

1 previous paragraph are made, the Total Tracked Power Cost is determined (line 26).

2
3 The Total Tracked Power Cost (line 26) is divided by the actual or forecasted Delivered
4 Load MWh (line 28) to arrive at the Unit cost per MWh (line 29) (Forecasted Delivered
5 load was determined by multiplying Load MWh (GPI) (line 27) by 93.5% (considering a
6 6.5% loss factor)).

7 Tracked Mills in Rates (line 31) represents the unit cost of power in rates. The detail
8 associated with this amount is reflected in Exhibit (KRK-3). The amount was determined by
9 adding variable fuel, purchases and interchange, wheeling and secondary sales components
10 of power costs from the Electric Cost of Service Study (Docket UE-921262). Rate
11 changes as a result of the Company's PRAMs and Merger Stipulation, for purposes of this
12 calculation, were then added to the Cost of Service Study amounts to arrive at the total
13 tracked power costs in rates (\$485,423,763). The power costs in rates were then divided
14 into energy delivered per the Electric Cost of Service Study (19,622,026,883) to arrive at
15 the tracked mills in rates (\$24.74).

16
17 Unit Cost per MWh Actual/Forecast Power Cost (line 29) for each month is then
18 compared to Tracked Mills in Rates (line 31) to arrive at the amount of Rate Increase
19 Needed per MWh (line 33) when multiplied by the Delivered load MWh (line 28). The
20 Rate Increase Needed reflects the amount by which the Company's power costs exceeds
21 or is less than that reflected in rates or the amount of the deferral.

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Q. What is the projected impact of the proposed rider on the Company's customer's rates?

A. Based on the Company's calculation shown in Exhibit (KRK-2), the surcharge will result in an increase of approximately 1.122 cents per kilowatt hour through April 30, 2002. The rate will change effective May 1, 2002 based upon estimated costs and revenues for the following twelve months.

Q. Are there any factors that may offset the impact of a surcharge upon customer rates?

A. Yes, the Company's Residential Exchange Program will provide an increase in the amount of credit per kilowatt hour to residential customer's bills beginning in January 2002 through September 30, 2002 of .265 cents, from October 1, 2002 through May 31, 2006 of .600 cents, from June 1, 2006 through September 30, 2006 of 1.050 cents. The increased credit provided would partially offset the impact that the surcharge would have on those customers.

Q. Does this conclude your testimony?

A. Yes.

[BA012690.116]