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November 23, 2010

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PUBLIC SERVICE  
COMMISSION

Mr. Jeff R. Derouen  
Executive Director  
Kentucky Public Service Commission  
PO box 615  
211 Sower Blvd.  
Frankfort, KY. 40601

Re: Case No. 2010-00095

Mr. Derouen:

Kentucky Power Company is writing this letter to inform the Commission of changes that have occurred in one of our DSM programs approved by the Commission in Case No. 2010-00095.

On August 10, 2010, the KPSC issued an order in Case No. 2010-00095 approving the implementation of the Residential Efficient Products program. The original program filing submitted February 26, 2010 included a 3 year projected program cost totaling \$435,150. The cost breakdown included program administrative costs of \$127,000, customer incentives of \$291,150, and program evaluation costs of \$17,000.

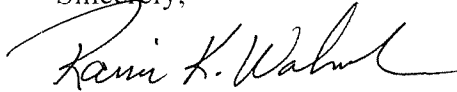
Two vendors responded to the Company's request for bid proposal issued June 3, 2010. The low cost bid and preferred vendor for this program provided a contract proposal totaling \$817,823 with administrative costs totaling \$468,053. The second vendor responded with a program bid totaling \$938,850 with administrative costs totaling \$636,000. Both of these proposals were for a three year period. Notwithstanding the amount by which the bids exceeded the estimate, the Total Resource Cost ratio for the Residential Efficient Products program continues to be very positive.

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With the administrative costs coming in much higher than expected, the Company convened the DSM Residential Collaborative to inform the members of the higher costs and to get their decision on whether to continue with this program. The DSM Residential Collaborative unanimously approved continuing the Residential Efficient Products program previously approved by the Commission at the increased program funding levels. The Company is moving forward to implement the Residential Efficient Products program.

If there are any questions or concerns, please contact me at 502-696-7004.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ranie K. Wohnhas".

Ranie K Wohnhas  
Mgr. Director Regulatory/Finance

RKW:jkr