titled Tariff C.I.P. - T.O.D., Original Sheet No. 11-1, PSC Electric No. 9, filed June 29, 2010"

RECEIVED

MAY 20 2010

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:  
GENERAL ADJUSTMENTS IN ELECTRIC  
RATES OF KENTUCKY POWER COMPANY

CASE NO. 2009-00459

**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement Agreement, made and entered into this 19<sup>th</sup> day of May, 2010, by and among Kentucky Power Company ("Kentucky Power"); Attorney General, Commonwealth of Kentucky ("Attorney General"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Community Action Kentucky, Inc. ("CAK"); Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Wal-Mart"); Hazard Perry County Community Ministries, Inc. ("Community Ministries"); and Kentucky School Boards Association ("KSBA"),

WITNESSETH:

**WHEREAS**, on December 29, 2009 Kentucky Power filed pursuant to KRS 278.190 an application styled "In the Matter of: Application for General Adjustments of Electric Rates of Kentucky Power Company," P.S.C. Case No. 2009-00459 ("Rate Application") with the Public Service Commission of Kentucky ("Commission") seeking an annual increase in retail electric rates and charges totaling \$123.6 million and seeking authority to implement or amend certain tariffs; and

**WHEREAS**, on December 29, 2009 Kentucky Power filed an application styled "The Application for Approval of Renewable Energy Purchase Agreement for Wind Energy Resources Between Kentucky Power Company and FPL Illinois Wind, LLC, P.S.C. Case No. 2009-00545 ("Wind Application") for approval pursuant to KRS 278.300 of a 20-year purchase

(a) The funds collected in connection with the \$0.15 per residential meter charge, along with the contributions to be made by Kentucky Power as set out in subparagraph 8(c) of this agreement, will be credited to the monthly bills of customers qualifying for the Home Energy Assistance Program (“HEAP”) (certified to Kentucky Power through CAK) in accordance with the agreement between Kentucky Power and CAK (formerly known as Kentucky Association for Community Action, Inc.) approved by the Commission in P.S.C. Case No. 2006-00373.

(b) This charge will be recovered as provided by KRS 278.285(4).

(c) Kentucky Power agrees to contribute \$0.125 for each monthly payment of \$0.15 to the HEAP by a residential customer. Kentucky Power’s obligation to make the \$0.125 monthly contribution shall continue until new base rates are established by entry of the Commission’s Order in Kentucky Power’s next general base rate case.

(d) Up to ten percent of the sum of revenues collected through (i) the \$0.15 per month per meter charge; and (ii) Kentucky Power’s contributions to HEAP provided for in subparagraph (c) of this Unanimous Settlement Agreement, may be expended on HEAP administrative expenses.

9. QP, RTP and CIP-TOD Rate Design And Tariffs.

(a) The existing RTP Tariff shall be extended for an additional three-year period; further the tariff shall be amended to permit customers to enroll at any point during a year for a minimum twelve consecutive month period.

(b) In designing rates, Kentucky Power shall reduce by 25% the existing rate subsidy currently being provided by the CIP-TOD and QP tariff classes to other tariff classes.

14. Good Faith And Best Efforts To Seek Approval.

(a) This Unanimous Settlement Agreement is subject to approval by the Public Service Commission.

(b) Kentucky Power and the Intervenors shall act in good faith and use their best efforts to recommend to the Commission that this Unanimous Settlement Agreement be approved in its entirety and without modification, and that the rates and charges set forth herein implemented.

(c) Kentucky Power and certain Intervenors filed testimony in this case and Kentucky Power filed rebuttal testimony. Kentucky Power also filed testimony in support of the Unanimous Settlement Agreement. For purposes of any hearing, the Intervenors and Kentucky Power waives all cross-examination of the other parties' witnesses except for supporting this Recommendation, unless the Commission disapproves this Recommendation, and each further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

(d) Kentucky Power and the Intervenors further agree to support the reasonableness of this Unanimous Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of this Settlement Agreement.

(e) No party to this Unanimous Settlement Agreement shall challenge any Order of the Commission approving the Unanimous Settlement Agreement in its entirety and without modification, except as it relates to the rate impact of the Commission's order in P.S.C. Case No. 2009-00545.

COMMONWEALTH OF KENTUCKY  
BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE 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-\_\_\_\_\_

DIRECT TESTIMONY

OF

RANIE K. WOHNHAS

June 1, 2012

1 Q: HAS THIS LACK OF INTEREST RECENTLY CHANGED?

2 A: Yes. The Company is currently in discussions with three customers requesting to  
3 move up to 200 MW of load to Tariff RTP.

4 Q: IS THIS RECENT INTEREST IN THE TARIFF EVIDENCE OF  
5 CUSTOMERS RESPONDING TO REAL-TIME PRICES?

6 A: No. Although the Company has not signed any contracts to provide service under  
7 Tariff RTP, and thus discussions are on-going, it appears that little of the potential  
8 load that has recently become interested in Tariff RTP will be shifted to off-peak  
9 periods in response to real-time prices.

10 **PROPOSED WITHDRAWAL OF TARIFF RTP**

11 Q: WHY IS THE COMPANY PROPOSING TO WITHDRAW ITS CURRENT  
12 TARIFF RTP?

13 A: The experimental Tariff RTP is intended to encourage customers to shift load to off-  
14 peak periods. Such shifting of load and the resulting reduction of on-peak demand  
15 would benefit all customers and the Company. The tariff, however, was not intended  
16 to provide a discount to customers unless they changed usage patterns. Given current  
17 conditions, which were not foreseen when the tariff was approved, customers will be  
18 given a benefit without changing their usage patterns. The current tariff effectively  
19 allows customers to choose between the lower of cost-based rates and market-based  
20 rates, which was neither the Company's, nor the Commission's intent when the  
21 experimental tariff was approved. Due to a large reduction in the PJM market price  
22 for capacity for the 2012/2013 planning year, coupled with expected low locational  
23 marginal prices (LMP) for energy between now and the June 29, 2013 scheduled end



**TARIFF RTP**  
**(Experimental Real-Time Pricing Tariff)**

**AVAILABILITY OF SERVICE.**

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers normally taking firm service under Tariffs Q.P. or C.I.P.-T.O.D. for their total capacity requirements from the Company. The customer will pay real-time prices for load in excess of an amount designated by the customer. This experimental tariff will be limited to a maximum of 10 customers. The incremental cost of any special metering or communications equipment required for service under this experimental tariff beyond that normally provided under the applicable standard Q.P. or C.I.P.-T.O.D. tariff shall be borne by the customer. The Company reserves the right to terminate this Tariff at any time after the end of the experiment.

**PROGRAM DESCRIPTION.**

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis for a three-year period. The RTP Tariff 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 price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market.

**CONDITIONS OF SERVICE.**

The customer must have a demand of not less than 1 MW and specify at least 100 kW as being subject to this Tariff. The customer designates the maximum amount of load to be supplied by Kentucky Power Company under the applicable Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage equal to or less than the customer-designated level of load will be billed under the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage in excess of the customer-designated level will be billed under Tariff RTP. All reactive demand shall be billed in accordance with the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D.

**RATE.**

1. Capacity Charge.

The Capacity Charge, stated in \$/kW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year. The auction price will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the 5 highest coincident peaks established for the class at the time of the 5 highest PJM hourly values. The price will be further adjusted for demand losses (DL) and a factor to reflect the PJM-required reserve margin (RM).

Capacity Charge = RPM x DF x DL x RM

Where:

RPM = Results of the annual RPM auction price applicable to the AEP load zone = \$3.404/ kW-month

DF = Diversity Factor

C.I.P. - T.O.D. = 0.83

Q.P. = 0.68

DL = Demand Loss Factor

RM = Reserve Margin = RPM clearing price reserve margin = 1.175

(Continued on Sheet No. 30-2)

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2008

PURSUANT TO 807 KAR 5:011

SECTION 9 (1)

DATE OF ISSUE February 21, 2008 DATE EFFECTIVE Service rendered on and after June 1, 2008

ISSUED BY E.K. Wagner DIRECTOR OF REGULATORY SERVICES BRAN  
NAME TITLE

By [Signature]  
Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2007-00166 dated February 1, 2008

**TARIFF RTP  
(Experimental Real-Time Pricing Tariff)**

**RATE (continued).**

2. Energy Charge.

The Energy Charge, stated in \$/kWh, will be determined hourly using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL). The charge will be applied to the usage in excess of the customer-designated level for each billing period.

Energy Charge = LMP x EL

Where:

LMP = AEP Zone Real-Time Locational Marginal Price

EL = Energy Loss Factor excluding marginal losses for transmission and subtransmission

3. Transmission Charge.

The Transmission Charge, stated in \$/kW, will be determined from the Network Integration Transmission Service (NITS) rate for the AEP East Zone. The NITS rate will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the coincident peak established for the class at the time of the highest AEP East Zone hourly value. The price will be further adjusted for demand losses (DL).

Transmission Charge = NITS x DF x DL

Where:

NITS = NITS Rate for the AEP East Zone = \$1.7574 / kW

DF = Diversity Factor

C.I.P. - T.O.D. = 0.83

Q.P. = 0.67

DL = Demand Loss Factor

4. Other Market Services Charge.

The Other Market Services Charge, stated in \$/kWh is developed using all other PJM related market costs allocated to Kentucky Power Company from PJM not captured elsewhere. It is applied to all usage in excess of the customer-designated level for each billing period.

Secondary = \$0.002915 / kWh

Primary = \$0.002842 / kWh

Subtransmission = \$0.002800 / kWh

Transmission = \$0.002765 / kWh

5. Distribution Charge.

The Distribution Charge, stated in \$/kW, is equivalent to the distribution portion of the current rates included in Tariff Q.P. and Tariff C.I.P. - T.O.D.

Secondary = \$4.46 / kW

Primary = \$2.77 / kW

(Continued on Sheet No. 30-3)

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2008

PURSUANT TO 807 KAR 5:011

SECTION 9 (1)

DATE OF ISSUE February 21, 2008 DATE EFFECTIVE Service rendered on and after June 1, 2008

ISSUED BY E.K. Wagner DIRECTOR OF REGULATORY SERVICES FRANKI  
NAME TITLE

By [Signature]  
Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2007-0066 dated February 1, 2008

**TARIFF RTP  
(Experimental Real-Time Pricing Tariff)**

**RATE (continued).**

6. Program Charge.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the Experimental Real-Time Pricing Tariff.

7. Riders.

Bills rendered under this Tariff for RTP usage shall be subject to any current or future non-generation related riders.

A customer's total bill shall equal the sum of the RTP bill for all usage in excess of the customer-designated level and the standard tariff bill for usage equal to or below the designated level.

**DELAYED PAYMENT CHARGE.**

This tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

**METERED VOLTAGE.**

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

**MONTHLY BILLING DEMAND.**

Billing demand in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered during the month by a demand meter. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months. The RTP monthly billing demand shall be the customer's monthly billing demand in excess of the customer-designated level.

**TERM.**

Customers who participate in this experimental tariff are required to enter into a written service agreement. Customer participation will coincide with the PJM planning year which runs from June 1 through May 31. Customers must enroll by May 15 of each year to begin service on June 1 and must stay with the service for the entire planning year. Customers who choose not to re-enroll in the program are ineligible to return to the program. No additional customers will be placed under this tariff after June 1, 2010.

(Continued on Sheet No. 30-4)

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2008

PURSUANT TO 807 KAR 5:011

SECTION 9 (1)

DATE OF ISSUE February 21, 2008 DATE EFFECTIVE Service rendered on and after June 1, 2008

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKF  
NAME TITLE

By [Signature]  
Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2007-0066 dated February 1, 2008

**TARIFF RTP  
(Experimental Real-Time Pricing Tariff)**

**TRANSFORMER AND LINE LOSSES.**

Demand losses will be applied to the Capacity and Transmission Charges using the following factors:

Secondary = 1.09752  
Primary = 1.06908  
Subtransmission = 1.04605  
Transmission = 1.03056

Energy losses will be applied to the Energy Charge using the following factors:

Secondary = 1.05938  
Primary = 1.03361  
Subtransmission = 1.01667  
Transmission = 1.01310

**SPECIAL TERMS AND CONDITIONS.**

This tariff is subject to the Company's Terms and Conditions of Service.

A customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
6/1/2008

PURSUANT TO 807 KAR 5:011

DATE OF ISSUE February 21, 2008 DATE EFFECTIVE Service rendered on and after June 1, 2008 SECTION 9 (1)

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES  
NAME TITLE

By [Signature]  
Executive Director

Issued by authority of an Order of the Public Service Commission in Case No. 2007-00166 dated February 1, 2008

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR ) CASE NO.  
A GENERAL ADJUSTMENT OF ELECTRIC RATES ) 2009-00459

O R D E R

Kentucky Power Company ("Kentucky Power"), a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"), is an electric utility which generates, transmits, distributes and sells electricity to approximately 175,000 customers in all or portions of 20 eastern Kentucky counties. The most recent adjustment of its base rates was in March 2006 in Case No. 2005-00341.<sup>1</sup>

BACKGROUND

On December 29, 2009, Kentucky Power submitted its application based on a historical test year covering the 12 months ending September 30, 2009 and seeking an increase in revenues of \$123.6 million, or 24.5 percent, with a proposed effective date of January 29, 2010.

A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001, Section 10, and a notice of filing deficiencies was issued. On January 15, 2010, Kentucky Power filed information to cure the noted deficiencies and proposed a new effective date of February 15, 2010. Our letter of

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<sup>1</sup> Case No. 2005-00341, General Adjustments in Electric Rates of Kentucky Power Company (Ky. PSC Mar. 14, 2006).

Pike Senior Citizens, which did not agree to the terms of the Agreement, provided notice that it intended to conduct cross-examination of Mr. Wagner and other Kentucky Power witnesses at the evidentiary hearing regarding the amount and the allocation of the revenue increase provided for in the Agreement. Under the terms of the Agreement, Kentucky Power and the full intervenors all agreed to waive cross-examination of each other's witnesses at the evidentiary hearing.

A formal evidentiary hearing in this matter was held on May 25, 2010, during which Kentucky Power presented testimony in support of both the Agreement and its rate application.

#### AGREEMENT

The Agreement, attached as Appendix A to this Order, reflects a unanimous resolution by Kentucky Power and the full intervenors of all contested issues in this case, except for those concerning the purchased power agreement which is the subject of Case No. 2009-00545. In its rate application, Kentucky Power proposed a revenue increase of approximately \$123.6 million. The Agreement contains the unanimous recommendation of the parties thereto that Kentucky Power's revenues be increased by \$63.66 million. The major provisions of the Agreement include the following:

- o Kentucky Power will increase its base rates for providing electric service by \$63.66 million for service rendered on and after June 29, 2010.
- o The agreed-upon increase does not include the cost of the purchased power contract. The parties agreed that issues involving that contract should be decided by the Commission in Case No. 2009-00545.
- o The agreed-upon increase is based on increased reliability expenditures of \$10 million annually, which will be in addition to \$7,237,965 expended in the test year. The Agreement states how this increased funding will be used by Kentucky Power, that it will file an annual work plan with the Commission outlining its planned reliability expenditures for the next

year, and identifies annual reports it will file with the Commission and the AG on its actual reliability expenditures.<sup>5</sup>

- The parties to the Agreement request that the Commission issue an Order approving or disapproving the purchased power request in Case No. 2009-00545 at the same time it issues its Order in this case.
- The Agreement does not constitute a waiver by Kentucky Power, the AG, or KIUC (the parties in Case No. 2009-00545) of their rights to appeal or seek rehearing of the Commission's Order in that case.
- If the Commission approves the purchased power contract and that Order becomes final and non-appealable, the rates agreed upon in the Agreement to generate the additional \$63.66 million in revenue shall be increased to recover \$14.48 million (or the amount approved by the Commission) associated with the purchased power contract.
- Kentucky Power will revise the baseline level for cost recovery under its environmental surcharge to \$44,185,079 as proposed in its application.
- Kentucky Power's System Sales Clause tariff shall be modified so that sharing of off-system sales margins shall be calculated using an annual baseline of \$15,290,363. Any differences between the monthly baseline amounts and actual monthly off-system sales margins shall be shared by ratepayers and the company on a 60-40 basis, respectively.
- Kentucky Power will continue to use the depreciation rates in effect in the test year which have been previously approved by the Commission.
- Kentucky Power will amortize the costs of the major storms experienced in 2009 over five years, resulting in an annual expense of \$4,656,155.
- Kentucky Power will amortize a monthly amount of \$20,833 associated with its payments to support the Management Research Group and the Kentucky Consortium of Carbon Storage which were deferred pursuant to the Commission's Order in Case No. 2008-00308.<sup>6</sup>

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<sup>5</sup> In addition to committing to expend over \$17 million per year in expenses for reliability improvements, Kentucky Power has also committed to maintain its \$2 million test-year level of capital improvements for reliability purposes.

<sup>6</sup> Case No. 2008-00308, Joint Application of Duke Energy Kentucky, Inc., Kentucky Power Company, Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to Certain Payments Made to the Carbon Management Research Group and the Kentucky Consortium for Carbon Storage (Ky. PSC Oct. 30, 2008).

- For purposes of environmental surcharge calculations and to account for allowance for funds used during construction, Kentucky Power will use a 10.5-percent return on equity.
- For its Home Energy Assistance Program, Kentucky Power will increase the monthly per-meter residential charge from \$0.10 to \$0.15 per month. Kentucky Power will match each \$0.15 collected with a contribution of \$0.125 until new base rates are established by Order of the Commission in Kentucky Power's next base rate case.
- Kentucky Power's existing Real-Time Pricing tariff shall be continued for three years, with customers able to enroll at any point during a year for a minimum period of 12 months.
- The existing rate subsidy being provided by Kentucky Power's Quantity Power ("QP") rate class and Commercial-Industrial Power Time-of-Day ("CIP-TOD") rate class shall be reduced by 25 percent.
- The QP tariff rate shall reflect the instant increase, up to full cost, in the tariff's demand charge. The balance, if any, will be added to the energy charge.
- The residential customer charge will be increased from the current level of \$5.86 to \$8.00 as proposed in Kentucky Power's application.
- All non-rate tariff terms which Kentucky Power proposed to change will be changed as proposed in the application and witnesses' testimony.
- If the Commission approves the Agreement in its entirety, each party agrees it will seek neither a rehearing with the Commission nor an appeal to Franklin County Circuit Court.

#### PIKE SENIOR CITIZENS' ISSUES

Pike Senior Citizens, as a limited intervenor, did not sponsor any witnesses or offer any testimony in this proceeding. Instead, citing the position contained in KIUC's testimony, Pike Senior Citizens claims the \$63.66 million increase in revenues is greater than the amount of additional revenues needed by Kentucky Power.<sup>7</sup> It also argues that the allocation of the overall agreed-upon increase of 12.48 percent is not equitably

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<sup>7</sup> KIUC had recommended an increase of approximately \$41 million.



**TARIFF R.T.P.**  
**(Experimental Real-Time Pricing Tariff)**

AVAILABILITY OF SERVICE.

TARIFF CODES

<u>Q.P. Tariff</u>	<u>CIP-TOD Tariff</u>
366 Secondary	377 Primary
367 Primary	378 Sub transmission
368 Sub transmission	379 Transmission
369 Transmissions	

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers normally taking firm service under Tariffs Q.P. or C.I.P.-T.O.D. for their total capacity requirements from the Company. The customer will pay real-time prices for load in excess of an amount designated by the customer. This experimental tariff will be limited to a maximum of 10 customers. The incremental cost of any special metering or communications equipment required for service under this experimental tariff beyond that normally provided under the applicable standard Q.P. or C.I.P.-T.O.D. tariff shall be borne by the customer. The Company reserves the right to terminate this Tariff at any time after the end of the experiment.

PROGRAM DESCRIPTION.

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis through June 2013. The RTP Tariff 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 price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market.

CONDITIONS OF SERVICE.

The customer must have a demand of not less than 1 MW and specify at least 100 kW as being subject to this Tariff. The customer designates the maximum amount of load to be supplied by Kentucky Power Company under the applicable Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage equal to or less than the customer-designated level of load will be billed under the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage in excess of the customer-designated level will be billed under Tariff RTP. All reactive demand shall be billed in accordance with the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D.

RATE.

1. Capacity Charge.

The Capacity Charge, stated in \$/kW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year. The auction price will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the 5 highest coincident peaks established for the class at the time of the 5 highest PJM hourly values. The price will be further adjusted for demand losses (DL) and a factor to reflect the PJM-required reserve margin (RM).

Capacity Charge = RPM x DF x DL x RM

Where:

RPM = Results of the annual RPM auction price applicable to the AEP load zone = \$0.501/kW-month

DF = Diversity Factor

C.I.P. - T.O.D. = 0.83

Q.P. = 0.64

DL = Demand Loss Factor

RM = Reserve Margin = RPM clearing price reserve margin = 1.209

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(Cont'd on Sheet No. 30-2)

<b>KENTUCKY PUBLIC SERVICE COMMISSION</b>
<b>JEFF R. DEROUEN EXECUTIVE DIRECTOR</b>
TARIFF BRANCH
DATE OF ISSUE <u>June 29, 2012</u> DATE EFFECTIVE _____ Service rendered on and after <u>Brent Kirkley</u> ISSUED BY <u>Lila P. Munsey</u> MANAGER REGULATORY SERVICES      FRANKFORT, KENTUCKY      EFFECTIVE ADDRESS <u>7/1/2012</u> NAME      TITLE
PURSUANT TO 807 KAR 5:011 SECTION 9 (1) Issued by authority of an Order of the Public Service Commission in Case No. 2007-0166 dated February 1, 2008

**TARIFF R.T.P.**  
**(Experimental Real-Time Pricing Tariff)**

**RATE (continued).**

2. Energy Charge.

The Energy Charge, stated in \$/KWH, will be determined hourly using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL). The charge will be applied to the usage in excess of the customer-designated level for each billing period.

Energy Charge = LMP x EL

Where:

LMP = AEP East Load Zone Real-Time Locational Marginal Price  
 EL = Energy Loss Factor excluding marginal losses for transmission and subtransmission

3. Transmission Charge.

The Transmission Charge, stated in \$/kW, will be determined from the Network Integration Transmission Service (NITS) rate for the AEP East Zone. The NITS rate will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the coincident peak established for the class at the time of the highest AEP East Zone hourly value. The price will be further adjusted for demand losses (DL).

Transmission Charge = NITS x DF x DL

Where:

NITS = NITS Rate for the AEP East Zone = \$ 2.2859/kW  
 DF = Diversity Factor  
 C.I.P. - T.O.D. = 0.83  
 Q.P. = 0.57  
 DL = Demand Loss Factor

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4. Other Market Services Charge.

The Other Market Services Charge, stated in \$/KWH is developed using all other PJM related market costs allocated to Kentucky Power Company from PJM not captured elsewhere. It is applied to all usage in excess of the customer-designated level for each billing period.

Secondary = \$0.003801/KWH  
 Primary = \$0.003656/KWH  
 Subtransmission = \$0.003588/KWH  
 Transmission = \$0.003554/KWH

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(I)

5. Distribution Charge.

The Distribution Charge, stated in \$/kW, is equivalent to the distribution portion of the current rates included in Tariff Q.P. and Tariff C.I.P. - T.O.D.

Secondary = \$7.39/kW  
 Primary = \$4.34/kW

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

**KENTUCKY  
 PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN  
 EXECUTIVE DIRECTOR**

TARIFF BRANCH

DATE OF ISSUE June 29, 2012 DATE EFFECTIVE Service rendered on and after *Brent Kirtley*  
 ISSUED BY *Karla P. Neway* LILA P. MUNSEY MANAGER REGULATORY SERVICES FRANKFORT, KEN  
 NAME TITLE ADDRESS

EFFECTIVE  
**7/1/2012**

Issued by authority of an Order of the Public Service Commission in Case No. 2007-00166 dated February 1, 2008. PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

**TARIFF R.T.P.**  
(Experimental Real-Time Pricing Tariff)

RATE (continued).

6. Program Charge.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the Experimental Real-Time Pricing Tariff.

7. Riders.

Bills rendered under this Tariff for RTP usage shall be subject to any current or future non-generation related riders.

A customer's total bill shall equal the sum of the RTP bill for all usage in excess of the customer-designated level and the standard tariff bill for usage equal to or below the designated level.

DELAYED PAYMENT CHARGE.

This tariff is due and payable in full on or before the due date stated on the bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

(T)

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98

MONTHLY BILLING DEMAND.

Billing demand in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered during the month by a demand meter. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months. The RTP monthly billing demand shall be the customer's monthly billing demand in excess of the customer-designated level.

TERM.

Customers who participate in this experimental tariff are required to enter into a written service agreement. Customers must enroll for a 12-month period and must stay with the service for an entire year. Customers who choose not to re-enroll in the program are ineligible to return to the program. No additional customers will be placed under this tariff after July 1, 2012.

(T)

(Cont'd on Sheet No. 30-4)

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN  
EXECUTIVE DIRECTOR**

TARIFF BRANCH

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after 1

ISSUED BY E.K. Wagner DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY  
NAME TITLE ADDRESS

6/29/2010

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated June 28, 2010 PURSUANT TO KAR 5:011 SECTION 9 (1)

*Brent Kirtley*

**TARIFF R.T.P.**  
(Experimental Real-Time Pricing Tariff)

TRANSFORMER AND LINE LOSSES.

Demand losses will be applied to the Capacity and Transmission Charges using the following factors:

Secondary = 1.10221  
Primary = 1.06570  
Subtransmission = 1.04278  
Transmission = 1.03211

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(R)  
(I)

Energy losses will be applied to the Energy Charge using the following factors:

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

(I)  
(R)  
(R)  
(R)

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

A customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN  
EXECUTIVE DIRECTOR**

TARIFF BRANCH

DATE OF ISSUE July 16, 2010

DATE EFFECTIVE Service rendered on and after July

*Bunt Kirtley*

ISSUED BY *E.K. Wagner*  
E.K. WAGNER  
NAME

DIRECTOR OF REGULATORY SERVICES  
TITLE

FRANKFORT, KENTUCKY  
ADDRESS

**6/29/2010**

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated June 28, 2010

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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

June 30, 2011

RECEIVED

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

HAND DELIVERED

JUN 30 2011

PUBLIC SERVICE  
COMMISSION

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

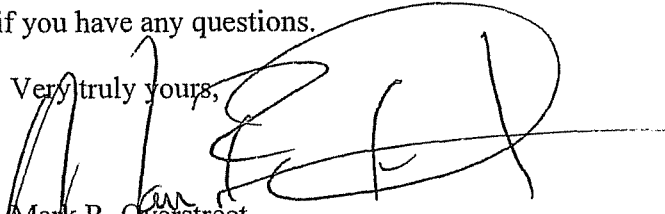
**RE: Application of Kentucky Power Company for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers, P.S.C. Case No. 2007-00166**

Dear Mr. Derouen:

Enclosed please find the original and ten copies of Kentucky Power Company's June 30, 2010 Annual Report in the above matter. A copy is being served on the Attorney General and counsel for Kentucky Industrial Utility Customers, Inc.

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

Very truly yours,

  
Mark R. Overstreet

cc: Michael Kurtz  
Dennis G. Howard, II

## Kentucky Power Company

### REQUEST

*Provide all comments and suggestions solicited from program participants.*

### RESPONSE

The Company does not have and has never had any RTP Tariff program participants. Over the past several years, the Company has had ongoing discussions with eligible customers from the Ashland, Hazard and Pikeville districts who continue their contemplation of participating in the RTP Tariff program. Many of the eligible customers are interested in the concept of the RTP Tariff; however, these customers have expressed concern about market risk and the potential increase in their electricity costs. Other comments the Company received were that the estimated customer savings, based upon the sample bill spreadsheet calculations, were limited and did not seem to offset the potential risk of market pricing. In addition, RTP rate savings which may have been available with customer load modification were limited by the customer's process or plant operation. Some of the customers did not believe their plant operation gave them the flexibility to change their use of electricity hourly and still maintain the same level of output.

It is noteworthy to mention that in a Commission Order in Kentucky Power Company's last retail rate case (Case No. 2009-00459), the RTP tariff was continued for three years, and will allow customers to enroll at any point during a year for a minimum period of 12 months.

WITNESS: Lila P Munsey

**STITES & HARBISON** PLLC  
ATTORNEYS

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

December 16, 2011

**HAND DELIVERED**

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

RECEIVED

DEC 16 2011

PUBLIC SERVICE  
COMMISSION

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

RE: Case No. 2007-00166

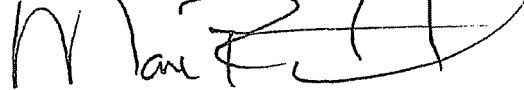
Dear Mr. Derouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Power Company's report on its Real-Time Pricing Tariff.

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

Very truly yours,

STITES & HARBISON, PLLC



Mark R. Overstreet

MRO

## **Real-Time Pricing Program Evaluation Report**

In accordance with the Commission's Order dated February 1, 2008, in Case No. 2007-00166, Kentucky Power is hereby providing its evaluation report of the three-year pilot Real-Time Pricing Tariff (RTP).

During the three-year pilot, Kentucky Power did not have any customers enroll in the RTP program.

However, as part of the Unanimous Settlement Agreement in Case No. 2009-00459, Kentucky Power has agreed to extend the RTP tariff for an additional three years.

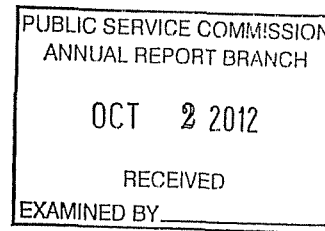




American Electric Power  
1 Riverside Plaza  
Columbus, OH 43215-2373  
AEP.com

September 25, 2012

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



Please find enclosed August 2012 Financial Report pages for Kentucky Power Company consisting of the following:

<u>Page Nos.</u>	<u>Description</u>
1-14	Income Statement
1-4	Details of Operating Revenues
4-10	Operating Expenses – Functional Expenses
10-14	Detail Statement of Taxes
15	Balance Sheet – Assets & Other Debits
16-17	Balance Sheet – Liabilities & Other Credits
16-17	Deferred Credits
18	Statement of Retained Earnings
19-20	Electric Property & Accum Prov for Depr & Amrtz

Sincerely,

Bradley M. Funk  
Manager –Regulated Accounting

BMF

Enclosure  
Cc: Lila Munsey (w/pages)

**Kentucky Power Corp Consol  
Comparative Income Statement**

KYP\_CORP\_CONSOL  
08/11/2012 16:47

Aug 2012 09B V2099-01-01	Layout: GLA8094V Account: GL_ACCT_SEC Business Unit: GL_PRPT_CONS	Current Month Aug 2012	3 Mo Rolling 2012	Year-to-Date 2012	12mo Rolling Aug 2012
Foreign Current Income Tax		-	-	-	-
Foreign Deferred Income Tax		-	-	-	-
Foreign Investment Tax Credits		-	-	-	-
Foreign Income Taxes		-	-	-	-
Total Income Taxes		2,063,799	7,403,549	16,197,248	19,412,200
Equity Earnings of Subs		-	-	-	-
<b>INCOME AFTER INCOME TAXES and EQUITY EARNINGS</b>		<b>4,365,481</b>	<b>17,829,951</b>	<b>35,627,049</b>	<b>49,991,816</b>
Discontinued Operations (Net of Taxes)		-	-	-	-
Cumulative Effect of Accounting Changes		-	-	-	-
Extraordinary Income / (Expenses)		-	-	-	-
<b>NET INCOME</b>		<b>4,365,481</b>	<b>17,829,951</b>	<b>35,627,049</b>	<b>49,991,816</b>

Kentucky Power Corp Consol  
Comparative Balance Sheet  
August 31, 2012

Run Date: 09/12/2012 13:00

X_OPR_COS	Rpt ID: GLR2200V	Layout: GLR2200V	Month End Balances	December Balances	Variance
KYP_CORP_C	V2099-01-01 Acct: PRPT_ACCOUNT	BU: GL_PRPT_CONS	2012	Last Year	\$
<b>CAPITALIZATION and LIABILITIES</b>					
<b>COMMON STOCK</b>					
Authorized: 2,000,000 Shares					
Outstanding: 1,009,000 Shares					
Common Stock			50,450,000.00	50,450,000.00	0.00
Premium on Capital Stock			0.00	0.00	0.00
Paid-In-Capital			238,156,287.35	238,124,755.98	31,531.37
Retained Earnings			183,467,511.60	171,840,462.36	11,627,049.25
<b>COMMON SHAREHOLDERS' EQUITY</b>			<b>472,073,798.95</b>	<b>460,415,218.34</b>	<b>11,658,580.62</b>
PS Subject To Mandatory Redemption			0.00	0.00	0.00
PS Not Subject Mandatory Redemption			0.00	0.00	0.00
<b>CUMULATIVE PREFERRED STOCK</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TRUST PREFERRED SECURITIES</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Long-Term Debt Less Amt Due 1 Yr			549,166,375.00	549,055,225.00	111,150.00
<b>CAPITALIZATION</b>			<b>1,021,240,173.95</b>	<b>1,009,470,443.34</b>	<b>11,769,730.62</b>
Obligations Under Capital Lease-NonCurrent			2,054,435.88	2,387,567.98	(333,132.10)
Accumulated Provision Rate Relief			1,635,430.00	0.00	1,635,430.00
Accumulated Provision - Miscellaneous			49,573,444.33	50,307,544.50	(734,100.17)
<b>Other NonCurrent Liabilities</b>			<b>53,263,310.21</b>	<b>52,695,112.48</b>	<b>568,197.73</b>
Preferred Stock Due Within 1 Year			0.00	0.00	0.00
Long-Term Debt Due Within 1 Year			0.00	0.00	0.00
Accumulated Provision Due Within 1 Year			0.00	0.00	0.00
Short-Term Debt			0.00	0.00	0.00
Advances from Affiliates			0.00	0.00	0.00
A/P General			37,560,169.06	36,075,934.88	1,484,234.18
A/P Associated Companies			27,907,368.64	35,218,553.40	(7,311,184.75)
Customer Deposits			22,553,628.28	22,074,076.78	479,551.50
Taxes Accrued			19,809,855.20	19,319,995.87	489,859.33
Interest Accrued			12,771,145.73	7,713,476.74	5,057,668.99
Dividends Accrued			0.00	0.00	0.00
Obligation Under Capital Leases			1,240,517.77	1,452,626.75	(212,108.98)
Energy Contracts Current			3,879,721.88	5,628,998.12	(1,749,276.24)
Other Current and Accrued Liabilities			16,443,064.81	19,452,957.20	(3,009,892.39)
<b>Current Liabilities</b>			<b>142,165,471.37</b>	<b>146,936,619.73</b>	<b>(4,771,148.36)</b>
Deferred Income Taxes			383,824,007.78	375,379,008.61	8,444,999.17
Deferred Investment Tax Credits			448,427.82	633,763.82	(185,336.00)
Regulatory Liabilities			6,159,865.47	8,302,739.16	(2,142,873.69)
2440002 LT Unreal Losses - Non Affil			6,625,522.47	4,786,802.78	1,838,719.69

**Kentucky Power Company  
Return on Common Equity  
Twelve Months Ending August 31, 2012  
(\$000's)**

Source: August 2012 Kentucky Power Monthly Financial Statements

	<u>Amount</u>
Total Common Equity - August 31, 2012	472,074
Net Income - Total Company - Twelve Months Ended August 31, 2012	<u>49,992</u>
<b>% ROE</b>	<b><u><u>10.59%</u></u></b>

# Kentucky Power Company

2012 Third Quarter Report

Financial Statements



**KENTUCKY POWER COMPANY**  
**CONDENSED STATEMENTS OF INCOME**  
For the Three and Nine Months Ended September 30, 2012 and 2011  
(in thousands)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>				
Electric Generation, Transmission and Distribution	\$ 147,067	\$ 167,533	\$ 436,255	\$ 501,647
Sales to AEP Affiliates	16,394	18,734	31,048	55,169
Other Revenues	149	177	454	420
<b>TOTAL REVENUES</b>	<u>163,610</u>	<u>186,444</u>	<u>467,757</u>	<u>557,236</u>
<b>EXPENSES</b>				
Fuel and Other Consumables Used for Electric Generation	34,624	47,994	91,219	164,619
Purchased Electricity for Resale	2,291	5,405	9,392	16,990
Purchased Electricity from AEP Affiliates	57,781	60,207	157,307	163,495
Other Operation	14,264	16,792	42,765	48,101
Maintenance	8,650	13,611	34,429	39,947
Depreciation and Amortization	13,761	13,516	40,930	40,376
Taxes Other Than Income Taxes	3,115	3,056	9,362	8,006
<b>TOTAL EXPENSES</b>	<u>134,486</u>	<u>160,581</u>	<u>385,404</u>	<u>481,534</u>
<b>OPERATING INCOME</b>	29,124	25,863	82,353	75,702
<b>Other Income (Expense):</b>				
Interest Income	81	1,408	296	1,620
Allowance for Equity Funds Used During Construction	474	300	1,976	813
Interest Expense	(8,750)	(9,172)	(26,414)	(27,545)
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	20,929	18,399	58,211	50,590
Income Tax Expense	6,719	6,546	18,248	18,395
<b>NET INCOME</b>	<u>\$ 14,210</u>	<u>\$ 11,853</u>	<u>\$ 39,963</u>	<u>\$ 32,195</u>

*The common stock of KPCo is wholly-owned by AEP.*

*See Condensed Notes to Condensed Financial Statements beginning on page 8.*

**KENTUCKY POWER COMPANY**  
**CONDENSED BALANCE SHEETS**  
**LIABILITIES AND COMMON SHAREHOLDER'S EQUITY**  
September 30, 2012 and December 31, 2011  
(Unaudited)

	2012	2011
	(in thousands)	
<b>CURRENT LIABILITIES</b>		
<hr/>		
Accounts Payable:		
General	\$ 35,288	\$ 36,076
Affiliated Companies	30,578	35,131
Risk Management Liabilities	3,651	5,629
Customer Deposits	22,539	22,074
Accrued Taxes	18,185	19,436
Accrued Interest	6,211	7,754
Regulatory Liability for Over-Recovered Fuel Costs	2,129	3,138
Other Current Liabilities	21,168	23,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>139,749</b>	<b>152,620</b>
<b>NONCURRENT LIABILITIES</b>		
<hr/>		
Long-term Debt -- Nonaffiliated	529,180	529,055
Long-term Debt -- Affiliated	20,000	20,000
Long-term Risk Management Liabilities	4,165	2,734
Deferred Income Taxes	353,076	338,656
Regulatory Liabilities and Deferred Investment Tax Credits	28,113	31,562
Employee Benefits and Pension Obligations	44,010	48,007
Deferred Credits and Other Noncurrent Liabilities	10,548	10,934
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>989,092</b>	<b>980,948</b>
<b>TOTAL LIABILITIES</b>	<b>1,128,841</b>	<b>1,133,568</b>
Rate Matters (Note 2)		
Commitments and Contingencies (Note 3)		
<b>COMMON SHAREHOLDER'S EQUITY</b>		
<hr/>		
Common Stock -- Par Value -- \$50 Per Share:		
Authorized -- 2,000,000 Shares		
Outstanding -- 1,009,000 Shares	50,450	50,450
Paid-in Capital	238,750	238,750
Retained Earnings	187,804	171,841
Accumulated Other Comprehensive Income (Loss)	(366)	(625)
<b>TOTAL COMMON SHAREHOLDER'S EQUITY</b>	<b>476,638</b>	<b>460,416</b>
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$ 1,605,479</b>	<b>\$ 1,593,984</b>

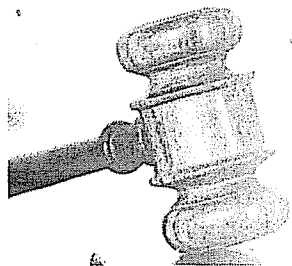
See Condensed Notes to Condensed Financial Statements beginning on page 8.

**Kentucky Power Company**  
**Return on Common Equity**  
**Twelve Months Ending September 30, 2012**  
**Based on Annualization of First Nine Months of 2012**  
**(\$000's)**

Source: 2012 Third Quarter Report Kentucky Power Financial Statements

	<u>Amount</u>
Total Common Equity - September 30, 2012	476,638
Net Income - Total Company - Nine Months Ended September 30, 2012	39,963
Annualized Net Income	53,284
<b>% ROE</b>	<b><u>11.18%</u></b>





Regulatory Research Associates

# REGULATORY FOCUS

October 4, 2012

## MAJOR RATE CASE DECISIONS--JANUARY-SEPTEMBER 2012

The average return on equity (ROE) authorized electric utilities in the first nine months of 2012 was 10.22% (33 observations), equal to the average in calendar-2011. We note that the 2012 data includes several surcharge/rider generation cases in Virginia that incorporate ROE premiums. Virginia statutes authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the Virginia Commission Profile). Excluding these Virginia surcharge/rider generation cases from the data, the average authorized electric ROE was 9.97% for the first nine months of 2012. The average ROE authorized gas utilities for the first three quarters of 2012 was 9.75% (14 observations), slightly lower than the 9.92% average in calendar-2011. We note that this report utilizes the simple mean for the return averages.

After reaching a low in the early-2000s, the number of rate case decisions for energy companies generally increased over the ensuing years. In 2001, there were 32 electric and gas rate decisions, versus 95 in 2009, 126 in 2010, and 84 in 2011. And, we are estimating that roughly 100 electric and gas rate cases will be decided in 2012. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit expenses argue for the continuation of an active rate case schedule over the next few years.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction over the revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 4), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, average authorized ROEs have declined slightly since 2008. In fact, some state commissions have cited the lethargic economy and customer hardship as factors influencing their equity return authorizations. In addition, the Federal Reserve's recently announced "quantitative easing 3" may exert modest downward pressure on interest rates in the short-to-intermediate term.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2006, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past seven quarters. The individual electric and gas cases decided in the first nine months of 2012 are listed on pages 4-7, with the decision date shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study. We note that the cases and averages included in this study may be slightly different from those in our on-line Rate Case History database, with any differences reflecting, for example, this study's historical inclusion (pre-2011) of ROE determinations that are rendered in cost-of-capital-only proceedings in California.

Dennis Sperduto

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**Average Equity Returns Authorized January 1990 - September 2012**

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# Cases)
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
2005	Full Year	10.54	(29)	10.46	(26)
	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
<b>2006</b>	<b>Full Year</b>	<b>10.36</b>	<b>(26)</b>	<b>10.43</b>	<b>(16)</b>
	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
<b>2007</b>	<b>Full Year</b>	<b>10.36</b>	<b>(39)</b>	<b>10.24</b>	<b>(37)</b>
	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
<b>2008</b>	<b>Full Year</b>	<b>10.46</b>	<b>(37)</b>	<b>10.37</b>	<b>(30)</b>
	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
<b>2009</b>	<b>Full Year</b>	<b>10.48</b>	<b>(39)</b>	<b>10.19</b>	<b>(29)</b>
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(12)
<b>2010</b>	<b>Full Year</b>	<b>10.34</b>	<b>(59)</b>	<b>10.08</b>	<b>(37)</b>
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.00	(7)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
<b>2011</b>	<b>Full Year</b>	<b>10.22</b>	<b>(41)</b>	<b>9.92</b>	<b>(16)</b>
	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	3rd Quarter	9.78	(8)	9.75	(1)
<b>2012</b>	<b>Year-To-Date</b>	<b>10.22</b>	<b>(33)</b>	<b>9.75</b>	<b>(14)</b>

**Electric Utilities--Summary Table\***

	<b>Period</b>	<b>Eq. as %</b>						<b>Amt.</b>	
		<b>ROR % (# Cases)</b>		<b>ROE % (# Cases)</b>		<b>Cap. Struct. (# Cases)</b>		<b>\$ Mil.</b>	<b>(# Cases)</b>
1998	Full Year	9.44	(9)	11.66	(10)	46.14	(8)	-429.3	(31)
1999	Full Year	8.81	(18)	10.77	(20)	45.08	(17)	-1,683.8	(30)
2000	Full Year	9.20	(12)	11.43	(12)	48.85	(12)	-291.4	(34)
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
	1st Quarter	8.12	(13)	10.32	(13)	49.05	(13)	610.5	(15)
	2nd Quarter	8.01	(10)	10.12	(10)	46.36	(10)	1,055.9	(12)
	3rd Quarter	8.09	(7)	10.00	(7)	48.33	(7)	642.4	(11)
	4th Quarter	7.61	(11)	10.34	(11)	47.91	(10)	544.7	(15)
2011	Full Year	7.95	(41)	10.22	(41)	47.97	(40)	2,853.5	(53)
	1st Quarter	8.00	(11)	10.84	(12)	50.20	(10)	970.6	(16)
	2nd Quarter	7.78	(12)	9.92	(13)	51.01	(13)	432.3	(16)
	3rd Quarter	8.06	(9)	9.78	(8)	51.16	(8)	296.4	(10)
<b>2012</b>	<b>Year-To-Date</b>	<b>7.94</b>	<b>(32)</b>	<b>10.22</b>	<b>(33)</b>	<b>50.79</b>	<b>(31)</b>	<b>1,699.3</b>	<b>(42)</b>

**Gas Utilities--Summary Table\***

	<b>Period</b>	<b>Eq. as %</b>						<b>Amt.</b>	
		<b>ROR % (# Cases)</b>		<b>ROE % (# Cases)</b>		<b>Cap. Struct. (# Cases)</b>		<b>\$ Mil.</b>	<b>(# Cases)</b>
1998	Full Year	9.46	(10)	11.51	(10)	49.50	(10)	93.9	(20)
1999	Full Year	8.86	(9)	10.66	(9)	49.06	(9)	51.0	(14)
2000	Full Year	9.33	(13)	11.39	(12)	48.59	(12)	135.9	(20)
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
	1st Quarter	8.07	(6)	10.10	(5)	52.47	(4)	48.3	(9)
	2nd Quarter	8.05	(4)	9.88	(5)	54.45	(3)	234.0	(7)
	3rd Quarter	8.09	(2)	9.65	(2)	49.44	(2)	26.5	(4)
	4th Quarter	8.07	(5)	9.88	(4)	52.03	(4)	127.5	(11)
2011	Full Year	8.57	(16)	9.92	(16)	52.33	(13)	436.3	(31)
	1st Quarter	7.63	(5)	9.63	(5)	51.40	(5)	125.3	(5)
	2nd Quarter	7.80	(6)	9.83	(8)	49.15	(7)	39.3	(8)
	3rd Quarter	8.26	(1)	9.75	(1)	59.63	(1)	47.7	(4)
<b>2012</b>	<b>Year-To-Date</b>	<b>7.77</b>	<b>(12)</b>	<b>9.75</b>	<b>(14)</b>	<b>50.82</b>	<b>(13)</b>	<b>212.3</b>	<b>(17)</b>

## ELECTRIC UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/3/12	Appalachian Power (VA)	---	11.40	---	2/13-YE	26.1 (B,1)
1/10/12	PacifiCorp (ID)	---	---	---	12/10	34.0 (B,Z)
1/25/12	Duke Energy Carolinas (SC)	8.10	10.50	53.00	12/10-YE	92.8 (B)
1/27/12	Duke Energy Carolinas (NC)	8.11	10.50	53.00	12/10-YE	368.0 (B,2)
2/2/12	Virginia Electric and Power (VA)	8.77	11.40	53.25	3/13-A	34.1 (3)
2/15/12	Indiana Michigan Power (MI)	6.84	10.20	42.07 *	12/12-A	14.6 (B)
2/23/12	Idaho Power (OR)	7.76	9.90	49.90	12/11-A	1.8 (B)
2/22/12	Florida Power (FL)	---	---	---	---	150.0 (B,4)
2/27/12	Gulf Power (FL)	6.39	10.25	38.50 *	12/12-A	68.1 (I,Z)
2/29/12	Northern States Power-Minnesota (ND)	---	10.40	---	12/11	15.7 (B,I,Z)
3/16/12	Virginia Electric and Power (VA)	9.03	12.40	53.25	3/13-A	6.4 (5)
3/20/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	-4.3 (6)
3/21/12	NorthWestern Corp. (MT)	---	---	---	A	39.1 (I,Z,7)
3/23/12	Virginia Electric and Power (VA)	8.48	11.40	53.25	3/13-A	46.8 (B)
3/29/12	Northern States Power-Minnesota (MN)	8.32	10.37	52.56	12/11-A	72.9 (B,I,Z)
3/30/12	PacifiCorp (WA)	7.74	---	---	12/10	4.5 (B)
<b>2012</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>8.00</b>	<b>10.84</b>	<b>50.20</b>		<b>970.6</b>
	<b>MEDIAN</b>	<b>8.11</b>	<b>10.50</b>	<b>53.00</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>11</b>	<b>12</b>	<b>10</b>		<b>16</b>
4/4/12	Hawaii Electric Light Company (HI)	8.31	10.00	55.91	12/10-A	4.5 (I,B)
4/18/12	Westar Energy/Kansas Gas & Elec. (KS)	---	---	---	3/11	50.0 (B,9)
4/26/12	Public Service Co. of Colorado (CO)	8.08	10.00	56.00	---	234.4 (B,Z)
5/2/12	Maui Electric Company (HI)	8.15	10.00	56.86	12/10-A	4.7 (I,B)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	63.3
5/15/12	Arizona Public Service (AZ)	8.33	10.00	53.94	12/10-YE	0.0 (B)
5/18/12	El Paso Electric (TX)	---	---	---	9/11	-15.0 (B)
5/29/12	Commonwealth Edison (IL)	8.16	10.05	46.17	12/10-YE	-168.6 (D)
6/7/12	Consumers Energy (MI)	6.70	10.30	42.07 *	9/12-A	118.5 (I)
6/14/12	Orange and Rockland Utilities (NY)	7.61	9.40	48.00	6/13-A	19.4 (B,D,10)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	0.0 (11)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	2.7 (B)
6/19/12	Northern State Power-Minnesota (SD)	7.79	9.25	53.04	12/10-A	8.0 (I)
6/26/12	Wisconsin Electric Power (MI)	6.35	10.10	43.51 *	12/12-A	9.2 (I)
6/29/12	Hawaiian Electric Company (HI)	8.11	10.00	56.29	12/11-A	43.1 (I,B,12)
6/29/12	Idaho Power (ID)	---	---	---	12/12	58.1 (13)
<b>2012</b>	<b>2ND QUARTER: AVERAGES/TOTAL</b>	<b>7.78</b>	<b>9.92</b>	<b>51.01</b>		<b>432.3</b>
	<b>MEDIAN</b>	<b>8.04</b>	<b>10.00</b>	<b>53.04</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>12</b>	<b>13</b>	<b>13</b>		<b>16</b>
7/9/12	Oklahoma Gas & Electric (OK)	---	10.20	---	12/10-YE	4.3 (B)
7/16/12	PacifiCorp (WY)	7.67	9.80	52.10	3/13-A	50.0 (B,Z)
7/20/12	Delmarva Power & Light (MD)	7.56	9.81	50.06	12/11-A	11.3 (D)
7/20/12	Potomac Electric Power (MD)	7.96	9.31	50.13	12/11-A	18.1 (D)

## ELECTRIC UTILITY DECISIONS (continued)

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
9/13/12	Entergy Texas (TX)	8.27	9.80	49.92	6/11-YE	27.7
9/19/12	Ameren Illinois (IL)	8.86	10.05	51.49	12/10-YE	-48.1 (D,14)
9/19/12	PacifiCorp (UT)	7.68	9.80	52.10	5/13	154.0 (B,Z)
9/20/12	Idaho Power (OR)	7.76	---	---	12/11-A	3.0 (15)
9/26/12	Potomac Electric Power (DC)	8.03	9.50	49.23	9/11-A	24.0 (D)
9/26/12	South Carolina Electric & Gas (SC)	8.75	---	54.28	6/12-YE	52.1 (16)
<b>2012</b>	<b>3RD QUARTER: AVERAGES/TOTAL</b>	<b>8.06</b>	<b>9.78</b>	<b>51.16</b>		<b>296.4</b>
	<b>MEDIAN</b>	<b>7.96</b>	<b>9.80</b>	<b>50.81</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>9</b>	<b>8</b>	<b>8</b>		<b>10</b>
<b>2012</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL</b>	<b>7.94</b>	<b>10.22</b>	<b>50.79</b>		<b>1,699.3</b>
	<b>MEDIAN</b>	<b>8.06</b>	<b>10.05</b>	<b>52.10</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>32</b>	<b>33</b>	<b>31</b>		<b>42</b>

## GAS UTILITY DECISIONS

<u>Date</u>	<u>Company (State)</u>	<u>ROR</u> <u>%</u>	<u>ROE</u> <u>%</u>	<u>Common</u> <u>Eq. as %</u> <u>Cap. Str.</u>	<u>Test Year</u> <u>&amp;</u> <u>Rate Base</u>	<u>Amt.</u> <u>\$ Mil.</u>
1/10/12	Ameren Illinois (IL)	8.33	9.06	53.27	12/12-A	32.2
1/10/12	North Shore Gas (IL)	7.43	9.45	50.00 (17)	12/12-A	1.9
1/10/12	Peoples Gas Light & Coke (IL)	6.94	9.45	49.00 (17)	12/12-A	57.8
1/23/12	Piedmont Natural Gas (TN)	7.98	10.20	52.71	2/13-A	11.9 (B)
1/31/12	New Mexico Gas (NM)	7.48	10.00	52.00	9/10-YE	21.5 (B)
<b>2012</b>	<b>1ST QUARTER: AVERAGES/TOTAL</b>	<b>7.63</b>	<b>9.63</b>	<b>51.40</b>		<b>125.3</b>
	<b>MEDIAN</b>	<b>7.48</b>	<b>9.45</b>	<b>52.00</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>5</b>	<b>5</b>	<b>5</b>		<b>5</b>
4/24/12	UNS Gas (AZ)	8.27	9.75	50.82	12/10-YE	2.7
4/24/12	Northern Utilities (NH)	7.24	9.50	40.25	12/10-YE	2.7 (I,B,18)
5/7/12	Puget Sound Energy (WA)	7.80	9.80	48.00 (Hy)	12/10-A	13.4
5/22/12	SourceGas Distribution (NE)	7.67	9.60	51.16	3/11-YE	5.0 (I)
5/24/12	Minnesota Energy Resources (MN)	7.83	9.70	50.48	12/11-A	11.0 (I)
6/7/12	Consumers Energy (MI)	---	10.30	---	12/12	16.0 (I,B)
6/15/12	Wisconsin Power and Light (WI)	---	10.40	49.31	12/13-A	-13.1 (19)
6/18/12	Cheyenne Light, Fuel and Power (WY)	7.99	9.60	54.00	8/11-YE	1.6 (B)
<b>2012</b>	<b>2ND QUARTER: AVERAGES/TOTAL</b>	<b>7.80</b>	<b>9.83</b>	<b>49.15</b>		<b>39.3</b>
	<b>MEDIAN</b>	<b>7.82</b>	<b>9.73</b>	<b>50.48</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>6</b>	<b>8</b>	<b>7</b>		<b>8</b>
7/2/12	Washington Gas Light (VA)	8.26	9.75	59.63	9/10	20.0 (I,B)
7/19/12	ONEOK (OK)	---	---	---	12/11-YE	9.5 (B,20)
8/22/12	Atmos Energy (KS)	---	---	---	9/11-YE	2.8 (B)
9/27/12	Peoples Natural Gas (PA)	---	---	---	10/12	15.4 (B)
<b>2012</b>	<b>3RD QUARTER: AVERAGES/TOTAL</b>	<b>8.26</b>	<b>9.75</b>	<b>59.63</b>		<b>47.7</b>
	<b>MEDIAN</b>	<b>8.26</b>	<b>9.75</b>	<b>59.63</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>1</b>	<b>1</b>	<b>1</b>		<b>4</b>
<b>2012</b>	<b>YEAR-TO-DATE: AVERAGES/TOTAL</b>	<b>7.77</b>	<b>9.75</b>	<b>50.82</b>		<b>212.3</b>
	<b>MEDIAN</b>	<b>7.82</b>	<b>9.73</b>	<b>50.82</b>		<b>---</b>
	<b>OBSERVATIONS</b>	<b>12</b>	<b>14</b>	<b>13</b>		<b>17</b>

**FOOTNOTES**

A- Average

B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.

CWIP- Construction work in progress

D- Applies to electric delivery only

E- Estimated

Hy- Hypothetical capital structure utilized

I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.

YE- Year-end

Z- Rate change implemented in multiple steps.

\* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

- (1) Rate increase authorized through a generation rider/adjustment clause.
- (2) The approved/stipulated \$368 million base rate increase includes \$51 million that the company is to defer until its next rate case, representing a cash return on construction work in progress.
- (3) Increase authorized through a surcharge, Rider W, which reflects in rates the investment in the Warren County Power Station and associated transmission facilities.
- (4) PSC adopted a settlement that addresses base rates and issues related to the company's nuclear plants. Effective January 2013, the company is to increase base rates by \$150 million, and base rates would then be frozen through 2016, except as otherwise provide for by the settlement.
- (5) Increase authorized through a surcharge (Rider B) related to generation conversion project investments.
- (6) Rate change approved through surcharge (Rider R) related to the Bear Garden Generating Station.
- (7) Case is a limited-issue rate proceeding, covering NorthWestern's incremental investment in the Dave Gates (formerly Mill Creek) generating facility.
- (8) Increase authorized through a surcharge, Rider S, associated with the Virginia City Hybrid Energy Center.
- (9) Authorized base rate increase is \$104.3 million after the transfer to base rates, from a rider, of \$54.3 million of certain environmental compliance costs.
- (10) Approved Joint Proposal includes three-year rate plan specifying \$19.4 million, \$8.8 million, and \$15.2 million rate increases, based upon 9.4%, 9.5%, and 9.6% ROEs, respectively. A levelized plan was adopted, whereby rates in each of the three years are to be increased by \$15.2 million.
- (11) PSC adopted the company's proposal to freeze base rates for 2013 and 2014.
- (12) Rate increase excludes amounts being recovered through the company's alternative regulation framework.
- (13) The rate increase reflects the recovery of the company's investment in the Langley Gulch natural gas-fired combined cycle plant. The rate request and authorization are premised upon the 7.86% overall return authorized in the company's last rate case that was decided on 12/30/11.
- (14) This proceeding is a formula rate plan (FRP) filing made pursuant to legislation that requires the state's large electric utilities to invest specific amounts in their transmission and distribution systems, with recovery of these investments to occur in annual FRP proceedings, subject to Commission approval.
- (15) The rate increase reflects the recovery of the company's investment in the Langley Gulch natural gas-fired combined cycle plant. The rate request and authorization are premised upon the 9.9% ROE and 7.757% ROR authorized in the company's last rate case that was decided on 2/23/12.
- (16) Authorized rate increase represents a current cash return on incremental V.C. Summer nuclear plant CWIP. The increase incorporates a previously authorized 11% ROE and incremental CWIP of \$436.2 million as of 6/30/12.
- (17) Component of an "imputed" capital structure.
- (18) An additional \$1 million step adjustment rate increase also authorized.
- (19) PSC adopted the company's proposal to reduce base rates by \$13.1 million for 2013 and then to freeze base rates for 2014.
- (20) Case filed pursuant to company's performance-based ratemaking plan.

RECEIVED

MAY 20 2010

BEFORE THE  
PUBLIC SERVICE COMMISSION OF KENTUCKY  
PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY )  
POWER FOR A GENERAL ADJUSTMENT ) CASE NO. 2009-00459  
OF ITS RATES )

PRE-FILED TESTIMONY  
OF  
ERROL K. WAGNER

ON BEHALF OF  
KENTUCKY POWER COMPANY

IN SUPPORT OF THE UNANIMOUS SETTLEMENT AGREEMENT

Filing Date: 20 May 2010

KY POWER EXHIBIT   1



**PREFILED TESTIMONY OF  
ERROL K. WAGNER  
ON BEHALF OF KENTUCKY POWER COMPANY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**IN SUPPORT OF THE UNANIMOUS SETTLEMENT AGREEMENT**

**CASE NO. 2009-00459**

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**PREFILED TESTIMONY OF  
ERROL K. WAGNER  
ON BEHALF OF  
KENTUCKY POWER COMPANY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
IN SUPPORT OF THE UNANIMOUS SETTLEMENT AGREEMENT**

Introduction

1 **Q. PLEASE STATE YOUR NAME AND POSITION WITH KENTUCKY POWER**  
2 **COMPANY.**

3 A. Errol K. Wagner, Director of Regulatory Services, Kentucky Power Company.

4 **Q. DID YOU FILE TESTIMONY IN THIS RATE PROCEEDING?**

5 A. Yes. I filed both direct testimony and rebuttal testimony.

6 **Q. ARE YOU FAMILIAR WITH THE ISSUES PRESENTED IN THIS CASE BY**  
7 **THE COMPANY AND THE OTHER PARTIES GRANTED FULL**  
8 **INTERVENTION (THE "PARTIES")?**

9 A. Yes.

10 **Q. DID YOU PARTICIPATE IN THE NEGOTIATIONS WHICH LED TO THE**  
11 **UNANIMOUS SETTLEMENT AGREEMENT BEING SUBMITTED FOR**  
12 **CONSIDERATION AND APPROVAL BY THE COMMISSION?**

13 A. Yes. I attended the two settlement conferences held at the offices of the Commission that  
14 led to the agreement in principle. I also participated in the subsequent negotiation and  
15 drafting of the Unanimous Settlement Agreement that has been executed by the Parties.  
16 The Unanimous Settlement Agreement was filed with the Commission on May 20, 2010.  
17 It also is attached as SETTLEMENT EXHIBIT EKW-1 to this testimony.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. In my testimony I explain and support the terms of the Unanimous Settlement  
20 Agreement, as well as demonstrate why the terms of the Unanimous Settlement  
21 Agreement will produce fair, just and reasonable rates. In my testimony I also describe

1 the impact of the Unanimous Settlement Agreement on individual tariff classes. I also  
2 sponsor the proof of revenue calculations and the particular tariffs that reflect and  
3 implement the agreement.

The Unanimous Settlement Agreement

4 **Q. PLEASE DESCRIBE GENERALLY THE AREAS ADDRESSED BY THE**  
5 **UNANIMOUS SETTLEMENT AGREEMENT.**

6 A. The Unanimous Settlement Agreement addresses twelve substantive areas:

- 7 (1) An annual increase in the Company's retail base rates of \$63.66 million  
8 (Paragraph 1);
- 9 (2) An agreement on the procedure recommended to the Commission for handling  
10 the Company's application in *The Matter of: The Application for Approval of*  
11 *Renewable Energy Purchase Agreement for Wind Energy Resources Between*  
12 *Kentucky Power Company and FPL Illinois Wind, LLC, P.S.C. Case No. 2009-*  
13 *00545 ("Wind Application")* for approval pursuant to KRS 278.300 of a 20-year  
14 purchase power agreement. Depending on the finality of the Commission's  
15 decision in P.S.C. Case No. 2009-00545, the Company's retail base rates may  
16 increase an additional \$14.479 million annually (Paragraph 2);
- 17 (3) An Amendment of Kentucky Power's System Sales Clause (Paragraph 4);
- 18 (4) The Company's enhanced Vegetation Management Program for improving  
19 reliability within its service territory (Paragraph 5);
- 20 (5) Kentucky Power's depreciation and amortization rates (Paragraph 6);
- 21 (6) Kentucky Power's return on equity (Paragraph 7);
- 22 (7) An increase in residential ratepayer contributions to the Home Energy Assistance  
23 Program, as well as a provision for Kentucky Power to contribute \$0.125 monthly  
24 for each monthly residential meter payment (Paragraph 8);
- 25 (8) The Company's QP, RTP, and CIP-TOD rate design and tariffs  
26 (Paragraph 9);
- 27 (9) An increase in the customer charge for the residential class to \$8.00 a month  
28 (Paragraph 10);
- 29 (10) Non-rate changes to the Company's tariffs (Paragraph 11);

P.S.C. ELECTRIC NO. 9  
CANCELS P.S.C. ELECTRIC NO. 8

(T)

Cancels and Supersedes all Previous Schedules

KENTUCKY POWER COMPANY

SCHEDULE OF TARIFFS,  
TERMS AND CONDITIONS OF SERVICE  
GOVERNING  
SALE OF ELECTRICITY

In the Kentucky territory served  
By Kentucky Power Company  
As stated on Sheet No. 1

Issued by  
Errol K. Wagner, Director Regulatory Services  
Frankfort, Kentucky

Issued:

Effective: June 29, 2010

KENTUCKY POWER COMPANY

Original Sheet No. 30-1  
Canceling \_\_\_\_\_ Sheet No. 30-1

P.S.C. ELECTRIC NO. 9

**TARIFF R.T.P.**  
(Experimental Real-Time Pricing Tariff)

**AVAILABILITY OF SERVICE.**

Available for Real-Time Pricing (RTP) service, on an experimental basis, to customers normally taking firm service under Tariffs Q.P. or C.I.P.-T.O.D. for their total capacity requirements from the Company. The customer will pay real-time prices for load in excess of an amount designated by the customer. This experimental tariff will be limited to a maximum of 10 customers. The incremental cost of any special metering or communications equipment required for service under this experimental tariff beyond that normally provided under the applicable standard Q.P. or C.I.P.-T.O.D. tariff shall be borne by the customer. The Company reserves the right to terminate this Tariff at any time after the end of the experiment.

**PROGRAM DESCRIPTION.**

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis through June 2013. The RTP Tariff 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 price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market.

(T)

**CONDITIONS OF SERVICE.**

The customer must have a demand of not less than 1 MW and specify at least 100 kW as being subject to this Tariff. The customer designates the maximum amount of load to be supplied by Kentucky Power Company under the applicable Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage equal to or less than the customer-designated level of load will be billed under the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D. All usage in excess of the customer-designated level will be billed under Tariff RTP. All reactive demand shall be billed in accordance with the appropriate Tariff Q.P. or Tariff C.I.P. - T.O.D.

**RATE.**

I. Capacity Charge.

The Capacity Charge, stated in \$/kW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year. The auction price will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the 5 highest coincident peaks established for the class at the time of the 5 highest PJM hourly values. The price will be further adjusted for demand losses (DL) and a factor to reflect the PJM-required reserve margin (RM).

$$\text{Capacity Charge} = \text{RPM} \times \text{DF} \times \text{DL} \times \text{RM}$$

Where:

RPM = Results of the annual RPM auction price applicable to the AEP load zone = \$3.404/ \$5.301AcW-month

(I)

DF = Diversity Factor

C.I.P. - T.O.D. = 0.83 \$0.72

(R)

Q.P. = 0.68 \$0.72

(I)

DL = Demand Loss Factor

RM = Reserve Margin = RPM clearing price reserve margin = 1.175 1.165

(R)

(Cont'd on Sheet No. 30-2)

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_ Service rendered on and after June 29, 2010

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY  
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated

KENTUCKY POWER COMPANY

Original Sheet No. 30-2  
Canceling \_\_\_\_\_ Sheet No. 30-2

P.S.C. ELECTRIC NO. 9

**TARIFF R.T.P.**  
(Experimental Real-Time Pricing Tariff)

RATE (continued).

2. Energy Charge.

The Energy Charge, stated in \$/KWH, will be determined hourly using the AEP East Load Zone Real-Time Location Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL). The charge will be applied to the usage in excess of the customer-designated level for each billing period.

$$\text{Energy Charge} = \text{LMP} \times \text{EL}$$

Where:

LMP = AEP East Load Zone Real-Time Locational Marginal Price

EL = Energy Loss Factor excluding marginal losses for transmission and subtransmission

3. Transmission Charge

The Transmission Charge, stated in \$/kW, will be determined from the Network Integration Transmission Service (NITS) rate for the AEP East Zone. The NITS rate will be adjusted by the class average diversity factor (DF) derived from billing demands for the preceding year and the coincident peak established for the class at the time of the highest AEP East Zone hourly value. The price will be further adjusted for demand losses (DL).

$$\text{Transmission Charge} = \text{NITS} \times \text{DF} \times \text{DL}$$

Where:

NITS = NITS Rate for the AEP East Zone = \$1.7574 / 2.1116/kW

DF = Diversity Factor

C.I.P. - T.O.D. = 0.83 / 0.66

Q.P. = 0.67 / 0.63

DL = Demand Loss Factor

4. Other Market Services Charge.

The Other Market Services Charge, stated in \$/KWH is developed using all other PJM related market costs allocated to Kentucky Power Company from PJM not captured elsewhere. It is applied to all usage in excess of the customer-designated level for each billing period.

Secondary = \$0.002915 / \$0.002499/KWH

Primary = \$0.002842 / \$0.002404/KWH

Subtransmission = \$0.002800 / \$0.002359/KWH

Transmission = \$0.002765 / \$0.002337/KWH

5. Distribution Charge.

The Distribution Charge, stated in \$/kW, is equivalent to the distribution portion of the current rates included in Tariff Q.I and Tariff C.I.P. - T.O.D.

Secondary = \$4.46 / \$7.39/kW

Primary = \$2.77 / \$4.34/kW

KENTUCKY POWER COMPANY

Original Sheet No. 30-3  
Canceling \_\_\_\_\_ Sheet No. 30-3

P.S.C. ELECTRIC NO. 9

**TARIFF R.T.P.**  
**(Experimental Real-Time Pricing Tariff)**

**RATE (continued).**

6. Program Charge.

The Program Charge is \$150 per month for billing, administration and communications required to implement and administer the Experimental Real-Time Pricing Tariff.

7. Riders.

Bills rendered under this Tariff for RTP usage shall be subject to any current or future non-generation related riders.

A customer's total bill shall equal the sum of the RTP bill for all usage in excess of the customer-designated level and the standard tariff bill for usage equal to or below the designated level.

**DELAYED PAYMENT CHARGE.**

This tariff is due and payable in full on or before the due date stated on the bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

**METERED VOLTAGE.**

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to all metered quantities. In such cases, the metered kWh and kW values will be adjusted for billing purposes. If the Company elects to adjust kWh and kW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

**MONTHLY BILLING DEMAND.**

Billing demand in kW shall be taken each month as the highest single 15-minute integrated peak in kW as registered during the month by a demand meter. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months. The RTP monthly billing demand shall be the customer's monthly billing demand in excess of the customer-designated level.

**TERM.**

Customers who participate in this experimental tariff are required to enter into a written service agreement. Customers must enroll for a 12-month period and must stay with the service for an entire year. Customers who choose not to re-enroll in the program are ineligible to return to the program. No additional customers will be placed under this tariff after July 1, 2012.

KENTUCKY POWER COMPANY

Original Sheet No. 30-4  
Canceling \_\_\_\_\_ Sheet No. 30-4

P.S.C. ELECTRIC NO. 9

**TARIFF R.T.P.**  
(Experimental Real-Time Pricing Tariff)

**TRANSFORMER AND LINE LOSSES.**

Demand losses will be applied to the Capacity and Transmission Charges using the following factors:

Secondary = ~~1.09752~~-1.10221

Primary = ~~1.06908~~ 1.06570

Subtransmission = ~~1.04605~~-1.04278

Transmission = ~~1.03056~~-1.03211

(I)  
(R)  
(R)  
(I)

Energy losses will be applied to the Energy Charge using the following factors:

Secondary = ~~1.05938~~-1.06938

Primary = ~~1.03361~~-1.02972

Subtransmission = ~~1.01667~~-1.00954

Transmission = ~~1.01310~~-1.00577

(I)  
(R)  
(R)  
(R)

**SPECIAL TERMS AND CONDITIONS.**

This tariff is subject to the Company's Terms and Conditions of Service.

A customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE Service rendered on and after June 29, 2010

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY  
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER	)	
COMPANY TO WITHDRAW ITS TARIFF RTP	)	CASE NO.
PENDING SUBMISSION BY THE COMPANY	)	2012-00226
AND APPROVAL BY THE COMMISSION OF A	)	
NEW REAL-TIME PRICING TARIFF	)	

**PUBLIC VERSION**

**KENTUCKY INDUSTRIAL UTILITY CONSUMERS, INC.'S RESPONSES  
TO KENTUCKY POWER'S DATA REQUESTS**

**REQUEST:**

Please refer to page 9 (lines 14-22) and page 10 (lines 1-7) of Mr. Baron's testimony. For each calendar monthly period from July 1, 2012 to present please:

- a. identify by amount, date, and time (in fifteen minute intervals) the load, if any, Marathon shifted from a higher priced period to a lower priced period.
- b. identify by amount, date, and time (in fifteen minute intervals) the new load, if any, Marathon added to a lower priced period.
- c. identify the basis for any actions identified in response to subparts (a) and (b) to this data request, including, but not limited to, operating requirements, forced shut downs or limitations of operations, emergencies, and previously planned shut downs or limitations of operations.

**RESPONSE:**

KIUC objects to this request on the grounds that such information is already available to Kentucky Power.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER	)	
COMPANY TO WITHDRAW ITS TARIFF RTP	)	CASE NO.
PENDING SUBMISSION BY THE COMPANY	)	2012-00226
AND APPROVAL BY THE COMMISSION OF A	)	
NEW REAL-TIME PRICING TARIFF	)	

**PUBLIC VERSION**

**KENTUCKY INDUSTRIAL UTILITY CONSUMERS, INC.'S RESPONSES  
TO KENTUCKY POWER'S DATA REQUESTS**

**REQUEST:**

Please refer to page 9 (lines 14-22) and page 10 (lines 1-7) of Mr. Baron's testimony. For each calendar monthly period from July 1, 2012 to present please:

- a. identify by amount, date, and time (in fifteen minute intervals) the load, if any, AK Steel shifted from a higher priced period to a lower priced period.
- b. identify by amount, date, and time (in fifteen minute intervals) the new load, if any, AK Steel added to a lower priced period.
- c. identify the basis for any actions identified in response to subparts (a) and (b) to this data request, including, but not limited to, operating requirements, forced shut downs or limitations of operations, emergencies, and previously planned shut downs or limitations of operations.

**RESPONSE:**

KIUC objects to this request on the grounds that such information is already available to Kentucky Power.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER	)	
COMPANY TO WITHDRAW ITS TARIFF RTP	)	CASE NO.
PENDING SUBMISSION BY THE COMPANY	)	2012-00226
AND APPROVAL BY THE COMMISSION OF A	)	
NEW REAL-TIME PRICING TARIFF	)	

**PUBLIC VERSION**

**KENTUCKY INDUSTRIAL UTILITY CONSUMERS, INC.'S RESPONSES  
TO KENTUCKY POWER'S DATA REQUESTS**

**REQUEST:**

Please refer to page 9 (lines 14-22) and page 10 (lines 1-7) of Mr. Baron's testimony. For each calendar monthly period from July 1, 2012 to present please:

- a. identify by amount, date, and time (in fifteen minute intervals) the load, if any, Air Products shifted from a higher priced period to a lower priced period;
- b. identify by amount, date, and time (in fifteen minute intervals) the new load, if any, Air Products added to a lower priced period.
- c. identify the basis for any actions identified in response to subparts (a) and (b) to this data request, including, but not limited to, operating requirements, forced shut downs or limitations of operations, emergencies, and previously planned shut downs or limitations of operations.

**RESPONSE:**

KIUC objects to this request on the grounds that such information is already available to Kentucky Power. Without waiving such objection, Air Products has neither shifted load nor added any new load to a lower-priced period since July 1, 2012. KIUC notes that these actions are not required in order to take service under Tariff RTP.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER	)	
COMPANY TO WITHDRAW ITS TARIFF RTP	)	CASE NO.
PENDING SUBMISSION BY THE COMPANY	)	2012-00226
AND APPROVAL BY THE COMMISSION OF A	)	
NEW REAL-TIME PRICING TARIFF	)	

**PUBLIC VERSION**

**KENTUCKY INDUSTRIAL UTILITY CONSUMERS, INC.'S RESPONSES  
TO KENTUCKY POWER'S DATA REQUESTS**

**REQUEST:**

Please refer to page 9 (lines 14-22) and page 10 (lines 1-7) of Mr. Baron's testimony. For each calendar monthly period from July 1, 2012 to present please:

- a. identify separately and individually by amount, date, and time (in fifteen minute intervals) the load, if any, EQT Gathering LLC - Jenkins Compressor Station, EQT Gathering LLC - Oliver Compressor Station, EQT Gathering LLC - Blackberry Compressor Station, EQT Gathering LLC - Myra Compressor Station, EQT Gathering LLC - Perry Compressor Station, EQT Gathering LLC - Right Beaver Compressor Station, and EQT Gathering LLC - Rockhouse Compressor Station each shifted from a higher priced period to a lower priced period;
- b. identify by amount, date, and time (in fifteen minute intervals) the new load, if any, EQT Gathering LLC - Jenkins Compressor Station, EQT Gathering LLC - Oliver Compressor Station, EQT Gathering LLC - Blackberry Compressor Station, EQT Gathering LLC - Myra Compressor Station, EQT Gathering LLC - Perry Compressor Station, EQT Gathering LLC - Right Beaver Compressor Station, and EQT Gathering LLC - Rockhouse Compressor Station each added to a lower priced period.
- c. identify the basis for any actions identified in response to subparts (a) and (b) to this data request, including, but not limited to, operating requirements, forced shut downs or limitations of operations, emergencies, and previously planned shut downs or limitations of operations.

**RESPONSE:**

KIUC objects to this request on the grounds that such information is already available to Kentucky Power.

TARIFF Q.P.  
 (Quantity Power)

AVAILABILITY OF SERVICE.

Available for commercial and industrial customers with demands less than 7,500 KW. Customers shall contract for a definite amount of electrical capacity in kilowatts, which shall be sufficient to meet normal maximum requirements, but in no case shall the contract capacity be less than 1,000 KW.

RATE.

	<u>Secondary</u>	<u>Primary</u>	<u>Service Voltage Subtransmission</u>	<u>Transmission</u>
Tariff Code	356	358	359	360
Service Charge per month	\$ 276.00	\$ 276.00	\$ 662.00	\$ 1,353.00
Demand Charge per KW				
Of monthly on-peak billing demand	\$ 18.51	\$ 15.00	\$ 10.13	\$ 9.00
Of monthly off-peak excess billing demand	\$ 8.65	\$ 5.56	\$ 1.20	\$ 1.10
Energy Charge per KWH	3.285¢	3.233¢	3.201¢	3.176¢

Reactive Demand Charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the KW of monthly metered demand ... \$0.69/KVAR

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the Service Charge plus the Demand Charge per kW multiplied by the billing demand.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by a Surcharge Adjustment based on a percent of revenue in compliance with the Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

(Cont'd on Sheet No. 10-2)

PSC EXHIBIT   1  

KENTUCKY PUBLIC SERVICE COMMISSION	
JEFF R. DEROUEN EXECUTIVE DIRECTOR	
TARIFF BRANCH	
DATE OF ISSUE	July 16, 2010
DATE EFFECTIVE	Service rendered on and after Jun 28, 2010
ISSUED BY	E.K. WAGNER
NAME	E.K. WAGNER
TITLE	DIRECTOR OF REGULATORY SERVICES
ADDRESS	FRANKFORT, KENTUCKY
	6/29/2010

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after Jun 28, 2010  
 ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY  
 NAME TITLE ADDRESS

TARIFF Q.P. (Cont'd.)  
(Quantity Power)

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

DELAYED PAYMENT CHARGE.

This tariff is due and payable in full on or before the due date stated on the bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

( T )

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KVA values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98

MONTHLY BILLING DEMAND.

The on-peak billing demand in KW shall be taken each month as the single highest 15-minute integrated peak in KW as registered during the month by a demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator, but the monthly on-peak billing demand so established shall in no event be less than 60% of the greater of (a) the Customer's contract capacity set forth on the contract for electric service or (b) the customer's highest previously established monthly billing demand during the past 11 months.

Off-peak excess billing demand in any month shall be the amount of KW by which the off-peak billing demand exceeds the on-peak billing demand for the month.

The reactive demand in KVARs shall be taken each month as the highest single 15-minute integrated peak in KVARs as registered during the month by a demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator.

For the purpose of this provision, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M., Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

TERM OF CONTRACT.

Contracts under this tariff will be made for an initial period of not less than two years and shall remain in effect thereafter until either party shall give at least 12 months' written notice to the other of the intention to terminate the contract. The Company reserves the right to require initial contracts for periods greater than two years.

A new initial contract period will not be required for existing customers who change their contract requirements after the original initial period unless new or additional facilities are required.

(Cont'd on Sheet No. 10-3)

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after 6/29/2010
ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY EXECUTIVE ADDRESS
NAME TITLE ADDRESS
6/29/2010
Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated June 28, 2010 KAR 5:011 SECTION 9 (1)

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after 6/29/2010  
ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY EXECUTIVE ADDRESS  
NAME TITLE ADDRESS

TARIFF Q.P. (Cont'd)  
(Quantity Power)

CONTRACT CAPACITY

The Customer shall set forth the amount of capacity contracted for ("the contract capacity") in an amount equal to or greater than 1,000 KW but less than 7,500 KW; in multiples of 100 KW. The Company is not required to supply capacity in excess of such contract capacity except with express written consent of the Company.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

This tariff is available for resale service to mining and industrial Customer who furnish service to Customer-owned camps or villages where living quarters are rented to employees and where the Customer purchases power at a single point for both the power and camp requirements.

This tariff is also available to Customer having other sources of energy supply, but who desire to purchase standby or back-up electric service from the Company. Where such conditions exist the Customer shall contract for the maximum amount of demand in KW which the Company might be required to furnish, but not less than 1,000 KW nor more than 7,500 KW. The Company shall not be obligated to supply demands in excess of that contracted capacity. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

A Customer's plant is considered as one or more buildings, which are served by a single electrical distribution system provided and operated by the Customer. When the size of the Customer's load necessitates the delivery of energy to the Customer's plant over more than one circuit, the Company may elect to connect its circuits to different points on the Customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Customer with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP II or by special agreement with the Company.

KENTUCKY  
PUBLIC SERVICE COMMISSION

JEFF R. DEROUEN  
EXECUTIVE DIRECTOR

TARIFF BRANCH

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after Jun  
ISSUED BY E.K. Wagner DIRECTOR REGULATORY SERVICES FRANKFORT, KY. Brent Hatley  
NAME TITLE ADDRESS EFFECTIVE

6/29/2010

**TARIFF C.I.P. - T.O.D.**  
 (Commercial and Industrial Power - Time-of-Day)

AVAILABILITY OF SERVICE.

Available for commercial and industrial customers with normal maximum demands of 7,500 KW and above. Customers shall contract for a definite amount of electrical capacity in kilowatts which shall be sufficient to meet normal maximum requirements, but in no case shall the capacity contracted for be less than 7,500 KW

RATE.

	<u>Primary</u>	<u>Subtransmission</u>	<u>Transmission</u>	
Tariff Code	370	371	372	( I )
Service Charge per Month	\$ 276 00	\$ 794 00	\$ 1,353 00	( I )
Demand Charge per KW				( I )
On-peak	\$ 16 77	\$ 12 06	\$ 10 98	( I )
Off-peak	\$ 5.56	\$ 1 20	\$ 1 10	( I )
Energy Charge per KWH	2.962¢	2.906¢	2.880¢	( I )

Reactive Demand Charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the KW of monthly metered demand ..... \$0.69/KVAR ( I )

For the purpose of this tariff, the on-peak billing period is defined as 7:00 AM to 9:00 PM for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 PM to 7:00 AM for all weekdays and all hours of Saturday and Sunday.

MINIMUM DEMAND CHARGE.

The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates:

<u>Primary</u>	<u>Subtransmission</u>	<u>Transmission</u>	
\$16.88 /KW	\$12.17/KW	\$11.09/KW	( I )

The minimum billing demand shall be the greater of 60% of the contract capacity set forth on the contract for electric service or 60% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months ( T )

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the Service Charge plus the Minimum Demand Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos 22-1 and 22-2 of this Tariff Schedule, unless the KWH is an industrial who has elected to opt-out in accordance with the terms of the Demand-Side Management Order in Case No. 95-427.

(Cont'd on Sheet No. 11-2)

KENTUCKY PUBLIC SERVICE COMMISSION	
JEFF R. DEROUEN EXECUTIVE DIRECTOR	
TARIFF BRANCH	
DATE OF ISSUE	DATE EFFECTIVE
ISSUED BY	ADDRESS
EFFECTIVE	

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after Jun 22, 2010

ISSUED BY E. R. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT  
 NAME TITLE

Brent Kistley  
 ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2009-00459 dated June 28, 2010

**6/29/2010**  
 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)



TARIFF C.I.P. - T.O.D. (Cont'd.)  
(Commercial and Industrial Power - Time-of-Day)

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos 29-1 through 29-5 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule

DELAYED PAYMENT CHARGE.

This tariff is due and payable in full on or before the due date stated on the bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KVA values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98

MONTHLY BILLING DEMAND.

The monthly on-peak and off-peak billing demands in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered by a demand meter during the on-peak and off-peak billing periods, respectively.

The reactive demand in KVARs shall be taken each month as the highest single 15-minute integrated peak in KVAR's as registered during the month by the demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator.

(Cont'd on Sheet No. 11-3)

DATE OF ISSUE July 16, 2010 DATE EFFECTIVE Service rendered on and after June 6/29/2010

ISSUED BY E. K. Wagner DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY  
 NAME TITLE ADDRESS

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH
6/29/2010

