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JUN 30 2010

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June 30, 2010

HAND DELIVERED

Jeff R. Derouen
Executive Director
Public Service Commission
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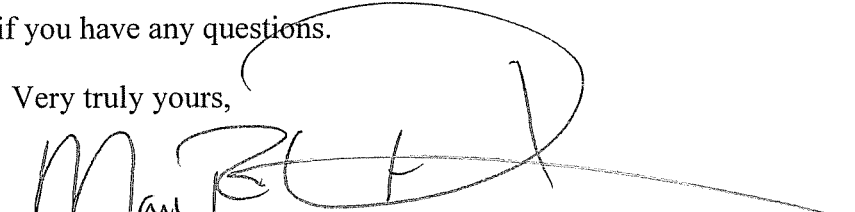
RE: Application of Kentucky Power Company for an Order Approving a Pilot Real-Time Pricing Program for Large Commercial and Industrial Customers, P.S.C. Case No. 2007-00166

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

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

APPLICATION OF KENTUCKY POWER COMPANY)
FOR AN ORDER APPROVING A PILOT REAL-TIME)
PRICING PROGRAM FOR LARGE COMMERCIAL) CASE NO. 2007-00166
AND INDUSTRIAL CUSTOMERS)

ANNUAL REPORT OF KENTUCKY POWER COMPANY
TO COMMISSION ORDER DATED FEBRUARY 1, 2008

June 30, 2010

Kentucky Power Company

REQUEST

Show the range and frequency of hourly integrated AEP-zone Locational Marginal Price (LMP) for a 12-month period.

RESPONSE

Attached as Page 2 of 2 is a summary of the AEP-zone Real-Time LMP for the thirty six month period ending May 31, 2010. This summary shows, for each month, the high, low and average price and the price range. The attachment also shows the number of hours during the month the Real-Time LMP price fell into the price ranges shown on the schedule.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Show the range and frequency of the customer's 15-minute usage profile.

RESPONSE

The Company can not respond as it does not and has not ever had any customers on the Experimental Real-Time Pricing (RTP) Tariff .

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Show the variance of day-ahead and real-time AEP-zone LMP.

RESPONSE

Attached as Page 2 of 2 is a schedule showing the difference between the AEP's Real-Time LMP versus the Day-Ahead LMP for each of the thirty six months for period ending May 31, 2010. The schedule shows the monthly high and low along with the average difference for the month. The schedule also shows the number of hours each month the variance fell into the indicated ranges. As shown on the schedule the average difference for the thirty six month period was \$0.27 per MWh or \$0.00027 per kWh.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide a spreadsheet designed to calculate estimated standard and real time pricing billings.

RESPONSE

Please see the attached CD for an electronic file of the requested information.

WITNESS: Errol K. Wagner/David M. Roush

Kentucky Power Company

REQUEST

Provide any other reports that may be required.

RESPONSE

Attached are four additional schedules supporting the Company's response to these data requests and explaining the operation of the Real -Time Pricing Program.

Attachment 1, is a summary of the AEP-zone Day-Ahead LMP for the thirty six month period ending May 31, 2010. This summary shows, for each month, the high and low Day-Ahead price. The attachment also shows the number of hours during the month the Day-Ahead LMP price fell into the price ranges shown on the schedule. This schedule was used in the development of the Company's response to Item No. 3.

Attachment 2, is a comparison of a 10,000 kW demand customer taking service at the transmission voltage delivery on the CIP-TOD Tariff versus the same customer taking service under the RTP Tariff. This graph demonstrates that the cross over point is at approximately 200 hours per month, with the RTP Tariff being less costly for loads that operate up to 200 hours per month (up to 28% load factor). For the portion of the customer's load that operates more than 200 hours per month, the Company's standard CIP-TOD tariff is less costly.

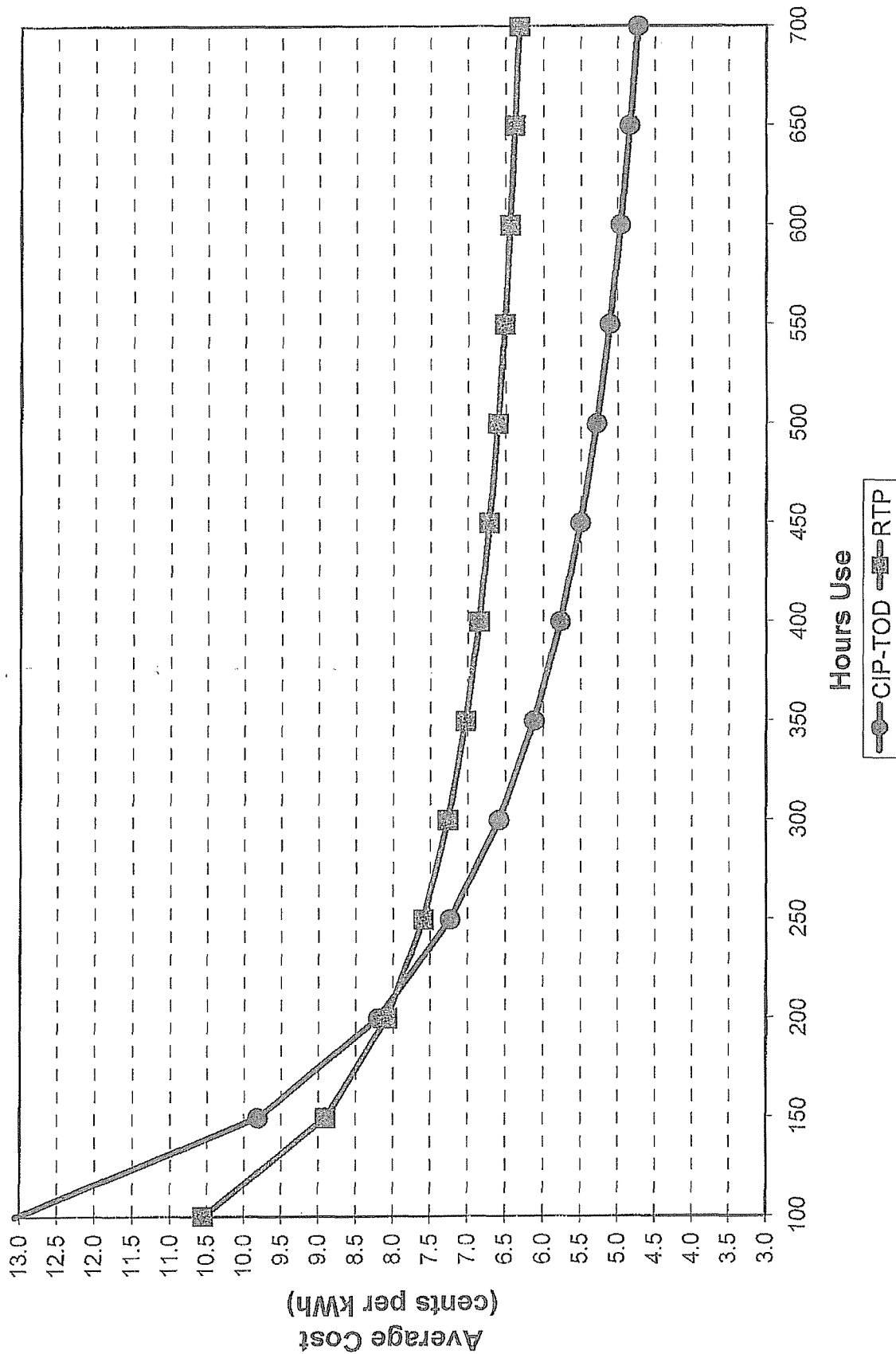
Attachment 3, is a comparison of a 1,000 kW demand customer taking service at the primary voltage delivery on the QP Tariff versus the same customer taking service under the RTP Tariff. This graph demonstrates that the cross over point occurs at approximately 250 hours per month with the RTP Tariff being less costly for loads that operate up to 250 hours per month (up to 34% load factor). For the portion of the customer's load that operates more than 250 hours per month, the Company's standard QP tariff is less costly.

Attachment 4, is an analysis of the 2009 AEP-zone LMP hourly prices. This schedule demonstrates the number of hours throughout 2009 when the LMP hourly prices were greater than KPCo's average rate for both the CIP-TOD and the QP customers.

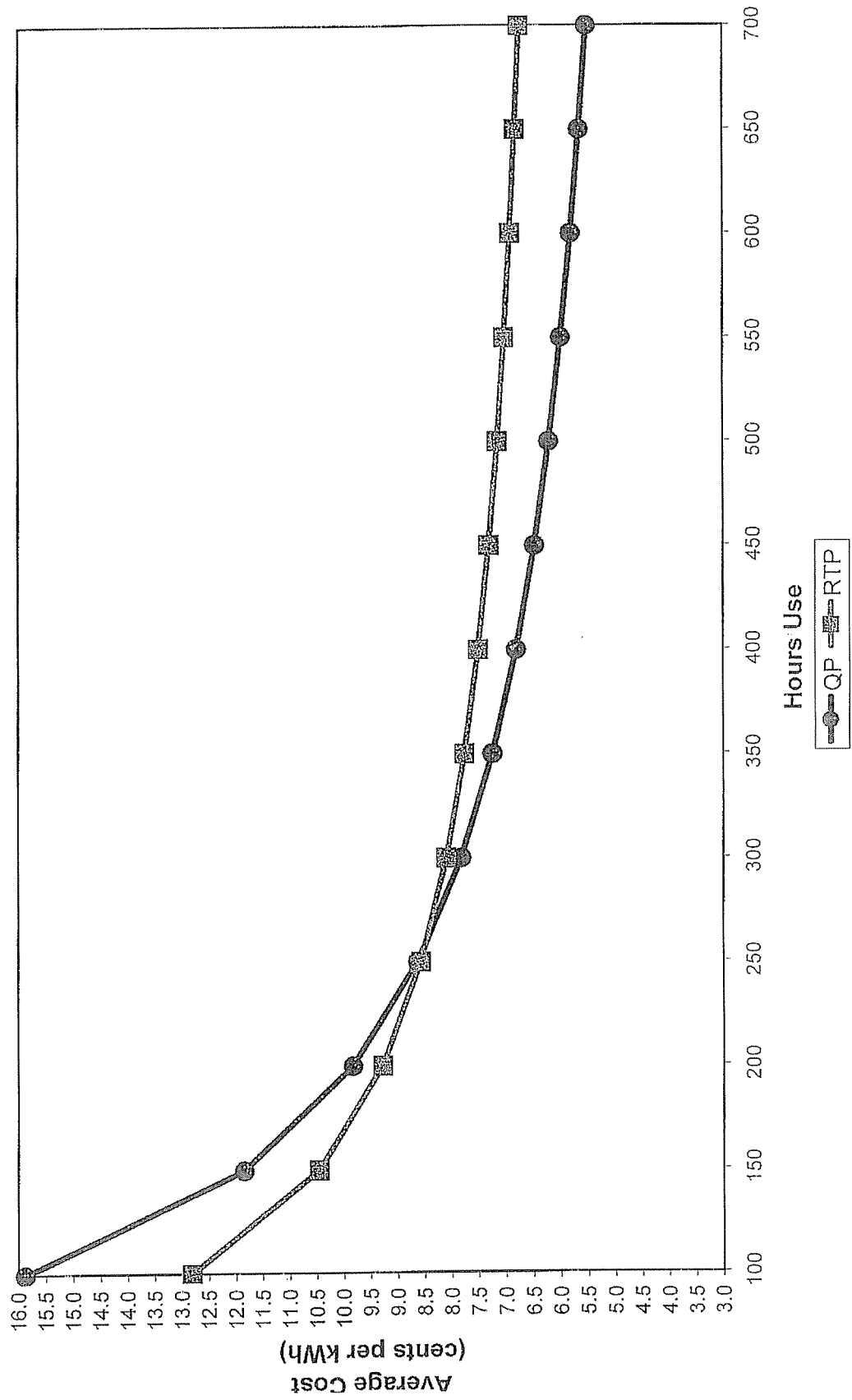
Attachments 2, 3 and 4 illustrate that the Company's RTP program design appropriately recognizes the relationship between the Company's standard tariffs and real time pricing. The Company's RTP program gives customers the flexibility to experiment with real-time pricing by allowing customers to designate a portion of their load as standard tariff load and any load in excess of the designated amount as RTP Tariff load. This approach allows customers to keep their higher load factor usage under standard tariff billing and still have the opportunity to place their lower load factor usage on real time pricing.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company
Comparison of CIP-TOD vs. RTP
10,000 kW Demand - Transmission Voltage



Kentucky Power Company
Comparison of QP vs. RTP
1,000 kW Demand - Primary Voltage



**Kentucky Power Company
 Analysis of 2009 AEP Zone LMP Hourly Prices**

	<u>Real Time LMP \$ / MWH</u>	<u>Hours</u>	<u>% of Annual Hours</u>
Yearly Simple Average of AEP Zone LMP	\$33.82		
Hours >= \$75		142	1.62%
Hours >= \$50		734	8.38%
Maximum	\$174.06		
Off-peak hours		5,120	58.45%
Total Company			
Total Company Average Rate	\$49.69		
Hours < \$49.69		8,006	91.39%
Hours >= \$49.69		755	8.62%
Industrial Classes			
QP Average Rate	\$49.47		
Hours >= \$49.47		768	8.77%
CIP - TOD Average Rate	\$46.10		
Hours >= \$46.10		1,018	11.62%
Industrial Classes			
Energy Only Charge			
KP CIP-TOD - Transm Energy Charge Average	\$32.61		
Hours >= \$32.61		3,572	40.78%
Energy Only Charge			
KP QP - Transm Energy Charge Average	\$36.39		
Hours >= \$36.39		2,433	27.77%

Kentucky Power Company

REQUEST

Provide the current number of program participants.

RESPONSE

The Company does not have and has never had any customers on the RTP Tariff.

WITNESS: Errol K. Wagner/Roush

Kentucky Power Company

REQUEST

Provide the type of industry or primary business activity of each participant.

RESPONSE

Please see the Company's response to Item No. 6. While the Real-Time Pricing Tariff is not targeted to a particular industry or business activity, the analyses provided in this report indicate that customer's having a portion of their existing load that is low load factor could benefit from the RTP Tariff. In addition, customers that can temporarily increase production to take advantage of opportunities in their product market or advantageous conditions in the energy market may also benefit from the RTP Tariff.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide the number of participants that have withdrawn from the program and the reason for such withdrawal.

RESPONSE

Please see the Company's response to Item No. 6.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide the average, minimum and maximum monthly electrical usage and cost for program participants during each 12-month reporting period and the 12-month period immediately preceding enrollment into the program.

RESPONSE

Please see the Company's response to Item No. 6.

WITNESS: Errol K. Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide all comments and suggestions solicited from program participants.

RESPONSE

The Company does not have any RTP Tariff program participants at this time. 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 in 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.

The Company has ongoing, periodic discussions regarding service with customers. The economic downturn and the Company's rate filing were the foremost issues of concern. The customers were most interested in how the downturn would affect the level of production. Some customers also were interested in their utility cost under the Tariffs CIP-TOD or QP off-peak provision rather than the RTP Tariff.

In 2010, the Company has also had specific discussions regarding the RTP Tariff program with one customer.

It's noteworthy to mention that in a recent Commission Order in Kentucky Power Company's 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: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

An evaluation of the program's effect on Kentucky Power's peak and/or base demand as compared to its historical data for the 12-month period immediately preceding implementation of the program.

RESPONSE

The Company does not have any customers on the RTP Tariff. Therefore, the RTP Tariff has not had any effect on the Company's peak and/or base demand.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide a statement of whether the program is achieving the stated objectives and an evaluation of the comments and suggestions of the program participants.

RESPONSE

The RTP Tariff program has helped the Company educate its largest customers concerning the market value of the electricity they consume. In addition, it has also helped educate the customers concerning the type of equipment and changes in operations that would be necessary to take advantage of any hourly pricing product. So even though no customers have elected to take part or all of their service under Tariff RTP, the discussions that have been generated have increased customer understanding and awareness and initiated customer analyses of their operations and the potential under all KPCo service offerings and provisions.

WITNESS: Errol K Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide the program costs to the date of the report, along with the details of any deviations from the program budget contained in the Company's application.

RESPONSE

The total RTP programming administrative costs as of May 31, 2010 were \$1,072,151, of which KPCo's share is \$326,607. The total programming costs were allocated based upon the number of retail customers between I&M and KPCo, the only AEP East Companies who have a RTP Tariff.

The Company's application did not contain specific budgeted program costs. Therefore, the Company is unable to detail any deviations.

WITNESS: Errol K. Wagner/David M Roush

Kentucky Power Company

REQUEST

Provide a cumulative comparison of the information furnished in Item No. 9 of this filing to allow year-to-year comparison of program results.

RESPONSE

See the Company's response to Item No. 9.

WITNESS: Errol K Wagner/David M Roush