COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF AMERICAN ELECTRIC POWER COMPANY, INC., KENTUCKY POWER COMPANY AND LIBERTY UTILITIES CO. FOR APPROVAL OF THE TRANSFER OF OWNERSHIP AND CONTROL OF KENTUCKY POWER COMPANY	))))))	CASE NO. 2021-00481

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 March 28, 2022 in this proceeding;

- Certification of the accuracy and correctness of the digital video recording;

- All exhibits introduced at the evidentiary hearing conducted on March 28, 2022 in this proceeding;

- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on March 28, 2022.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at https://youtu.be/ObZGIvMhDCo.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 4th day of May 2022.

Linda C. Bridwell
Executive Director
Public Service Commission of Kentucky

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CERTIFICATION

I, Candace H. Sacre, hereby certify that:

1. The attached flash drive contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on March 28, 2022. The Formal Hearing Log, Exhibits, and Exhibit List are included with the recording on March 28, 2022;

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

3. The digital recording accurately and correctly depicts the Formal Hearing of March 28, 2022; and

4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of March 28, 2022, and the time at which each occurred.

Signed this 29th day of April, 2022.

Candace H. Sacre

Candace H. Sacre
Administrative Specialist III

Stephanie Schweighardt

Stephanie Schweighardt
Notary Public State at Large ID#: 614400
Commission Expires: January 14, 2023

Session Report - Detail

2021-00481 28Mar2022

American Electric Power Company, Inc. (AEP), Kentucky Power Company (Kentucky Power) and Liberty Utilities Co. (Liberty)

Date:	Type:	Location:	Department:
3/28/2022	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Chad Burnett; Aaron Doll; Peter Eichler; Steve Herling; Drew Landoll; Michael McCuen; Michael Mosindy; Brad Parker; Jeff Plewes; Jill Schwartz; David Swain
Judge: Kent Chandler; Amy Cubbage
Clerk: Candace Sacre

Event Time	Log Event	
9:05:07 AM	Session Started	
9:05:16 AM	Chairman Chandler	
	Note: Sacre, Candace	We are on the record in Case No. 2021-00481, Electronic Joint Application of American Electric Power Company, Inc., Kentucky Power Company, and Liberty Utilities Co. for Approval of the Transfer of Ownership and Control of Kentucky Power Company.
9:05:34 AM	Chairman Chandler	
	Note: Sacre, Candace	My name is Kent Chandler. I am Chairman of the Kentucky Public Service Commission. I am joined today by Vice Chairman Amy Cubbage.
9:05:40 AM	Chairman Chandler	
	Note: Sacre, Candace	COVID and videoconferencing recommendations. (Click on link for further comments.)
9:06:52 AM	Chairman Chandler	
	Note: Sacre, Candace	The purpose of today's hearing is to take evidence on the application in this matter.
9:06:57 AM	Chairman Chandler	
	Note: Sacre, Candace	At this time, entry of appearance of counsel.
9:07:04 AM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Todd Osterloh and Jim Gardner, along with in-house counsel Sarah Knowlton and Kenneth Tillotson
9:07:20 AM	Atty Glass AEP/Kentucky Power	
	Note: Sacre, Candace	Katie Glass and Mark Overstreet, appearing pro hac vice Christen Blend, John Crespo, Hector Garcia Santana, and Tanner Wolframm.
9:07:42 AM	Asst Atty General Cook	
	Note: Sacre, Candace	Lawrence Cook, and with me John Horne and Mike West.
9:07:51 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Mike Kurtz and Jody Kyler Cohn.
9:07:57 AM	Atty Grundmann Walmart	
	Note: Sacre, Candace	Carrie Grundmann.
9:08:04 AM	Atty Goss LS Power	
	Note: Sacre, Candace	Mark David Goss.
9:08:13 AM	Atty Miller Sierra Club	
	Note: Sacre, Candace	Matthew Miller and Joe Childers.
9:08:22 AM	Gen Counsel Vinsel PSC	
	Note: Sacre, Candace	Nancy Vinsel and Heather Temple.
9:08:26 AM	Chairman Chandler	
	Note: Sacre, Candace	Public notice. (Click on link for further comments.)

9:08:40 AM	Chairman Chandler	
	Note: Sacre, Candace	Outstanding motions. (Click on link for further comments.)
9:09:08 AM	Chairman Chandler	
	Note: Sacre, Candace	Public comments. (Click on link for further comments.)
9:36:34 AM	Chairman Chandler	
	Note: Sacre, Candace	Procedural discussion. (Click on link for further comments.)
9:38:56 AM	Chairman Chandler	
	Note: Sacre, Candace	Anything else under advisement? (Click on link for further comments.)
9:39:18 AM	Chairman Chandler	
	Note: Sacre, Candace	Call first witness.
9:39:23 AM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Peter Eichler.
9:39:40 AM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
9:39:48 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Examination. Name and address?
9:40:02 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Direct Examination. By whom employed?
9:40:06 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Title?
9:40:12 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Prepare and cause be filed direct and rebuttal?
9:40:21 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Sponsor responses to data requests?
9:40:25 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Adopt testimony and responses as testimony today?
9:40:42 AM	Chairman Chandler	
	Note: Sacre, Candace	Procedural discussion. (Click on link for further comments.)
9:41:20 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Cook?
9:41:30 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Cross Examination. Isn't true Liberty due diligence performed in support of petition revealed Kentucky Power annual plant investment -
9:41:37 AM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Mr. Chairman, want to make sure, some of due diligence under confidential. (Click on link for further comments.)
9:41:49 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Will restart, true Liberty due diligence performed in support of petition revealed Kentucky Power annual plant investment as a multiple of depreciation expense substantially lower other AEP affiliates as well as other industry peers?
9:42:27 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Was significant concern expressed Liberty due diligence and repeated response to KIUC Response 1-76?
9:42:47 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Ask read from Response to KIUC 1-76, see provided subpart (a) and subpart II, see that?
9:43:34 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Read that section?
9:44:18 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Also true Kollen analysis on trend further verified pattern Liberty identified when compared Kentucky Power distribution investment as multiple depreciation expense to other IOUs in Kentucky?

9:44:50 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	True Kentucky Power reliability metrics come in almost last in state?
9:45:04 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	That trend also manifested in higher amount Kentucky Power pays distribution maintenance expense per customer compared other IOUs in state?
9:45:44 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Direct testimony public interest utility acquisition function of impact on customers, correct?
9:46:05 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty intends to restructure Kentucky Power as locally-based stand-alone facility subject to more limited affiliate agreements than has today?
9:46:21 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty depriving this Commission opportunity examine impact more limited affiliate agreements have on retail rates?
9:46:31 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	True instead of presenting agreements this Commission under existing statute governing agreements Liberty intends present to FERC?
9:47:18 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty not presented Commission analyses regarding effect proposed transfer have on retail rates?
9:47:53 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty intends hire 100 employees perform functions AEP Servco and other affiliates perform?
9:48:08 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Kentucky Power responsible portion of total cost and benefits associated with AEP affiliates, including Servco that employ personnel?
9:48:25 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Kentucky Power enjoys synergy having employees of other affiliates, including servco, performing work/services on behalf of Kentucky Power?
9:49:18 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Fair analogy Liberty plan recreate Kentucky Power as stand-alone reinventing wheel?
9:50:00 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Be significant costs in hiring 100+ full-time employees?
9:50:16 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	But, if not for this acquisition, none of costs be incurred?
9:50:31 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	All costs get transferred to ratepayers?
9:50:49 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Once AEP transition services agreement ends, if Kentucky Power not hire 100 new employees, Liberty unable operate Kentucky Power?
9:51:17 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	One of reasons for TSA transition services agreement is Kentucky Power relies on AEP transmission and distribution control centers?
9:51:46 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Under Liberty control company have to establish own transition and distribution control centers on stand-alone basis?
9:52:24 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	With 100+ employees coming on line, have to be new building built or rented?

9:53:10 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Agree closing and until day well after closing company not able operate transmission and distribution systems stand-alone and will need rely on AEP for services through duration TSA?
9:53:41 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Response to discovery stated Liberty plans terminate Kentucky Power current program selling account receivables?
9:53:53 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Aware Commission reflects savings in financing costs in company revenue requirement through cash working capital lead-lag calculations?
9:54:08 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Aware savings reflected revenue requirement difference in grossed-up rate of return compared short-term interest charged by AEP Credit excluding bad debt expense?
9:55:06 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Agree AG/KIUC recommendation for $578 million compensation paid to customers not paid by and not harm Liberty but compensation from AEP to company customers mitigate rate effect increased cost structure under Liberty?
9:56:14 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	In application, Liberty discusses intends acquire/construct 1.5 GW solar generation?
9:56:31 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Why not?
9:57:55 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Also true renewable generation need more capacity than total load requirements due to essential intermittent nature of renewable generation?
9:58:26 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Customers paying for this in rates?
9:58:45 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Customers already paying for stranded costs early retirement Big Sandy 2?
9:59:06 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Also already paying for prematurely retired equipment related to smaller Big Sandy 2?
9:59:19 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Some time in future, Kentucky Power interest in Mitchell units be retired and retirement come at point in time prior to end of Mitchell units useful lives?
9:59:48 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Customers paying stranded costs four prematurely retired coal units plus costs entirely new set of power generation equipment, way shapes up?
10:00:42 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Paying for prematurely retired plants as well as new set of generation equipment quite a bill impact?
10:01:10 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Not think big bill impact?
10:01:25 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	If Commission approve transaction, Liberty acquiring monopoly service territory?

10:01:36 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Generation planning, Liberty willing commit using competitive bid process using RFP mechanism rather than economic analysis using projected values market prices, fuel costs, other inputs?
10:02:15 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	$40 million Eastern Kentucky Fuel Relief Fund proposed, EKFRF, how long last?
10:02:45 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Sole funding source EKFRF shareholder contributions?
10:02:53 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Would mean $242 credit dispersed per meter?
10:03:21 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Also proposed delay collecting Big Sandy decommissioning rider, BSDR, Liberty refers to as rate holiday?
10:03:35 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Not mean Liberty forgiving $80.7 million total owed under BSDR?
10:04:51 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Securitization, want make sure one thing out of hearing Liberty today committing seeking securitization from Kentucky legislature?
10:05:19 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	BSDR holiday only be postponing recovery amounts owed?
10:05:37 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	During postponement, company customers pay carrying charges based on weighted average cost of capital on deferred payments?
10:06:02 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Examination. Clarifying question, $27 million current revenue requirement Big Sandy decommissioning rider update?
10:06:22 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Split between residential/nonresidential but about $27 million a year?
10:06:29 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Look at like mortgage, principal and interest?
10:06:36 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Working down from balance instead working up to balance of $215 million?
10:06:44 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Proposal is although not recovering weighted average cost of capital are accruing WAC not paid down during rate holiday, accurate?
10:06:58 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Full two-fifteen accrue return weighted average cost of capital but not reduced because not revenue?
10:07:09 AM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Examination. Not able be securitized after rate holiday payments start back, pay interest on interest?
10:07:42 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Examination. Amendment to settlement or stipulation Kentucky Power entered into, settlement Big Sandy East retirement rider, levelized basis through 2040, was retirement date Big Sandy 2, proposal modify settlement extend whatever necessary recover using only twenty-six-point-seven levelized amount?
10:08:19 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Other proposal modify decommissioning rider so not have true-up?

10:08:34 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Recover $27 million, not recover annual year balance not change, in calculation next time, relevelize, recalculate zero in 2040, under/over recover rider taken into account calculation next year, proposal commitment not modify calculation, committing recover set amount and run to zero?
10:09:51 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Last year, not $27 million, whatever was to take difference that date and 2040 and levelize it?
10:10:11 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	What saying, instead levelizing running down to twenty-four, wanting levelizing at set amount and expire whenever?
10:10:21 AM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Examination. Liberty done any calculation extra in aggregate this cost ratepayers if allowed run extra years?
10:10:49 AM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	How much money?
10:10:55 AM	Chairman Chandler- witness Eichler	
	Note: Sacre, Candace	Examination. Post-hearing data request, provided savings be rate holiday and $40 million fuel savings, provide calculation if three-year deferral occurs without securitization, costs net against savings that will report?
10:10:56 AM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS EICHLER
	Note: Sacre, Candace	PROVIDE CALCULATION THREE-YEAR DEFERRAL WITHOUT SECURITIZATION
10:11:28 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Cross Examination (cont'd). Adjunct to Chairman request, like to know if break that down on average residential ratepayer's bill, what bill impact look like?
10:11:29 AM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	ASST ATTY GENERAL COOK - WITNESS EICHLER
	Note: Sacre, Candace	BREAK DOWN BILL IMPACT ON AVERAGE RESIDENTIAL RATEPAYER BILL
10:11:55 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Kentucky Power weighted WAC 7.5 percent?
10:12:10 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	In exchange have for deferring BSDR costs three years will see line item grow by 7.5 percent?
10:12:49 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Carrying charges added to principal, pay off over longer period of time?
10:13:03 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Rebuttal, state combination EKFRF and BSDR rate holiday largest savings ever offered in Kentucky for acquisition of utility?
10:13:21 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Aware in 2007-00562 and 2007-00563 Commission confirmed over 10-year period LG&E/KU merger surcredit mechanism provided ratepayers quarter billion savings per customer basis?
10:13:53 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	If securitization not adopted in Kentucky, rate holiday not save anyone money?
10:14:16 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Proposed securitize BSDR Mitchell plant retirement when occurred?

10:14:28 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Why Liberty not securitize 2021 winter storm damage cost?
10:14:37 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Other utilities out west done that, as sure are aware?
10:15:07 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Direct, Liberty aware concerns sufficiency of investments Kentucky Power infrastructure, Liberty have concerns?
10:15:27 AM	TECHNICAL DIFFICULTIES.	
10:17:40 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Cook, want to reask?
10:18:14 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty leave it there being aware people's concerns, or Liberty have own concerns?
10:18:52 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty have plans to do anything about infrastructure issues?
10:19:07 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	In direct, stated thermal generation important role cannot and will not disappear overnight, by thermal generation mean fossil fuel?
10:19:23 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Not disappear, under Algonquin and Liberty corporate models will disappear?
10:20:10 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Look at rebuttal page 17, line 3, reading (click on link for further comments), read that and read through end line 9?
10:21:40 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Liberty willing agree to condition in event Commission subsequent rate case find one of three things: rates impacted negatively, acquisition premium charged, or rates increasing five to ten percent disaffiliation with AEP, Kentucky Power agree to full litigation any of impacts?
10:22:53 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Ask in post-hearing data request?
10:22:54 AM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	ASST ATTY GENERAL COOK - WITNESS EICHLER
	Note: Sacre, Candace	IN EVENT COMMISSION FIND ONE OF THREE THINGS KENTUCKY POWER AGREE TO FULL LITIGATION OF ANY OF IMPACTS
10:23:03 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Explain what filings Liberty making at FERC proposed transfer of control?
10:23:04 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	Ask that in post-hearing data request?
10:23:21 AM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	ASST ATTY GENERAL COOK - WITNESS EICHLER
	Note: Sacre, Candace	TRANSFER OF CONTROL FILINGS MADE AT FERC BY LIBERTY
10:23:36 AM	Asst Atty General Cook - witness Eichler	
	Note: Sacre, Candace	As result of Duke Energy merger with Progress, FERC conducted audits company books, among items audited whether costs pushed down to operating company level, did find some pushed down, Liberty and Kentucky Power agree provide records any FERC audits?
10:24:53 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Kurtz?
10:24:57 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Cross Examination. Aware AG/KIUC position requests no additional money from Liberty?

10:25:18 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	$578 million damages come from AEP not Liberty?
10:25:39 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	All money in recommendation go to rate relief to consumers?
10:26:03 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	First $59 million to Liberty Rockport regulatory asset, next $42.5 million to Liberty ice storm regulatory asset, $75 million transmission hold-harmless five years, remainder bill credit?
10:26:31 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Those rate reductions create head room allow Liberty invest because consumers can only pay so much?
10:27:16 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	$40 million fuel fund credit proposed in rebuttal?
10:27:25 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	All from Liberty?
10:27:28 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	How much from AEP?
10:27:30 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	$20 million of AEP?
10:27:34 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Don't know additional money AEP willing to contribute before walk and transaction not close?
10:27:53 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Understand AEP net cash $1.4 billion?
10:28:09 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	If AEP walked and restarted process, $1.4 billion cash be foregone until new transaction in place?
10:28:32 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Headroom issue, fuel adjustment gone up?
10:28:45 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Coal prices doubled, maybe tripled?
10:28:52 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Natural gas doubled?
10:29:00 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Transmission costs go up, increases be reflected in fuel adjustment clause coal and gas?
10:29:14 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Eats up headroom?
10:29:18 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Transmission costs go up automatically through PPA?
10:29:28 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	TCJA rider expire when new base rates set on 1-1-24?
10:29:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Automatic rate increase by elimination of credit plus increase whatever ask base rate increase?
10:29:56 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Base rate increase plus elimination of TCJA credit, increasing rates two ways elimination of credit and base rate increase?
10:30:18 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Negative be expiration Rockport unit power agreement in Dec 2022?
10:30:30 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	$50.8 million fixed-cost savings contract expires?
10:30:37 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Have to be replacement capacity but nowhere near $50.8 million?

10:30:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	System shrunk last 18 years?
10:30:48 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Rate CC $6.2 million year terminate Dec 8 2022 when Rockport agreement expires?
10:31:21 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Above cost of service payment, Rate CC?
10:31:32 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Confirm $186 million net present value above cost, call penalty fees, consumers will have paid, confirm accurate?
10:32:03 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Agree and why any additional contribution by AEP go to mitigate headroom in addition to $20 million?
10:32:17 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not reviewed any of confidential AEP documents?
10:32:22 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not reviewed your confidential documents either?
10:32:26 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not know who bid on Kentucky Power?
10:32:34 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not know what next-best offer was/will be?
10:32:41 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Agree be big corporate about-face walk from transaction?
10:33:20 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Where expect AEP redeploy $1.4 billion cash?
10:33:36 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Exhibits, email to parties, Package 15, exhibits, handout, marked as KIUC Cross Exhibit 1.
10:34:07 AM	Chairman Chandler	
	Note: Sacre, Candace	KIUC Cross 1. (Click on link for further comments.)
10:35:16 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Chairman and Vice Chair asked questions about this, see if got right, fuel relief fund credits $40 million, half from Liberty, half from AEP?
10:35:39 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	$95.1 million benefits, support securitization and happy proposing that as well?
10:36:06 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Calculation of $95 million net present value benefit be under status quo after three-year holiday consumers pay $2.242 million per month for $217 million month, excuse me, that status quo pre-holiday Jun '22 through June 2040, $486.5 million, first part of calculation?
10:36:47 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Under proposal, three-year holiday, no payments until Jun '25 but extend 20-year period through May 2040 because of securitization, (click on link for further comments), how got $95.1 million net present value benefit, rate holiday and securitization?
10:37:34 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	If securitization legislation passed, really be savings for consumers?
10:37:48 AM	Chairman Chandler	
	Note: Sacre, Candace	Clarify, what asking, it says, second line, deferral and BSTR, it is deferral and securitization? (Click on link for further comments.)

10:38:28 AM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Examination. Different than what I asked about, was asking about deferral present value of what proposal is assuming securitization, my question was know what that is, but what is it if securitization not occur what is net present value assuming accrual carrying charges during rate holiday?
10:38:59 AM	Chairman Chandler	
	Note: Sacre, Candace	Recess until 11 o'clock.
10:39:26 AM	Session Paused	
11:09:35 AM	Session Resumed	
11:09:40 AM	Session Paused	
11:09:50 AM	Session Resumed	
11:09:52 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Osterloh?
11:09:58 AM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Redirect Examination. Clarify one part KIUC Exhibit 1, believe have clarification on that?
11:10:52 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Kurtz?
11:10:59 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Have document marked as KIUC Cross Exhibit 2.
11:11:22 AM	Chairman Chandler	
	Note: Sacre, Candace	Marked as KIUC Cross 2.
11:11:51 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Cross Examination (cont'd). $40 million fuel fund, testified thought be twelve- to eighteen-month usage, this just on annual basis, (click on link for further comments), proposal 75 percent of $40 million go to residential customers?
11:12:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Credit megawatt hour $15.57?
11:12:52 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Broke out remaining $10 million to general service customers, large general service $2 million, IGS remaining $2 million?
11:13:18 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Corresponding credit megawatt hours $15.57 residential, $10.91 general service, $3.54 for large general service, and 99 cents IGS and interruptible?
11:13:43 AM	Vice Chairman Cubbage	
	Note: Sacre, Candace	Ask question, something you prepared and math is your math? (Click on link for further comments.)
11:13:57 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not know kilowatt hour be, know amount of dollars, so not know kilowatt credit these are, pretty representative, agree?
11:14:16 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Page 2 of KIUC Exhibit 2, fuel adjustment regulation, aware all customers billed same fuel adjustment charge?
11:14:32 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Regardless of voltage?
11:14:40 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Tariff general service for nonresidential with usage up to 100 kW fulfilling demand?
11:15:01 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Apply to secondary, primary, or subtransmission customers?

11:15:09 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	LGS, applies customers between 100 kW and megawatt or 1,000 kW?
11:15:22 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Secondary, primary, substransmission, or transmission voltage?
11:15:29 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	IGS any nonresidential above megawatt and be secondary, primary, subtransmission, and transmission?
11:15:44 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Just keep turning, page Form 1 shows customer-by-customer class, there?
11:15:55 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Line 12, commercial sales, 2020 Kentucky Power had 29,358 general service customers, Line 13?
11:16:16 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Those commercial customers get $10.91 kWh credit first page?
11:16:29 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Line 15, large general service commercial customers, 641, get $3.54 megawatt hour credit?
11:16:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Line 17, in commercial class 24 customers take service on rate IGS, get $1 megawatt hour, 99 cents megawatt hour credit?
11:17:03 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Line 26, industrial sales, Line 27 IGS 43 customers get 99 cents megawatt hour?
11:17:20 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	971 GS customers industrial less 100 kW are industrial, get $10.91 megawatt hour credit?
11:17:40 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Say surprising, not think less than 100 kW customer be industrial?
11:17:49 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	General service include White Castle, beer drive-through, small business type places?
11:18:02 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Line 30, large general service between 100 kW and megawatt, 99 industrial, get $3.54 megawatt hour credit?
11:18:20 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Next page, utilities required to report to FERC for 20 largest customers, see listing?
11:18:42 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Next couple pages?
11:18:48 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Marathon Petroleum IGS, get 99 cents megawatt hour, point is have Blackhawk Mining who get 99 cents presumably?
11:19:05 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	One of largest 20 customers and take service at a single site?
11:19:15 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Also, MC Mining get small credit of 99 cents megawatt hour, agree?
11:19:31 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Hospitals get small credit, Line 6, King's Daughters Medical Center, Ashland, Appalachian Regional Healthcare could be multiple, Pikeville Methodist, all get small credit of 99 cents?

11:19:51 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Other coal companies get small credit, turn to very last page, what KIUC and AG did to make a reasonableness check, calculated (click on link for further comments), yield $3.20 megawatt credit for those business customers?
11:20:44 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Is this unreasonable?
11:21:17 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Once becomes money returned to customers, is a rate, asking Commission approve rate, correct?
11:21:38 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	In order provide credit, Commission have to have rate on file that gives money back?
11:21:46 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	And rates nondiscriminatory and so forth?
11:22:00 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Have this marked KIUC Cross 3. (Click on link for further comments.)
11:23:35 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Headroom, customer billing, federal tax cut tariff used by Commission to offset base rate increase, aware?
11:23:56 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Credit expire when new rates set beginning Jan 14 2021 continued until base rates reset in future with proceeding?
11:24:17 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Not occur any faster Jan 1 2024?
11:24:27 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Assume another rate case, residential customers, see how credit skewed towards winter usage?
11:24:38 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Biggest benefit to electric heat customers?
11:24:57 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Average residential customers uses 1,350 kWh per month?
11:25:11 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	How much heating customer use in winter, ballpark?
11:25:29 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	When credit goes away, will hurt residential heat customers?
11:25:49 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	At 2,000 kW a month, $40 increase on winter bill?
11:26:04 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	On top of base rate increase?
11:26:50 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	When business customer credit $6.72 megawatt hour expires, will be for average industrial customer 10 percent rate increase?
11:27:21 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Couple more exhibits, marked KIUC Cross 4, Kollen testimony. (Click on link for further comments.)
11:28:12 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Again, in terms of headroom question, discussed with Mr. Cook, Liberty adopted Kentucky Power/AEP capital budget for purposes of planning?
11:28:32 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Capital budget here double distribution spend beginning 2022 versus had been prior 10 years?

11:29:03 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Average of 2011-2020, $46 million, average of 2022-2030, nine years, $90 million, not adjusted for inflation, CapEx budget distribution higher than historical?
11:29:29 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Next document, familiar with this one, Project Nickel what AEP calling The Sale of Kentucky Power?
11:29:53 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Seen this before?
11:30:14 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Referred to Baron testimony, more than $2.3 billion renewable CapEx, seen this CapEx budget before?
11:30:50 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Rockport situation, settlement said Kentucky Power keep portion of Rockport fixed cost savings $50.8 million a year to earn authorized rate of return for 2023, familiar?
11:31:24 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Settlement to use per-books unadjusted amount of earnings and average equity to calculate that amount?
11:31:37 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	When settlement reached, not know Liberty acquiring Kentucky Power?
11:31:46 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Kollen proposal in testimony use historical test year to not include integration, transition costs, other things in 2023 revenues and expenses not anticipated?
11:32:19 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Gave Liberty a couple of breaks, remove from historic test year $6.2 million capacity charge credit and include as expense Rockport replacement capacity, two known and measurable changes?
11:32:50 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	No rebuttal testimony on that?
11:33:14 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Mr. Cook asked about LG&E/KU merger surcredit approved couple years ago, LG&E acquired KU in 1997, merger savings surcredit five-year period extended for ten years, familiar?
11:33:38 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Those credits happened 20 years ago, started in '97, quarter billion dollars referenced updated today's dollars using discount rate in rebuttal securitization example of seven-and-a-half percent have a much higher present value?
11:34:31 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	What offering $40 million and potential for another ninety-five-point-one nominal assuming legislation, represented was biggest credit, unprecedented or something like that?
11:34:52 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Have to adjust, KU and LG&E five times size of Kentucky Power, have to be taken into account?
11:35:02 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Also take into account credits issued 20-plus years ago and higher present value today than back then?
11:35:20 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	If customer dollar back in 1955, updated today's dollars, be worth more than dollar?

11:35:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Cost to achieve netted out, got net merger surcredits, okay?
11:35:48 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	In any event, surprise you if applied same discount rate seven-and-a-half percent, LG&E/KU merger surcredits more than a billion dollars?
11:36:17 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Last exhibit, KIUC Cross Exhibit 5
11:37:05 AM	Chairman Chandler	
	Note: Sacre, Candace	Mark this KIUC Cross 5.
11:37:29 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Exhibit goes back to Commission's Order, merger surcredits for KU and LG&E attached, applied seven-and-a-half-percent discount rate, yielded billion dollars in net present value merger surcredit, okay?
11:38:04 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Again LG&E/KU five times size, perspective, still pretty significant credit?
11:38:23 AM	Vice Chairman Cubbage	
	Note: Sacre, Candace	Quibbling over a PR point? (Click on link for further comments.)
11:38:40 AM	Vice Chairman Cubbage	
	Note: Sacre, Candace	Credit is what it is? (Click on link for further comments.)
11:38:52 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	KIUC Cross Exhibit 4, cite to the capital budget, agree current rate base Kentucky Power and Kentucky Transco $2.2 billion?
11:39:16 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Capital budget adopted totals $4.75 billion over nine-year period?
11:39:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	With renewables, energy savings, when triple rate base impact on rates?
11:40:45 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	With this type capital spending, really did spend $4.75 billion over next nine years in CapEx, significant impact on rates?
11:41:43 AM	Atty Kurtz KIUC - witness Eichler	
	Note: Sacre, Candace	Renewables result in lower fuel costs not included in CapEx?
11:41:59 AM	Chairman Chandler	
	Note: Sacre, Candace	Like to move to introduce any of exhibits?
11:42:01 AM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Move to introduce all five exhibits.
11:42:06 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Osterloh? (Click on link for further comments.)
11:42:08 AM	Chairman Chandler	
	Note: Sacre, Candace	Will have KIUC Cross 1, 2, 3, 4, and 5 entered into record.
11:42:10 AM	KIUC CROSS EXHIBIT 1	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS EICHLER
	Note: Sacre, Candace	SUMMARY OF EICHLER REBUTTAL PAGES 11-14 AND EXHIBIT PE-R1
11:42:23 AM	KIUC CROSS EXHIBIT 2	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS EICHLER
	Note: Sacre, Candace	807 KAR 5:056 - FUEL ADJUSTMENT CLAUSE AND TARIFFS
11:42:27 AM	KIUC CROSS EXHIBIT 3	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS EICHLER
	Note: Sacre, Candace	FEDERAL TAX CUT TARIFF
11:42:31 AM	KIUC CROSS EXHIBIT 4	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS EICHLER

	Note: Sacre, Candace	KENTUCKY POWER ACTUAL AND BUDGETED DISTRIBUTION PLANT CAPITAL ADDITIONS AND PROJECT NICKEL CAPITAL EXPENDITURES
11:42:33 AM	KIUC CROSS EXHIBIT 5	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS EICHLER
	Note: Sacre, Candace	AG/KICU CALCULATION NET PRESENT VALUE KU/LG&E MERGER SURCREDITS
11:42:44 AM	Chairman Chandler	
	Note: Sacre, Candace	Ms. Grundmann?
11:42:47 AM	Atty Grundmann Walmart - witness Eichler	
	Note: Sacre, Candace	Cross Examination. Clarifying question, Big Sandy decommissioning rider, not think agreed with KIUC calculations benefit securitization obtained assuming 20-year bond three-and-a-half percent?
11:43:26 AM	Atty Grundmann Walmart - witness Eichler	
	Note: Sacre, Candace	Believe Chairman asked to provide impact on customers if securitization not obtained and all have is deferral?
11:43:38 AM	Atty Grundmann Walmart - witness Eichler	
	Note: Sacre, Candace	Interested in middle of those two, which is some level interest paid over deferral period, be a way still provide benefits to customers but not result in what Commissioner Cubbage described as paying interest on interest?
11:44:15 AM	Atty Grundmann Walmart - witness Eichler	
	Note: Sacre, Candace	For purposes of record, be helpful, interested in knowing if some amount of money less than total paid during deferral period, balance could be struck between - believe testimony was, if deferral and no securitization legislation passed, extension be eight years from 2040 to 2048, some way have less than additional eight years, post-hearing data request?
11:44:16 AM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	ATTY GRUNDMANN WALMART - WITNESS EICHLER
	Note: Sacre, Candace	AMOUNT OF MONEY PAID DURING DEFERRAL PERIOD LESS THAN TOTAL, BALANCE STRUCK BETWEEN EXTENSION EIGHT YEARS FROM 2040 TO 2048 AND LESS THAN ADDITIONAL EIGHT YEARS
11:45:00 AM	Atty Grundmann Walmart - witness Eichler	
	Note: Sacre, Candace	Make sure understood, early retirements of Big Sandy 1, equipment from Big Sandy to Mitchell and Rockport, all previously determined/decided prior to initiation of transaction?
11:45:24 AM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Goss?
11:45:26 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Cross Examination. LS owns 836 megawatts in Lawrence Co, current customer of Kentucky Power, aware of that?
11:46:00 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Talk about rates, Liberty intend Kentucky Power file next base rate case for rates effective 1/1/24
11:46:23 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	In course of performing due diligence activities this transaction, Liberty analyze Kentucky Power rate structure?
11:46:41 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Paying $3 billion but not closely analyze rate structure?
11:47:08 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Analysis go deep enough to indicate whether Kentucky Power earning revenues sufficient to equal cost of service plus return?
11:47:38 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	What areas Kentucky Power rate structure causes your company concern?

11:48:22 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Liberty taken action develop preliminary model next rate case rates effective 1/1/24 look like?
11:48:49 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Liberty able estimate order of magnitude 1/1/24 rates effective base rate case?
11:49:17 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Not done preliminary modeling what rate case might look like?
11:49:50 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Said recognize currently Kentucky Power some of highest residential rates in Kentucky?
11:50:05 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Aware Kentucky Power service territory economically challenged, high unemployment, that sort of thing?
11:50:18 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Spate of abnormally high fuel costs, with all in mind, if transaction approved, Liberty agree to condition extended rates-effective date beyond 1/1/24 to 1/1/26?
11:51:07 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	PJM, if Commission approves Liberty purchase Kentucky Power, Liberty intention see Kentucky Power exits from PJM?
11:51:26 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	What is Liberty position?
11:52:08 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Paying $3 billion and telling me no significant review/analysis of staying in PJM good idea for Kentucky Power?
11:52:55 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Liberty or Algonquin own utilities operate in PJM?
11:53:08 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	What about another RTO?
11:53:22 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Not have experience, not have favorable/unfavorable view whether Kentucky Power remain in PJM?
11:53:40 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	If application is approved, Liberty arrangement with AEP, AEP monitor, operate and dispatch Kentucky Power transmission system up to 24 months through bridge power coordination agreement?
11:54:05 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Would include communication with PJM system operators and participation in real-time and day-ahead markets?
11:54:16 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Also include maintaining compliance all reliability requirements?
11:54:26 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	When Liberty gets around to analysis, what principal considerations for Liberty/Kentucky Power be whether Kentucky Power remain member of PJM?
11:55:03 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	If Liberty determines Kentucky Power remain in PJM, what look like?
11:55:24 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	What process be undertaken for Kentucky Power remain in PJM?
11:55:56 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Familiar with Hurling rebuttal?
11:56:02 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	You read it?

11:56:08 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Hurling says, if understand what saying, not a snowball chance in heck Kentucky Power able go through process end up stand-alone Kentucky Power in PJM?
11:56:57 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Understand that once Kentucky Power exit AEP no longer permitted remain in PJM as an AEP affiliate?
11:57:18 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	On permit basis?
11:57:28 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	What is your understanding?
11:57:52 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Have idea about how long process take?
11:58:21 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	If Liberty determined Kentucky Power exit PJM, what would that entail?
11:58:39 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Be exit fees?
11:58:50 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Know whether Kentucky Power exit have to be own balancing authority?
11:59:02 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Not know a whole lot about PJM aspect of case?
11:59:16 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Kentucky Power either stays in or leave, what look like on other end, two hypotheticals?
11:59:58 AM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Timing perspective, if bridge PCA 24 months from date of closing, study undertake, start pretty soon?
12:00:43 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	If Liberty decide Kentucky Power exit PJM, Kentucky Power not on hook for costs associated with exit?
12:01:26 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Read Hoatson testimony?
12:01:36 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Exit PJM be bad idea, agree or disagree?
12:02:08 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	Section 4.8B, stock purchase agreement Aug 26 2021 provides Kentucky Power remain in LSE within PJM, reading (click on link for further comments), understand?
12:03:11 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	If Liberty took two years decide Kentucky Power remain in or exit, what planning year that be?
12:03:43 PM	Atty Goss LS Power - witness Eichler	
	Note: Sacre, Candace	'25-26 or '26-27?
12:04:05 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Miller?
12:04:17 PM	Chairman Chandler	
	Note: Sacre, Candace	Ms. Vinsel?
12:04:21 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Cross Examination. FAC credit, based upon fuel and power purchase cost as compared to base established in rate case or two year FAC?
12:05:11 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Can be reset?

12:05:20 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Fuel adjustment factor referenced being positive, formula involved results in adjustment?
12:05:33 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	FAC credit only be applied if FAC adjustment factor positive, not show up every month?
12:05:55 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Liberty estimated $40 million fund available between 12- and 18-month period?
12:06:18 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Kentucky Power likely in for base rate case rates effective January 2024?
12:06:26 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Know when FAC two-year review period be?
12:06:35 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Expect FAC proceeding opened January 2023 and appear final order out mid-summer, FAC baseline reset August 2023?
12:07:00 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Falls within 12-month period, Liberty thought about how address issue if baseline reset during period?
12:07:43 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Liberty consider tying $40 million credit to other than FAC?
12:08:03 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Kentucky Power report actuals and forecasted on monthly basis, commit continue reporting?
12:08:26 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Reporting part true up FAC across months?
12:08:33 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Credit not have impact on true up?
12:08:43 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Liberty evaluated whether effect on Kentucky Power credit rating Big Sandy decommissioning rider deferral and FAC credit?
12:09:12 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Rockport deferral, exhibits, first one in case record, PSC Staff 1, Liberty Response, Staff Third, Item 5, asked Liberty about excluding certain expenses earned return on equity 2023, look at that?
12:10:18 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Read second to last sentence?
12:10:42 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Settlement term Commission order in conflict, which govern?
12:11:25 PM	Gen Counsel Vinsel PSC	
	Note: Sacre, Candace	Exhibits, three Commission orders, two 2017-00179, January 13 2018 Order and Feb 2018 Hearing Order, and Final Order 2017-00174, Kentucky Power last two rate cases. (Click on link for further comments.)
12:15:23 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Start with Staff Exhibit 2, page 40, 2017 Kentucky Power rate case, term establishment of Rockport deferral mechanism, read last sentence?
12:16:58 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	PSC Staff Exhibit 3, Kentucky Power and KIUC clarification Rockport deferral, page 9, read first paragraph, second sentence?
12:18:46 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Where Commission reserved future decision both ratemaking treatment and recovery in future case?

12:19:01 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Staff Exhibit 4, read on page 64-65, last sentence on page 64?
12:20:44 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Given totality of orders, still stand by response to data request?
12:21:54 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Transaction cost, Liberty committed transition premium and transaction cost not be recovered in rates one time?
12:22:13 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Explain which entity incur transaction with acquisition premium?
12:22:34 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Describe how transaction cost removed from Kentucky Power rates?
12:23:02 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Transaction costs not on Kentucky Power books?
12:23:06 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Issue removing transition costs Kentucky Power earned rate of earned ROE for 2021 Rockport?
12:23:27 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Meant transaction costs?
12:23:46 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Mitchell ownership/O&M agreements, Liberty not named party, what Liberty role in decision draft ownership agreement?
12:24:46 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	From Liberty perspective, why not wait until decision this case to negotiate ownership agreement, AEP entities negotiate ownership agreement?
12:25:29 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Mitchell operating agreement between Kentucky Power and Wheeling, each has 50 percent undivided interest in Mitchell?
12:25:51 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Operated under operating agreement, no ownership agreement?
12:26:00 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Clarify, understanding Commission wanted Kentucky Power enter into operating agreement and separate ownership agreement?
12:26:36 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	If were tell you no Commission order requiring ownership agreement, surprise?
12:27:05 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Any requirement that ownership agreement executed is tied to any Liberty financing commitments?
12:27:33 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Other than party preference, reason why buyout provision not stricken from ownership agreement, negotiated separate agreement?
12:28:26 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Understanding Kentucky statutes affiliate transaction and pricing gets to different result than agreement between nonaffiliated entities, arm's-length transaction?
12:29:03 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Liberty or Kentucky Power receiving any local or regional tax credit, grant, economic benefit proposal add 100 jobs in region?
12:29:31 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	In rebuttal, offered commitment establish vice president customer advocacy, similar positions other Liberty subsidiaries?

12:30:13 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Other than benefits might derive from that, Liberty quantified/measured benefits having position involved in advocacy?
12:30:40 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	To degree know, negotiations AEP master leases terminated upon transaction closing, know status of those?
12:31:11 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Goss and AG Cook asked about Liberty has subsidiary participant in Southwest Power Pool (SPP), Empire district?
12:31:33 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Who provides transmission operations and control from Empire point of view?
12:31:45 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Empire staff/Liberty staff provide service?
12:31:53 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Not third party?
12:32:00 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Questioning integrative resource planning IRP, aware last Order IRP Kentucky Power slated file next IRP December 2022?
12:32:19 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	If Commission approve this, take time to close, how impact planning or conducting evaluation for IRP?
12:33:20 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Greening of fleet and renewables, impact on IRP evaluation?
12:33:57 PM	Gen Counsel Vinsel PSC	
	Note: Sacre, Candace	Procedural discussion. (Click on link for further comments.)
12:34:22 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Back to IRP, Kentucky Power ask for extension?
12:34:40 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Transmission costs, testimony from intervenors cost shifting, asked about related transactions taking place before FERC, aware that AEP filed revisions to PJM OATT?
12:35:26 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Filing remove annual revenue requirement Kentucky Power and Kentucky Transco?
12:35:40 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Aware Liberty filed proposed OATT for stand-alone formula transmission rates for Kentucky Power and Kentucky Transco?
12:35:49 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	When say Kentucky Transco, talking Kentucky Transmission?
12:35:56 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Correct Kentucky Power remain in AEP East Zone as nonaffiliate member?
12:36:13 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Should be clear talking about interim, not whatever decided participation in PJM in future?
12:36:23 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Aware AEP East Zone multi-state zone?
12:36:32 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Know how many states?
12:36:45 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Kentucky, Indiana, Michigan, Ohio, West Virginia, Virginia, and Tennessee?

12:36:51 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Understand way AEP East Zone costs incurred, all costs treated local?
12:37:01 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	As result, any upgrades/projects other areas, costs allocated across zone?
12:37:16 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Under Liberty filing FERC, Kentucky Power continue to be allocated zone-wide costs?
12:37:31 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Initially, recognize as nonaffiliate allocation methodology different, your understanding?
12:37:46 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Both this case and recent rate case, AG witness filed testimony cost shifting, Commission long-standing concern, aware recent Order 2020-00174 to mitigate transmission cost issues?
12:38:40 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Acknowledging transaction not closed, Liberty considered how costs be mitigated?
12:39:23 PM	Gen Counsel Vinsel PSC - witness Eichler	
	Note: Sacre, Candace	Final question, in response, said Liberty motivation acquiring Kentucky Transco for future commercial opportunities such as intrastate transmission needs not tied to Kentucky Power, expand upon that?
12:40:55 PM	Gen Counsel Vinsel PSC	
	Note: Sacre, Candace	Staff move Exhibits 1 - 4 into record. (Click on link for further comments.)
12:41:55 PM	Chairman Chandler	
	Note: Sacre, Candace	Objection? (Click on link for further comments.)
12:42:28 PM	Chairman Chandler	
	Note: Sacre, Candace	Entered as PSC Staff Exhibits 1, 2, 3, and 4.
12:42:29 PM	PSC STAFF EXHIBIT 1	
	Note: Sacre, Candace	GEN COUNSEL VINSEL PSC - WITNESS EICHLER
	Note: Sacre, Candace	CASE NO. 2021-00481 COMMISSION STAFF THIRD SET OF DATA REQUESTS MAR 8 2022 KPSC 3_5
12:42:30 PM	PSC STAFF EXHIBIT 2	
	Note: Sacre, Candace	CASE NO. 2017-00179 JAN 18 2018 ORDER
	Note: Sacre, Candace	GEN COUNSEL VINSEL PSC - WITNESS EICHLER
12:42:31 PM	PSC STAFF EXHIBIT 3	
	Note: Sacre, Candace	GEN COUNSEL VINSEL PSC - WITNESS EICHLER
	Note: Sacre, Candace	CASE NO. 2017-00179 FEB 18 2018 HEARING ORDER
12:42:32 PM	PSC STAFF EXHIBIT 4	
	Note: Sacre, Candace	GEN COUNSEL VINSEL PSC - WITNESS EICHLER
	Note: Sacre, Candace	CASE NO. 2020-00174 FINAL ORDER
12:42:33 PM	Chairman Chandler	
	Note: Sacre, Candace	Recess until 1:45 pm.
12:42:56 PM	Session Paused	
1:50:09 PM	Session Resumed	
1:50:21 PM	Chairman Chandler	
	Note: Sacre, Candace	Vice Chair?
1:50:29 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Examination. Commenters this morning, commitments to region Liberty made, history of economically distressed areas, why, how create value and still maintain affordable rates for ratepayers?

1:53:03 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	How translated into rates, how long Liberty owned Empire?
1:53:17 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Rate increase yet?
1:53:26 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Projected at time of acquisition?
1:54:31 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Commenters in favor mentioned economic development commitments, any specific commitments made that are not in record?
1:55:12 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Board, appears initial board Liberty Central Region board, directors incumbent and no Kentucky ties?
1:55:48 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Anyone in mind or determined if approved?
1:56:12 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Swain be dedicated only to Kentucky Power or still retain position with Empire?
1:56:36 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	How transaction being financed?
1:57:04 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	He is who have got remote?
1:57:11 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Financing, contingencies in documents related to decision of this Commission?
1:57:40 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Bridge PCA, not final?
1:57:53 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Expect to submit for approval?
1:58:21 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Involved in negotiations of Mitchell agreements?
1:58:30 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Mentioned ownership agreement condition precedent to closing?
1:58:42 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	If modified or rejected, would Liberty waive condition?
1:59:30 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Transco, still analyses to be done, based on what do know, Kentucky Power ratepayers bearing lot of costs pushed down because decisions of Transco or FERC filings?
2:00:10 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Investigation show under-investment in Transco?
2:00:23 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Think consolidation of Kentucky Power and Transco benefit to ratepayers?
2:01:36 PM	Vice Chairman Cubbage - witness Eichler	
	Note: Sacre, Candace	Read prior orders related to Kentucky Power, Commission discomfort how filings taken to FERC, Liberty plan work more cooperatively with state commissions make sure none of FERC preemption issues?
2:02:40 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Examination. Page 16, Line 12, rebuttal, discussed proposed vice president public advocacy, position in other jurisdictions?
2:03:25 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	That person employee of Kentucky Power?

2:03:44 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Make sure understand role advocate have as employee of Kentucky Power, fiduciary duty to Kentucky Power, disagree?
2:04:19 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Ordinarily, vice presidents rise to level have fiduciary duties, fair enough?
2:04:28 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Know what cost of role like this?
2:05:01 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	How envision role, day-to-day responsibilities, value to customers?
2:06:23 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	One of commitments seek securitization limited to facts and circumstances of Kentucky Power?
2:07:49 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Want to make sure understand is, is only seek advocate for securitization only applicable to Kentucky Power?
2:08:41 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Is your commitment only seek securitization limited to Kentucky Power or seek securitization could be applicable otherwise, way written only limited to Kentucky Power and not advocate any other securitization, could also be read regulatory assets under $50 million and not securitize, commitment limited only securitization applicable Kentucky Power?
2:10:00 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If bill says securitization limited Atmos Gas, Kentucky Utilities, and Kentucky Power, you say can't be for it, only advocate for securitization applicable Kentucky Power, how commitment should be read?
2:10:40 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Exclusively to Kentucky Power?
2:10:50 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Kentucky Transmission Company, understand has rate base neighborhood $100 to $200 million?
2:11:05 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Know how got that rate base, facts and circumstances led it be able invest between $100 and $200 million in transmission system in Kentucky?
2:11:23 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Could you just at a high level?
2:11:34 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Know whether assets result of investments supplemental projects or projects bid on?
2:12:02 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Talking about how use Kentucky Transco, what type of projects Kentucky Transco able to build?
2:13:27 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	What so complicated about Kentucky Transco?
2:14:00 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	What value of AEP Kentucky Transmission Company without owning Kentucky Power?
2:14:16 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Know whether able to add more transmission to Kentucky Transco if not also own Kentucky Power Operating Company?

2:14:27 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Knowledge of fact Kentucky Transco rate base as result of Kentucky Power allocating portion each supplemental project to Kentucky Transco?
2:14:53 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Aware vast majority of rate base in Kentucky Transco result of Kentucky Power allocating portion supplemental projects as completed that ownership to Kentucky Transco?
2:15:20 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If one person owned Kentucky Transco and person unaffiliated owned Kentucky Power, not able do that?
2:15:31 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Aware supplemental projects in PJM completed at behest and only limited to operating companies that own transmission?
2:15:42 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If Kentucky Power had transmission needs, if owned by two different companies, Kentucky Transco owned by Exelon and Kentucky Power owned by AEP, would not be able to do that?
2:16:15 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Aware how transmission rates go up from all the transmission-owning companies in AEP LDA, the AEP Zone, up to FERC, then come back and be allocated both non-AEP and then through AEP East agreement to AEP companies, generally aware?
2:16:40 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If Kentucky Power has FERC transmission revenue requirement, amount goes up and whatever allocated back as cost but what make from federal revenue requirement be offset to retail rates for Kentucky Power?
2:16:57 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	But for AEP Kentucky Transco revenue requirement not offset retail rates, agree?
2:17:10 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Same dollar invested in Kentucky Transco that was invested in Kentucky Power, different impacts on retail rates?
2:17:28 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	They could, they would have different impact?
2:17:32 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Because, one, recovery be offset retail rates?
2:17:40 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Liberty consider purchasing Kentucky Transco or Kentucky Power separately?
2:17:47 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Why is that?
2:18:03 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	All or nothing?
2:18:10 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Know why that would be?
2:18:17 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Why bad for customers if for same investment owned by Kentucky Transco verse Kentucky Power, why negative for customers retail perspective?
2:18:58 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Appreciate Kentucky Transco and Kentucky Power both in same LDA zone as remainder of AEP East operating/transmission companies?

2:19:10 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Agree no difference Kentucky Transco or Ohio one or INM one, same be case, way LDA allocates costs result in cost shift similar AEP Kentucky Transco?
2:19:36 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If other AEP operating companies and AEP transcos within AEP East LDA, insofar allocated and invest more capital, result in cost shift as well?
2:20:06 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	What variables change?
2:20:09 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	All about relative investment?
2:20:12 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Due diligence showed relative other operating companies other states, Kentucky Power has been allocated less capital?
2:20:40 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Understand one of bases for AG/KIUC testimony by Baron about relative difference in investment resulting in deviation between Kentucky Power revenue requirement with and without participation in PJM relative transmission costs?
2:21:09 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Any reason believe stand-alone verse status quo Kentucky Power paying more for transmission expense result of AEP situation?
2:21:49 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	What take away as to conclusion on issue?
2:22:08 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Varying opinions maintaining PJM membership, remember that?
2:22:17 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Who suggested withdrawing from PJM?
2:23:05 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Made number of commitments, one around ring fencing?
2:23:10 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Related to ring fencing, how Liberty receive capital in order to provide capital to operating companies?
2:23:50 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Both equity and debt capital?
2:24:06 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Liberty complete that financing or done at Algonquin level?
2:24:15 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Liberty only owns regulated utility companies?
2:24:22 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Algonquin use ownership of Liberty as way receive lower financing costs for regulated operations?
2:24:43 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Liberty liable to debts of Algonquin or other subsidiaries?
2:25:15 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Which witness?
2:25:42 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Aware of Algonquin CEO comments to Bloomberg following announcement?
2:25:55 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Aware of comments as related to retirement of coal assets and opportunity build renewable assets result of transaction?

2:26:18 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Opportunity retire Mitchell plant 2028 and replace with 1.1 gigawatts and Kentucky exploration of UPA 390 megawatt, 1.1 gigawatts as replacement, remember that?
2:26:34 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Remember him specifically noting UPA in Indiana and Mitchell in West Virginia and opportunity build replacement wind generation in Kentucky be part of Kentucky tax base?
2:26:49 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	How able come to conclusion before closing on this?
2:28:02 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Appreciate enthusiasm seemed be particular and specific?
2:29:10 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Agree comments more directed to shareholders than regulators?
2:29:22 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Appreciate answer but that compounded with planning budget should transaction be consummated and approved not propose replacement generation, replacement renewables, what line in budget is called?
2:30:05 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	When asked, not commit all sources RFP process tend to indicate not interested in open solicitation/preference least cost/most reasonable resource planning, decision already made, what other evidence supports that not case?
2:32:24 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Will just say, when limits placed at outset, not know customers well served, as Commission been put in positions have to approve something because no other option, (click on link for further comments), not best for customers when things limited?
2:33:30 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	In terms of commitments, better understand what doing resource planning, what missing from capital plan, no consideration energy efficiency/demand response, rebuttal testimony, what those items planned have done as part of business plan take over Kentucky Power?
2:35:32 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Note renewables, call it generation, on capital plan, precludes PPA?
2:35:59 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Not in business of undermining projected capital investments, that would have impact on expectations?
2:36:37 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Have appreciation how Commission allowed utilities retire generation assets?
2:36:53 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	Decision to retire asset is company's economic decisions, but economic consequences of retirement decisions up to Commission?
2:37:12 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If retire asset undepreciated value, defer or write off, economic consequence of decision?
2:37:24 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	If retire generation asset $200 million undepreciated value middle tax year and not get deferral, expense in year for utility?
2:38:00 PM	Chairman Chandler - witness Eichler	
	Note: Sacre, Candace	VP of Customer Advocacy, company had plans for prior to submission of rebuttal testimony or came about during pendency of case?

2:38:21 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Osterloh?
2:38:24 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Redirect Examination. KIUC Exhibit 4, confusion where from, identified from Supplemental Response from KIUC 1-61, correct?
2:39:04 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Reading, (click on link for further comments), this is document produced as supplemental response?
2:39:38 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Witness was Brian West?
2:39:45 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Did Liberty prepare document?
2:40:04 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Statement earlier in testimony Indicated Liberty and AEP align future generation resources?
2:40:14 PM	Atty Osterloh Liberty Utilities - witness Eichler	
	Note: Sacre, Candace	Describe what mean by that?
2:41:09 PM	Chairman Chandler	
	Note: Sacre, Candace	Post-hearing data request context first page KIUC Cross 4, 2012 and forecasted, Handy Whitman Index, values from utility construction cost index, assume Kentucky Power or Liberty or AEP have access to index, interested in incremental amounts each year 2011 through current and forecasted through 2030 as appears on first page.
2:42:25 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness step down, in event recalled ask stick around.
2:42:31 PM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	ATTY OSTERLOH LIBERTY UTILITIES - WITNESS EICHLER
	Note: Sacre, Candace	PROVIDE VALUES HANDY WHITMAN INDEX INCREMENTAL AMOUNTS EACH YEAR 2011 THROUGH CURRENT AND FORECASTED THROUGH 2030
2:42:52 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
2:42:56 PM	Atty Blend Kentucky Power	
	Note: Sacre, Candace	Chad Burnett.
2:44:07 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
2:44:17 PM	Chairman Chandler - witness Burnett	
	Note: Sacre, Candace	Examination. Name and address?
2:44:51 PM	Atty Blend AEP/Kentucky Power - witness Burnett	
	Note: Sacre, Candace	Direct Examination. By whom employed, what position?
2:45:10 PM	Atty Blend AEP/Kentucky Power - witness Burnett	
	Note: Sacre, Candace	Cause responses be filed in record?
2:45:17 PM	Atty Blend AEP/Kentucky Power - witness Burnett	
	Note: Sacre, Candace	Changes or corrections?
2:45:23 PM	Atty Blend AEP/Kentucky Power - witness Burnett	
	Note: Sacre, Candace	Ask same questions, answers be same?
2:45:38 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
2:46:01 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness excused.
2:46:11 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Osterloh, next witness?
2:46:14 PM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	David Swain.

2:47:14 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
2:47:24 PM	Chairman Chandler - witness Swain	
	Note: Sacre, Candace	Examination. Name and address?
2:47:34 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Direct Examination. By whom employed?
2:47:38 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Position?
2:47:46 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	If acquisition approved, what position be after?
2:47:55 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Prepare and cause be filed testimony?
2:48:00 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Sponsor responses?
2:48:04 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Adopt testimony and responses?
2:48:14 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Cross Examination. Met with members General Assembly past few months Liberty purchasing Kentucky Power?
2:48:34 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	When meetings take place?
2:48:44 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How many different legislators in total met with?
2:49:04 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	More than 20?
2:49:08 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What tell them about coal?
2:50:31 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What tell them about natural gas?
2:51:28 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What say continued operations of Big Sandy?
2:51:46 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Know how long plan to extend operation?
2:52:15 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Aware Kentucky has renewable energy policy?
2:52:35 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	State of Kentucky have renewable energy policy?
2:53:36 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Other states Liberty located in, those states have renewable energy policy?
2:54:18 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Algonquin parent company of Liberty?
2:54:25 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Algonquin has carbon-free corporate mandate or goal?
2:54:33 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Fair assume Kentucky Power have carbon- free mandate or goal when Liberty control?
2:54:44 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Plan to live in Kentucky?
2:54:59 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Be person in charge of Kentucky Power when Liberty takes over?
2:55:12 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Who answer to, who be immediate boss?

2:55:19 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Trimblay, say correct?
2:55:23 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Does he work for Algonquin?
2:55:29 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	In new role, stopped by one of customers, ask you what carbon-free Kentucky Power mean for me, what tell them?
2:57:47 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If customer asked whether Kentucky Power burn coal when Liberty takes over, what be response?
2:58:27 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What Liberty consider be renewable energy?
2:58:55 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What Liberty defines?
2:59:08 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What types renewables Liberty be pursuing for Kentucky Power?
3:00:01 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Backup plan for instances when renewable not generating enough or fails meet demand?
3:00:12 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Whatever may be?
3:00:35 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What Kentucky Power utilize for reserve power?
3:01:01 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Agree backup power necessary for sun and wind?
3:01:11 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How much sunshine Kentucky get compared to western United States?
3:01:58 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Snow and ice have impact on solar panels?
3:02:07 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Kentucky not have sufficient wind spin turbine to produce electricity?
3:02:29 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How many acres of land needed in Kentucky to produce one megawatt of solar energy?
3:02:45 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Believe more acres needed produce megawatt versus out west in desert?
3:03:07 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	True renewables coupled battery storage make good story for Wall Street investors, technology just not there?
3:04:10 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What is economic impact of building solar farm?
3:04:22 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Talk about Eastern Kentucky where be located?
3:05:43 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Know how construction workers hired to build solar farm?
3:06:08 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How many workers needed operate solar farm once built?
3:06:32 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty outside Kentucky owns solar farm?
3:06:42 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How many workers at biggest solar farm?

3:07:24 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Know how many workers work currently at Big Sandy gas plant?
3:07:38 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Agree coal and natural gas plants flexible, can be dispatched when sun goes down and wind doesn't blow?
3:08:14 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Coal or gas plant capable running 24/7?
3:08:28 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Solar and wind considered dispatchable energy?
3:08:56 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Believe have testified solar farm not work if sun not shining?
3:09:08 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Put big limit on ability have dispatchable energy?
3:09:23 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	North American Reliability Corporation annual risk assessment called for policies ensuring natural gas remains part of generation mix, stressing flexible resources become more important, agree?
3:09:50 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Believe European Union's anti-carbon energy policy is model for United States to follow:
3:10:32 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Agree without reliable dispatchable energy cost of electricity go up?
3:10:50 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	How Liberty feel about federal Clean Electricity Performance Program legislation?
3:11:11 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Any meaningful battery capacity exist for solar that economical for Kentucky Power?
3:11:39 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty intend to shut down fossil fuel plants across United States?
3:12:04 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Identify place where dispatchable energy dependent upon other than coal, gas, or nuclear?
3:12:31 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Any Liberty utilities depend solely on renewable power to meet demands?
3:12:41 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty committed to building new renewable generation for Kentucky Power?
3:12:53 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Not stated on record within 12 months of taking over place form stakeholder process look at building renewable energy?
3:13:21 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Sounds like committed to building renewable energy, not correct?
3:13:36 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Will Liberty commit to building new fossil fuel generation for Kentucky Power?
3:13:53 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Commit to Kentucky Power using fossil fuel generation when Liberty in control?
3:14:13 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Will Kentucky Power contract for capacity generated by fossil fuels when Liberty in control?

3:14:24 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	In role as president of Liberty, stated earlier answer to someone at Algonquin?
3:14:32 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Who is Algonquin?
3:14:38 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	And what stand for, assume energy business of some sort?
3:15:11 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Aware Algonquin issued 2021 environmental social governance or ESG report last October?
3:15:20 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	In ESG report, states 2,000 megawatts renewables added by 2023, how many of additional megawatts renewable energy Kentucky Power responsible once Liberty in control?
3:15:40 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Still case once Liberty takes over?
3:15:51 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	ESG report speaks to net-zero goal by 2050, what net zero mean?
3:16:07 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Carbon footprint, meaning what?
3:16:34 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	ESG report talks about net zero interim targets, states 75 percent renewable generation by end 2023, if Kentucky Power build new fossil fuel generation negatively impact interim goal?
3:17:11 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Negatively affect able get from 63 percent to 75 percent renewable energies by 2023, interim goal to eventual net zero decision?
3:17:31 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Not move number in opposite direction, Kentucky Power not be building fossil fuel generation?
3:18:16 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If Liberty not retire fossil fuel generation Kentucky Power has, negatively impact 75 percent interim goal?
3:18:33 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If trying to get from 63 percent to 75 percent renewables and bring more fossil fuel generation, change math, not be at 63 percent?
3:18:50 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If Kentucky Power cost Algonquin meet interim 75 percent target, not sit well for you as president?
3:20:04 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Help understand that, two opposing things, one hand study IRPs and do what best, Algonquin your boss saying another thing publicly not add fossil fuels and retire fossil fuels?
3:20:45 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Know if Algonquin calculation of net zero goal includes power purchased on market?
3:21:05 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Familiar with Mitchell plant and case before Commission?
3:21:18 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Kentucky Power consider procuring coal power generated from AEP, perhaps Mitchell after 2028, when Liberty in control?
3:21:48 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Say, IRP says is most affordable but Algonquin says not conformation net zero goal, which one wins out?

3:22:36 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Is the resolution of issues with Mitchell plant condition precedent for sale from AEP to Liberty?
3:23:21 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	No knowledge about issues with Mitchell plant?
3:23:54 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Several Liberty witnesses have testified against sale premium being used for ratepayers?
3:24:04 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	The sale premium KIUC and AG witnesses testified to should be returned to ratepayers, Liberty witnesses testified against that?
3:24:17 PM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Outside of scope of testimony. (Click on link for further comments.)
3:24:42 PM	Chairman Chandler	
	Note: Sacre, Candace	Overrule the objection.
3:24:56 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Aware several Liberty witnesses testified against sale premium used for ratepayers in case?
3:25:12 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	AG and KIUC argument $578 million in sale premium be returned to benefit ratepayers?
3:25:24 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Several Liberty witnesses testified as opposing idea, aware of that?
3:26:17 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If improvements are made to Kentucky Power from proceeds of sales premium, investments Liberty not have to make and ratepayers not pay for in future?
3:26:56 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Does Liberty have operation and maintenance plan for vegetation management when takes over?
3:27:15 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Found any ways to make vegetation management plan work better for ratepayers?
3:27:45 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Reviewing Kentucky Power capital and budgeting needs, true Liberty relied on Kentucky Power cost-structured forecast developed under AEP ownership?
3:28:01 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	So far, Liberty not developed budget or forecast Kentucky Power that independent assumptions budgetary models?
3:28:14 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty not developed own capital and operating expense budgets Kentucky Power?
3:28:25 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty not adopted budgets commit Kentucky Power same or lower cost than occur under AEP ownership?
3:28:38 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Understand Kentucky Power customers have highest electric bills in Commonwealth?
3:29:00 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Understand many Kentucky Power customers economically challenged?
3:29:08 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Understand economical challenges faced in Kentucky Power service territory?

3:29:25 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Kentucky Power customers most challenged in entire country, agree?
3:29:59 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Kentucky Power service territory as whole seen decline in population, employment, electrical load over past 15 years?
3:30:23 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Given economic challenges and decline in population, employment, electric load, what makes Kentucky Power such attractive investment?
3:33:16 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Aware most of area adjacent Kentucky Power service territory served by electric co-ops?
3:33:25 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Not believe co-op model better serve ratepayers in Kentucky Power service territory given challenges?
3:33:36 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Liberty guarantee Kentucky Power rates same/lower average co-op rate five years?
3:34:18 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Go back to customer on street, what tell them immediate benefit when Liberty takes over?
3:37:45 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	If Commission agreed to put sales premium aside for benefit of ratepayers, would that not be beneficial for Liberty and Kentucky Power?
3:38:26 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Be beneficial to Kentucky Power customers?
3:38:44 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	What tell same customer why Liberty oppose returning $578 million to Kentucky Power customers?
3:39:10 PM	Asst Atty General Horne - witness Swain	
	Note: Sacre, Candace	Happening in this case, have witnesses opposing idea, how explain customer asks why oppose that idea?
3:39:33 PM	Chairman Chandler	
	Note: Sacre, Candace	Recess until 4 pm. (Click on link for further comments.)
3:41:28 PM	Session Paused	
4:08:37 PM	Session Resumed	
4:08:55 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Kurtz?
4:08:59 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Cross Examination. Talked about one of benefits transaction 14 to 16 percent rate reduction residential customers?
4:09:12 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Page 15, Eichler rebuttal testimony, see bottom set of numbers, summary based on 12-month average?
4:10:02 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Residential customer projected to save $21 month 12-month period?
4:10:18 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Residential share of $20 million contribution Liberty and $20 million contribution AEP for $40 million fuel fund?
4:10:33 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	One-time, one-year deal, after 12 months expire?

4:10:49 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Shows $21 benefit for fuel and $9 decommissioning rider holiday, see that?
4:11:11 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Of $30 savings, fuel is 70 percent and one-time, one-year amount, decommissioning rider $9 is three-year holiday?
4:11:31 PM	Atty Osterloh Liberty Utility	
	Note: Sacre, Candace	Indicated not prepare, not familiar, object. (Click on link for further comments.)
4:12:11 PM	Chairman Chandler	
	Note: Sacre, Candace	Then would ask those questions.
4:12:17 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	$20 million AEP contribution, $20 million Liberty contribution one-time rebate/refund to consumers?
4:12:30 PM	Atty Kurtz KIUC - witness Swain	
	Note: Sacre, Candace	Three-year holiday decommissioning rider pay me now/pay me later just timing issue unless securitization legislation?
4:13:15 PM	Chairman Chandler	
	Note: Sacre, Candace	Ms. Grundmann?
4:13:18 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Cross Examination. Go back address issues discussed, confirm Kentucky Power today aware owned by parent company?
4:13:43 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Aware AEP set net zero carbon goal 2050?
4:13:49 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Same goal as your company set?
4:13:57 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	ESG report, aware other companies have ESG goals?
4:14:10 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Aware are customers and companies interested in renewable energy in support of ESG, other corporate goals?
4:14:21 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Familiar U S Steel agreed build $2.7 billion sheeting steel mill in Appalachian Power West Virginia territory in part APCo agreed pursue renewable energy?
4:14:42 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Be beneficial ratepayers Eastern Kentucky economic development opportunity or interested in locating Eastern Kentucky?
4:14:57 PM	Atty Grundmann Walmart - witness Swain	
	Note: Sacre, Candace	Think having renewable energy way incentivize economic development in Eastern Kentucky?
4:15:11 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Goss?
4:15:12 PM	Atty Goss LS Power - witness Swain	
	Note: Sacre, Candace	Cross Examination. Not see educational qualifications, mind sharing qualifications with Commission?
4:15:55 PM	Chairman Chandler?	
	Note: Sacre, Candace	Questions?
4:16:02 PM	Chairman Chandler	
	Note: Sacre, Candace	Ms. Vinsel?
4:16:14 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Cross Examination. Direct, discussed Liberty experience transition services agreement Granite State Electric Energy North, New Hampshire, process happen while president?

4:16:40 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Occur while in leadership role with utility?
4:16:58 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Generalized information, with transition services, in New Hampshire, time frame transition services offered?
4:17:34 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Not ongoing, permanent-type relationship?
4:17:38 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Truly a transition?
4:17:41 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Kentucky Power within own region?
4:17:55 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Not just be Kentucky Power, over time other utilities acquired?
4:18:04 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Within Liberty subsidiary structures, each region, board of directors?
4:18:14 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Regional board of directors also serve as board of directors for each utility in region?
4:18:31 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Misspoke, regional board of directors, service as board of directors for each utility within that region?
4:18:50 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	In this case, be independent director resident/customer within Kentucky Power, that model, use in other Liberty subsidiaries?
4:19:13 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	State more clearly, are there independent directors each company service territory that serves on board of directors?
4:19:38 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Another issue, economies of scale, former position in Central Region, other companies acquired in region over time, those types acquisitions present opportunities shared services in addition shared services provided by Liberty?
4:20:32 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Shared services within a region?
4:20:37 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Say what kinds opportunities are?
4:20:58 PM	Gen Counsel Vinsel PSC - witness Swain	
	Note: Sacre, Candace	Positions separate from centralized services?
4:21:19 PM	Chairman Chandler	
	Note: Sacre, Candace	Vice Chair?
4:21:22 PM	Vice Chairman Cubbage - witness Swain	
	Note: Sacre, Candace	Examination. Also answer to board of directors?
4:21:52 PM	Vice Chairman Cubbage - witness Swain	
	Note: Sacre, Candace	Questions from local officials, economic development commitment to region, specific tangible commitments made or discussion broad commitment Liberty expects make to region?
4:22:38 PM	Vice Chairman Cubbage - witness Swain	
	Note: Sacre, Candace	Those specific tangible commitments made may not be in record, pledges of support for local organizations honored for two years?
4:23:02 PM	Vice Chairman Cubbage - witness Swain	
	Note: Sacre, Candace	Any other commitments?
4:23:22 PM	Chairman Chandler - witness Swain	
	Note: Sacre, Candace	Examination. Aware grant programs that customers fund economic development purposes?

4:23:54 PM	Chairman Chandler - witness Swain	
	Note: Sacre, Candace	In response Vice Chairman, specifically discussed with individuals, part of considerations discussed?
4:24:35 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Redirect Examination. Questions related whether or not Liberty look various generation sources, recall?
4:24:52 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Said if and when makes sense, would consider, recall?
4:25:04 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Part of that include IRP process?
4:25:14 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	If acquisition goes through, Liberty owns Kentucky Power, who responsibility Kentucky Power IRP?
4:25:28 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	So Kentucky Power?
4:25:32 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	In addition evaluating new generation and IRP, pursue certain direction, also go through CPCN process?
4:25:54 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Questions Liberty net carbon 63 percent, interim goal 75 percent, recall?
4:26:08 PM	Chairman Chandler	
	Note: Sacre, Candace	Have to get audible response, not nod head.
4:26:16 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Mentioned offset, mean depends on what Liberty subsidiaries do with generation?
4:26:37 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Liberty has certain ESG goals?
4:26:46 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Understanding goals reset on acquisition?
4:26:55 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Are you responsible for ESG goals?
4:27:04 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Who would be?
4:27:10 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Corporate meaning Liberty?
4:27:13 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Liberty have one individual in charge of that, responsible looking at ESG goals?
4:27:29 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Would team determine how new acquisition factored into ESG goals?
4:27:48 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Questions customers receive benefit if AEP paid $578 million, recall?
4:28:01 PM	Atty Osterloh Liberty Utilities - witness Swain	
	Note: Sacre, Candace	Believe be a deal in this case if requirement by AEP pay $578 million?
4:28:21 PM	Chairman Chandler	
	Note: Sacre, Candace	Thank you, Mr. Swain
4:28:24 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
4:28:26 PM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Drew Landoll.
4:28:46 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.

4:28:54 PM	Chairman Chandler	
	Note: Sacre, Candace	Examination. Name and address?
4:29:04 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Direct Examination. By whom employed?
4:29:08 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Position there?
4:29:11 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Prepare and cause be filed direct?
4:29:16 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Sponsored responses?
4:29:20 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Adopt testimony and responses today as testimony?
4:29:32 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Cross Examination. Not file rebuttal?
4:30:41 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Direct, page 8, line 3, CalPeco Electric, read first paragraph?
4:31:17 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Service territory challenging?
4:31:23 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Page 11, have SAIDI and SAIFI numbers for Liberty utilities, and CalPeco at bottom?
4:31:47 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Eight years of data?
4:31:56 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	SAIDI, duration of interruptions?
4:32:07 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Average 250.17 minutes?
4:32:19 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	SAIFI, frequency, average 2.08 occurrences?
4:32:31 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Read first two sentences?
4:33:04 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Quantify significant under-investment and system upkeep previous owner led to challenging reliability performance?
4:33:20 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Mark KIUC Cross Exhibit 6, in Kollen testimony, page 49-50.
4:33:41 PM	Chairman Chandler	
	Note: Sacre, Candace	Mark KIUC Cross 6.
4:34:52 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	SAIDI and SAIFI numbers for Kentucky Power and other utilities in Kentucky, reviewed?
4:35:13 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Information filed with Commission on annual basis?
4:35:25 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	EEI requires all utilities in country report this information annually?
4:35:35 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	As well as CAIDI?
4:35:43 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Page 1, Kentucky Power at top, major event dates, see Kentucky Power SAIDI duration 856.39 minutes?
4:36:18 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	If CalPeco challenging reliability 250 minutes, not say Kentucky Power more challenging at 856 minutes?

4:36:50 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Excluding MED, Kentucky Power at 443 compared CalPeco at 250?
4:37:01 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	SAIFI excluding MED higher than CalPeco also?
4:37:01 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Still on stubble?
4:37:23 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	First page 2016-2020, page 2, Kentucky Power listed second in list of Kentucky utilities with SAIDI excluding MED at 473 minutes 2011-2015 time period?
4:37:57 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Double challenging CalPeco?
4:38:04 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	SAIFI 2.5 versus 2.08?
4:38:16 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	If Liberty acquires Kentucky Power, Liberty take on obligations Kentucky Power agreed to regulatory commitments?
4:38:41 PM	Atty Kurtz KIUC	
	Note: Sacre, Candace	KIUC Cross 7, prior commitment Kentucky Power made when CSW merger consummated in 1999.
4:39:38 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	When Kentucky Power and CSW merged in '99, Kentucky Power gave customers merger surcredit, aware?
4:39:51 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Kentucky Power made certain reliability commitments, Attachment C Settlement Agreement, flip through Appendix C?
4:40:29 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Page 1 of 6 of Attachment C, read first paragraph of this commitment?
4:41:18 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Read fourth commitment?
4:42:04 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Reading (click on link for further comments), commitment by AEP and Kentucky Power?
4:42:20 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Says what just read, reading (click on link for further comments), AEP/Kentucky Power made this commitment?
4:42:31 PM	Atty Kurtz KIUC - witness Landoll	
	Note: Sacre, Candace	Understand one of recommendations AG and KIUC AEP compensate ratepayers for failure to live up to reliability commitments?
4:42:59 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
4:43:12 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Cross Examination. Have testimony?
4:43:15 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Page 9, line 9 to middle of 12, read long sentence?
4:43:55 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Within the Southwest power pool?
4:44:02 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Page 13 testimony, line 4, read sentence ends middle line 7?
4:44:31 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Understood Eichler, dedicated team transmission system operators manage day-to-day operations and team of energy marketers demand forecasting and commodity procurements in fact Empire employees?

4:45:10 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	When say centralized service, contracted service or third party?
4:45:26 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	On marketing side, technically not Empire employees but Liberty employees?
4:45:38 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Transmission operators control room Empire employees?
4:45:52 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Know reason why Kentucky Power assuming Liberty consummate transaction not replicate model describe in testimony within PJM control grid like SPP control grid?
4:46:43 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Not suggesting folks in control room at Empire or within SPP also handle PJM, what understood question to be?
4:46:57 PM	Atty Goss LS Power - witness Landoll	
	Note: Sacre, Candace	Question is, if Liberty initiate model Empire property in SPP control grid, not easily replicate same kind of model within PJM system?
4:47:51 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
4:47:53 PM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Move admission of KIUC 6 and 7.
4:47:58 PM	Chairman Chandler	
	Note: Sacre, Candace	Move to introduce these, like to at this time?
4:48:13 PM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Move the admission of KIUC 6 and 7.
4:48:17 PM	Chairman Chandler	
	Note: Sacre, Candace	Objection?
4:48:19 PM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Objection, used only for purposes testified to. (Click on link for further comments.)
4:48:29 PM	Asst Atty General Cook	
	Note: Sacre, Candace	Object to that, of record exhibits. (Click on link for further comments.)
4:49:14 PM	Chairman Chandler	
	Note: Sacre, Candace	Was no objection to foundation, no objection to questions, understand request of limiting really is. (Click on link for further comments.)
4:49:34 PM	Chairman Chandler	
	Note: Sacre, Candace	Overrule objection. (Click on link for further comments.)
4:50:05 PM	Chairman Chandler	
	Note: Sacre, Candace	Enter as KIUC Cross 6 and KIUC Cross 7.
4:50:14 PM	KIUC CROSS EXHIBIT 6	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS LANDOLL
	Note: Sacre, Candace	SAIDI AND CAIFI FOR KENTUCKY POWER COMPARED TO OTHER UTILITIES FIVE-YEAR AVERAGES 2016-2020 AND 2011-2015
4:50:17 PM	KIUC CROSS EXHIBIT 7	
	Note: Sacre, Candace	EXHIBIT PE-R4 COMMITMENTS MADE BY LIBERTY UTILITIES CO.
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS LANDOLL
4:50:20 PM	Chairman Chandler	
	Note: Sacre, Candace	Vice Chair?
4:50:21 PM	Vice Chairman Cubbage - witness Landoll	
	Note: Sacre, Candace	Examination. Exhibit 6, testimony at page 11, CalPeco compared reliability numbers to Kentucky Power, believe also shows under-investment in upkeep by AEP and Kentucky Power?

4:51:40 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Examination. Aware due diligence language referred to today?
4:51:52 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Incorrect or inaccurate?
4:52:05 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Since proved incorrect?
4:52:31 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Not asking about penalties, asking Liberty finding in due diligence believe distribution system under-invested, been proven incorrect by own findings?
4:53:11 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Sounds like saying two different things?
4:53:23 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Number not changed, let me ask, believe Kentucky Power distribution system last ten years adequately capitalized?
4:54:17 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Hope think opportunity additional investment, testimony and evidence provided indicates Liberty intends increase distribution investment?
4:54:30 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Making up for investments think should have been made previously?
4:54:44 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Talking about how utility got to where today, aware 2021 ice storm regulatory asset?
4:55:14 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Think correlation impact major storms have distribution system relative to investment?
4:56:28 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	All things Liberty has in mind when looking at distribution capital investment if transaction approved?
4:56:41 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Let me ask, those type of investments would have been AEP and Kentucky Power made previously?
4:57:10 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Agree for distribution spending inverse correlation between capital investments and O&M expenses?
4:57:30 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Directionally, inverse correlation?
4:57:34 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Part of proposal can increase distribution cap, investment in distribution reduce O&M expense associated with distribution system?
4:57:46 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	As general matter, distribution system investment per customer per line mile, whatever is, and operation expense same distribution system today in line with industry averages?
4:58:15 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	That, and investment expectations?
4:59:04 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	When say close, mean already outside the norm?
4:59:11 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Big part of business model reduce O&M expenses making capital investments that replace whatever spending expenses on, meters (click on link for further comments)?

4:59:44 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Smart metering no meter readers, very little recurring O&M expense, all up for capital?
4:59:56 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Much lower than hiring meter readers?
5:00:02 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	What makes business plan work out?
5:00:34 PM	Chairman Chandler - witness Landoll	
	Note: Sacre, Candace	Be clear, asking about customers, but for utility, where make return, on capital investments, not recurring O&M?
5:00:47 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Osterloh?
5:00:51 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Redirect Examination. Had discussion earlier on due diligence report, is that preliminary in nature?
5:01:01 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	As acquisition progresses, issues Liberty look into further?
5:01:09 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	In someone's specific role?
5:01:16 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Have witness later, Dmitry Balashov, he be involved in that role?
5:01:25 PM	Atty Osterloh Liberty Utilities - witness Landoll	
	Note: Sacre, Candace	Able explain why CalPeco under-invested, or Balashov better address?
5:01:43 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness excused.
5:01:53 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
5:01:56 PM	Atty Osterloh Liberty Utilities	
	Note: Sacre, Candace	Michael McCuen.
5:02:21 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
5:02:28 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Examination. Name and address?
5:02:42 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Direct Examination. By whom employed?
5:02:48 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Title?
5:02:52 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Cause be filed rebuttal testimony?
5:02:58 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Also sponsor responses?
5:03:03 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Corrections?
5:03:16 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Only correction?
5:03:20 PM	Atty Tillotson Liberty Utilities - witness McCuen	
	Note: Sacre, Candace	Adopt responses and rebuttal amended as if provided today?
5:03:36 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
5:03:43 PM	Atty Kurtz KIUC - witness McCuen	
	Note: Sacre, Candace	Cross Examination. Page 6 and 7 rebuttal discuss ADIT, reduction to rate base?

5:05:13 PM	Atty Kurtz KIUC - witness McCuen	
	Note: Sacre, Candace	Represents prepayment of income taxes by consumers utility not yet required remit to federal/state government?
5:05:34 PM	Atty Kurtz KIUC - witness McCuen	
	Note: Sacre, Candace	Prefunded, consumers charged that amount, why reduction to rate base?
5:05:43 PM	Atty Kurtz KIUC - witness McCuen	
	Note: Sacre, Candace	Last Kentucky Power rate case, 2020-00174, Application, Exhibit 1, page 11 or 87, column 4, ADIT proposed for Kentucky jurisdiction $532 million?
5:06:21 PM	Atty Kurtz KIUC - witness McCuen	
	Note: Sacre, Candace	Assuming Liberty acquires Kentucky Power, the day before acquisition effective and day after, ADIT amounts on Kentucky Power books be same?
5:06:53 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
5:07:06 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Examination. Kurtz question, rebuttal about soon Kentucky Power be taxable position, affect ADIT?
5:07:23 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Rebuttal testimony use of NOL?
5:07:33 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Does that change?
5:07:52 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Clarify "their," who that pronoun for "their," whose books?
5:08:32 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Only affect PPE balances, or affect ADIT balance separate reflected in Big Sandy decommissioning rider?
5:08:59 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	New taxable position come up couple years (click on link for further comments), look at that at all?
5:09:42 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Depend on whether state or utility issuer for securitized bonds?
5:10:38 PM	Chairman Chandler - witness McCuen	
	Note: Sacre, Candace	Ask as post-hearing data request assuming transaction goes forward as proposed, if change in taxable position of Kentucky Power to change, status quo of levelized recovery in Big Sandy decommissioning?
5:10:40 PM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS McCUEN
	Note: Sacre, Candace	CHANGE IN TAXABLE POSITION OF KENTUCKY POWER EXPECTED TO CHANGE STATUS QUO OF LEVELIZED RECOVERY IN BIG SANDY DECOMMISSIONING
5:11:48 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
5:11:50 PM	Atty Tillotson Liberty Utilities	
	Note: Sacre, Candace	Michael Mosindy.
5:11:54 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
5:12:07 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Examination. Name and address?
5:12:20 PM	Chairman Chandler	
	Note: Sacre, Candace	Identification of materials before witness. (Click on link for further comments.)

5:12:42 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Direct Examination. By whom employed?
5:12:49 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Title?
5:12:54 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Identify what in front of you?
5:13:17 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Cause be filed rebuttal?
5:13:25 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Data request responses?
5:13:30 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Corrections?
5:13:32 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Adopt as testimony?
5:13:47 PM	Chairman Chandler	
	Note: Sacre, Candace	Mr. Cook?
5:13:50 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Cross Examination. Kentucky Power recent rate case, found rate base provides precise and accurate method calculate revenue requirement, aware?
5:14:15 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Since Commission require rate base, also determine level of cash working capital, correct also?
5:14:28 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Aware last rate case company unwilling conduct lead-lag study, Commission set cash working capital zero although could be negative?
5:14:50 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Aware Commission cited fact company sold receivables which reduced cash working capital requirement?
5:15:04 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Correct comparison whether financing or avoided financing cash working capital not included in rate base, be reflected in revenue requirement Kentucky Power grossed-up cost of capital?
5:15:30 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Aware Commission requiring Kentucky Power calculate cash working capital using lead-lag study?
5:15:50 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	If company no longer sells receivables, revenue lag days cash working capital calculation reflect days company get paid after provides service?
5:16:10 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Forty days or more?
5:16:23 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Result positive addition to rate base?
5:16:33 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Kentucky Power sells receivables every day?
5:16:41 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Means gets cash as soon as records receivables?
5:16:55 PM	Asst Atty General Cook - witness Mosindy	
	Note: Sacre, Candace	Company not wait get cash until customer pays and payment deposited and available?
5:17:14 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?

5:17:29 PM Vice Chairman Cubbage - witness Mosindy
Note: Sacre, Candace — Examination. AG's questions receivables issue, changes to cash working capital, Liberty have issues doing lead-lag study quantify issue next rate case should acquire?
5:18:04 PM Vice Chairman Cubbage - witness Mosindy
Note: Sacre, Candace — Eichler, asked financing contingent on decisions from Commission, know answer to that one?
5:18:38 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Examination. Financing, Liberty holding company be direct parent Kentucky Power?
5:19:06 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Liberty holding company other utilities?
5:19:14 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Liberty held by Algonquin?
5:19:24 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Algonquin have parent company, subsidiary additional holding companies?
5:19:33 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Is there Algonquin and Algonquin Holding or Algonquin shares owns all shares in Algonquin publicly traded?
5:19:48 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Does Algonquin issue debt?
5:19:56 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Agree earnings and cash flow from regulated operations under Liberty reduce risk of Algonquin when markets debt?
5:20:38 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Liberty not utility?
5:20:51 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Peco and Empire and proposed-to-be Kentucky Power, their regulated operations reduce debt for Algonquin?
5:21:14 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Is what I asked incorrect?
5:21:37 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Liberty not utility, Liberty owns utilities?
5:21:43 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — So its retail monopolies provide Liberty stable which, in turn, provides Algonquin stable position?
5:22:00 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Nothing wrong with it, make sure understand Algonquin able finance competitive operations at lower cost of debt significant portion business regulated utilities owned by Liberty, inaccurate?
5:22:17 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Liberty on hook for debt of Algonquin?
5:22:44 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Algonquin or Liberty able receive debt financing lower rate?
5:23:03 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Do Algonquin and Liberty participate in 144A markets?
5:23:16 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Participate in any of same markets or use same instruments?
5:23:31 PM Chairman Chandler - witness Mosindy
Note: Sacre, Candace — Credit facilities in no way cross-collateralized between Algonquin and Liberty, correct?

5:23:40 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Liberty not guarantee any Algonquin debt but Algonquin get lower rates because owns Liberty and Liberty owns regulated utilities, an inaccurate synopsis?
5:24:11 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Algonquin loan money to Liberty?
5:24:19 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Loan money to any Liberty subsidiaries?
5:24:31 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Liberty or subsidiaries borrow from affiliates of Algonquin?
5:25:06 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	GP1 wholly-owned subsidiary of Liberty?
5:25:13 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Owned by Algonquin?
5:25:19 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	GP1 get market rates for debt?
5:25:37 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	GP1 have assets of its own?
5:25:48 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Tax basis but no assets?
5:25:58 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Have tax basis?
5:26:05 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Ask as post -hearing data request.
5:26:06 PM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS MOSINDY
	Note: Sacre, Candace	GP1 HAVE TAX BASIS
5:26:07 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	GP1 has no assets, gets financing, then passes through to Liberty, affiliate of Liberty but not subsidiary or parent company?
5:26:22 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Corporation, what kind of legal entity GP1?
5:26:45 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Partnership, Algonquin only partner of GP1?
5:26:47 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Will ask as post-hearing data request, if Algonquin only partner of GP1 or others?
5:26:48 PM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS MOSINDY
	Note: Sacre, Candace	ALGONQUIN ONLY PARTNER OF GP1 OR OTHERS
5:26:58 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Liberty not partner of GP1?
5:27:04 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	All financing instruments take debt from GP1 and pass to Liberty who passes it through subsidiaries, who are debt instruments approved by?
5:27:25 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Aware/participate any retail proceedings other jurisdictions utilities own and when get financing whether those approve agreements between GP1 and Liberty, or just approve agreements between Liberty and subsidiary utility?
5:28:02 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Public service commissions, participate in retail transactions financing in other states?

5:28:17 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Assume agreements between GP1 and Liberty, subsequent agreements GP1 and debt holders, but also agreements between Liberty and utility?
5:28:38 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Participated in cases in front of commissions seek approval of agreement between Liberty Co. and utility for financing?
5:29:05 PM	Chairman Chandler - witness Mosindy	
	Note: Sacre, Candace	Ask as post-hearing data request group of financing documents that indicate relationship past financing for another utility which all information is public, expired or made public, show financing debt holders and GP1, GP1 and Liberty, and Liberty and utility responsible for debt.
5:29:06 PM	POST-HEARING DATA REQUEST	
	Note: Sacre, Candace	CHAIRMAN CHANDLER - WITNESS MOSINDY
	Note: Sacre, Candace	FINANCING DOCUMENTS INDICATE FINANCING DEBT HOLDERS AND GP1, GP1 AND LIBERTY, AND LIBERTY AND UTILITY RESPONSIBLE FOR DEBT
5:29:51 PM	Chairman Chandler	
	Note: Sacre, Candace	Redirect?
5:29:56 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Redirect Examination. Familiar with regulatory requirements in all states in which Liberty Utilities do business approval of agreements between Liberty and subsidiaries?
5:30:22 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Know whether all states require approval of agreements with regard to debt?
5:30:43 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Seek approval for those agreements in all states?
5:30:54 PM	Atty Tillotson Liberty Utilities - witness Mosindy	
	Note: Sacre, Candace	Agree if state requires approval of agreements would seek approval?
5:31:07 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness excused.
5:31:22 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness? (Click on link for further comments.)
5:31:54 PM	Atty Tillotson Liberty Utilities	
	Note: Sacre, Candace	Jill Schwartz.
5:32:11 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
5:32:20 PM	Chairman Chandler - witness Schwartz	
	Note: Sacre, Candace	Examination. Name and address?
5:32:34 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Direct Examination. By whom employed?
5:32:41 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Title?
5:32:46 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Cause be filed rebuttal?
5:32:52 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Sponsor data request responses?
5:32:56 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Corrections?
5:32:59 PM	Atty Tillotson Liberty Utilities - witness Schwartz	
	Note: Sacre, Candace	Adopt both as if provided today?
5:33:12 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?

5:33:17 PM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Schwartz Response, Staff 1-17, KIUC Cross Exhibit 8.
5:33:33 PM	Chairman Chandler	
	Note: Sacre, Candace	Marked as Cross 8.
5:33:58 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Cross Examination. Recognize data response?
5:34:06 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Response where calculated first full year operations under Liberty be $8.9 million reduced expenses for generation, transmission, and corporate services?
5:34:38 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Page 2 not marked, Project Nickel Summary, under AEP $75.8 million, under Liberty $67 million, estimated savings $8.9 million?
5:35:10 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Last page of exhibit, detailed analysis provided -
5:35:32 PM	Chairman Chandler	
	Note: Sacre, Candace	Clarify, yellow just to bring attention or confidential? (Click on link for further comments.)
5:37:41 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	For generation total, Liberty estimates would save $1.519 million verse AEP?
5:38:59 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	For transmission total, projecting $6.132 million annual savings versus AEP ownership?
5:39:18 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Generation total $1.519 million and transmission total $6.132 adds up to $7.6 million or 85 percent of $8.9 million total savings estimating?
5:40:05 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	What part of math is wrong?
5:40:26 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	$1.5 plus $6.1 is $7.6, isn't it?
5:40:33 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	85 percent of $8.9 million total savings projected?
5:40:46 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	For fossil and hydro generation, projecting no savings?
5:41:07 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Environmental services, AEP doing for $1.514 million, projecting can do it for 25 percent cheaper or $1.135 million?
5:41:23 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	What is environmental services for generation?
5:42:07 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	If don't know what are, how know do it for 25 percent cheaper?
5:42:24 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Generation projects and construction, think can do it for 25 percent cheaper or $783,000, what generation projects in construction?
5:42:58 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Next two columns, no savings, other generation, half cost, what is and why think do it cheaper?
5:43:33 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Reason just used round numbers?
5:44:20 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Transmission energy delivery administration, think do 25 percent cheaper or $500,000, what is?

5:44:58 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Grid development, 25 percent savings or $1.298 million savings versus AEP, what is?
5:45:42 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Other transmission, what functions done with other transmission?
5:46:00 PM	Chairman Chandler	
	Note: Sacre, Candace	Interject, know of a witness? (Click on link for further comments.)
5:46:26 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Other transmission, estimate do it 50 percent cheaper than AEP, is $4.3 million annual savings, half projected total savings, big number?
5:46:48 PM	Atty Kurtz KIUC - witness Schwartz	
	Note: Sacre, Candace	Not know what other transmission is or why think do it for half cost of AEP?
5:47:18 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
5:47:32 PM	Chairman Chandler - witness Schwartz	
	Note: Sacre, Candace	Examination. Have to stand up transmission group within Kentucky Power or add to transmission group if a shared services if this goes through?
5:47:53 PM	Chairman Chandler - witness Schwartz	
	Note: Sacre, Candace	A lot dealing with PJM issues, planning engineers at minimum?
5:48:04 PM	Chairman Chandler - witness Schwartz	
5:48:58 PM	Chairman Chandler - witness Schwartz	
	Note: Sacre, Candace	From shared services perspective, taken into account expected premium filling tough-to-fill positions?
5:49:43 PM	Chairman Chandler - witness Schwartz	
	Note: Sacre, Candace	Hurling a witness, have any initial indication be easy to do, stand up and fill positions?
5:50:00 PM	Chairman Chandler	
	Note: Sacre, Candace	Redirect? (Click on link for further comments.)
5:50:16 PM	Atty Kurtz KIUC	
	Note: Sacre, Candace	Move admission of KIUC Cross 8.
5:50:29 PM	Chairman Chandler	
	Note: Sacre, Candace	Objection?
5:50:34 PM	Chairman Chandler	
	Note: Sacre, Candace	Put in as KIUC Cross 8.
5:50:35 PM	KIUC CROSS EXHIBIT 8	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS SCHWARTZ
	Note: Sacre, Candace	CASE NO. 2021-00481 STAFF FIRST JANUARY 13 2022 KPSC 1_17 JILL SCHWARTZ
5:50:55 PM	Chairman Chandler	
	Note: Sacre, Candace	Recess until 6:35.
5:51:00 PM	Session Paused	
6:42:55 PM	Session Resumed	
6:43:22 PM	Chairman Chandler	
	Note: Sacre, Candace	Back on record in 2021-00481.
6:43:26 PM	Chairman Chandler	
	Note: Sacre, Candace	Procedural discussions. (Click on link for further comments.)
6:45:29 PM	Atty Knowlton Liberty Utilities	
	Note: Sacre, Candace	Jeff Plewes.
6:45:29 PM	Chairman Chandler	
	Note: Sacre, Candace	Call next witness.

6:45:41 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
6:45:48 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Examination. Name and address?
6:46:01 PM	Atty Knowlton Liberty Utilities - witness Plewes	
	Note: Sacre, Candace	By whom employed?
6:46:05 PM	Atty Knowlton Liberty Utilities - witness Plewes	
	Note: Sacre, Candace	Position?
6:46:09 PM	Atty Knowlton Liberty Utilities - witness Plewes	
	Note: Sacre, Candace	Sponsor rebuttal testimony?
6:46:15 PM	Atty Knowlton Liberty Utilities - witness Plewes	
	Note: Sacre, Candace	Adopt testimony today?
6:46:23 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
6:46:32 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Cross Examination. Aware Kentucky Power participated in PJM past 18 years since AEP obtained approval do in Case No. 2002-00475?
6:47:03 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Tell Commission advantages utility to participate in RTO such as PJM?
6:47:41 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Specifics about advantages, tell me what think principle advantages are a utility being part of an RTO?
6:48:30 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Reasonable assume AEP believes benefits continued PJM membership outweighs cost?
6:48:48 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Surprise you?
6:49:02 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Considering duration in PJM and advantages, believe Liberty even consider pursuing exit from PJM for Kentucky Power?
6:49:39 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Associate or principal, tell me what status is?
6:49:52 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Expect when study done you be part of that study?
6:50:00 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Testifying today, reasonable assume will be?
6:50:12 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Hurling provided testimony, rebuttal, also at Charles River Associates?
6:51:24 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Testimony in front of you or get it, page 8, question starting line 6, Hoatson testimony, read question posed on line 6 down to line 14?
6:52:24 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Last sentence beginning line 13, FRR alternative, reading (click on link for further comments), what ratepayer costs and risk categories talking about?
6:53:23 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	First read, interpreted it to say you had significant concerns or felt significant risks attendant full-on Kentucky Power exit from PJM?
6:54:05 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Page 10, Line 14, read lines 15 to 16?
6:54:38 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Why feel important study concluded before first PJM capacity market-based residual auction held after bridge PCA period?

6:55:45 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	If bridge PCA be maxed out in 24 months following closing, when study be initiated and concluded in order be completed before first BRA?
6:56:10 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Bridge PCA maximum duration of 24 months?
6:56:26 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Assume for second bridge PCA duration 24 months, with me?
6:56:51 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Yes, that means arrangement between AEP and Liberty for transition after closing maximum duration of 24 months.
6:57:13 PM	Atty Knowlton Liberty Utilities	
	Note: Sacre, Candace	Confusion here transition services 24 months duration. (Click on link for further comments.)
6:58:17 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Don't have it, let me ask this question, know anything about the TSA?
6:58:27 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Not know anything about the TSA or the bridge PCA or TSA?
6:58:45 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Read Hoatson testimony?
6:58:51 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Part of purpose rebuttal to address what Hoatson said?
6:59:02 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Hoatson testimony recommends type of study undertaken by independent third party?
6:59:47 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Hoatson recommends such study undertaken by independent third party, agree, and if not, why not?
7:01:18 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Clarify, if you will?
7:01:35 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Has nothing to do with Kentucky Power membership in PJM, continue to operate PJM FRR or capacity market?
7:02:59 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Eichler testimony full-out study about Kentucky Power future with PJM undertaken within two years of closing?
7:03:27 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Talking about subset or different analysis continued FRR participation?
7:03:39 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	How soon you think that need occur?
7:04:10 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Tell Commission what know about time to get together, how long for utility to make decision with respect to FRR or PJM?
7:05:41 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Charles River hired tomorrow, how long take?
7:06:02 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Estimate of how long take complete broader study with respect continued membership in PJM or what that looks like?
7:06:29 PM	Atty Goss LS Power - witness Plewes	
	Note: Sacre, Candace	Done in two years?
7:06:54 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?

7:07:04 PM	Gen Counsel Vinsel PSC - witness Plewes	
	Note: Sacre, Candace	Cross Examination. Reference rebuttal testimony, page 10, lines 10-11, second sentence, reading (click on link for further comments), fixed resource requirement, explain factors included in study from ratepayers perspective?
7:08:51 PM	Gen Counsel Vinsel PSC - witness Plewes	
	Note: Sacre, Candace	Would factors change looking from utility perspective?
7:09:20 PM	Gen Counsel Vinsel PSC - witness Plewes	
	Note: Sacre, Candace	Difference in study if evaluating utility using power purchase agreement opposed to owned generation?
7:09:45 PM	Gen Counsel Vinsel PSC - witness Plewes	
	Note: Sacre, Candace	No difference between energy source PPA or own generation?
7:10:29 PM	Gen Counsel Vinsel PSC - witness Plewes	
	Note: Sacre, Candace	Page 14, lines 10-14, talking about Kentucky Power opts for FRR, when speaking flexibility options once Rockport UPA and Mitchell no longer available to Kentucky Power?
7:11:34 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Examination. Says it, meaning Kentucky Power, reading (click on link for further comments), what does that mean?
7:12:19 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	What mean by over-performance particular portfolio?
7:12:55 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Would assume UCAP less than what facility expected produce due to performance assessment?
7:13:53 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Vaughan spoke to this, but when have utility size of Kentucky Power and talking portfolio not many units choose from, (click on link for further comments), less than handful of facilities?
7:15:14 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Correlation actual PAI, whether in middle of day in summer or 6 am middle of winter?
7:15:36 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	You and Herling throw cold water on some of other testimony, (click on link for further comments), how many PJM-wide performance assessment intervals ever called?
7:16:11 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Aware of single PJM-wide performance assessment interval ever being called?
7:16:34 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Capacity payments over years premised on expectation of 120 performance assessment intervals per year?
7:16:56 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Used to be PAHs at 30 and then moved to PAIs at 120?
7:17:01 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	At performance assessment intervals of 15 minutes?
7:17:08 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Not 30 PAHs, not 120 PAIs, said IMM expectation 30 minutes a year?
7:18:03 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	But said performance risk dependent on expected performance individual resources, in rebuttal believe overstate what risk of performance assessment interval was relative other reliability risks other decisions PJM membership?

7:19:13 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	If not FRR participate as (inaudible) member, not get portfolio benefit in terms performance assessment intervals, ability bid in based on UCAP determined by PJM?
7:19:35 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Based on own calculation what can provide by PJM?
7:20:03 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Bottom of 16, smaller portfolio, reading (click on link for further comments), agree regardless of size portfolio better positioned benefit from strong performance of individual resources?
7:21:11 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Aware LDAs have FRR utilities separated in capacity auction?
7:21:32 PM	Chairman Chandler - witness Plewes	
	Note: Sacre, Candace	Ask differently, aware DEOK Zone ever having separated?
7:21:56 PM	Chairman Chandler	
	Note: Sacre, Candace	Redirect?
7:22:00 PM	Atty Knowlton Liberty Utilities - witness Plewes	
	Note: Sacre, Candace	Redirect Examination. With regard to analysis necessary Kentucky Power decide how procure capacity '24-25 planning year, want to factor in results from latest BRA auction this June?
7:22:21 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness excused.
7:22:28 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
7:22:31 PM	Atty Knowlton Liberty Utilities	
	Note: Sacre, Candace	Brad Parker.
7:22:56 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
7:23:04 PM	Chairman Chandler - witness Parker	
	Note: Sacre, Candace	Examination. Name and address?
7:23:17 PM	Atty Knowlton Liberty Utilities - witness Parker	
	Note: Sacre, Candace	Direct Examination. By whom employed?
7:23:22 PM	Atty Knowlton Liberty Utilities - witness Parker	
	Note: Sacre, Candace	Position?
7:23:30 PM	Atty Knowlton Liberty Utilities - witness Parker	
	Note: Sacre, Candace	File data responses?
7:23:35 PM	Atty Knowlton Liberty Utilities - witness Parker	
	Note: Sacre, Candace	Adopt as responses today?
7:23:41 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
7:24:00 PM	Chairman Chandler	
	Note: Sacre, Candace	Next witness?
7:24:02 PM	Atty Knowlton Liberty Utilities	
	Note: Sacre, Candace	Aaron Doll.
7:24:09 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
7:24:17 PM	Chairman Chandler	
	Note: Sacre, Candace	Examination. Name and address?
7:24:31 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	Direct Examination. By whom employed?
7:24:35 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	Provide answers to data responses?
7:24:40 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	Adopt responses today?

7:24:46 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
7:25:06 PM	Chairman Chandler - witness Doll	
	Note: Sacre, Candace	Examination. In any other states aware of IRPs that Liberty affiliates or Liberty subsidiaries provide in other states?
7:25:31 PM	Chairman Chandler - witness Doll	
	Note: Sacre, Candace	Any of them have teeth, here IRP staff process, not official order, any jurisdictions require resource or calculation be reflected as condition precedent to providing CPCN that path?
7:26:38 PM	Chairman Chandler - witness Doll	
	Note: Sacre, Candace	Any of the IRPs other jurisdictions explicitly approved or have to be explicitly approved?
7:27:12 PM	Chairman Chandler - witness Doll	
	Note: Sacre, Candace	Have option to disapprove what filed?
7:27:23 PM	Chairman Chandler - witness Doll	
	Note: Sacre, Candace	Happened to Liberty subsidiaries in recent years aware of?
7:27:30 PM	Chairman Chandler	
	Note: Sacre, Candace	Redirect?
7:27:34 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	Redirect Examination. How many pages regulations in Missouri govern IRP process?
7:27:48 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	How many pages long last filed IRP by Empire District Electric Company?
7:28:11 PM	Atty Knowlton Liberty Utilities - witness Doll	
	Note: Sacre, Candace	Estimate of scenario analyses run as part of Empire IRP?
7:28:37 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness excused.
7:28:40 PM	Chairman Chandler	
	Note: Sacre, Candace	Another witness?
7:28:43 PM	Atty Knowlton Liberty Utilities	
	Note: Sacre, Candace	Steve Herling.
7:28:58 PM	Chairman Chandler	
	Note: Sacre, Candace	Witness is sworn.
7:29:06 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Examination. Name and address?
7:29:20 PM	Atty Knowlton Liberty Utilities - witness Herling	
	Note: Sacre, Candace	Direct Examination. By whom employed?
7:29:24 PM	Atty Knowlton Liberty Utilities - witness Herling	
	Note: Sacre, Candace	Position?
7:29:27 PM	Atty Knowlton Liberty Utilities - witness Herling	
	Note: Sacre, Candace	Provide rebuttal?
7:29:31 PM	Atty Knowlton Liberty Utilities - witness Herling	
	Note: Sacre, Candace	Adopt as testimony today?
7:29:37 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
7:29:50 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Cross Examination. Based on testimony, Kentucky Power owned by AEP or Liberty, Kentucky Power cannot set up own transmission zone because consolidated transmission owners agreement?
7:30:08 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	In order change CTOA, Kentucky Power have to file Section 206 application with FERC for Section 205?

7:30:42 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	206 go-it-alone filing by Kentucky Power, describe that as having higher burden of proof?
7:31:20 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Under Section 205 two-thirds process, two-thirds of transmission owners agree and two-thirds transmission owners weighted investment basis?
7:31:36 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Under second prong, own lot of transmission, more votes than more weighting than somebody owns little?
7:32:37 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Familiar with annual PJM filings?
7:32:58 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	When talk about two-thirds transmission owners, would Kentucky Power Kentucky Transco InM Indiana Transco, or each be individual transmission owners?
7:33:26 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	True all transmission zones on this PJM report?
7:34:02 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	In terms two-thirds weighting, AEP annual transmission revenue requirement in 2021 $2,066,000,000, see that?
7:34:20 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	That largest transmission revenue requirement of any transmission companies, not 100 percent one to one, ROE be same 10.35 percent what FERC is but equity capitalization different with owners so not perfect correlation, fair representation of net book cost?
7:34:52 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	In terms of cost per megawatt year, AEP $95,597 megawatt year is second highest behind PSE&G in New Jersey?
7:35:15 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	AEP transmission revenue requirement growing rapidly which makes it bigger piece of overall PJM system?
7:35:40 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Third page, in 2019, costs $65,923 megawatt year, today $95,000 agree 45 percent increase in transmission cost of AEP?
7:36:26 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Given fact AEP even though one vote controls lot of votes, good idea for AEP be on your side if wanted make two-thirds agreed upon Section 205 filing at FERC to change CTOA?
7:37:06 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Same token, if AEP wanted to veto application, have strong ability not allow agreed upon Section 205 go forward, Kentucky Power forced go much higher burden of proof Section 206?
7:37:45 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	Aware Baron position give AEP incentive support Kentucky Power request stand-alone transmission zone?
7:39:04 PM	Atty Kurtz KIUC - witness Herling	
	Note: Sacre, Candace	If Liberty acquires Kentucky Power and Liberty and Kentucky Power to FERC in Section 206 case ceate stand-alone transmission zone, other owners PJM could contest, including AEP?
7:39:32 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?

7:39:36 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	Cross Examination. If Kentucky Power not create specific transmission zone within PJM, and not participate in AEP zone, seems only other option available is exit PJM?
7:40:54 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	If remained in AEP zone, what entail?
7:41:53 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	AEP have to consent post-AEP Kentucky Power remaining in AEP zone?
7:42:23 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	Any sort of costs that Kentucky Power have to pay AEP to stay in AEP zone?
7:42:45 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	Heard Eichler and others say decision in two years remain in PJM or not, hear that?
7:44:15 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	Former executive at PJM, good idea for Kentucky Power ratepayers not remain in PJM?
7:45:11 PM	Atty Goss LS Power - witness Herling	
	Note: Sacre, Candace	Assume since on stand today and provided testimony, be getting phone call from Liberty asking you author study?
7:45:34 PM	Chairman Chandler	
	Note: Sacre, Candace	Questions?
7:45:43 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Examination. CTOA can be amended?
7:46:17 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Can be amended by TOAC but have to run through TOAC AC?
7:46:24 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Difference between TOAC and TOAC AC described as TOAC transmission planning people and TOAC AC lawyers work for transmission people, fair characterization?
7:46:51 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	AEP biggest transmission owner in PJM?
7:47:00 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	AEP largest transmission owner in United States, heard before?
7:47:21 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Seem AEP strong position in PJM as transmission owner, agree?
7:47:38 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	PJM started as transmission organization, a membership of transmission owners, not exist if not transmission owners as members?
7:47:54 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Hear questions Eichler retail rate impact interaction between AEP Transcos and AEP operating companies difference to revenue requirement where dollar invested?
7:48:47 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Between questions Eichler and Baron testimony, aware both, argument seems be cost shift result of Kentucky Power participation in AEP East zone, where relative to investment Kentucky Power allocated transmission expense in excess of cost if were on stand-alone revenue?
7:50:49 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Be surprised Commission been expressing concern on issue for almost year and half?

7:51:03 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Assuming cost shift Kentucky Power paying inordinate amount transmission to reduce transmission expenses of other operating companies AEP zone, carving out Kentucky Power be own zone assume rectifies cost shift but would then increase rates to other operating companies?

7:51:54 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — What saying, Kentucky Power be pushing costs off on other operating companies?

7:52:16 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — If there is cost shift to Kentucky Power and making own zone fixes but result in higher rates other operating companies, agree support of operating companies in 206 filing support its filing at FERC amend CTOA?

7:54:18 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — What role stakeholder process play given fact CTOA has filing rights over all documents related to issue?

7:54:37 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Only people part of CTOA/signatories are transmission owners?

7:54:59 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — If went with 206, talked about benefit people getting cost shifted back to them, factor in considering reasonableness?

7:55:46 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Copy of testimony, page 7, asked question, reading (click on link for further comments), response you provide, reading (click on link for further comments), previously in testimony talking about zones, in response shifted to utility load-serving zones, on purpose or try be specific?

7:56:46 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Aware of zone smaller than Kentucky Power be stand-alone basis?

7:56:57 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — But not a load-serving zone?

7:57:01 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — How OVEC get own zone?

8:01:35 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Deliverability analysis construct, referring both load and generation deliverability or one in particular?

8:02:09 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Opposite considerations difference between OVEC or Kentucky Power stand-alone zone?

8:03:19 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — That be thermal and voltage violations flowing into SETO and CTOA?

8:03:26 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — CTOA have to be amended OVEC join and be own zone?

8:03:50 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Limitations on size of zones should been adhered to for OVEC that were or were not?

8:04:34 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Comment on page 7, CIPCO zone might if on stand-alone basis might be smallest utility load zones but not be smallest zone in PJM?

8:04:56 PM Chairman Chandler - witness Herling

Note: Sacre, Candace — Talk about risk of separation following base residual auction (click on link for further comments), not downsides merely separating, rest of RTO rest of time?

8:05:24 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Some zones separate every year, some that never separate and always separate, reflective lots of different issues?
8:05:40 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Separation not always follow bad thing in that year that will cost money to customers of zone?
8:06:18 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Kentucky Power owned generation not only generation in Kentucky Power service territory AEP zone?
8:06:37 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Read Hoatson testimony, Riverside at least two CTs?
8:06:49 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Looked queue to see how many megawatts solar and other resources proposed be in AEP zone sitting in Kentucky Power territory?
8:06:59 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Would impact analysis whether enough generation proposed be in zone in delivery years separating?
8:07:16 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Come on next few years, get some sort capacity D rate based on ELCC?
8:07:26 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Additional generation in zone of Kentucky Power territory reduce risk of separation?
8:07:58 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Separation market signal for generation/transmission come to area?
8:08:09 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	In event one-two years of separation, higher than rest of RTO capacity clearing prices, trying to incent reduction constraints or increase generation within load area to serve customers?
8:08:27 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Supplemental projects, at PJM when M-3 overhaul, leaving about time coming into effect after FERC complaints and change to tariffs?
8:08:42 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	M-3 short for Attachment M-3 to open access transmission tariff PJM?
8:08:53 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	M-3 is local planning process at PJM, transmission owners local planning process?
8:09:06 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Supplemental projects as opposed to baseline projects are local and baseline projects more region-wide projects?
8:10:27 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Baselines prescriptive, ones come out based on applicable RTO rules?
8:10:40 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Except for network upgrades?
8:10:51 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Supplemental projects exclusively under purview incumbent transmission owner?
8:11:10 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	At PJM when AEP made decision to move to transco model?
8:11:52 PM	Chairman Chandler - witness Herling	
	Note: Sacre, Candace	Just transcos in terms of supplemental, how transcos gotten rate base?

8:12:30 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	In unique position provide color or response, transmission owners have transmission system provided initially opportunity serve retail customers with state-approved monopoly, 100 years ago how got systems?
8:12:57 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Other than participating and receiving bids, how else affiliated transmission companies ever get rate base if not in partnership incumbent transmission owners?
8:13:41 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Got network upgrades, baseline projects, and supplemental projects, the Big Three in terms transmission at PJM?
8:13:52 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Baseline projects, if open competitive solicitation, fine, but if not available for competition, local incumbent utility gets do project?
8:14:06 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Supplemental projects, exclusively at behest of ownership and planning of incumbent transmission owner?
8:14:16 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Aware of another path in which would have accumulated hundreds of millions of dollars rate base if not just incumbent transmission owner providing projects or opportunity own portion?
8:14:43 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Rebuttal talk about Kentucky Power uses transmission system to receive power specifically so much generation owns/contracts with outside Kentucky Power territory?
8:15:12 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Applicable to any utility?
8:15:37 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Not matter if local transmission system or BES, applicable across board?
8:15:47 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Fact that Kentucky Power generation outside territory, specific reasonable reason continue be part of AEP system because use BES to receive power?
8:17:27 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Be clear, not know what generation/load imbalance be delivery planning year that is not yet?
8:17:40 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Not know what be in delivery years not occurred yet because nobody commitment provide generation in that year?
8:18:16 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Is it a buyer or seller market for transmission planning engineers?
8:19:27 PM	Chairman Chandler - witness Herling		
		Note: Sacre, Candace	Good example of this, once you have gotten five to ten years experience at utilities, after trained up, good time be poached, when really valuable?
8:20:17 PM	Chairman Chandler		
		Note: Sacre, Candace	Would you like to -
8:20:20 PM	Atty Kurtz KIUC		
		Note: Sacre, Candace	Move KIUC Cross Exhibit 9.
8:20:23 PM	Chairman Chandler		
		Note: Sacre, Candace	Objection?
8:20:28 PM	Chairman Chandler		
		Note: Sacre, Candace	Make part of record KIUC Cross Exhibit 9.

8:20:29 PM	KICU CROSS EXHIBIT 9	
	Note: Sacre, Candace	ATTY KURTZ KIUC - WITNESS HERLING
	Note: Sacre, Candace	ANNUAL TRANSMISSION REVENUE REQUIREMENTS AND RATES
8:20:32 PM	Chairman Chandler	
	Note: Sacre, Candace	Redirect?
8:20:36 PM	Atty Knowlton Liberty Utilities - witness Herling	
	Note: Sacre, Candace	Redirect Examination. Is so can only count in deliverability analysis a generation unit in service as opposed what in queue at PJM?
8:21:32 PM	Chairman Chandler	
	Note: Sacre, Candace	Excused witnesses. (Click on link for further comments.)
8:22:04 PM	Chairman Chandler	
	Note: Sacre, Candace	Procedural discussions. (Click on link for further comments.)
8:22:31 PM	Chairman Chandler	
	Note: Sacre, Candace	Recess until tomorrow at 9 am.
8:23:07 PM	Session Ended	

Exhibit List Report

2021-00481 28Mar2022

American Electric Power Company, Inc. (AEP), Kentucky Power Company (Kentucky Power) and Liberty Utilities Co. (Liberty)

Name:	Description:
KIUC CROSS EXHIBIT 01	SUMMARY OF EICHLER CUSTOMER BENEFITS REBUTTAL PAGES 11-14 AND EXHIBIT _PE-R1
KIUC CROSS EXHIBIT 02	807 KAR 5:056 FUEL ADJUSTMENT CLAUSE AND TARIFFS
KIUC CROSS EXHIBIT 03	FEDERAL TAX CUT TARIFF
KIUC CROSS EXHIBIT 04	KENTUCKY POWER ACTUAL AND BUDGETED DISTRIBUTION PLANT CAPITAL ADDITIONS AND PROJECT NICKEL EXPENDITURES
KIUC CROSS EXHIBIT 05	AG-KIUC CALCULATION NET PRESENT VALUE KU/LG&E MERGER SURCREDITS
KIUC CROSS EXHIBIT 06	SAIDI AND CAIFI KENTUCKY POWER COMPARED OTHER UTILITIES FIVE YEAR AVERAGES 2016-2020 AND 2011-2015
KIUC CROSS EXHIBIT 07	EXHIBIT PE-R4 COMMITMENTS MADE BY LIBERTY UTILITIES CO.
KIUC CROSS EXHIBIT 08	CASE NO. 2021-00481 STAFF FIRST SET JANUARY 13 2022 KPSC 1_17 RESPONSE JILL SCHWARTZ
KIUC CROSS EXHIBIT 09	ANNUAL TRANSMISSION REVENUE REQUIREMENTS AND RATES
PSC STAFF EXHIBIT 01	CASE NO. 2021-00481 RESPONSE STAFF THIRD WITNESS EICHLER MARCH 8 2022 KPSC 3_5
PSC STAFF EXHIBIT 02	CASE NO. 2017-00179 JAN 18 2018 ORDER
PSC STAFF EXHIBIT 03	2017-00179 FEB 18 2018 REHEARING ORDER
PSC STAFF EXHIBIT 04	CASE NO. 2020-00174 FINAL ORDER

Summary of Eichler's $135.1 Million of Customer Benefits
Rebuttal at Pages 11-14 and Exhibit_PE-R1
$ Millions

Fuel Relief Fund Credits			$ 40.0
Monthly Levelized Payments For Remaining BSDR Just Over 18 Years Remaining Term as of June 2022	$2.242 Million Per Month x 217 Months June 2022 - June 2040	$ 2.242 217	$ 486.5
Monthly Levelized Payments After 3 Year Deferral of BSDR 20 Year Term Starting June 2025	$1.631 Million Per Month x 240 Months June 2025 - May 2045	$ 1.631 240	$ (391.4)
Total Customer Benefits			$ 135.1

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KIUC CROSS EXHIBIT 1

	Eichler Recommended	%	2020 Form 1 MWh Billed	%	Credit Per MWh Billed
Residential (Heat and Non-Heat)	$ 30,000,000	75.0%	1,927,268	38.1%	$ 15.57
General Service (Commercial and Industrial)	$ 6,000,000	15.0%	550,132	10.9%	$ 10.91
Large General Service (Municipal Water Works, Street Lighting, Commercial LGS, Industrial LGS)	$ 2,000,000	5.0%	565,263	11.2%	$ 3.54
Industrial (Industrial IGS, Commercial IGS and IRP)	$ 2,000,000	5.0%	2,011,616	39.8%	$ 0.99
Total	$ 40,000,000	100.0%	5,054,279	100.0%	$ 7.91

1

KIUC CROSS EXHIBIT 2

807 KAR 5:056. Fuel adjustment clause.

RELATES TO: KRS 61.870 - 61.884, 143.020, Chapter 278
STATUTORY AUTHORITY: KRS 278.030(1), (2), 278.040(3)
NECESSITY, FUNCTION, AND CONFORMITY: KRS 278.040(3) authorizes the Public Service Commission to promulgate administrative regulations to implement the provisions of KRS Chapter 278. KRS 278.030(1) authorizes utilities to demand, collect, and receive fair, just, and reasonable rates. KRS 278.030(2) requires every utility to furnish adequate, efficient, and reasonable service. This administrative regulation establishes the requirements with respect to the implementation of automatic fuel adjustment clauses by which electric utilities may immediately recover increases in fuel costs subjected to later scrutiny by the Public Service Commission.

Section 1. Fuel Adjustment Clause. Fuel adjustment clauses that are not in conformity with the requirements established in subsections (1) through (6) of this section are not in the public interest and may result in suspension of those parts of the rate schedules based on severity of the nonconformity and any history of nonconformity.

(1) The fuel adjustment clause shall provide for periodic adjustment per Kilowatt Hour (KWH) of sales equal to the difference between the fuel costs per KWH sale in the base period and in the current period according to the following formula:

$$Adjustment\ Factor = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F(b) is the cost of fuel in the base period, F(m) is the cost of fuel in the current period, S(b) is sales in the base period, and S(m) is sales in the current period, all as established in subsections (2) through (6) of this section.

(2) F(b)/S(b) shall be determined so that on the effective date of the commission's approval of the utility's application of the formula, the resultant adjustment shall be equal to zero.

(3) Fuel costs (F) shall be the most recent actual monthly cost, based on weighted average inventory costing, of:

(a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel that would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation; plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than as established in paragraph (c) of this subsection, but excluding the cost of fuel related to purchases to substitute for the forced outages; plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges irrespective of the designation assigned to the transaction, if the energy is purchased on an economic dispatch basis. Costs, such as the charges for economy energy purchases, the charges as a result of scheduled outage, and other charges for energy being purchased by the buyer to substitute for the buyer's own higher cost energy, may be included; and less

(d) The cost of fossil fuel recovered through intersystem sales, including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

(4) Forced outages are all nonscheduled losses of generation or transmission that require substitute power for a continuous period in excess of six (6) hours. If forced outages are

not the result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection, or acts of the public enemy, then the utility may, upon proper showing, with the approval of the commission, include the fuel cost of substitute energy in the adjustment. In making the calculations of fuel cost (F) in subsection (3)(a) and (b) of this section, the forced outage costs to be subtracted shall be no less than the fuel cost related to the lost generation until approval is obtained.

(5) Sales (S) shall be all KWH's sold, excluding intersystem sales. Utility used energy shall not be excluded in the determination of sales (S). If, for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to:

(a) Generation; plus
(b) Purchases; plus
(c) Interchange-in; less
(d) Energy associated with pumped storage operations; less
(e) Intersystem sales referred to in subsection (3)(d) of this section; less
(f) Total system losses.

(6) The cost of fossil fuel shall only include the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licensees, less any cash or other discounts.

Section 2. Filing Requirements.

(1) If a utility initially proposes a fuel adjustment clause, the utility shall submit copies of each fossil fuel purchase contract not otherwise on file with the commission and all other agreements, options, amendments, modifications, and similar documents related to the procurement of fuel supply or purchased power.

(2) Any changes in the contracts or other documents filed pursuant to subsection (1) of this section, including price escalations, and any new agreements entered into after the initial submission, shall be submitted at the time they are entered into.

(3) If fuel is purchased from utility-owned or controlled sources, or the contract contains a price escalation clause, those facts shall be noted, and the utility shall explain and justify them in writing.

(4) The monthly fuel adjustment shall be filed with the commission no later than ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustment.

(5) Copies of all documents required to be filed with the commission under this administrative regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 through 61.884.

Section 3. Review of Fuel Adjustment Clauses.

(1) Fuel charges that are unreasonable shall be disallowed and may result in the suspension of the fuel adjustment clause based on the severity of the utility's unreasonable fuel charges and any history of unreasonable fuel charges.

(2) The commission on its own motion may investigate any aspect of fuel purchasing activities covered by this administrative regulation.

(3)

(a) At six (6) month intervals, the commission shall conduct a formal review and may conduct public hearings on a utility's past fuel adjustments.

(b) The commission shall order a utility to charge off and amortize, by means of a temporary decrease of rates, any adjustments the commission finds unjustified due to improper calculation or application of the charge or improper fuel procurement practices.

(4)

(a) Every two (2) years following the initial effective date of each utility's fuel clause, the commission shall conduct a formal review and evaluate past operations of the clause, disallow improper expenses and, to the extent appropriate, reestablish the fuel clause charge in accordance with Section 1(2) of this administrative regulation.

(b) The commission may conduct a public hearing if the commission finds that a hearing is necessary for the protection of a substantial interest or is in the public interest.

(8 Ky.R. 822; eff. 4-7-1982; Crt eff. 3-27-2019; 45 Ky.R. 3272; 46 Ky.R. 41, 435; eff. 8-20-2019; 47 Ky.R.1485, 1965; eff. 6-3-2021.)

TARIFF G.S.
(General Service)

AVAILABILITY OF SERVICE.

Available for general service customers. Customers may continue to qualify for service under this tariff until their average maximum demand exceeds 100 kW (excluding the demand served by the Load Management Time-of-Day provision).

Existing customers not meeting the above criteria will be permitted to continue service under present conditions only for continuous service at the premises occupied on or prior to December 5, 1984.

RATE.

Tariff Code	Service Voltage	Demand Charge ($/kW)	First 4,450 kWh (¢/kWh)	Over 4,450 kWh (¢/kWh)	Monthly Service Charge ($)	
211, 212, 215, 216, 218	Secondary	6.61	10.907	10.201	25.00	RR
217, 220	Primary	6.01	9.574	8.993	100.00	RR
236	Subtransmission	4.68	8.663	8.141	400.00	RR

The Demand Charge shall apply to all monthly billing demand in excess of 10 kW.

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the sum of the service charge plus the demand charge multiplied by the monthly billing demand in excess of 10 kW.

ADJUSTMENT CLAUSES.

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 5
System Sales Clause	Sheet No. 19
Franchise Tariff	Sheet No. 20
Demand-Side Management Adjustment Clause	Sheet No. 22
Federal Tax Cut Tariff	Sheet No. 23
Kentucky Economic Development Surcharge	Sheet No. 24
Environmental Surcharge	Sheet No. 29
Capacity Charge	Sheet No. 30
School Tax	Sheet No. 33
Purchase Power Adjustment	Sheet No. 35
Decommissioning Rider	Sheet No. 38

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.

(Cont'd on Sheet No. 7-2)

DATE OF ISSUE: August 20, 2021
DATE EFFECTIVE: Service Rendered On And After August 1, 2021
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. 2021-00053 Dated August 2, 2021

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
8/1/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF G.S.
(General Service)

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurements 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.

Energy supplied hereunder will be delivered through not more than one single phase and/or polyphase meter. Customer's demand will be taken monthly to be the highest registration of a 15-minute integrating demand meter or indicator, or the highest registration of a thermal type demand meter. The monthly billing demand shall be the greater of: (1) Customer's metered kW demand, (2) 60% of the Customer's contract capacity in excess of 100 kW, or (3) 60% of the customer's highest previously established monthly billing demand during the past 11 months in excess of 100 KW.

The Company reserves the right to install a demand meter on any customer receiving service under this tariff. A demand meter will be installed by the Company for customers with monthly kWh usage of 4,450 kWh or greater.

RECREATIONAL LIGHTING SERVICE PROVISION.

Available for service to customers with demands of 5 KW or greater and who own and maintain outdoor lighting facilities and associated equipment utilized at baseball diamonds, football stadiums, parks and other similar recreational areas. This service is available only during the hours between sunset and sunrise. Daytime use of energy under this rate is strictly forbidden except for the sole purpose of testing and maintaining the lighting system. All Terms and Conditions of Service applicable to Tariff G.S. customers will also apply to recreational lighting customers except for the Availability of Service.

RATE. (Tariff Code 214)

Service Charge .... $25.00 per month

Energy Charge .... 10.838¢ per KWH R

(Cont'd on Sheet No. 7-3)

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TARIFF G.S.
(General Service) (Cont'd)

LOAD MANAGEMENT TIME-OF-DAY PROVISION. (Tariff Code 223 and 225)

Available to customers who use energy storage devices with time-differentiated load characteristics approved by the Company which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and who desire to receive service under this provision for their total requirements. This provision is also available for electric vehicle charging if separately metered.

Customers who desire to separately wire their load management load to a time-of-day meter and their general-use load to a standard meter shall receive service for both under the appropriate provision of this tariff.

RATE.

Service Charge... $25.00 per month
Energy Charge:
All KWH used during on-peak billing period... 15.908¢ per KWH R
All KWH used during off-peak billing period .... 7.915¢ per KWH R

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, 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.

OPTIONAL UNMETERED SERVICE PROVISION.

Available to customers who qualify for Tariff G.S., have a demand of less than 10 KW, and use the Company's service for commercial purposes consisting of small fixed electric loads such as traffic signals and signboards which can be served by a standard service drop from the Company's existing secondary distribution system. This service will be furnished at the option of the Company.

Each separate service delivery point shall be considered a contract location and shall be separately billed under the service contract. In the event one Customer has several accounts for like service, the Company may meter one account to determine the appropriate kilowatt-hour usage applicable for each of the accounts.

The Customer shall furnish switching equipment satisfactory to the Company. The Customer shall notify the Company in advance of every change in connected load, and the Company reserves the right to inspect the customer's equipment at any time to verify the actual load. In the event of the customer's failure to notify the Company of an increase in load, the Company reserves the right to refuse to serve the contract location thereafter under this provision, and shall be entitled to bill the customer retroactively on the basis of the increased load for the full period such load was connected or the earliest date allowed by Kentucky statute whichever is applicable.

Calculated energy use per month shall be equal to the contract capacity specified at the contract location times the number of days in the billing period times the specified hours of operation. Such calculated energy shall then be billed at the following rates:

(Cont'd on Sheet No. 7-4)

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TARIFF G.S.
(General Service) (Cont'd)

RATE. (Tariff Codes 204 (Metered), 213 (Unmetered))

Customer Charge.. $15.00 per month

Energy Charge:

First 4,450 KWH per month..10.907¢ per KWH R

All Over 4,450 KWH per month..10.201¢ per KWH R

TERM OF CONTRACT.

Contracts under this tariff may be required of customers. Contracts under this tariff will be made for an initial period of not less than l (one) year and shall remain in effect thereafter until either party shall give at least 6 months' written notice to the other of the intention to terminate the contract. The Company will have the right to make contracts for periods of longer than 1 (one) year.

SPECIAL TERMS AND CONDITIONS.

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

This tariff is also available to Customers 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 demand in KW which the Company might be required to furnish, but no less than 10 KW. The Company shall not be obligated to supply demands in excess of that contracted for. 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.

This tariff is available for resale service to mining and industrial customers 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 of both their power and camp requirements.

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

(Cont'd on Sheet No. 7-5)

DATE OF ISSUE: August 20, 2021
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ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. 2021-00053 Dated August 2, 2021

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
8/1/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF L.G.S
(Large General Service)

AVAILABILITY OF SERVICE.

Available for general service to customers with average maximum demands greater than 100 KW but not more than 1,000 KW (excluding the demand served by the Load Management Time-of-Day provision).

Existing customers not meeting the above criteria will be permitted to continue service under present conditions only for continuous service at the premises occupied on or prior to December 5, 1984.

RATE.

	Service Voltage				
	Secondary	Primary	Subtransmission	Transmission	
Tariff Code	240, 242, 260	244, 246, 264	248, 268	250, 270	
Service Charge per Month	$ 85.00	$ 127.50	$ 660.00	$ 660.00	
Demand Charge per KW	$ 8.77	$ 7.90	$ 6.61	$ 6.16	
Excess Reactive Charge per KVA	$ 3.46	$ 3.46	$ 3.46	$ 3.46	
Energy Charge per KWH	8.432¢	7.356¢	5.230¢	5.085¢	RRRR

MINIMUM CHARGE.

Bills computed under the above rate are subject to a monthly minimum charge comprised of the sum of the service charge and the minimum demand charge. The minimum demand charge is the product of the demand charge per KW and the monthly billing demand.

ADJUSTMENT CLAUSES.

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 5
System Sales Clause	Sheet No. 19
Franchise Tariff	Sheet No. 20
Demand-Side Management Adjustment Clause	Sheet No. 22
Federal Tax Cut Tariff	Sheet No. 23
Kentucky Economic Development Surcharge	Sheet No. 24
Environmental Surcharge	Sheet No. 29
Capacity Charge	Sheet No. 30
School Tax	Sheet No. 33
Purchase Power Adjustment	Sheet No. 35
Decommissioning Rider	Sheet No. 38

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.

(Cont'd. On Sheet No. 9-2)

DATE OF ISSUE: August 20, 2021
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In Case No. 2021-00053 Dated August 2, 2021

TARIFF L.G.S (Cont'd)
(Large General Service)

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 15-minute integrated peak in kilowatts as registered during the month by a 15-minute integrating demand meter or indicator, or at the Company's option as the highest registration of a thermal type demand meter or indicator. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity or (b) the customer's highest previously established monthly billing demand during the past 11 months.

DETERMINATION OF EXCESS KILOVOLT-AMPERE (KVA) DEMAND.

The maximum KVA demand shall be determined by the use of a multiplier equal to the reciprocal of the average power factor recorded during the billing month, leading or lagging, applied to the metered demand. The excess KVA demand, if any, shall be the amount by which the maximum KVA demand established during the billing period exceeds 115% of the kilowatts of metered demand.

LOAD MANAGEMENT TIME-OF-DAY PROVISION.

Available to customers who use energy storage devices with time-differentiated load characteristics approved by the Company which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and who desire to receive service under this provision for their total requirements. This provision is also available for electric vehicle charging if separately metered.

Customers who desire to separately wire their load management load to a time-of-day meter and their general-use load to a standard meter shall receive service for both under the appropriate provision of this tariff.

RATE. (Tariff Code 251)

Service Charge .... $ 85.00 per month

Energy Charge:

All KWH used during on-peak billing period ....14.426¢ per KWH R

All KWH used during off-peak billing period ....7.888¢ per KWH R

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, 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.

(Cont'd on Sheet No. 9-3)

TARIFF L.G.S (Cont'd)
(Large General Service)

TERM OF CONTRACT.

Contracts under this tariff will be made for customers requiring a average maximum monthly demand between 500 KW and 1,000 KW and be made for an initial period of not less than I (one) year and shall remain in effect thereafter until either party shall give at least 6 months written notice to the other of the intention to terminate the contract. The Company reserves the right to require initial contracts or periods greater than 1 (one) year. For customers with demands less than 500 KW, a contract may, at the Company's option, be required. T

Where new Company facilities are required, the Company reserves the right to require initial contracts for periods greater than one year for all customers served under this tariff.

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.

CONTRACT CAPACITY.

The Customer shall set forth the amount of capacity contracted for (the "contract capacity") in an amount up to 1,000 KW. Contracts will be made in multiples of 25 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 also available to Customers 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 100 KW nor more than 1,000 KW. The Company shall not be obligated to supply demands in excess of the contract 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 billings periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

This tariff is available for resale service to mining and industrial customers 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 his power and camp requirements.

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

(Cont'd on Sheet No. 9-4)

DATE OF ISSUE: April 9, 2021
DATE EFFECTIVE: Service Rendered On And After January 14, 2021
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of Orders of the Public Service Commission
In Case No. 2020-00174 dated January 13, 2021; January 15, 2021; February 22, 2021, and March 17, 2021

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
1/14/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF I.G.S.
(Industrial General Service)

AVAILABILITY OF SERVICE.

Available for commercial and industrial customers with contract demands of at least 1,000 KW. Customers shall contract for a definite amount of electrical capacity in kilowatts, which shall be sufficient to meet average maximum requirements.

RATE.

Service Voltage	Secondary	Primary	Subtransmission	Transmission	
Tariff Code	356	358/370	359/371	360/372	
Service Charge per month	$276.00	$276.00	$794.00	$1,353.00	
Demand Charge per KW					
Of monthly on-peak billing demand	$25.88	$22.96	$16.33	$16.08	
Of monthly off-peak billing demand	$ 1.80	$ 1.78	$ 1.76	$ 1.75	
Energy Charge per KWH	2.698¢	2.660¢	2.635¢	2.612¢	RRRR

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

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:

Secondary	Primary	Subtransmission	Transmission
$28.77/KW	$25.81/KW	$19.17/KW	$18.88/kW

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.

MINIMUM CHARGE.

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

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

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TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. 2021-00053 Dated August 2, 2021

TARIFF I.G.S.
(Industrial General Service)

ADJUSTMENT CLAUSES.

The bill amount computed at the charges specified above shall be increased or decreased in accordance with the following:

Fuel Adjustment Clause	Sheet No. 5	
System Sales Clause	Sheet No. 19	
Franchise Tariff	Sheet No. 20	
Demand-Side Management Adjustment Clause	Sheet No. 22	
Federal Tax Cut Tariff	Sheet No. 23	
Kentucky Economic Development Surcharge	Sheet No. 24	
Environmental Surcharge	Sheet No. 29	T
Capacity Charge	Sheet No. 30	T
School Tax	Sheet No. 33	
Purchase Power Adjustment	Sheet No. 35	
Decommissioning Rider	Sheet No. 38	

DELAYED PAYMENT CHARGE.

Bills under this tariff are due and payable within fifteen (15) days of the mailing date. On all accounts not paid in full by the next billing date, an additional charge of 5% of the unpaid portion 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 KVARs as registered during the month by a demand meter or indicator.

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)

DATE OF ISSUE: April 9, 2021
DATE EFFECTIVE: Service Rendered On And After January 14, 2021
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of Orders of the Public Service Commission
In Case No. 2020-00174 dated January 13, 2021; January 15, 2021; February 22, 2021, and March 17, 2021

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
1/14/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF I.G.S.
(Industrial General Service)

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 in multiplies 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 Customers 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 Customers 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. 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.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2020/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	440 Residential Sales					
2	Residential Service	1,924,242	225,051,361	134,126	14,347	0.1170
3	Res Service Load Mgmt TOD	2,929	322,131	152	19,270	0.1100
4	Residential Service TOD	86	9,343	4	21,500	0.1086
5	General Service	7	1,223	2	3,500	0.1747
6	Kentucky Rider		638,793			
7	All Outdoor Lighting	25,744	5,895,371			0.2290
8	Subtotal Billed	1,953,008	231,918,222	134,284	14,544	0.1187
9	Unbilled Revenue	37,282	5,045,253			0.1353
10	Total Residential	1,990,290	236,963,475	134,284	14,821	0.1191
11						
12	442 Commercial Sales					
13	General Service	524,545	72,874,546	29,358	17,867	0.1389
14	Large General Service TOD	5,531	524,801	8	691,375	0.0949
15	Large General Service	427,633	47,810,904	641	667,134	0.1118
16	Municipal Water Works	1,873	200,202	9	208,111	0.1069
17	Industrial General Service	159,707	11,956,862	24	6,654,458	0.0749
18	All Outdoor Lighting	14,798	2,748,207			0.1857
19	Residential Service	4	520	1	4,000	0.1300
20	Kentucky Rider		550,176			
21	Estimated Revenue	-194	-24,248			0.1250
22	Subtotal Billed	1,133,897	136,641,970	30,041	37,745	0.1205
23	Unbilled Revenue	18,840	2,721,578			0.1445
24	Total Commercial	1,152,737	139,363,548	30,041	38,372	0.1209
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26	442 Industrial Sales					
27	Industrial General Service	1,701,517	99,302,875	43	39,570,163	0.0584
28	Gen Service	25,781	3,538,688	971	26,551	0.1373
29	Large General Service TOD	2,265	203,305	2	1,132,500	0.0898
30	Large General Service	76,844	9,099,252	99	776,202	0.1184
31	Contract Sercice - IP	156,819	9,622,309	5	31,363,800	0.0614
32	Kentucky Rider		1,147,492			
33	All Outdoor Lighting	769	131,545			0.1711
34	Estimated Revenue	-6,427	-383,204			0.0596
35	Subtotal Billed	1,957,568	122,662,262	1,120	1,747,829	0.0627
36	Unbilled Revenue	6,117	391,918			0.0641
37	Total Industrial	1,963,685	123,054,180	1,120	1,753,290	0.0627
38						
39	444 Public Street Lighting					
40	General Service	1,233	229,415	262	4,706	0.1861
41	TOTAL Billed	5,054,279	493,123,118	165,762	30,491	0.0976
42	Total Unbilled Rev.(See Instr. 6)	62,198	8,156,119	0	0	0.1311
43	TOTAL	5,116,477	501,279,237	165,762	30,866	0.0980

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2020/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	Street Lighting	8,465	1,630,854	55	153,909	0.1927
2	Kentucky Rider		8,905			
3	All Outdoor Lighting	108	31,490			0.2916
4	Subtotal Billed	9,806	1,900,664	317	30,934	0.1938
5	Unbilled Revenue	-41	-2,630			0.0641
6	Total Public Street Lighting	9,765	1,898,034	317	30,804	0.1944
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Jessica A. Cano
Senior Counsel
American Electric Power Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
(614) 401-9150
jacano@aep.com

January 31, 2022

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Top 20 Purchasers List for the American Electric Power Company, Inc. System

Dear Secretary Bose,

Pursuant to Section 305(c) of the Federal Power Act, 16 U.S.C. 825d, and Section 46.3 of the Commission's regulations, 18 CFR § 46.3, please find enclosed for filing a list of the 20 largest customers in 2021 for each of the following public utilities in the American Electric Power Company, Inc. system:

AEP Texas, Inc.
Appalachian Power Company
Indiana Michigan Power Company
Kentucky Power Company
Kingsport Power Company
Ohio Power Company (dba AEP Ohio)
Public Service Company of Oklahoma
Southwestern Electric Power Company
Wheeling Power Company

Sincerely,

s/ Jessica A. Cano

Jessica A. Cano
Senior Counsel
American Electric Power
Service Corporation

Attachments in Excel format

FERC-566 Annual Report of a Utility's Twenty Largest Purchase
Customers are in order of ranking by annual kilowatt-hour usage

Filing Public Utility Name
Kentucky Power Company

	Customer Name
1	Marathon Petroleum Company
2	Air Products & Chemicals, Inc.
3	Blackhawk Mining LLC
4	Calgon Carbon Corporation
5	M C Mining Inc
6	Kings Daughters Medical Center
7	Clintwood Jod Llc
8	Diversified Oil and Gas PLC
9	Appalachian Regional Healthcare
10	Huntington Alloys
11	Pikeville Methodist Hospital
12	Steel of WV Inc
13	Wal-Mart Stores, Inc.
14	Pike Co Bd Of Ed
15	K-VA-T Food Stores
16	AK Steel Corporation
17	City Of Ashland
18	Kinder Morgan Energy Partners L.P.
19	Wellmore Energy LLC
20	Mountaintop Baking Company (Kellogg Co)

rs (OMB No. 1902-0114)

Filing for Calendar Year
2021
Customer Principal Business Address
539 South Main Street, Findlay, OH 45840-4940
7201 Hamilton Boulevard, Allentown, PA 18195-1501
3228 Summit Square Place, Suite 180, Lexington, KY 40509
500 Calgon Carbon Dr, Post Office Box 717, Pittsburgh, PA 15230-0717
PO Box 910850, Lexington, KY 40591-0850
2201 Lexington Avenue, Ashland, KY 41101
23 Second Fork, Fedscreek, KY 41524
PO BOX 381087, Birmingham, AL 35238-1087
1220 Harrodsburg Road, Lexington, KY 40504-2739
3200 Riverside River Road Box 1958, Huntington, WV 25705-1737
911 Bypass Road, Pikeville, KY 41501-1689
PO Box 2547, Huntington, WV 25726-2547
2001 SE 10th Street, Bentonville, AR 72712-6489
316 S. Mayo Trail, Pikeville, KY 41501
201 Trigg Street, Abingdon, VA 24210
9227 Centre Pointe Drive, West Chester, OH 45069
P. O. Box 1839, Ashland, KY 41101
1001 Louisana Street, Suite 1000, Houston, TX 77002
2112 N Roan St, Johnson City, TN 37601-2519
PO Box 8881011, Grand Rapids, MI 49588-1011

278.170 Discrimination as to rates or service -- Free or reduced rate services.

(1) No utility shall, as to rates or service, give any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage, or establish or maintain any unreasonable difference between localities or between classes of service for doing a like and contemporaneous service under the same or substantially the same conditions.

(2) Any utility may grant free or reduced rate service to its officers, agents, or employees, and may exchange free or reduced rate service with other utilities for the benefit of the officers, agents, and employees of both utilities. Any utility may grant free or reduced rate service to the United States, to charitable and eleemosynary institutions, and to persons engaged in charitable and eleemosynary work, and may grant free or reduced rate service for the purpose of providing relief in case of flood, epidemic, pestilence, or other calamity. The terms "officers" and "employees," as used in this subsection, include furloughed, pensioned, and superannuated officers and employees, and persons who have become disabled or infirm in the service of the utility. Notice must be given to the commission and its agreement obtained for such reduced rate service except in case of an emergency, in which case the commission shall be notified at least five (5) days after the service is rendered.

(3) Upon obtaining commission approval of a tariff setting forth terms and conditions of service the commission deems necessary, a utility as defined in KRS 278.010(3)(d) may grant free or reduced rate service for the purpose of fighting fires or training firefighters to any city, county, urban-county, charter county, fire protection district, or volunteer fire protection district. Any tariff under this section shall require the water user to maintain estimates of the amount of water used for fire protection and training, and to report this water usage to the utility on a regular basis.

(4) The commission may determine any question of fact arising under this section.

Effective: July 15, 1996

History: Amended 1996 Ky. Acts ch. 141, sec. 2, effective July 15, 1996. -- Amended 1982 Ky. Acts ch. 82, sec. 21, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 379, sec. 23, effective April 1, 1979. -- Amended 1976 Ky. Acts ch. 88, sec. 11, effective March 29, 1976. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 3952-32.

	AG-KIUC Recommended	%	2020 Form 1 MWh Billed	%	Credit Per MWh Billed
Residential (Heat and Non-Heat)	$ 30,000,000	75.0%	1,927,268	38.1%	$ 15.57
General Service (Commercial and Industrial)	$ 1,759,290	4.4%	550,132	10.9%	$ 3.20
Large General Service (Municipal Water Works, Street Lighting, Commercial LGS, Industrial LGS)	$ 1,807,678	4.5%	565,263	11.2%	$ 3.20
Industrial (Industrial IGS, Commercial IGS and IRP)	$ 6,433,031	16.1%	2,011,616	39.8%	$ 3.20
Total	$ 40,000,000	100.0%	5,054,279	100.0%	$ 7.91

FEDERAL TAX CUT TARIFF

(F.T.C.)

APPLICABLE.

To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S.- I.R.P., C.S. Coal, M.W., O.L., and S.L.

RATE.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2020-00174, Kentucky Power Company is to credit to retail ratepayers the approved annual amount of excess accumulated deferred federal income taxes (ADIT) beginning January 14, 2021 at the rates set forth below and continue to do so until the Company's base rates are re-set in a future base rate proceeding. T

2. The Company shall amortize the calendar year retail Generation and Distribution related ARAM of Protected Excess ADIT and the amount of retail Generation and Distribution related Unprotected Excess ADIT needed to support the remainder of the actual calendar year rate credits provided to customers through this rider. DT

3. The Residential rate credits and All Other rate credits shall be credited to customers on a kWh basis as follows: T

	Residential ($/kWh)	All Other ($/kWh)	D
January – March and December	$0.02187	$0.00672	II
April – November	$0.00010	$0.00672	RI

4. The allocation of the actual retail Generation and Distribution related ARAM of Protected Excess ADIT and any Commission authorized amount of Unprotected Excess ADIT, between residential and all other customers shall be based upon their respective contribution to total retail revenues, according to the following formula: T

$$\text{Residential Allocation RA(y)} = \text{AC(y)} \times \frac{\text{KY Residential Retail Revenue RR}}{\text{KY Retail Revenue R}}$$

$$\text{All Other Allocation OA(y)} = \text{AC(y)} \times \frac{\text{KY All Other Classes Retail Revenue OR}}{\text{KY Retail Revenue R}}$$

Where:
(y) = the credit year;
RR = $248,770,246;
OR = $279,559,942; and
R = $528,330,188.

DATE OF ISSUE: April 9, 2021
DATE EFFECTIVE: Service Rendered On And After January 14, 2021
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of Orders of the Public Service Commission
In Case No. 2020-00174 dated January 13, 2021; January 15, 2021; February 22, 2021, and March 17, 2021

KENTUCKY
PUBLIC SERVICE COMMISSION
Linda C. Bridwell
Executive Director
Linda C. Bridwell
EFFECTIVE
1/14/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

5

KIUC CROSS EXHIBIT 3

Commonwealth of Kentucky
Public Service Commission
ANNUAL REPORT STATISTICS - 2020

Investor-Owned Electric Utilities		Residential	Commercial	Industrial	Other	Total
Duke Energy Kentucky, Inc.						
	Customers	130,434	13,899	362	1,263	145,958
	Revenues	$136,674,631.00	$122,611,845.00	$55,859,125.00	$26,138,339.00	$341,283,940.00
	KWHs	1,488,203,000	1,417,396,000	745,572,000	578,990,000	4,230,161,000
	Cost Per KWH	0.0918	0.0865	0.0749	0.0451	0.0807
	Monthly Bill	$87.32	$735.14	$12,858.91	$1,724.62	$194.85
	Monthly Usage	951	8,498	171,633	38,202	2,415
Kentucky Power Company						
	Customers	134,284	30,041	1,120	317	165,762
	Revenues	$236,963,475.00	$139,363,548.00	$123,054,180.00	$20,673,142.00	$520,054,345.00
	KWHs	1,990,290,000	1,152,737,000	1,963,685,000	479,596,000	5,586,308,000
	Cost Per KWH	0.1191	0.1209	0.0627	0.0431	0.0931
	Monthly Bill	$147.05	$386.59	$9,155.82	$5,434.58	$261.45
	Monthly Usage	1,235	3,198	146,108	126,077	2,808
Kentucky Utilities Company						
	Customers	461,707	86,638	1,801	10,791	560,937
	Revenues	$671,608,261.00	$427,335,400.00	$366,379,537.00	$188,224,447.00	$1,653,547,645.00
	KWHs	6,307,233,000	3,893,011,000	5,744,368,000	2,947,035,000	18,891,647,000
	Cost Per KWH	0.1065	0.1098	0.0638	0.0639	0.0875
	Monthly Bill	$121.22	$411.04	$16,952.60	$1,453.56	$245.65
	Monthly Usage	1,138	3,745	265,795	22,758	2,807
Louisville Gas and Electric Company						
	Customers	371,300	44,921	547	5,086	421,854
	Revenues	$465,439,679.00	$367,825,028.00	$166,121,814.00	$118,068,502.00	$1,117,455,023.00
	KWHs	4,122,473,000	3,517,859,000	2,359,385,000	2,098,820,000	12,098,537,000
	Cost Per KWH	0.1129	0.1046	0.0704	0.0563	0.0924
	Monthly Bill	$104.46	$682.36	$25,308.02	$1,934.53	$220.74
	Monthly Usage	925	6,526	359,443	34,389	2,390
Totals for 4 Investor-Owned Electric Utilities						
	Customers	1,097,725	175,499	3,830	17,457	1,294,511
	Revenues	$1,510,686,046.00	$1,057,135,821.00	$711,414,656.00	$353,104,430.00	$3,632,340,953.00
	KWHs	13,908,199,000	9,981,003,000	10,813,010,000	6,104,441,000	40,806,653,000
	Cost Per KWH	0.1086	0.1059	0.0658	0.0578	0.089

Commonwealth of Kentucky
Public Service Commission
ANNUAL REPORT STATISTICS - 2020

Investor-Owned Electric Utilities	Residential	Commercial	Industrial	Other	Total
Monthly Bill	$114.68	$501.97	$15,479.00	$1,685.59	$233.83
Monthly Usage	1,056	4,739	235,270	29,140	2,627

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
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5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	440 Residential Sales					
2	Residential Service	1,924,242	225,051,361	134,126	14,347	0.1170
3	Res Service Load Mgmt TOD	2,929	322,131	152	19,270	0.1100
4	Residential Service TOD	86	9,343	4	21,500	0.1086
5	General Service	7	1,223	2	3,500	0.1747
6	Kentucky Rider		638,793			
7	All Outdoor Lighting	25,744	5,895,371			0.2290
8	Subtotal Billed	1,953,008	231,918,222	134,284	14,544	0.1187
9	Unbilled Revenue	37,282	5,045,253			0.1353
10	Total Residential	1,990,290	236,963,475	134,284	14,821	0.1191
11						
12	442 Commercial Sales					
13	General Service	524,545	72,874,546	29,358	17,867	0.1389
14	Large General Service TOD	5,531	524,801	8	691,375	0.0949
15	Large General Service	427,633	47,810,904	641	667,134	0.1118
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42	Total Unbilled Rev.(See Instr. 6)	62,198	8,156,119	0	0	0.1311
43	TOTAL	5,116,477	501,279,237	165,762	30,866	0.0980

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Kentucky Power Company
Actual and Budgeted Distribution Plant Capital Additions
($ Millions)

Historic Actual		Forecast	
2011	30.063	2022	77.802
2012	49.857	2023	77.471
2013	49.458	2024	83.167
2014	41.495	2025	119.467
2015	38.204	2026	98.574
2016	36.074	2027	105.265
2017	39.656	2028	100.789
2018	44.255	2029	78.150
2019	63.742	2030	72.127
2020	68.429		
Average	46.123	Average	90.312

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KIUC CROSS EXHIBIT 4

Project Nickel - Capital Expenditures by Function
2022 - 2030 Forecast
$000's

	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028	Year 2029	Year 2030
Capital Expenditures									
Kentucky Power									
Steam	49,989	41,627	13,977	9,521	7,747	125,072	123,737	6,112	5,326
Transmission	85,474	108,595	146,058	191,981	151,356	105,336	123,864	65,950	66,081
Distribution	77,802	77,471	83,167	119,467	98,574	105,265	100,789	78,150	72,127
General	783	785	796	848	891	897	898	894	890
Intangible	14,505	14,972	15,277	15,896	18,227	18,020	18,617	19,179	18,143
Renewables	83,832	167,481	701,876	980,928	167,673	167,840	83,993	-	-
Total KPCO Expenditures	**312,385**	**410,931**	**961,152**	**1,318,642**	**444,469**	**522,431**	**451,896**	**170,285**	**162,567**

2022-2030 Total $4.75 Billion
2022-2028 Renewable $2.35 Billion
2022 KPCo and Ky Transco approx. $2.2 Billion

Kentucky Power Company
AG-KIUC Calculation of Net Present Value of KU and LG&E Merger Surcredits - Merger in Original Case No. 1997-00300 and Litigated With Quantifications in 2007-00562 and 2007-00563
Case No. 2021-00481
($ Millions)

	Yr Ended 6/30/1999 Yr 1	Yr Ended 6/30/2000 Yr 2	Yr Ended 6/30/2001 Yr 3	Yr Ended 6/30/2002 Yr 4	Yr Ended 6/30/2003 Yr 5	Yr Ended 6/30/2004 Yr 6	Yr Ended 6/30/2005 Yr 7	Yr Ended 6/30/2006 Yr 8	Yr Ended 6/30/2007 Yr 9	Yr Ended 6/30/2008 Yr 10	7 Months Ended 1/31/2009 Yr 11	Total
KU Combined Merger Surcredits (Appendix B)	6.009	8.764	11.824	12.979	14.288	17.899	17.899	17.899	17.899	17.899	6.156	149.514
LG&E Combined Merger Surcredits (Appendix A)	6.183	9.019	12.168	13.356	14.703	18.045	18.045	18.045	18.045	18.045	6.305	151.960
KU and LG&E Combined Merger Surcredits	12.192	17.783	23.992	26.334	28.990	35.944	35.944	35.944	35.944	35.944	12.461	301.474
Discount Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	
Present Value (Future Value) of Prior Payments Computed Through March 31, 2022	60.942	82.686	103.776	105.958	108.507	125.148	116.417	108.295	100.739	93.711	30.220	1,036.400

Notes:
Annual Periods are July 1 to June 30 Each Year Starting July 1, 1998 - Payments Concluded as of January 31, 2009.
Present Value Computed Avg Half Year (As of January 1 of Each Year)
Discount rate of 7.5% is the Same Weighter Average Cost of Capital Utilized in Eichler's Rebuttal Exhibit_PE_R1.

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KIUC CROSS EXHIBIT 5

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PLAN OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR THE FUTURE DISPOSITION OF THE MERGER SURCREDIT MECHANISM	))))	CASE NO. 2007-00562
THE PLAN OF KENTUCKY UTILITIES COMPANY FOR THE FUTURE DISPOSITION OF THE MERGER SURCREDIT MECHANISM	))))	CASE NO. 2007-00563

O R D E R

In its Order approving the merger of the holding companies for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), the Commission approved a merger surcredit mechanism which would return to customers a portion of the savings resulting from the merger.[1] The surcredit was initially based on an analysis conducted by Deloitte and Touche on behalf of LG&E and KU, which estimated LG&E's and KU's post-merger savings for a period of 10 years. In the merger case, LG&E and KU proposed, and the Commission approved, a plan to flow through the savings estimated by Deloitte and Touche for the first 5 years after the merger. The Commission ordered LG&E and KU to file an application midway through

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[1] Case No. 1997-00300, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger, Order dated September 12, 1997.

MSR

Merger Surcredit Rider

APPLICABLE
In all territory served.

AVAILABILITY OF SERVICE
To all electric rate schedules. T

RATE
The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Merger Surcredit Factor, which shall be calculated in accordance with the following formula:

Merger Surcredit Factor = MS + BA

Where:
(MS) is the Merger Surcredit which is based on the total Company savings that are to be distributed to the Company's Kentucky jurisdictional retail customers in each 12-month period beginning July 1, 1998.

	Savings to be Distributed	Merger Surcredit (MS)	
Year 1	$ 6,008,699	0.972%	
Year 2	$ 8,764,133	1.387%	
Year 3	$11,824,431	1.836%	
Year 4	$12,978,580	1.979%	
Year 5	$14,287,560	2.139%	
Year 6	$17,898,933	2.646%*	
Year 7	$17,898,933	2.568%	
Year 8	$17,898,933	2.503%	
Year 9	$17,898,933	2.442%	
Year 10	$17,898,933	2.389%	
Year 11, (Jul 1, 2008 to Jan 31, 2009)	$ 6,155,555	0.868%	N
Succeeding Annual Periods beginning Feb 1, 2009	$12,311,109	1.013%	N

*Reflects the average factor for the year. Actual application determined by the Final Order in PSC Case No. 2002-00429.

(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Merger Surcredit Factor from the previous year by the expected Kentucky jurisdictional retail electric revenues. The final Balancing Adjustment will be applied to customer billings in the second month following the termination of the Merger Surcredit. T

STANDARD RIDER **MSR**

Merger Surcredit Rider

AVAILABILITY
In all territory served.

APPLICABILITY OF SERVICE
To all electric rate schedules. T

SURCREDIT
The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Merger Surcredit Factor, which shall be calculated in accordance with the following formula:

Merger Surcredit Factor = MS + BA

Where:

(MS) is the Merger Surcredit which is based on the total Company savings that are to be distributed to Company's customers in each 12-month period beginning July 1, 1998.

	Savings to be Distributed	Merger Surcredit (MS)	
Year 1	$ 6,183,320	1.109%	
Year 2	$ 9,018,830	1.587%	
Year 3	$12,168,065	2.103%	
Year 4	$13,355,755	2.265%	
Year 5	$14,702,775	2.451%	
Year 6	$18,045,255	3.185%*	
Year 7	$18,045,255	3.129%	
Year 8	$18,045,255	3.052%	
Year 9	$18,045,255	3.001%	
Year 10	$18,045,255	2.954%	
Year 11, (Jul 1, 2008 to Jan 31, 2009)	$ 6,305,082	1.369%	N
Succeeding Annual Periods beginning Feb 1, 2009	$12,610,164	1.598%	N

* Reflects the average factor for the year. Actual application determined by the Final Order in PSC Case No. 2002-00430.

(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Merger Surcredit Factor from the previous year by the expected retail sales revenue. The final Balancing Adjustment will be applied to customer billings in the second month following the termination of the Merger Surcredit. T

RELIABILITY AS MEASURED BY SAIDI AND CAIFI FOR KENTUCKY POWER COMPANY COMPARED TO OTHER KENTUCKY UTILITIES FIVE YEAR AVERAGE 2016-2020						
			SAIDI	SAIFI	SAIDI	SAIFI
Utility Name	Total Customers	Total Circuits	Excluding MED (5 Year Average)		Including MED (5 Year Avearage)	
Kentuky Power	165,077	230	443.62	2.22	856.39	2.52
Big Sandy RECC	12,845	36	455.06	3.36	607.46	3.80
Grayson Rural Electric	14,246	42	437.70	3.13	465.20	3.22
South Kentucky RECC	69,987	143	222.20	1.97	345.26	2.21
Licking Valley Rural	17,449	36	158.10	1.27	345.03	1.88
Jackson Purchase	30,337	91	108.07	1.17	343.12	1.73
Jackson Energy Coop.	51,320	112	203.30	1.68	313.80	1.94
Mead County RECC	30,282	79	103.85	1.34	303.09	1.65
Fleming Mason	25,163	45	153.74	1.18	297.41	1.49
Inter-County Energy	26,862	44	101.72	1.06	252.56	1.89
Shelby Energy Coop.	16,751	47	125.04	1.23	249.50	1.77
Blue Grass Energy	58,829	138	116.56	1.02	215.24	1.28
Owen Electric	63,142	129	98.30	1.16	211.61	1.50
Nolin RECC	35,709	84	66.47	0.94	207.67	1.38
LG&E	434,471	619	77.82	0.93	187.75	1.16
Duke KY	151,317	141	110.44	0.91	184.66	1.11
Kentucky Utilities	546,042	1,113	84.64	0.78	157.74	0.90
Farmers Rural Electric Coop.	24,638	68	126.10	1.41	155.51	1.53
Salt River Electric	53,975	106	78.20	0.95	145.60	1.22

*2020 Electric Distribution Utility Annual Reliability Report

** Does not include outages from February 2021 Ice Storms.

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KIUC CROSS EXHIBIT 6

RELIABILITY AS MEASURED BY SAIDI AND CAIFI FOR KENTUCKY POWER COMPANY COMPARED TO OTHER KENTUCKY UTILITIES FIVE YEAR AVERAGE 2011-2015						
			SAIDI	SAIFI	SAIDI	SAIFI
Utility Name	Total Customers	Total Circuits	Excluding MED (5 Year Average)		Including MED (5 Year Avearage)	
Grayson Rural Electric	14,969	42	366.50	2.74	1315.30	3.57
Kentuky Power	168,545	221	473.40	2.50	1047.50	2.96
Big Sandy RECC	13,000	36	172.12	2.56	575.00	2.91
Licking Valley Rural[1]	17,299	36	165.13	1.47	366.58	2.12
Jackson Energy Coop.	51,481	112	174.29	1.58	309.13	1.84
Clark Energy Coop	25,691	74	144.92	1.53	304.78	2.01
Fleming Mason	24,025	42	139.60	1.22	259.45	1.57
Farmers Rural Electric Coop.	24,192	59	213.52	1.90	254.66	2.10
Blue Grass Energy	56,312	131	121.22	1.16	240.65	1.45
Shelby Energy Coop.	15,854	41	109.22	0.98	239.91	1.45
LG&E	413,353	546	89.92	1.05	233.54	1.32
South Kentucky RECC	68,138	143	173.04	2.40	227.55	2.96
Inter-County Energy	26,333	42	93.71	1.07	215.72	1.59
Mead County RECC	29,261	72	90.96	1.24	214.36	2.24
Owen Electric	59,409	123	135.65	1.37	187.33	1.52
Duke KY	137,431	134	115.91	1.21	186.15	1.45
Cumberland Valley Electric	23,809	64	127.66	1.36	166.90	1.78
Kenergy	56,663	196	115.69	1.73	150.55	1.90
Kentucky Utilities	527,753	1,029	89.52	0.86	121.84	0.95
Salt River Electric	49,666	91	96.60	0.94	119.54	1.22
Nolin RECC	34,658	82	84.49	0.91	118.71	1.04

[1] Reflects 2016 reporting year and 2012 – 2016 average due to data filing inconsistencies with prior reports.

*2015 Electric Distribution Utility Annual Reliability Report

Commitments Made by Liberty Utilities Co.

Commitments made in Application and Testimony of Peter Eichler

- Maintain Kentucky Power's head office in the service territory.
- Localize upwards of 100 utility operations jobs back to Kentucky Power.
- Within 2 years of the close of the transaction, Kentucky Power will evaluate the benefits and costs of its participation in the PJM, and to the extent appropriate, explore alternatives.
- Reopen a customer walk-in center in Ashland and at least one other community.
- Establish and maintain a Kentucky Power Company board of directors comprised of a majority of independent non-management members with at least one seat reserved for a business and/or community leader from Kentucky Power's service territory.
- Assume all regulatory commitments currently in force from prior Commission Orders for Kentucky Power.
- Not seek recovery of the transaction premium or transaction costs in Kentucky Power's rates.
- Continue to work with local and state governmental entities.
- Continue to promote economic development in Kentucky.
- The transaction will not impact or affect contractual relationships with municipal or wholesale customers of Kentucky Power.
- Obtain Commission approval before transferring Kentucky Power property, plant and equipment, consistent with KRS requirements.
- There will be no cross subsidization between Liberty's regulated businesses and Algonquin's non-regulated businesses.
- Kentucky Power will not transfer stock without Commission approval.

KIUC CROSS EXHIBIT 7

Commitments made in Stock Purchase Agreement[1]

- Indemnify, defend and hold harmless past and present directors, officers, and employees of the Kentucky Power and Kentucky Transco for a period of 6 years, as set forth in more detail Section 4.12.

- Assume all obligations under the NSR Consent Decree relating to the Mitchell Interest and Big Sandy, as set forth in more detail in Section 4.13.

- For a period of no less than five years from the Closing Date, cause Kentucky Power to maintain its existing corporate headquarters in Kentucky and, other than in the ordinary course of its business, maintain its existing offices and service centers in Kentucky, as set forth in Section 4.21.

- Kentucky Power and Kentucky Transco employees, whether members of a collective bargaining agreement or not, who are employed by such company immediately prior to the closing will continue to be employed upon closing and will remain employed for a period of two years following the closing, as set forth in more detail in Section 5.3 or otherwise provide such employees severance as set forth in more detail in Section 5.6.

- Employees of Kentucky Power and Kentucky Transco will receive substantially similar, in the aggregate (provided base salary must be at least equal to the current base salary/wage rate), base salary or hourly wages, incentive compensation opportunities, retirement benefits, welfare benefits, and severance benefits as the same exist immediately prior to closing, as set forth in more detail in Section 5.4.

- Provide employees benefits regarding welfare plans, severance, continuing health care coverage, service credit, defined contribution plans, incentive awards, seller benefit plans, and workers compensation benefits, as set forth in more detail in Sections 5.5 through 5.13.

- Kentucky Power must maintain itself as a "Load Serving Entity" under the PJM Market Rules and remain included in the "AEP Zone" until the completion of all remaining"Planning Periods" for which Kentucky Power has committed to jointly participate in a "Fixed Resource Requirement Alternative" as set forth in more detail in Section 4.8(c).

- Kentucky Power and Kentucky Transco must within three business days cease using, and within 120 days remove, all trademarks and service marks of AEP within 120 days of closing as set forth in more detail in Section 4.10.

[1] For purposes of this document, the term "Commitment" as used in relationship to the Stock Purchase Agreement, is intended to mean commitments and assurances agreed to by Liberty Utilities Co. related to the post-acquisition operation of Kentucky Power. Nothing herein is intended to supersede or contradict the contractual obligations of the parties to the Stock Purchase Agreement.

<u>Commitments made in response to KPSC 1-03</u>

- All costs associated with the proposed transaction will not have the effect of increasing Kentucky Power's rates for electric service.

- Kentucky Power's ratepayers will not incur any additional costs, liability, or obligations, directly or indirectly, in conjunction with the proposed transaction. Provided however that Kentucky Power will enter into affiliate service agreements with Algonquin Power & Utilities Corp., Liberty Utilities (Canada) Corp., Liberty Utilities Co. and Liberty Service Corp. for the provision of certain services, and in that respect, will incur new liabilities. Thecosts of these services, however, will not result in any increase in costs to Kentucky Power customers.

- Kentucky Power will not incur any additional indebtedness or pledge any assets to finance any part of the purchase price paid by Liberty to acquire control of Kentucky Power.

- Kentucky Power's current level of community involvement, charitable contributions, low- income funding, and economic development in Kentucky Power's service territory will be maintained for two years following the close of the transaction so that the Company can bestevaluate how to continue to support the community.

- Kentucky Power's customers will not be asked to contribute to costs associated with operating any Liberty subsidiary or affiliates.

- Kentucky Power will not guarantee the credit of any affiliate if the proposed transaction is approved.

- Kentucky Power will not be required to pledge any of its assets to finance the debt or any purchases of any affiliates if the proposed transaction is approved.

- Kentucky Power will not be required to grant liens or encumbrances, or otherwise pledge any of its assets, to finance any or all of the costs of the proposed transaction.

- Liberty will not utilize push-down accounting in any manner arising from the proposed transaction.

- Kentucky Power will give clear and conspicuous notice to Kentucky Power's customers priorto any change in service resulting from the proposed transaction.

- Liberty will commit to ring-fencing of Kentucky Power such that Kentucky Power would be insulated from Liberty's non-utility lines of business. To define "ring-fencing": Liberty willcommit that Kentucky Power: (i) will not assume liability for the debts issued by AlgonquinPower & Utilities Corp., Liberty Utilities Co., or any of their subsidiaries or affiliates; (ii) will maintain corporate officers who have a fiduciary duty to Kentucky

Power, and; (iii) will maintain separate books and records of Kentucky Power, all to provide sufficient ring fencingto Kentucky Power to insulate it from potential liability of from other affiliates.

Commitments Made in response to testimony

- Liberty's common equity ratio for rates effective in 2024 will be 45% and will only change for ratemaking purposes upon approval of the Commission in future rate cases.

- For any FERC filed affiliate agreements that will affect rates, Liberty will provide a copy to the Kentucky Public Service Commission 30 days prior to filing of all such affiliate agreements before they are filed at FERC and before they are executed.

- Liberty will file with the Kentucky Public Service Commission any agreements with AEP relating to services provided to Kentucky Power Company within 30 days of execution of any such agreements.

- Within sixty days of the close of the transaction, Kentucky Power Company will convene a stakeholder process for the development of one or more new renewable energy offerings to be proposed for Commission approval within one year of the close of the transaction.

- Liberty will enter into an arrangement to factor accounts receivable if doing so will bring savings to customers.

- Liberty will not seek to recover any transaction or one time transition costs (as defined by Liberty in testimony) from customers.

- Liberty will pursue securitization legislation focused on the facts and circumstances of Kentucky Power to lower the cost impact of the Big Sandy Decommissioning Rider and Mitchell Power Plant.

- Eastern Kentucky Fuel Relief Fund: Provide a rate offset benefit to customers with a value of $40 million available to assist customers with their bills should the acquisition be approved. For clarity, these amounts would be utilized to offset high fuel charges and would effectively act as a credit to customer bills.

- Big Sandy Decommissioning Rider ("BSDR"): In order to provide near term relief to customers, while we work on appropriate securitization legislation, we are proposing to defer the collection of the Big Sandy decommissioning rider for three years. Liberty would continue to accrue the carrying charge but defer collection of the surcharge from customers of the BSDR costs until three years after the transaction closes. At the end of the three year period, assuming the enactment of securitization legislation, with reasonable parameters such as an interest rate of 3.5% and a 20 year term, the annual collections from customers would reduce from the current levelized charge of $26.9M to approximately $19.6M, thereby allowing further savings of $7.2 million per year to inure to the benefit of customers from year four forward. If securitization legislation is not feasible within 3 years, the current levelized charge of $26.9M will be reinstated until the balance of the regulatory asset is extinguished.

- Liberty will hire a Vice President of Customer Advocacy to assist who will be on the local Kentucky Power management team

VERIFICATION

The undersigned, Peter Eichler, being duly sworn, deposes and says he is Senior Vice President, Regulatory Strategy and Centralized Services for Liberty Utilities (Canada) Corp., that he has personal knowledge of the matters set forth in the foregoing Rebuttal Testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief after reasonable inquiry.

Peter Eichler, Affiant

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Sworn to, acknowledged and subscribed before me via video communications technology by Peter Eichler on this 17th day of March, 2022.

Lugh Reed
Notary Public, State at Large - Kentucky
I.D. No. 607075
My Commission Expires: Aug. 25, 2022

American Electric Power Company, Inc.
Kentucky Power Company
Liberty Utilities Co.
KPSC Case No. 2021-00481
Commission Staff's First Set of Data Requests
Dated January 13, 2022

DATA REQUEST

KPSC 1_17 Provide an estimate of the costs for centralized corporate services that would be charged to Kentucky Power if the transaction is approved.

RESPONSE

For planning purposes, Liberty has assumed that the costs associated with Generation, Transmission and Corporate Services will remain the same in the first full year of operations after the acquisition by Liberty (i.e., 2023). More specifically, based on the costs incurred in 2020, Liberty projects that in 2023, under the ownership of American Electric Power Company, Inc. ("AEP"), Kentucky Power Company would incur approximately $75.8 million for Generation, Transmission and Corporate Services. Based on Liberty's preliminary analysis and calculations, Liberty estimates that during its first full year of operations under Liberty's ownership, Kentucky Power will incur approximately $67.0 million for the same functions. Of that amount, Liberty estimates Kentucky Power will be allocated approximately $33.1 million of corporate shared services costs in accordance with the Algonquin Power & Utilities Corp. Cost Allocation Manual ("CAM"). In addition, Kentucky Power will incur approximately $33.9 million directly for certain Generation, Transmission and Corporate Services that were previously provided by AEP. As this estimate is preliminary, Liberty continues to assume that it will spend at or below the AEP currently incurred amounts.

Please see JA_R_STAFF_1_17_Attachment_Project Nickel Allocations.xlsx.

Witness: Jill Schwartz

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KIUC CROSS EXHIBIT 8

Project Nickel Summary

JA Response
Staff 1-17

AEP Ownership	75,840,937.96
KPCo - APUC Ownership	
Corporate Allocations	33,056,813.21
Direct Opco Costs	33,896,863.06
Total	66,953,676.27
Difference	(8,887,261.69)

Function	Itemized Name (2)	2020 Total	Direct cost incurred/allocated to Opco	Percentage of 2020 Total	Incremental costs added to LABS	Displaced corporate costs of Seller	New Positions-Opco	New Positions-LABS	Costs Added to LABS
Generation	Fossil & Hydro Generation	4,495,781.89	4,495,781.89	100%					-
	Environmental Services	1,514,652.97	1,135,989.73	75%		378,663.24			-
	Projects & Construction	3,134,462.08	2,350,846.56	75%		783,615.52			-
	Engineering Services	3,890,292.49	3,890,292.49	100%					-
	Commercial Operations	1,758,601.08	1,758,601.08	100%					-
	Other Generation	715,045.58	357,522.79	50%		357,522.79			-
	Mitchell Plant Co-ownership Credit	(14,421,494.53)	(14,421,494.53)	100%					-
Generation Total		**1,087,341.56**	**(432,459.99)**		-	**1,519,801.55**	-	-	-
Transmission	Energy Delivery Operations	2,035,913.12	2,035,913.12	100%					-
	Energy Delivery Administration	2,038,315.07	1,528,736.30	75%		509,578.77			-
	Field Services	9,088,115.88	9,088,115.88	100%					-
	Grid Development	5,194,048.74	3,895,536.55	75%		1,298,512.19			-
	Other Transmission	8,648,237.86	4,324,118.93	50%		4,324,118.93			-
Transmission Total		**27,004,630.67**	**20,872,420.79**		-	**6,132,209.88**	-	-	-
Corporate Services	Customer	4,131,730.61	4,131,730.61						-
	IT	15,412,409.40			15,412,409.40				15,412,409.40
	Procurement	2,758,371.01	1,379,185.51		1,379,185.51			500,000.00	1,879,185.51
	Safety & Health	418,889.44			418,889.44				418,889.44
	General Corporate	7,429,428.07				7,429,428.07	230,000.00	385,000.00	385,000.00
	HR / Labor Relations	2,009,468.14			2,009,468.14			625,000.00	2,634,468.14
	Communication	730,979.95			730,979.95				730,979.95
	Finance / CP&B	2,400,098.62	2,400,098.62						-
	Accounting / Tax	1,556,402.10	778,201.05		778,201.05			750,000.00	1,528,201.05
	Regulatory	1,068,978.38	1,068,978.38						-
	Real Estate	682,803.04	682,803.04						-
	Bus Ops & Assurance	670,930.36			670,930.36			625,000.00	1,295,930.36
	Other Corp Services	578,106.00			578,106.00				578,106.00
Corporate Services Total		**39,848,595.12**	**10,440,997.21**		**21,978,169.85**	**7,429,428.07**	**230,000.00**	**2,885,000.00**	**24,863,169.85**
Kentucky Leadership	Kentucky Leadership	1,667,178.70				1,667,178.70			-
Kentucky Leadership Total		**1,667,178.70**	-		-	**1,667,178.70**			-
Grand Total		**69,607,746.05**	**30,880,958.00**		**21,978,169.85**	**16,748,618.21**	**230,000.00**	**2,885,000.00**	**24,863,169.85**
	Inflation Factor	1.029							
	2021	71,626,370.69	31,776,505.78		22,615,536.77	17,234,328.13	236,670.00	2,968,665.00	
	2022	73,703,535.44	32,698,024.45		23,271,387.34	17,734,123.65	243,533.43	3,054,756.29	
	2023	75,840,937.96	33,646,267.16		23,946,257.57	18,248,413.23	250,595.90	3,143,344.22	

Annual Transmission Revenue Requirements and Rates		
Transmission Owner (Transmission Zone)	**Annual Transmission Revenue Requirement**	**Network Integration Transmission Service Rate ($/MW-Year)**
AE (AECO)	$125,075,638	$45,693
AEP, AMPT (AEP)	$2,066,332,706	$95,597.51
South FirstEnergy (APS)	$120,322,073^	$13,930.04^
ATSI, AMPT (ATSI)	$831,978,941	$66,744.13
BC (BGE)	$209,965,346.90	$31,311
ComEd (CE)	$718,149,481.11	$34,280.85
Dayton (DAY)	$57,552,702**	$17,393.83**
Duke (DEOK)	$159,235,526	$32,143
Duquesne (DLCO)	$141,278,388.40	$53,072.27
Dominion (DOM)	$1,238,329,019	$61,729.41
Dominion Underground (DOM)	$14,410,946	$744.73
DPL, ODEC (DPL)	$135,227,058	$33,000
East Kentucky Power Cooperative (EKPC)	$67,129,699	$23,763
MAIT (METED, PENELEC)	$295,135,116	$50,128.46
JCPL	$161,318,343	$27,327.27
OVEC	$11,256,927	$5,163.73
PE (PECO)	$135,037,645	$16,022
PPL, AECoop, UGI (PPL)	$596,505,385	$75,204
PEPCO, SMECO (PEPCO)	$173,482,676	$28,165.56
PS (PSEG)	$1,645,668,896	$172,189.67
Rockland (RECO)	$16,833,707	$42,548
TrAILCo	$253,750,977.57	N/A
Silver Run	$23,622,243	N/A
Transource WV	$11,055,915	N/A
NEET MidAtlantic Indiana (CE)	$121,756	N/A

****Dayton Annual Revenue Requirement effective 1/1/2021 pursuant to Settlement Agreement accepted by FERC in Docket No. ER20-1150***
(2020 Settlement Rates: Dayton ARR/NITS effective 5/3/2020-10/2/2020: $42,963,911/$13,184.78; effective 10/3/2020-12/31/2020: $43,101,389/$13,226.97)
^South FirstEnergy Annual Revenue Requirement accepted by FERC, effective 1/1/2021, but subject to refund based on settlement hearing

April 1, 2021 (Updated)

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KIUC CROSS EXHIBIT 9

Annual Transmission Revenue Requirements and Rates		
Transmission Owner (Transmission Zone)	**Annual Transmission Revenue Requirement**	**Network Integration Transmission Service Rate ($/MW-Year)**
AE (AECO)	$125,075,638	$45,693
AEP (AEP)	$1,806,870,058	$80,306.41
AP (APS)	$128,000,000	$17,895
ATSI (ATSI, AMPT)	$722,642,824	$57,482.35
BC (BGE)	$209,965,346.90	$31,311
ComEd (CE)	$718,149,481.11	$34,280.85
Dayton (DAY)	$47,109,460**	$14,456.96**
Duke (DEOK)	$159,235,526	$32,143
Duquesne (DLCO)	$141,278,388.40	$53,072.27
Dominion (DOM)	$1,094,470,000	$54,914.33
Dominion Underground (DOM)	$31,431,917	$1,657.90
DPL, ODEC (DPL)	$135,227,058	$33,000
East Kentucky Power Cooperative (EKPC)	$67,129,699	$23,763
MAIT (METED, PENELEC)	$222,281,382	$37,083.18
JCPL	$147,518,299*	$24,354.61*
OVEC	$11,256,927	$5,163.73
PE (PECO)	$135,037,645	$16,022
PPL, AECoop, UGI (PPL)	$596,505,385	$75,204
PEPCO, SMECO (PEPCO)	$173,482,676	$28,022.85
PS (PSEG)	$1,526,297,808	$156,503.24
Rockland (RECO)	$16,833,707	$42,548
TrAILCo	$253,750,977.57	N/A

**JCPL Annual Revenue Requirement accepted by FERC, effective 1/1/20, but subject to refund based on settlement hearing*

***Dayton Annual Revenue Requirement accepted by FERC, effective 5/3/20, but subject to refund based on settlement hearing*

Effective June 1, 2020 (Revised - PECO Zone updated)

Annual Transmission Revenue Requirements and Rates		
Transmission Owner (Transmission Zone)	**Annual Transmission Revenue Requirement**	**Network Integration Transmission Service Rate ($/MW-Year)**
AE (AECO)	$145,555,921	$56,171
AEP (AEP)	$1,499,032,942	$65,923.43
AP (APS)	$128,000,000	$17,895
ATSI (ATSI, AMPT)	$707,792,792	$55,185.23
BC (BGE)	$197,870,237	$29,860
ComEd, Rochelle (CE)	$707,009,311	$33,116.34
Dayton (DAY)	$37,885,386	$12,561.48
Duke (DEOK)	$134,316,531	$25,840
Duquesne (DLCO)	$137,514,380	$49,200.14
Dominion (DOM)	$1,007,914,000	$47,471.44
Dominion Underground (DOM)	$34,420,176	$1,728.93
DPL, ODEC (DPL)	$179,314,789	$44,803
East Kentucky Power Cooperative (EKPC)	$92,224,675	$30,251
MAIT (METED, PENELEC)	$173,323,326	$28,796.22
JCPL	$135,000,000	$22,588.47
OVEC	$11,256,927	$5,163.73
PE (PECO)	$162,880,139	$18,922
PPL, AECoop, UGI (PPL)	$522,139,243	$68,031
PEPCO, SMECO (PEPCO)	$217,200,604	$33,873.72
PS (PSEG)	$1,194,757,707	$119,735.80
Rockland (RECO)	$16,833,707	$42,548
TrAILCo	$251,369,162.88	n/a

Effective June 1, 2019

PSC Staff Exhibit ________

American Electric Power Company, Inc.
Kentucky Power Company
Liberty Utilities Co.
KPSC Case No. 2021-00481
Commission Staff's Third Set of Data Requests
Dated March 8, 2022

DATA REQUEST

KPSC 3_5 Refer to Liberty's response to Commission Staff's Second Request for Information, Item 23. Explain whether Liberty will commit to excluding the following expenses, which are regularly removed for ratemaking purposes, from the calculation of Kentucky Power's earned return on equity for 2023. If not, explain why not.

a. Supplemental Executive Retirement Plan expenses;
b. 401(k) savings plan expenses for employees who also participate in a defined benefit retirement plan;
c. Medical insurance premiums paid above the sharing percentages provided by the Bureau of Labor Statistics;
d. Incentive compensation that is funded or paid based on financial performance metrics;
e. Lobbying expenses;
f. Industry association dues;
g. Civic organization dues that are not necessary for the provision of service; and
h. Advertising expenses as disallowed by 807 KAR 5:016, Section 4.

RESPONSE

It is Liberty's understanding that the Settlement Agreement in Case No. 2017-00179, and specifically the language on the issue of Rockport UPA expense deferral and the 2023 Rockport Offset, contemplated book return on equity with no adjustments to be used for the calculation of Kentucky Power's 2023 earned ROE. This is further confirmed by the calculation presented in Exhibit 2 to the approved Settlement Agreement. As a result, Liberty believes that the explicit language of the Settlement Agreement, which did not contemplate any such adjustments, governs. Notwithstanding, Liberty commits to excluding any one time transition costs that may occur from the Transaction.

Witness: Peter Eichler

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) AN ORDER APPROVING ITS 2017 ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER APPROVING ITS TARIFFS AND RIDERS; (4) AN ORDER APPROVING ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND (5) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2017-00179

ORDER

Kentucky Power Company ("Kentucky Power"), a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP") is an electric utility that generates, transmits, distributes, and sells electricity to approximately 168,000 consumers in all or portions of 20 counties in eastern Kentucky.[1] Kentucky Power owns and operates a 285-megawatt ("MW") gas-fired steam-electric generating unit in Louisa, Kentucky, and owns and operates a 50 percent undivided interest in a coal-fired generating station in Moundsville, West Virginia; Kentucky Power's share consists of 780 MW. Kentucky Power obtains an additional 393 MW from Rockport (Indiana) Plant Generating Units No. 1 and No. 2 under a unit power agreement ("Rockport UPA"). Kentucky Power's transmission system is operated by PJM Interconnection, LLC ("PJM"), a regional

[1] Application at 2. Kentucky Power also furnishes electric service at wholesale to the Cities of Olive Hill and Vanceburg, Kentucky.

PSC STAFF EXHIBIT 2

electric grid and market operator. Kentucky Power's most recent general rate increase was granted in June 2015 in Case No. 2014-00396.[2]

BACKGROUND

On April 26, 2017, Kentucky Power filed notice of its intent to file an Application ("Application") for approval of an increase in its electric rates based on a historical test year ending February 28, 2017. By Order entered May 24, 2017, the Commission granted Kentucky Power's motion to deviate from certain filing requirements, which Kentucky Power requested in order to obtain additional time to review its Application before its proposed filing date of June 28, 2017.

Kentucky Power tendered its Application on June 28, 2017, which included new rates to be effective on or after July 29, 2017, based on a request to increase its electric revenues by $65,387,987, or 11.80 percent. On August 7, 2017, Kentucky Power supplemented its Application to reflect the impact of refinancing of certain debts in June 2017, which reduced Kentucky Power's requested annual increase in revenues to $60,397,438. In its Application, Kentucky Power also requested approval of its environmental compliance plan, and proposed to revise, add, and delete various tariffs applicable to its electric service. After Kentucky Power cured filing deficiencies, its Application was deemed filed as of July 20, 2017. To determine the reasonableness of these requests, the Commission suspended the proposed rates for five months from their effective date, pursuant to KRS 278.190(2), up to and including January 18, 2018.

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[2] Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief* (Ky. PSC June 22, 2015) ("Case No. 2014-00396, Final Order").

The following parties requested and were granted full intervention: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kentucky School Boards Association ("KSBA"); Kentucky League of Cities ("KLC"); Kentucky Commercial Utility Customers, Inc. ("KCUC"); Kentucky Cable Telecommunications Association ("KCTA"); and Wal-Mart Stores East, LP and Sam's East, Inc. (jointly, "Walmart").

By order entered on July 17, 2017, the Commission established a procedural schedule that provided for discovery, intervenor testimony, rebuttal testimony from Kentucky Power,[3] a formal evidentiary hearing, and an opportunity for the parties to file post hearing briefs.[4] On October 26, 2017, and November 7, 2017, an informal conference ("IC") was held at the Commission's offices to discuss procedural matters and the possible resolution of pending issues. All parties participated in the IC held on October 26, 2017, with the exception of KCTA, who engaged in separate discussions with Kentucky Power regarding possible resolution of issues pertaining to the Cable Television Pole Attachment Tariff ("Tariff C.A.T.V.") The Attorney General did not attend the November 7, 2017 IC due to a scheduling conflict, but indicated that the IC should proceed as scheduled. At the November 7, 2017 IC, the parties in attendance,

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[3] On October 11, 2017, the Attorney General filed a motion to amend the procedural schedule to permit him to file rebuttal testimony. Kentucky Power and KLC each filed responses in opposition. By order issued October 24, 2017, the Commission found the Attorney General failed to establish good cause to amend the procedural schedule and denied the Attorney General's motion.

[4] The Commission conducted public meetings in Kentucky Power's service territory on November 2, 2017, in Prestonsburg, Kentucky; on November 6, 2017, in Hazard, Kentucky; and on November 8, 2017, in Ashland, Kentucky.

with the exception of KCUC, arrived at an agreement in principle for the resolution of the issues raised in this case.

On November 22, 2017, Kentucky Power, KIUC, KLC, KSBA, KCTA, and Walmart ("Settling Intervenors") filed a Settlement Agreement ("Settlement") that addressed all of the issues raised in this proceeding. The Attorney General and KCUC are not signatories to the Settlement. The Settlement is attached as Appendix A to this Order.

Because the Settlement was not unanimous, the December 6, 2017, evidentiary hearing was held as scheduled for the purposes of hearing testimony in support of the Settlement and on contested issues. On January 5, 2018, Kentucky Power, the Attorney General, KIUC, and KCUC filed their respective post hearing briefs. The matter now stands submitted to the Commission for a decision.

SETTLEMENT AGREEMENT

The Settlement reflects the agreement of the parties, except for the Attorney General and KCUC, on all issues raised in this case. The major substantive areas addressed in the Settlement are as follow:

- Kentucky Power's electric retail revenues should be increased by $31,780,734, effective January 19, 2018.[5] This amount consists of a base rate revenue reduction of $28,616,704 from the $60,397,438 requested in Kentucky Power's August 7, 2017 supplemental filing.

[5] Settlement, paragraphs 2(a) and 17.

- Establishment of deferral mechanisms for $50 million in non-fuel, non-environmental Rockport UPA expenses.[6]

- Amendment of the Purchase Power Adjustment tariff ("Tariff P.P.A.") to recover incremental PJM Open Access Transmission Tariff ("OATT") Load Serving Entity ("LSE") charges and credits above or below net PJM OATT LSE charges and credits in base rates.[7]

- Amendment of Tariff P.P.A. as described in the Direct Testimony of Alex E. Vaughan ("Vaughan Direct Testimony") to collect from, or credit to, customers the amount of purchased power costs that are excluded from recovery through the Fuel Adjustment Clause ("FAC"), and gains and losses from incidental sales of natural gas purchased for use at Big Sandy Unit 1, but not used or stored.[8]

- Establishment of 20-year service life for Big Sandy Unit 1 for depreciation rates.[9]

- Establishment of a return on equity of 9.75 percent.[10]

- Agreement to lower the Kentucky Economic Development Surcharge rate ("Tariff K.E.D.S.") for residential customers and increase the rate for non-residential customers, with matching contribution by Kentucky Power.[11]

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[6] *Id.* at paragraph 3.

[7] *Id.* at paragraph 4.

[8] *Id.* at paragraph 6.

[9] *Id.* at paragraph 7.

[10] *Id.* at paragraph 8.

[11] *Id.* at paragraph 10.

- Agreement to continue Tariff K-12 School as a permanent customer class instead of a pilot rate.[12]

- Agreement that Kentucky Power will not request a general adjustment of base rates for rates that would be effective prior to the January 2021 billing cycle.[13]

- Increase Kentucky Power's customer charge for Residential Service customers to $14.00 per month.[14]

CONTESTED REVENUE REQUIREMENT AND REVENUE ALLOCATION ISSUES

Kentucky Power proposed an annual increase in its electric revenues of $60,397,438 in its August 7, 2017 supplemental filing. Through testimony, the Attorney General contended that Kentucky Power should be allowed to increase its electric revenues by $39.9 million.[15] Through testimony, KCUC contended that the revenue allocation contained in the Settlement does not provide fair or reasonable treatment for customers in the Large General Service class ("Tariff L.G.S."). Because the parties have not reached a unanimous settlement on the increase in revenues, the Commission must consider the evidentiary record on these issues as presented by Kentucky Power, the Attorney General, and KCUC, and render a decision based on a determination of Kentucky Power's capital, rate base, operating revenues, operating expenses, and revenue allocation, as would be done in a fully litigated rate case

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[12] *Id.* at paragraphs 1213.

[13] *Id.* at paragraph 5.

[14] *Id.* at paragraph 16.

[15] Direct Testimony of Ralph C. Smith ("Smith Testimony") at 12.

TEST PERIOD

Kentucky Power proposed the 12-month period ending February 28, 2017, as the test period for determining the reasonableness of its proposed rates. None of the Intervenors contested the use of this period as the test period. The Commission finds it is reasonable to use the 12-month period ending February 28, 2017, as the test period in this case. Due to the timing of Kentucky Power's filing, the 12-month period ending February 28, 2017, is the most recent feasible period to use for setting rates and, except for the adjustments approved herein, the revenues and expenses incurred during that period are neither unusual nor extraordinary.[16] In using this historic test period, the Commission has given full consideration to appropriate known and measurable changes.

RATE BASE

Jurisdictional Rate Base Ratio

Kentucky Power proposed a test-year-end Kentucky jurisdictional rate base of $1,323,494,246.[17] The Kentucky jurisdictional rate base is divided by Kentucky Power's test-year-end total company rate base to derive the Kentucky jurisdictional rate base ratio ("jurisdictional ratio"). This jurisdictional ratio is then applied to Kentucky Power's total company capitalization to derive the Kentucky jurisdictional capitalization. The jurisdictional ratio uses the test-year-end rate base before any ratemaking adjustments

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[16] On May 22, 2017, Kentucky Power filed a motion to deviate from filing requirement 807 KAR 5:001, Section 12(1)(a), which requires the submission of a detailed financial exhibit for the 12-month test period ending not more than 90 days prior to the date of its application. Kentucky Power requested to deviate by filing the required financial exhibit for 12-month period ending 120 days, rather than 90 days, prior to the date of its application. By Order, the Commission approved Kentucky Power's motion to deviate from 807 KAR 5:001, Section 12(1)(a) (Ky. PSC May 24, 2017).

[17] Application, Section V, Exhibit 1, Schedule 4.

applicable to either Kentucky jurisdictional operations or other jurisdictional operations. Kentucky Power used a jurisdictional ratio of 98.3 percent.[18] The Commission finds the calculation of Kentucky Power's test-year electric rate base reasonable for purposes of establishing the jurisdictional ratio.

Pro Forma Jurisdictional Rate Base

Kentucky Power calculated a pro forma jurisdictional rate base of $1,194,888,447,[19] which reflects the types of adjustments made by the Commission in prior rate cases to determine the pro forma rate base.

The Attorney General proposed one adjustment to Kentucky Power's proposed rate base for the Cash Working Capital ("CWC") allowance. The Attorney General proposed an allowance of $18,953,980, which is $740,459 lower than the $19,694,529 proposed by Kentucky Power in its Application. While indicating a preference for using a lead-lag study, the Attorney General stated that if CWC is to be calculated using the Commission's long-standing 1/8th formula approach, then the proper level of CWC for ratemaking purposes should be based on the pro forma operations and maintenance expenses allowed by the Commission.[20] The Attorney General also stated that since Kentucky Power's revenue requirement is calculated based upon its jurisdictional capitalization rather than its adjusted jurisdictional rate base, any adjustment to CWC would have no impact on the revenue requirement.[21]

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[18] *Id.* The non-jurisdictional percentage of approximately 1.7 percent is due to the furnishing of electric service at wholesale to the City of Olive Hill and the City of Vanceburg.

[19] *Id.*

[20] Smith Testimony at 22.

[21] *Id.* at 23.

While the Commission agrees with the methodology the Attorney General utilized for calculating the CWC, the Commission does not agree with the Attorney General's proposed CWC. The CWC allowance included in the rate base, as shown below, is based on the adjusted operation and maintenance ("O&M") expenses discussed in this Order, as approved by the Commission. The Commission has determined Kentucky Power's pro forma jurisdictional rate base for ratemaking purposes for the test year to be as follows:

Total Utility Plant in Service	$2,264,648,845
Add:	
Materials & Supplies	36,344,575
Prepayments	49,905,719
Cash Working Capital Allowance	18,905,292
Subtotal	$105,155,586
Deduct:	
Accumulated Depreciation	764,544,392
Customer Advances	27,076,876
Accumulated Deferred Income Taxes	384,084,108
Contributions in Aid of Construction	
Subtotal	$1,175,705,376
Pro Forma Rate Base	$1,194,099,055

Reproduction Cost Rate Base

KRS 278.290 (1) states, in relevant part, that:

> [T]he commission shall give due consideration to the history and development of the utility and its property, original cost, cost of reproduction as a going concern, capital structure, and other elements of value recognized by the law of the land for ratemaking purposes.

Neither Kentucky Power, the Attorney General, nor KCUC provided information regarding Kentucky Power's proposed Kentucky jurisdictional reproduction cost rate base. Therefore, the Commission finds that using Kentucky Power's historic costs for deriving its rate base is appropriate and consistent with Commission precedent involving Kentucky Power, as well as other Kentucky jurisdictional utilities.

CAPITALIZATION

Kentucky Power proposed an adjusted Kentucky jurisdictional capitalization of $1,191,785,493.[22] This amount was derived through adjustments to exclude certain environmental compliance investments that remain part of the environmental rate base and are included in Kentucky Power's environmental surcharge mechanism.

Kentucky Power determined its electric capitalization by multiplying its total company capitalization by the rate base jurisdictional allocation ratio described earlier in this Order. This is consistent with the approach used in previous Kentucky Power rate cases.

The Attorney General did not recommend any adjustments to Kentucky Power's capitalization. The Attorney General proposed one adjustment to rate base for CWC, since it does not affect Kentucky Power's jurisdictional capitalization, but recommended no change to the amount proposed by Kentucky Power.

The Commission finds the proposed amount of Kentucky Power's jurisdictional capitalization is reasonable.

REVENUES AND EXPENSES

For the test year, Kentucky Power reported actual net operating income from its electric operations of $85,033,742.[23] Kentucky Power proposed 55 adjustments to

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[22] Application, Section II, Exhibit L.

[23] Application, Section V, Exhibit 1, Supplemental Schedule 4 (filed Aug. 7, 2017).

revenues and expenses to reflect more current and anticipated operating conditions, resulting in an adjusted net operating income of $43,690,670.[24] With this level of net operating income, Kentucky Power reported an adjusted test year revenue deficiency of $60,397,438.[25]

The Attorney General accepted 45 of Kentucky Power's proposed adjustments to its test-year revenues and expenses.

A list of the non-contested adjustments is contained in Appendix B to this Order. The Attorney General proposed 14 additional adjustments to Kentucky Power's operating income relating to: 1) theft recovery revenue; 2) payroll expense – employee merit increase; 3) overtime payroll expense related to employee merit increase; 4) payroll tax expense; 5) incentive compensation expense; 6) stock-based compensation; 7) savings plan expense; 8) supplemental executive retirement program expense; 9) affiliate charge for corporate aviation expense; 10) storm damage expense; 11) relocation expense; 12) gain on sale of utility property; 13) cash surrender value of life insurance policies; and 14) rate case expense.

The Attorney General's proposed adjustments pertain solely to Kentucky Power's base rate revenue requirements. The Commission makes the following determinations regarding the Attorney General's proposed base rate adjustments.

<u>Theft Recovery Revenue</u>

The Attorney General proposed an adjustment to increase Kentucky Power's theft recovery revenue by $166,698 based upon Kentucky Power's estimate of

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[24] *Id.*

[25] *Id.* at Schedule V, Supplemental Exhibit 2 (filed Aug. 7, 2017).

increased theft recovery revenue.[26] Kentucky Power expects to increase theft recovery revenue due to the addition of a new administrative assistant who would allow Kentucky Power's field investigators to spend more time on suspected energy theft.

The Commission finds that the Attorney General's proposed adjustment regarding theft recovery revenue is reasonable, and therefore the proposed adjustment for theft recovery revenue of $166,698 should be allowed for ratemaking purposes.

Payroll Expenses: Employee Merit Increase, Overtime Payroll Expense, and Payroll Taxes

The Attorney General proposed adjustments to payroll expense for employee merit increases for non-exempt salaried employees, overtime payroll expense related to employee merit increases, and associated payroll taxes in the amount of $57,205, $4,148, and $48,362, respectively. The Attorney General argued that Kentucky Power did not justify basing its proposed payroll expense adjustment on an annual merit increase of 3.5 percent. The Attorney General maintained that the payroll expense adjustment should be based upon a 3.0 percent merit increase.[27] Limiting the merit increase to 3.0 percent results in corresponding adjustments to overtime and payroll tax expenses. The payroll tax adjustment includes the impact of limiting the merit increase to 3.0 percent and other adjustments to incentive compensation and stock-based compensation proposed by the Attorney General.

Kentucky Power maintained that the test year wage increases are reasonable. A comparison of Kentucky Power's total target compensation with the 2016 EAPDIS

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[26] Smith Testimony at 24; Kentucky Power's Response to the Attorney General's First Request for Information ("Attorney General's First Request"), Item 319.

[27] *Id.* at 26-30.

Energy, Technical, Craft & Clerical Survey (Southeast region data) reveals that, on average, Kentucky Power's compensation was 5.4 percent below the average for the region.[28] Kentucky Power claimed that, in light of the survey results, the test year wage increases were necessary to provide market competitive wages to target and retain employees.

The Commission finds that Kentucky Power's test year wages are reasonable and that the Attorney General's proposed adjustments to payroll expense for employee merit increases for non-exempt salaried employees, overtime payroll expense related to employee merit increase and payroll taxes should be denied.

Incentive Compensation and Stock Based Compensation

Kentucky Power included $3,900,806 of incentive compensation plan ("ICP") costs[29] and $1,758,874 in Long-Term Incentive Plan ("LTIP") costs in its Kentucky jurisdictional revenue requirement.[30] These amounts reflect the adjustments made by Kentucky Power.[31] In the Settlement, Kentucky Power and the Settling Intervenors agreed to reduce incentive compensation expenses by $3.15 million, which included incentive compensation and stock-based compensation.

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[28] Application, Direct Testimony of Andrew J. Carlin ("Carlin Direct Testimony"), Exhibit ARC-4.

[29] Kentucky Power's Response to Commission Staff's Second Request for Information (Staff's Second Request"), Item 85; Kentucky Power's Response to KIUC's First Request for Information ("KIUC's First Request"), Item 31.

[30] Smith Testimony at 31. This consists of Kentucky Power direct-charged jurisdictional O&M expense of $2,255,760, AEP allocated amount of $3,118,781 and charges from other affiliates of $51,300 less $1,525,035 that was removed from the revenue requirement per the Application, Section V, Exhibit 2, Workpaper 32.

[31] Application, Direct Testimony of Tyler H. Ross ("Ross Direct Testimony") at 14.

The Attorney General recommended reducing incentive compensation expense by a total of $3,096,868. The Attorney General recommended an adjustment of ICP costs that decreased test year expense by $1,350,120 on a Kentucky jurisdictional basis, which represented the removal of the 25 percent of ICP costs that represent performance measures tied to increasing shareholder value.[32] The Attorney General maintained that ratepayers should not be responsible for those costs because Kentucky Power's shareholders are the main beneficiaries of the 25 percent performance measure for quantitative financial objectives, which include earnings per share.[33] Similarly, the Attorney General argued that $1,746,748 in stock-based compensation costs should be removed because ratepayers should not be required to pay management compensation based on the performance of Kentucky Power's stock price, which primarily benefits Kentucky Power's parent company.[34] In support of his argument, the Attorney General pointed to previous cases in which the Commission held that ratepayers should not bear the cost of stock-based compensation programs unless there is clear and definitive quantitative evidence demonstrating a benefit to ratepayers.[35]

In response, Kentucky Power argued that the Attorney General's adjustment to the proposed incentive compensation expense was not warranted because the

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[32] Smith Testimony at 35, Exhibit RCS-1, page 3 of 32; Smith Testimony at 30-31. The 2016 ICP was weighted 75 percent to AEP's earnings per share and 25 percent to other metrics

[33] *Id.* at 31.

[34] *Id.* at 39.

[35] Case No. 2014-00397, Final Order at 27-28; Case No. 2005-00042, *An Adjustment of the Gas Rates of the Union Light, Heat and Power Company* (Ky. PSC Feb. 2, 2006); Case No. 2010-00036, *Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year* (Ky. PSC Dec. 14, 2010).

incentive compensation programs provide benefits to both Kentucky Power's customers and its shareholders.[36]

The Commission finds that the Settlement provision that reduces incentive compensation by $3.15 million, which is a greater reduction than the adjustment recommended by the Attorney General, is reasonable and should be approved.

Savings Plan Expense

Kentucky Power included $1,662,975 in its jurisdictional revenue requirement for savings plan expense for employees who participate in a defined benefit plan and have matching 401(k) contributions from Kentucky Power.[37]

The Attorney General proposed a Kentucky jurisdictional adjustment of $1,102,496 for savings plan expense for employees who participate in a defined benefit plan and have matching 401(k) contributions from Kentucky Power.

In rebuttal, Kentucky Power explained that participation in the defined benefit plan ended in 2000 and benefits were frozen in 2010.[38] Therefore, Kentucky Power does not contribute to a defined benefit plan and 401(k) matching plan at the same time. The Commission has disallowed such matching contributions when both a defined benefit plan and 401(k) matching contribution exist concurrently. This is not the case with Kentucky Power.

The Commission finds that Kentucky Power's savings plan expense is reasonable and should be allowed for ratemaking purposes.

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[36] Rebuttal Testimony of Andrew R. Carlin ("Carlin Rebuttal Testimony") at 7.

[37] Kentucky Power's Response to Staff's Second Request, Item 56.h. and i.

[38] Dec. 7, 2017 H.V.T. at 4:50:20.

Supplemental Executive Retirement Plan ("SERP")

The Attorney General proposed an adjustment of $52,453 for the expense associated with Kentucky Power's Supplemental Executive Retirement Plan ("SERP"). The Attorney General argued that such plans provide benefits to executives that exceed amounts limited in qualified retirement plans by the Internal Revenue Service.[39] The Attorney General also maintained that the provision of additional retirement compensation to Kentucky Power's highest paid executives is not a reasonable expense that should be recovered in rates.

In rebuttal, Kentucky Power stated that the total benefit it provides under both its qualified and non-qualified plan is equal to the benefit that would be produced by the formulas utilized under the qualified plans if these plans were not subject to the benefit limitations imposed on qualified plans.[40]

The Commission finds the SERP expenses reasonable and, therefore, should be allowed for ratemaking purposes.

Affiliate Charge for Corporate Aviation Expense

The Attorney General proposed an adjustment of $382,769 to remove the cost of the AEP corporate aviation expense charged to Kentucky Power during the test year.[41] The Attorney General argued that AEP corporate aviation is a perquisite for AEP executives and directors and, as such, shareholders should bear the cost, not ratepayers.

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[39] Smith Testimony at 42.

[40] Carlin Rebuttal Testimony at R-32.

[41] Smith Testimony at 43-44.

The Commission disagrees with the Attorney General's proposed adjustment for corporate aviation expense. While private jet travel may appear to be an extravagance, legitimate travel expenses would have been incurred through commercial airlines. The Commissions finds that the aviation expense proposed by Kentucky Power is reasonable and should be approved.

Storm Damage Expense

Kentucky Power proposed an adjustment of $595,932 for storm damage expense based upon a three-year average of major storm expense. The Attorney General proposed an adjustment to reduce storm damage expense by $595,932, arguing that Kentucky Power had not demonstrated a compelling reason to increase test year storm damage expense.[42]

Kentucky Power explained that it used a three-year average to normalize the level of costs to address the uncertainty regarding when, and how much, a major storm will affect Kentucky Power and because using only the test year amount in a base rate filing could lead to major swings in adjustments for storm damage expense.[43]

The Commission finds that Kentucky Power's storm damage expense adjustment is reasonable and should be allowed for ratemaking purposes.

Test Year Relocation Expense

Kentucky Power included a $318,073 adjustment for relocation expense in its test year revenue requirement.[44] The Attorney General proposed an adjustment to

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[42] *Id.* at 44.

[43] Rebuttal Testimony of Ranie K. Wohnhas ("Wohnhas Rebuttal Testimony") at R-18 – R-19.

[44] Kentucky Power's Response to the Attorney General's First Request, Item 251.

normalize relocation expenses that reduced the test year operating expenses by $140,972 on a Kentucky jurisdictional basis.[45]

In response to Commission Staff's Post-Hearing Data Request, Item 14, Kentucky Power stated that its relocation expense for the eight-month period March 1, 2017 to October 31, 2017 totaled $125,736. Annualized over a twelve-month period ending February 28, 2018, relocation expenses are forecasted to total $188,604. On a Kentucky jurisdictional basis, relocation expenses for the twelve months ending February 28, 2018 amount to $185,964.

The Commission finds that the relocation expense should be adjusted based upon the Kentucky jurisdictional relocation expenses for the twelve months ending February 28, 2018. This results in a decrease to the Kentucky jurisdictional relocation expense of $132,109.

Gain on Sale of Utility Property

The Attorney General proposed an adjustment to amortize a $996,669 gain on the sale of utility property ("Carrs Site") over three years for $327,240 per year on a Kentucky jurisdictional basis.[46] The Attorney General maintained that the Kentucky jurisdictional gain on the sale of utility property should flow back to customers.

In rebuttal, Kentucky Power argued that the gain on the sale of the property should not be adjusted to reduce its revenue requirement because the Carrs Site had not been included in rate base, and thus Kentucky Power had not received a return on

[45] Smith Testimony at 46.

[46] *Id.* at 47.

the Carrs Site for the last 33 years.[47] Kentucky Power also noted that it removed $60,539 in property taxes from its cost of service in this case.[48]

The Commission finds that, since Kentucky Power has not received a return on this investment and has excluded the property taxes from its cost of service, the proposed adjustment by the Attorney General is not reasonable and should be denied.

Cash Surrender Value of Life Insurance

Kentucky Power recorded expense in the test year associated with the cash surrender value of life insurance of former executives in a Kentucky jurisdictional amount of $26,941.[49]

The Attorney General asserted that Kentucky Power's ratepayers should not be responsible for paying the expenses for the cash surrender value of life insurance for former executives and recommended the $26,941 of expense be denied for ratemaking purposes.[50]

In rebuttal, Kentucky Power explained that the expense is part of the total compensation/benefit package given to executives (current or former) that should be recovered whether or not the executive is a current or a former employee.[51]

The Commission finds that the proposed expense is reasonable, and therefore the Attorney General's proposed adjustment should be denied.

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[47] Wohnhas Rebuttal Testimony at R-20.

[48] *Id.*

[49] Smith Testimony at 48.

[50] *Id.*

Rate Case Expense

The Attorney General proposed an adjustment to remove $458,333 in rate case expenses.[52] The Attorney General proposed to remove certain rate case expenses billed by a consultant who conducted witness preparation but did not sponsor testimony on Kentucky Power's behalf. The Attorney General also proposed to remove remaining rate case expenses as a penalty for Kentucky Power not seeking a reduction in the Rockport UPA ROE, which was established by the Federal Energy Regulatory Commission ("FERC").

In rebuttal, Kentucky Power argued that witness preparation is a necessary part of litigating a base rate case and that, regardless of who performs the function, the cost should be recovered.[53] Kentucky Power further argued that FERC's determination of the Rockport UPA ROE was fair, just, and reasonable, and that the decision was within FERC's exclusive jurisdiction. Kentucky Power asserted that the Attorney General's proposal to deny rate case expense as a penalty for the Rockport UPA ROE was an unlawful and unconstitutional attempt to overturn a FERC decision.

The Commission finds that the Attorney General's adjustment to remove rate case expenses for witness preparation and as a penalty for the Rockport UPA ROE is unreasonable, and should be denied. Given the type of service provided, the Attorney General's argument to remove the witness preparation consultant's fees is not

[51] Wohnhas Rebuttal Testimony at 17.

[52] Smith Testimony at 52.

[53] Wohnhas Rebuttal Testimony at R-20.

persuasive.[54] In regard to adjusting the rate case expenses as a penalty not related to ratemaking, as set forth in *South Central Bell v. Utility Reg. Comm'n*, 637 S.W.2d 649, 653 (Ky. 1982), the imposition of penalty that is not germane to the factors that go into the ratemaking process is arbitrary and subjective. If the Attorney General objects to the ROE awarded by FERC, the appropriate forum to address that issue is at FERC, and not the Commission.

COMMISSION ADJUSTMENTS TO REVENUES AND EXPENSES

Off System Sales ("OSS") Margins, System Sales Clause Tariff ("Tariff S.S.C.")

During the test year, Kentucky Power included OSS margins in the amount of $7,163,948. Kentucky Power operated the converted Big Sandy Unit 1 for only nine months of the test period. While Kentucky Power annualized the plant maintenance expense for Big Sandy Unit 1,[55] there was no adjustment or annualization to OSS margins.

The Commission finds that OSS margins should be adjusted to reflect an annualized amount. For the 12-month period ending September 30, 2017, Kentucky Power had OSS margins of $7,650,360.[56] Therefore, the Commission will utilize the OSS margins of $7,650,360 for the 12-month period ending September 30, 2017, rather than the test year amount, resulting in an increase in operating revenue of $486,412. Additionally, the amount of OSS margins to be collected in base rates is $7,650,360, rather than the $7,163,948 proposed in the application.

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[54] *See* Kentucky Power Fifth Supplemental Response to Staff's First Request (filed Jan. 2, 2018), Item 56. The witness preparation fees were $42,623; Kentucky Power's other legal fees were $677,547.

[55] Application, Section V, Exhibit 2, Workpaper 41.

[56] Response to Commission Staff's Fourth Request for Information, Item 2.

Weather Normalized Commercial Sales

Kentucky Power proposed an adjustment to increase revenues to reflect normal temperatures, but its adjustment applied only to residential customer sales. In discovery, Kentucky Power stated that commercial revenues would have been $914,000 greater based on weather normalized temperatures.[57] After the related variable expenses are removed from revenues, the rate increase is reduced by $400,000.

The Commission finds this adjustment reasonable as temperatures affect the revenues in both the residential and commercial classes. Therefore, the Commission will reduce the rate increase by $400,000 to reflect this adjustment.

Purchased Power Limitation and Forced Outage Purchase Power Limitation Expense

Kentucky Power proposed adjustments to include the purchased power limitation and forced outage purchase power limitation expense in base rates in its application in the amount of $3,150,582 and $882,204, respectively.

As discussed under the FAC Purchase Power Limitation section below, the Commission is denying Kentucky Power's proposal to recover such costs under Tariff P.P.A. Accordingly, the Commission finds these adjustments unreasonable and should be denied.

Net Operating Income Summary

After considering all pro forma adjustments and applicable income taxes, Kentucky Power's adjusted net operating income is as follows:

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[57] Direct Testimony of Lane Kollen at 16-17.

Operating Revenues	$568,163,551
Operating Expenses	519,965,870
Adjusted Net Operating Income	$ 48,197,681

RATE OF RETURN

Capital Structure and Cost of Debt

Kentucky Power proposed an adjusted test-year-end capital structure consisting of 54.45 percent long-term debt at 5.32 percent; zero percent short-term debt at 0.80 percent; 3.87 percent accounts receivable financing at 1.95 percent; and 41.68 percent common equity at a return of 10.31 percent.[58] On August 7, 2017, Kentucky Power filed a supplement to its Application reflecting the results of Kentucky Power's June 2017 refinancing of $325 million 6.00 percent Senior Unsecured Notes, and $65 million WVEDA Mitchell Project, Series 2014A Variable Rate Demand Notes as authorized in Case No. 2016-00345.[59] This refinancing reduced the annual cost of long-term debt to 4.36 percent.[60] The capital structure proposed by the Settlement downwardly adjusts the long-term debt by one percent and places this percent onto the short-term debt at an interest rate of 1.25 percent.[61]

[58] Application, Direct Testimony of Zachary C. Miller ("Miller Direct Testimony") at 3.

[59] Case No. 2016-00345 *Electronic Application of Kentucky Power Company for Authority Pursuant to KRS 278.300 to Issue and Sell Promissory Notes of One or More Series and for Other Authorizations* (Ky. PSC Dec. 21, 2016).

[60] Supplemental Direct Testimony of Zachary C. Miller at 5.

[61] Settlement Testimony of Mattew J. Satterwhite ("Satterwhite Settlement Testimony") at Exhibit 6a.

The Attorney General employed Kentucky Power's proposed capital structure and senior capital cost rates.[62] KCUC was silent on this topic.

Kentucky Power stated that it sells its receivables to AEP for cost savings due to default risks and to improve cash flow.[63] However, Kentucky Power's uncollectible accounts remain with Kentucky Power and are not sold with the accounts receivable.[64] The Commission notes that the cost of accounts receivable financing is higher than traditional short-term financing. The Commission believes that selling the receivables but maintaining the bad debt places an undue burden onto Kentucky Power's customers. Therefore, the Commission will blend the funds between short-term debt and accounts receivable financing so that the weighted average cost percentage of accounts receivable financing is decreased three basis points and placed on the short-term debt weighted average cost percentage. This reduces the percent of accounts receivable financing to 1.67 percent of the total capital structure and increases the percent of short-term debt to 3.20 percent of the total capital structure. The Commission finds that the cost of long-term debt and short-term debt of 4.36 percent and 1.25 percent, respectively, to be reasonable.

<u>Return on Equity</u>

In its Application, Kentucky Power developed its return on equity ("ROE") using the discounted cash flow method ("DCF"), the capital asset pricing model ("CAPM"), the empirical capital asset pricing model ("ECAPM"), and the utility risk premium ("RP"). In

[62] Direct Testimony of J. Randall Woolridge, Ph.D. ("Woolridge Testimony") at 3.

[63] Dec. 8, 2017 H.V.T. at 12:15:22.

[64] Dec. 6, 2017 H.V.T. at 5:43:36.

addition, Kentucky Power referenced the expected earnings approach.[65] Based on the results of the methods employed in its analysis, Kentucky Power recommended an ROE range of 9.71 percent to 10.91 percent, including flotation cost.[66] Kentucky Power recommended awarding the midpoint of this range, 10.31 percent, to maintain financial integrity and to support additional capital investment.[67] Kentucky Power further stressed that consideration of all models, not just the DCF model, is important as the DCF model results may reflect the impact from the recent recession and such financial inputs are not representative of what may prevail in the near future.[68]

Direct testimony and analysis regarding ROE was provided by the Attorney General. The Attorney General employed the DCF and CAPM models for his analysis and both models were evaluated using Kentucky Power's proxy group and the Attorney General's own proxy group. This was mostly for comparison purposes, as the Attorney General stated that, on balance, the two proxy groups were similar in risk.[69] The Attorney General's DCF model results indicated equity cost rates of 8.25 percent and 8.7 percent for the Attorney General and Kentucky Power proxy groups, respectively. The Attorney General disagreed with Kentucky Power's DCF analysis, specifically noting Kentucky Power's elimination of low-end DCF results and the use of growth forecasts that the Attorney General believes are overly optimistic and upwardly biased.[70]

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[65] Application, Direct Testimony of Adrian M. McKenzie, CFA ("McKenzie Direct Testimony") at 6.

[66] *Id.* at Exhibit AMM-2 at 1.

[67] Id. at 6.

[68] Id. at 7.

[69] *Id.* at 25.

[70] *Id.* at 65.

The Attorney General's CAPM results were 7.6 percent for both proxy groups. The Attorney General stated that Kentucky Power's CAPM analysis is flawed as the ECAPM version of the CAPM was used, which the Attorney General claims makes an inappropriate adjustment to the risk-free rate and the market risk premium.[71] Additionally, the Attorney General stated that Kentucky Power's CAPM analysis employed an inflated projected interest rate, an unwarranted size adjustment, and an excessive market or equity risk premium.[72]

The Attorney General recommended relying primarily on the DCF model, determined the ROE range of the two proxy groups, 8.25 percent and 8.7 percent, to be reasonable, and recommended an ROE of 8.6 percent.[73] In support of his recommendation, the Attorney General noted that: as investment risk, Kentucky Power's credit ratings are on par with the proxy groups; capital costs for utilities remain at historical low levels and are likely to remain at low levels; the risk associated with the electric utility industry is among the lowest and, as such, the cost of equity capital is amongst the lowest; and authorized ROEs have been gradually decreasing in recent years.[74]

The Attorney General also disagreed with Kentucky Power's upward adjustment of 0.11 percent to the equity cost rate recommendation to account for flotation costs. The Attorney General argued that Kentucky Power did not identify any flotation costs

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[71] *Id.* at 68.

[72] *Id.*

[73] Woolridge Testimony at 58.

[74] *Id.* at 59.

that are specifically associated with Kentucky Power.[75] The Attorney General stated that it is commonly argued that a flotation cost adjustment is necessary to recover issuance costs, but should not be recovered through the regulatory process, as these costs are already known to the investor upon buying the stock.[76]

The parties to the Settlement agreed that the revenue requirement increases for Kentucky Power will reflect a 9.75 percent ROE as applied to Kentucky Power's capitalization and capital structure of the proposed revenue requirement increases as modified through discovery. As a result, use of a 9.75 percent ROE reduced Kentucky Power's proposed electric revenue requirement by $4.7 million.[77] In his post hearing brief, the Attorney General recognized the significant reduction from the original ROE, but still believes it is in excess of the return shareholders require.[78] The Attorney General further argued that utilities seem to overstate necessary ROE, and does not support the 9.75 percent.[79] For the reasons discussed below, the Commission finds a ROE of 9.75 percent to be unreasonable, and for the purpose of base rate revenues and certain tariffs, an ROE of 9.70 percent should be applied.

In his testimony, the Attorney General noted that differing opinions between Kentucky Power and the Attorney General regarding capital market conditions result in differing ROE recommendations.[80] Kentucky Power's analysis assumes higher interest

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[75] *Id.* at 80.

[76] *Id.* at 81.

[77] Settlement at 4.

[78] Attorney General's Post Hearing Brief ("Attorney General's Brief") (filed Jan. 5, 2018) at 18.

[79] *Id.* at 19 and 20.

[80] Woolridge Testimony at 5.

rates and capital costs whereas the Attorney General concludes that interest rates and capital costs are at low levels and likely to remain low for some time.[81] The Commission agrees with the Attorney General that, although interest rates are increasing, they are doing so slowly and are still historically low. In fact, the Federal Reserve noted the following:

> The Committee expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.[82]

The Commission further agrees that models supporting the low interest rate environment should be given more weight than those supporting high interest rate expectations.

The Commission also agrees with the Attorney General that flotation costs should be excluded from the analysis. The Commission believes that flotation costs are accounted for in the current stock prices, as the price includes the underwriting spread and adding the adjustment amounts to double counting. Removal of the flotation costs from Kentucky Power's initial cost of equity range lowers the range to 9.6 percent from 10.8 percent.[83]

The 2017 economic environment has shown signs of relative improvement. In response to low inflation and low unemployment, the Federal Reserve increased interest rates a quarter of a percent three times in 2017. Current outlooks for 2018 are

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[81] *Id.*

[82] Testimony of Richard A. Baudino at 8.

[83] McKenzie Direct Testimony, Exhibit AMM-2 at 1.

healthy, with gross domestic product growth rates expected to remain between two and three percent, unemployment forecasted to continue at the natural rate, and inflation expected to hover at around two percent.[84] However, notwithstanding these improvements, the economy of Eastern Kentucky has lagged behind national and state trends. Employment trends have not recovered to pre-recession levels, earnings trends remain stagnant and lag behind the state trends, and poverty rates in the majority of Kentucky Power's service territory are 24.4 percent or higher.[85]

The Commission is cognizant of the risk inherent to Kentucky Power's service territory and load profile. The Commission notes the Attorney General's position that Eastern Kentucky has been economically depressed for the past decade and that the Commission should consider the economic conditions of the region in evaluating the overall rates and rate design.[86] Therefore, given the adverse economic situation of the service territory of high unemployment, low earnings, and high poverty rates, the Commission finds a lower ROE will allow Kentucky Power to earn a fair return while reflecting the economic situation of its customers.

For 2016, the median ROE of the utilities in the Attorney General's proxy group was 9.3 percent; for Kentucky Power's proxy group, the median ROE was 9.4 percent.[87] In addition, the average authorized ROE reported by SNL Financial for 2017 is

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[84] https://www.thebalance.com/us-economic-outlook-3305669.

[85] Attorney General's Brief at 12; Dismukes Testimony at 5-6; Dec. 6, 2017 H.V.T., PSC Exhibit 1.

[86] Dismukes Testimony at 6.

[87] Woolridge Testimony, Exhibit JRW-4 at 1.

approximately 9.7 percent.[88] The Commission agrees with Kentucky Power that this is a benchmark worthy of consideration, but disagrees that a downward adjustment will be injurious to customers and the Kentucky economy.[89] Based on the entire record developed in this proceeding, we find that an ROE of 9.7 falls within the range of the Attorney General's proposed 8.6 percent to the initial proposed ROE of 10.31 percent, and within Kentucky Power's original range of 9.6-10.8 percent, adjusted for flotation costs. Additionally, an ROE of 9.7 is within the range of the benchmarks provided by SNL, the proxy groups, and recent Commission Orders[90].

Rate-of-Return Summary

Applying the rates of 4.36 percent for long-term debt, 1.25 percent for short-term debt, 1.95 percent for accounts receivable financing, and 9.70 percent for common equity to the Commission adjusted capital structure produces an overall cost of capital of 6.44 percent.[91] The cost of capital produces a return on Kentucky Power's rate base of 6.42 percent.

BASE RATE REVENUE REQUIREMENTS

In the Settlement, Kentucky Power and the Settling Intervenors agreed to a base rate increase of $31.8 million. The Attorney General's expert witness proposed a base

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[88] Direct Testimony and Exhibits of Gregory W. Tillman on behalf of Wal-Mart Stores East, LP and Sam's East, Inc. at 11.

[89] Rebuttal Testimony of Adrien M. McKenzie, CFA at 73.

[90] Case No. 2016-00370 Electronic Application of Kentucky Utilities Company For An Adjustment Of Its Electric Rates and For Certificates of Public Convenience and Necessity (Ky. PSC Jun. 22, 2017) and Case No. 2016-00371 Electronic Application of Louisville Gas and Electric Company For An Adjustment Of Its Electric and Gas Rates and For Certificates Of Public Convenience and Necessity (Ky. PSC Jun. 22, 2017).

rate increase of $39.8 million. The Commission finds that, subject to the adjustments discussed in this Order, a base rate increase of $12.35 million is reasonable, as is discussed in the Total Jurisdictional Revenue Requirement section below.

REVENUE REQUIREMENT-RELATED RIDERS AND DEFERRALS

Big Sandy Retirement Rider

In its Application, Kentucky Power proposed to rename the Big Sandy Retirement Rider to the Decommissioning Rider to alleviate customer confusion regarding the purpose of the rider. Pursuant to the settlement agreement approved in Case No. 2014-00396, Kentucky Power recovers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2, and other site-related retirement costs through this rider. Only the rider name will change; the rider will continue to operate in the manner approved by the Commission in Case No. 2014-00396.

The Commission finds the name change reasonable and that it should be approved. The Commission further finds that the carrying charges associated with this rider should be based on the weighted average cost of capital ("WACC"), after reflecting the impacts of the reduction in the federal corporate income tax rates approved in this Order, should become effective as of the date of this Order. However, the monthly amounts collected will not change until Kentucky Power makes its annual filing on or before August 15, 2018, to adjust the amounts collected under this rider.

Big Sandy Unit 1 Operation Rider

In its Application, Kentucky Power proposed to eliminate the Big Sandy Unit 1 Operation Rider ("Tariff B.S.1.O.R.") and to recover through base rates the costs

[91] The Commission adjusted capital structure consists of 54.45 percent long-term debt, 3.2

currently recovered through Tariff B.S.1.O.R. Once new rates become effective in this case, Tariff B.S.1.O.R. will have an under- or over-recovery balance. Therefore, Kentucky Power also requested authority to establish a regulatory asset or liability that will allow Kentucky Power to track and defer any under- or over-recovery balance until its next rate case.

In Case No. 2014-00396, the Commission approved Tariff B.S.1.O.R. to permit Kentucky Power to recover the non-fuel costs of operating Big Sandy Unit 1 as a coal burning unit until its conversion to natural gas, the non-fuel costs of its operation as a natural gas unit and capital investment required for its conversion to natural gas once it is placed in service. Tariff B.S.1.O.R. was designed to be in effect until the rates established in Kentucky Power's next base rate case were implemented.

The Commission has previously approved regulatory assets for other jurisdictional utilities. Such approval has been granted when a utility has incurred: (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry-sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.[92] Since Tariff B.S.1.O.R. was approved by the Commission in Case No. 2014-00396, the establishment of a regulatory asset to address the under-

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percent of short term debt, 1.67 percent of accounts receivable financing, and 41.68 percent of common equity.

[92] Case No. 2008-00436, *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008), at 4. *See also* Case No. 2010-00449, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Amount Expended on Its Smith 1 Generating Unit* (Ky. PSC Feb, 28, 2011), at 7.

recovery of Tariff B.S.1.O.R. is consistent with the second example listed above. Regarding a possible regulatory liability, the Commission notes that it is appropriate that Kentucky Power customers be the beneficiaries of any over-recovery of Tariff B.S.1.O.R.

The Commission finds the establishment of a regulatory asset or liability due to the elimination of Tariff B.S.1.O.R. to be reasonable and that it should be approved. This approval is for accounting purposes only, and the appropriate ratemaking treatment for the regulatory asset or liability account will be addressed in Kentucky Power's next general rate case.

Tariff A.T.R.

In its Application, Kentucky Power proposed to eliminate Tariff Asset Transfer Rider ("Tariff A.T.R."). Given that Kentucky Power has recovered the full amount that Tariff A.T.R. was designed to recover, the Commission finds the elimination of Tariff A.T.R. to be reasonable and that it should be approved.

Tariff K.E.D.S.

In its Application, Kentucky Power proposed to increase Tariff K.E.D.S. from $0.15 per meter per month to $0.25 per meter per month. In the Settlement, Kentucky Power and the Settling Intervenors agreed to a surcharge of $0.10 per meter for residential customers and $1.00 per meter for non-residential customers. KCUC did not provide testimony regarding Tariff K.E.D.S.

Tariff K.E.D.S. imposes an economic development surcharge, which was approved in Kentucky Power's last rate case,[93] to fund economic development initiatives

[93] Case No. 2014-00396, Final Order at 49-51.

in Kentucky Power's service territory, with funds collected through the surcharge matched equally by Kentucky Power from AEP shareholder funds. As a basis for the increase, Kentucky Power argued that additional economic development funds were needed to grow its load and customer base. One of the reasons for Kentucky Power's proposed rate increase is a significant decline in load and customers since the economic downturn in 2008.[94] A decrease in customers and load concentrates costs among a smaller customer base, which results in fewer customers paying a larger share of the cost. Correspondingly, a growth in load and customer base spreads costs among a greater number of customers.

The Attorney General recommended that the economic development surcharge be eliminated.[95] The Attorney General asserted that Kentucky Power failed to provide evidence of a direct tie between Kentucky Power's economic development efforts and increased jobs and electricity sales.[96] The Attorney General further asserted that the economic development surcharge simply redistributes ratepayer dollars without evidence of an identifiable benefit for ratepayers.

In rebuttal, Kentucky Power countered that it maintains economic development metrics, including job counts, investments, and grants, which it uses to evaluate the

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[94] Application, Direct Testimony of Brad N. Hall ("Hall Direct Testimony") at 5. Between 2008 and 2016, Kentucky Power lost 6,931 customers, and its total annual sales declined from 7.24 GWh to 5.80 GWh.

[95] Direct Testimony of David E. Dismukes ("Dismukes Testimony") at 4; Direct Testimony of Roger McCann ("McCann Testimony") at 6, 17.

[96] Dismukes Testimony at 4, 41.

success of its economic development program.[97] In a subsequent discovery response, Kentucky Power provided its written economic development action plan with strategic goals and metrics set forth in specific detail.[98] Kentucky Power contended that its economic development program achieves identifiable goals, and that Kentucky Power's customers receive benefits from the economic development surcharge. As an example, Kentucky Power asserted that its economic development efforts are projected to create 1,705 new full-time positions, with an additional 1,000 construction jobs.[99]

The Commission recognizes the importance of economic development efforts, especially given the economic needs of Kentucky Power's service area. However, the Commission also recognizes that 26 percent, or 35,756, of Kentucky Power's residential customers are at or below the poverty level.[100] In 2016, Kentucky Power disconnected more than 11,000 residential customers who could not pay their electric bill.[101] In the course of this proceeding, the Commission received a large number of public comments from residential customers who questioned why they are charged for Kentucky Power's economic development efforts, particularly given the difficulty that residential customers have in paying their electric bills. Residential customers, especially those on fixed incomes, cannot pass along their costs; to a certain extent, non-residential customers

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[97] Dec. 8, 2017 H.V.T. at 10:44:56.

[98] Kentucky Power Response to KCUC's Post Hearing Data Request ("Response to KCUC Post Hearing Request"), Item No. 1, Attachment 1.

[99] Hall Direct Testimony at 12; Dec. 8, 2017 H.V.T. at 10:31:23. On December 7, 2017, there was an announcement that 875 jobs would result from a business locating in Pikeville, Kentucky. Prior to that announcement, there were 830 projected new jobs created from Kentucky Power economic development efforts.

[100] Dec. 8, 2017 H.V.T. at 11:58:01 and 5:33:49.

[101] *Id.* at 11:58:19.

can pass along their costs to their customers. The Commission finds that the residential customer economic development surcharge of $0.10 per meter per month, as set forth in the Settlement, is unreasonable and therefore should be denied. The Commission further finds that the residential customer economic development surcharge should be eliminated. However, the Commission finds that the economic development surcharge on non-residential customers of $1.00 per meter per month, as set forth in the Settlement, is reasonable. Therefore, the Commission approves the portion of the Settlement applicable to the economic development surcharge for non-residential customers only.

Home Energy Assistance Program Surcharge

In its Application, Kentucky Power proposed to increase the HEAP surcharge from $0.15 per residential meter per month to $0.20 per residential meter per month. Similar to the economic development surcharge, funds collected through the HEAP surcharge are matched equally by Kentucky Power from AEP shareholder funds.

HEAP funds provide subsidies to assist eligible low-income customers in Kentucky Power's service territory to pay electric bills during seven peak heating and cooling months.[102] There is a waiting list of eligible customers because there are not sufficient HEAP funds available to assist all eligible customers.[103]

The Attorney General supported the five-cent increase to $0.20 per residential meter per month, but argued that the increase was inadequate to keep pace with

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[102] McCann Testimony at 5-6, 14. Subsidies are available in January, February, March, July, August, September, and December.

[103] *Id.* at 15. As of Sept. 20, 2017, there were 1,475 eligible customers on a wait-list for HEAP subsidies.

Kentucky Power's rate increases. The Attorney General proposed that the Commission approve the HEAP surcharge increase and, if the Commission discontinued the economic development surcharge, that the HEAP surcharge be increased in the same amount by which the economic development is reduced.[104]

Kentucky Power's President, Matthew J. Satterwhite, testified that, if the Commission modified the Settlement to eliminate the $0.10 per meter per month economic development surcharge for residential customers, Kentucky Power could agree to a commensurate increase in the HEAP surcharge by $0.10 per residential meter per month, with matching shareholder funds.[105]

The Settlement is silent as to the HEAP surcharge.

The Commission finds that the proposed increase in the HEAP surcharge is insufficient to address the demonstrable need to assist eligible low-income customers with their electric bills. The Commission further finds that the HEAP surcharge should be increased by the corresponding amount that the economic development surcharge for residential customers is reduced. Therefore, the Commission rejects Kentucky Power's proposed increase in the HEAP surcharge to $0.20 per residential meter per month. The Commission finds an increase of the HEAP surcharge to $0.30 per residential meter per month is reasonable and should be approved.

Rockport Deferral Mechanism

In the Settlement, Kentucky Power and the Settling Intervenors agreed to defer $50 million of non-fuel and non-environmental lease expenses from Rockport Unit 2

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[104] McCann Testimony at 6, 17; Dismukes Testimony at 4.

over five years, with the establishment of a regulatory asset for later recovery ("Rockport Deferral Regulatory Asset") of these expenses. This Rockport Deferral Regulatory Asset, plus a carrying charge based on a WACC of 9.11 percent, will be recovered through Kentucky Power's Tariff P.P.A. over five-years starting in December of 2022. The dates of the end of the deferral period and the start of the five-year amortization period coincide with the anticipated end of the Rockport UPA lease agreement.[106]

The Settlement proposed a deferral of $15 million in 2018 and 2019, $10 million in 2020, and $5 million in 2021 and 2022. The Settlement's annual revenue requirement reflects a decrease to base rates of the 2018 $15 million adjustment. In 2020, 2021 and 2022 the decrease in the deferral will be offset with an increase in the amount recovered through Tariff P.P.A. Additionally, in 2022, the increase in the amount recovered through Tariff P.P.A. will be prorated through December 8, 2022, as the Rockport UPA will terminate on that date. By utilizing Tariff P.P.A., Kentucky Power is able to reduce the annual deferral amount and concurrently keep base rates unchanged. Beginning in December 2022, the five-year deferral period will end and the recovery of the Rockport Deferral Regulatory Asset will begin. The Rockport Deferral Regulatory Asset will be amortized through 2027 and be subject to carrying charges until it is fully recovered. Kentucky Power estimates that the Rockport Deferral

[105] Dec. 7, 2017 H.V.T. at 10:53:09.

[106] Satterwhite Settlement Testimony at S-10.

Regulatory Asset will total approximately $59 million in December 2022. That amount will decrease incrementally until fully collected over the five-year amortization period.[107]

Neither the Attorney General nor KCUC offered testimony concerning the Rockport Deferral. However, during the hearing and in his post-hearing brief, the Attorney General expressed his concerns about the "very large financing costs" associated with the deferrals, stating that the "$50M over the entire deferral period is going to have financing costs piled on top of it… [t]hese financing costs are at the weighted average cost of capital including the 9.75 percent return of equity which then gets a tax gross up on top of it."[108] The Attorney General further stated that a concern that the costs of the deferral will eventually require rate recovery in future rate proceedings.[109] The Attorney General recommended that the carrying charge be reduced to 4.36 percent for Kentucky Power's current long term debt.[110]

In response, Kentucky Power argued that the 9.11 percent WACC made Kentucky Power financially whole because of its need to finance the deferral through a combination of debt and equity, and therefore was appropriate.[111]

The recovery period of the proposed Rockport Deferral Mechanism is contingent upon Kentucky Power not renewing the Rockport UPA.[112] If the lease is not renewed,

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[107] *See* Appendix A, paragraph 3 for details of the Rockport UPA Expense Deferral.

[108] Dec. 6, 2017 H.V.T. at 04:01:19; *See also* Attorney General's Brief at 31.

[109] Dec. 6, 2017 H.V.T. at 04:01:19

[110] Attorney General's Brief at 31.

[111] Kentucky Power's Post Hearing Brief ("Kentucky Power's Brief") (filed Jan. 5, 2018) at 48.

[112] Kentucky Power stated that it is unlikely that the Rockport lease will be renewed. Dec. 6, 2017 H.V.T. at 5:47:44; Kentucky Power Response to Staff's Second Request, Item 72.

the expenses associated with the Rockport UPA will be removed from rate base, which allows the regulatory asset to be funded without a change in rate base. However, if the lease is renewed, the deferred expenses will have to be recovered from future ratepayers, and possibly through an increase in rate base.[113] The Commission recognizes that there are inherent risks associated with any deferral mechanism, especially since the deferral recovery is contingent upon not renewing the Rockport UPA. Given Kentucky Power's excess capacity and slow load growth, the Commission believes the benefits of the deferral outweigh the associated risks, and approves the Rockport Deferral Mechanism and the associated $15 million decrease to rate base. The carrying charges associated with this rider shall be based on the WACC approved in this Order and are effective as of the date of this Order. This approval is for accounting purposes only, and the appropriate ratemaking treatment for this regulatory asset account will be addressed in Kentucky Power's next general rate case.

Environmental Surcharge Tariff E.S.

Kentucky Power proposed an addition to its Environmental Compliance Plan to recover the cost of installing Selective Catalytic Reduction ("SCR") technology at Rockport Unit 1, affecting the amounts collected under Tariff E.S The project is discussed later in the Environmental Compliance Plan section of this Order. Kentucky Power estimated the revenue requirement for the SCR project to be $3,903,065.[114] The Commission finds the Rockport Unit 1 revenue requirement to be reasonable.

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[113] Satterwhite Settlement Testimony at S-13.

[114] Elliott Testimony, Exhibit AJE-5.

TOTAL JURISDICTIONAL REVENUE REQUIREMENTS

The Commission has found that Kentucky Power's required ROE falls within a range of 8.60 percent to 10.31 percent, and approves an ROE of 9.70 percent. The Settlement proposed a base rate increase of $31.8 million and environmental surcharge revenues of $3.9 million, for a total of $35.7 million. The environmental surcharge is discussed farther below. Because Kentucky Power recovers the costs associated with the decommissioning of coal-related assets at Big Sandy through the Decommissioning Rider, those costs are not included for recovery in the base rates. However, for the twelve months ending September 30, 2018, Kentucky Power will recover approximately $20.2 million through the Decommissioning Rider,

Due to the modifications the Commission makes to the Settlement and the provision for the reduction in the federal corporate income tax rate from 35 percent to 21 percent in the Tax Cuts and Jobs Act, the Commission finds that an increase in base rate revenues of $12.35 million, as shown in Appendix F to this Order, exclusive of the environmental surcharge, will result in fair, just, and reasonable electric rates for Kentucky Power and its ratepayers. The Commission utilized Kentucky Power's equity gross up revenue conversion factor ("GRCF"), as provided in Kentucky Power's revised Environmental Surcharge forms filed on January 3, 2018, to reflect the reduction in the federal corporation income tax rate effective with the date of this Order. Additionally, the adjustments the Commission makes to the test year operating income and expense items reflect the income tax rate reduction and change in the GRCF. The excess accumulated deferred income tax ("ADIT") impacts resulting from the reduction federal corporate income tax rate will be addressed in Case No. 2017-00477. The Commission also finds that Kentucky Power should establish a mechanism to track the over/under-collection of federal income taxes, and that a true-up of any over/under-collections be addressed in Case No. 2017-00477.

Due to the economic conditions in Kentucky Power's service territory, the Commission believes that the impact of the federal corporate income tax reduction on rates should be put into place effective with the date of this Order. In addition, the lower rates should serve as an impetus for economic development through recruiting new businesses as well as maintaining existing business customers.

NONREVENUE REQUIREMENT RIDERS AND TARIFFS

The following sections address riders and a tariff that have no direct impact on Kentucky Power's revenue requirement. The discussion covers both those that have been contested, and those that are included in the Settlement.

Non-Utility Generator Tariff

In its Application, Kentucky Power proposed to revise the Non-Utility Generator Tariff ("Tariff N.U.G.") to eliminate a provision that requires a 30-day written notice to customers taking service under Tariff N.U.G. if a transmission provider implements charges for transmission congestion. Kentucky Power asserted that this clause is no longer necessary because PJM has already created transmission congestion charges.[115] Kentucky Power also proposed to revise language in the special terms and conditions section of Tariff N.U.G. to clarify the requirement to take service for remote

[115] Application, Vaughan Direct Testimony at 25.

self-supply.[116] The Settlement is silent as to Tariff N.U.G. Neither KCUC nor the Attorney General contested the proposed revisions to Tariff N.U.G.

The Commission finds the revisions to Tariff N.U.G. to be reasonable and that they should be approved.

Systems Sales Clause

In its Application, Kentucky Power proposed to reduce monthly bill volatility by revising its Tariff S.S.C. to change from a monthly system sales adjustment factor to an annual sales adjustment factor. Kentucky Power further proposed to set the Tariff S.S.C. rate to $0, with the difference between actual off-system sales margins and a base amount of $7,163,948 deferred based on the current 75/25 customer sharing mechanism approved in Case No. 2014-00396.[117] The net deferred credit or charge to customers would then be the base for the annual Tariff S.S.C. rate update.[118] Kentucky Power proposed to file the required true-up information no later than August 15 of each year, with rates to be effective with Cycle 1 of October. The first filing would be made by August 15, 2018. The Settlement is silent as to Tariff S.S.C. Neither the Attorney General nor KCUC contested the proposed revisions to Tariff S.S.C.

The Commission finds the revisions to Tariff S.S.C., as adjusted to include $7,650,350 in base rates, to be reasonable and should be approved.

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[116] Sharp Direct Testimony at 28.

[117] Kentucky Power credits 75 percent of the difference between base and actual off system sales margins amounts to customers and retains 25 percent.

[118] Vaughan Direct Testimony at 36-37.

PJM Billing Line Items

In the Application, Kentucky Power proposed to include additional PJM Billing Line Items ("BLIs") for recovery through its FAC. Kentucky Power stated that these BLIs represent items that either require generation resources to be running and online, or are associated with other BLIs that require generation resources to be running and online. Kentucky Power stated that all of the service functions represented by the BLIs are related to fuel-related services previously received by Kentucky Power when it was a member of the AEP East Pool, and that those amounts were previously included in Kentucky Power's base fuel cost. The Settlement is silent as to the BLIs. Neither the Attorney General nor KCUC contested this proposal.

The Commission has reviewed the additional BLIs and finds that they are appropriate for inclusion in the FAC, as these BLIs represent charges and credits that relate to fuel consumed by resources that are running and online. Furthermore, the Commission finds that when Kentucky Power files its compliance tariff, it should amend its Tariff F.A.C to include PJM BLIs 2211, 2215, and 2415, as those BLIs have replaced BLI 2210.

MODIFICATIONS TO TERMS AND CONDITIONS OF SERVICE TARIFFS

In its Application, Kentucky Power proposed certain revisions to its terms and conditions for service. The revisions include: verification of a customer's identity and proof of ownership or lease of property where service is requested at the time an application for service is filed; information to be considered when evaluating whether to waive a deposit; payment arrangements; mobile alerts; elimination of the employee discount; modifying the equal payment plan; and denial or discontinuance of service.

Kentucky Power also requested a deviation from 807 KAR 5:006, Section 14(2)(a) to amend when a customer can sign up for the Equal Payment Plan, and the annual settle-up month for certain customers.

Neither the Attorney General nor KCUC contested the revisions.

The Commission finds that the proposed revisions to the terms and conditions of service as contained in the Application are reasonable, with the exception of the denial or discontinuance of service, and should be approved. The Commission further finds that Kentucky Power established good cause to deviate from 807 KAR 5:006, Section 14(2)(a), and that its request for a deviation should be granted.

As to the denial or discontinuance of service, the Commission finds that the proposed revisions as contained in the Application are overbroad and do not comply with Commission precedent.[119] In response to Commission Staff's Post Hearing Data Request, Kentucky Power revised the terms for denial or discontinuance of service as follows:

> The Company reserves the right to refuse or discontinue service to any customer if the customer is indebted to the Company for any service theretofore rendered at any location. Service will not be supplied or continued to any premises if at the time of application for service the Applicant is merely acting as an agent of a person or former customer who is indebted to the Company for service previously supplied at the same, or other premises, until payment of such indebtedness shall have been made;

The Commission finds that the revised language regarding denial or discontinuance of service as filed on in the Supplemental Response on December 21, 2017, is reasonable and should be approved.

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[119] *See* H.V.T., PSC Exhibits 2, 3, 4, and 6.

RATE DESIGN, TARIFFS AND OTHER ISSUES

Rate Design

Kentucky Power filed a fully allocated jurisdictional cost-of-service study ("COSS") to determine the cost to service each customer class as well as the rate of return on rate base for each class during the test year. The results of the COSS illustrate the amount of cross-subsidization between the rate classes and show that all non-residential rate classes subsidize the residential class. In its Application, Kentucky Power proposed to reduce these subsidies by five percent in its proposed rates. The Settlement modifies this proposed revenue allocation and proposes to use the first $5.8 million of any Commission-authorized revenue increase to the Industrial General Service ("IGS") rate class to fully eliminate the subsidy Rate IGS would have paid under the rate increase as originally proposed by Kentucky Power.[120] The remaining revenue increase is spread uniformly among the rate classes, further reducing interclass subsides.[121]

The Attorney General did not offer any testimony concerning the allocation of any proposed revenue increase, aside from recommending limiting any revenue increase, and stating that Kentucky Power's customers are unable to afford a rate increase and that a large increase would set the entire economy of Eastern Kentucky back, counteracting any economic expansion.[122]

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[120] Satterwhite Settlement Testimony at S-9; Dec. 8, 2017 H.V.T. at 2:59:20; Direct Testimony of Stephen J. Baron ("Baron Testimony") at 15 and Table 2.

[121] Satterwhite Settlement Testimony at S-9.

[122] Dismukes Testimony at 3.

The KCUC does not support the revenue allocation as set forth in the Settlement, contending that the Settlement does not provide fair or reasonable treatment of the Tariff L.G.S. customer class. KCUC stated that in addition to bearing a subsidy burden associated with the overall rate structure, the L.G.S. class must also absorb an additional $500,000 subsidy resulting from the Public and Private School service ("PS") tariff.[123] To remedy this, the KCUC proposes that the first $500,000 of any additional Commission-directed decrease in the revenue requirement be applied to the Tariff L.G.S. customer class and any revenue reduction beyond $500,000 be uniformly spread among all the rate classes in proportion to each class's revenue requirement.[124]

Residential Customer Charge

In its Application, Kentucky Power proposed an increase in the residential customer charge from $11.00 to $17.50, an increase of 59 percent. The cost-of-service study filed by Kentucky Power in this proceeding supports a customer charge of $37.88.[125] The Settlement allows for an increase in the residential customer charge to $14.00, an increase of 27 percent.

The Attorney General objected to any increase on the residential customer charge.[126] The Attorney General contended that shifts towards fixed cost recovery disproportionally hurt low-income customers and Kentucky Power did not provide

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[123] Settlement Testimony of Kevin Higgins ("Higgins Settlement Testimony") at 2.

[124] *Id.* at 4.

[125] Vaughan Direct Testimony, Exhibit AEV-2 at 1.

[126] Dismukes Testimony at 6.

sufficient evidence to justify an increase.[127] The Attorney General argued that Kentucky Power's fixed cost calculation of almost $38.00 is flawed because a portion of demand-related costs are assigned as fixed costs, which the Attorney General argued is fundamentally incorrect.[128] The Attorney General noted that none of the parties to the proposed Settlement represent the interests of residential ratepayers, and the proposed $14 would recover too much of any potential revenue increase through the customer charge and undermine future incentives for efficiency, resulting in an erosion of LIHEAP funds.[129]

The Commission believes an increase to the Residential Basic Service Charge is warranted, and finds that the Settlement's increase to $14.00 is reasonable. The proposed 27 percent increase is consistent with the principle of gradualism that the Commission has long employed. Consistent with this change, the Commission also approves the customer charges of $14.00 as set forth in the Settlement for the three optional residential tariffs: 1) Residential Service Load Management Time-of-Day; 2) Residential Service Time-of-Day; 3) and Experimental Residential Service Time-of-Day 2. The Commission also approves a customer charge of $14.50 for the new optional Residential Demand Metered Electric Service ("Tariff R.S.D.").[130]

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[127] *Id.*

[128] *Id.* at 20.

[129] Attorney General's Brief at 32-33.

[130] The Settlement and supporting testimony state that Kentucky Power and the Settling Intervenors agreed to a residential customer charge of $14.00. Settlement at paragraph 16(a); Satterwhite Settlement Testimony at S-22. The proposed Settlement Tariff R.S.D. filed on Dec. 1, 2017, inadvertently contains a monthly customer charge of $17.50.

General Service Rate Class

Kentucky Power proposed to combine the Small General Service ("S.G.S.") and Medium General Service ("M.G.S.") rate classes into a single General Service ("G.S.") rate class under which all general service customers with average demands up to 100 kilowatts ("kW") will take service. Kentucky Power stated that both the S.G.S. and M.G.S. rate classes currently incur a monthly service charge and a blocked energy charge. Additionally, the M.G.S. rate class incurs a demand charge. Due to this current tariff structure, there is movement between the S.G.S. and M.G.S. rate classes as load characteristics vary month to month for many commercial customers. Kentucky Power stated that combining the S.G.S. and M.G.S. into a single tariff allows for administration efficiencies by eliminating this movement between the two rate classes.[131] The new G.S. tariff combines rate design features from the S.G.S. and M.G.S. tariffs, and will include a monthly service charge, two blocked energy charges, and a demand charge for monthly billing demand greater than 10 kW. The blocked energy charge transition point is 4,450 kilowatt hours ("kWh"). Kentucky Power stated that setting the kWh block at 4,450 kWh ensures that almost all usage that was billed under the current S.G.S. tariff will continue to be billed on an energy charge only and such a rate design will minimize bill impact on current S.G.S. and M.G.S. customers.[132]

Although the proposed rate design minimizes the impact on an average commercial customer, due to the proposed increase in the demand charge from $1.91

[131] Vaughan Direct Testimony at 21.

[132] *Id.* at 21.

for all kW to $7.95 for all kW greater than 10 kW, it negatively affects customers whose load characteristics include low usage coupled with high demand.[133] The Commission believes that Kentucky Power's proposed increase in the demand charge of over 300 percent is excessive. For this reason, the Commission will minimize the impact on high demand commercial customers, apply a 2-step phase-in increase of demand rates, and limit the increase in year 2 to $6.00 per kW. In addition, Kentucky Power must identify and contact G.S. class customers whose average monthly demand is 25 kW or greater to meet to discuss the impacts of the rate increase on those customers' bills and analyze other tariff options, such as time-of-day rates, that may offer relief to these customers. Last, Kentucky Power should file with the Commission, within twelve months of this Order, a report listing the commercial customers who meet this load profile and the results of each meeting.

Rate Adjustment

In setting the rates shown in Appendix C, the Commission maintained the basic service charge for each class that was included in the Settlement. The reduction of Kentucky Power's revenue increase was allocated to the energy charges of those customer classes for which revenue increases were proposed. The reduction to each class's proposed revenue increase was approximately in proportion to the increase set forth in the Settlement.

[133] Dec. 8, 2017 H.V.T. at 4:53:40.

Tariff Purchased Power Adjustment

In its Application, Kentucky Power proposed to include the following additional cost of service items to be tracked and recovered through Tariff P.P.A.: (1) PJM OATT charges and credits that it incurs or receives from its participation as a LSE in the organized wholesale power markets of PJM; (2) purchased power costs excluded from recovery through the FAC as a result of the purchased power limitation; and (3) gains and losses from incidental gas sales. In addition, Kentucky Power proposed to change Tariff P.P.A. from a monthly adjusting surcharge to an annually updated surcharge.

The Attorney General filed testimony stating that these cost-of-service items should continue to be collected through base rates as Kentucky Power has not demonstrated a compelling reason to have these items tracked and recovered through Tariff P.P.A.[134]

1. PJM LSE OATT Charges and Credits

Kentucky Power proposed to include the following PJM LSE transmission charges and credits to costs recoverable through Tariff P.P.A.: network integration transmission service ("NITS"); transmission owner scheduling system control and dispatch service ("TO"); regional transmission expansion plan ("RTEP"); point-to-point transmission service; and RTO start-up cost recovery. An adjusted level of the net OATT charges and credits in the amount of $74,377,364 will be included in base rates.[135] The amount above or below the base rate level would be tracked monthly and the annual net over- or under-collection would then be collected from or credited to customers through the operation of Tariff P.P.A.

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[134] Smith Testimony at 70.

Kentucky Power stated that the proposed tracking mechanism for PJM OATT LSE Charges is necessary due to the volatility of these PJM charges and credits, which Kentucky Power claimed are largely out of its control. Kentucky Power estimated that its PJM OATT LSE expenses will increase in 2018 by approximately $14 million, or 19 percent over the test year amount.[136] Kentucky Power expects increasing investment in the transmission grid by PJM member transmission owners, which will increase transmission charges allocated to LSEs in PJM. Kentucky Power stated that tracking the PJM LSE charges and credits via Tariff P.P.A. could preclude it from seeking more frequent rate cases.[137]

Finally, two proceedings currently before the FERC may affect the level of PJM LSE OATT charges incurred by Kentucky Power. One proceeding is a challenge to the ROE included in the AEP Zone formula, which determines the PJM transmission costs of service for the AEP Transmission Zone. Kentucky Power stated that at this time, any change resulting from this proceeding is not known and measurable. Therefore, an adjustment in this case is not possible. The second proceeding is a pending non-unanimous settlement regarding the cost allocation methodology historically used by PJM to allocate costs of transmission enhancement projects to the LSEs in its footprint. If approved, the proposed stipulation is expected to result in lower PJM LSE OATT

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[135] Vaughan Direct Testimony at 29.

[136] Satterwhite Settlement Testimony at S-14–S-15.

[137] Vaughan Direct Testimony at 27-28.

charges. However, the timing or magnitude of the possible cost allocation changes are not currently known.[138]

The Settlement revised the proposal regarding the PJM OATT LSE charges and credits as follows:

- Kentucky Power will recover and collect 80 percent of the annual over- or under-collection of PJM OATT LSE charges, as compared to the annual amount included in base rates, ("Annual PJM OATT LSE Recovery") through Tariff P.P.A.

- Kentucky Power will credit against the Annual PJM OATT LSE Recovery 100 percent of the difference between the return on its incremental transmission investments calculated using the FERC approved PJM OATT return on equity, and the return on its incremental transmission investments calculated using the 9.75 percent return on equity provided for in the settlement.

- The changes to Tariff P.P.A. to allow for the Annual PJM OATT LSE Recovery will terminate on the effective date when base rates are reset in the next base rate proceeding unless otherwise extended by the Commission.

Due to the volatility of the OATT charges and credits, the Commission finds the proposal to include the PJM LSE transmission charges and credits to the costs recoverable through Tariff P.P.A., as modified in the Settlement, reasonable with one modification. When calculating the credit against the Annual PJM OATT LSE Recovery, the return on equity amounts used to calculate the incremental transmission investments shall be 9.7 percent, the Commission-approved ROE amount.

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[138] *Id.* at 28-29.

In conjunction with approving the PJM OATT LSE tracker, the Commission finds that the three-year stay-out provision in the Settlement is reasonable and should be accepted. In approving the tracker, the Commission addresses Kentucky Power's primary concern, raised in the last rate case and in this case, that an increase in major expenses not directly under Kentucky Power's control would result in more frequent rate cases.

Regarding proposed transmission projects at PJM, the Commission expects Kentucky Power to work through the PJM stakeholder process to protect its customer interests.

2. FAC Purchased Power Limitations.

Kentucky Power proposed to track, on a monthly basis, the amount of purchased power costs excluded for recovery through the FAC over or above the base rate level using deferral accounting. The annual net over- or under-collection of these purchase power costs would be collected from or credited to customers through Tariff P.P.A.[139]

The FAC Purchase Power Limitation is a calculation that caps the amount of purchase power expense to be recovered through the monthly FAC surcharge. The calculation compares the cost of actual purchased power on an hourly basis to the cost of Kentucky Power's highest cost unit or the theoretical peaking unit equivalent, and caps the FAC-recoverable purchase power expense at the cost ($/MWh) of the highest generating unit (Kentucky Power owned or peaking unit equivalent). Kentucky Power claims that, because it relies on factors outside of its control, the FAC Purchase Power Limitation and the peaking unit equivalent calculation promote variability and volatility.

[139] *Id.* at 29.

The Commission is not convinced that this issue requires special ratemaking treatment. The Commission has long held that any purchased power costs not recoverable through the FAC are eligible for recovery through base rates. The Commission finds Kentucky Power's proposal to include an estimated amount of FAC Purchased Power Limitation Expense in base rates, and to subsequently true up that amount through Tariff P.P.A., is unreasonable, and therefore should be denied. The Commission notes that Kentucky Power filed this case using a historic test period. The Commission will allow recovery of the test year amount of purchased power reasonably incurred, but excluded from the FAC. To the extent that Kentucky Power incurs any expense due to purchased power that is appropriately incurred after the test year, but excluded from the FAC, it can file a base rate case seeking recovery of those expenses. For the foregoing reasons, adjustments W26 and W27, which total $4,032,786, are unreasonable and should be removed from the revenue requirement.

3. Peaking Unit Equivalent Calculation

Kentucky Power proposed to change the methodology for calculating the peaking unit equivalent ("PUE") used in determining the FAC Purchased Power Limitation. In its Application, Kentucky Power proposes to include the cost of firm gas service as an expense in the calculation of its PUE. Kentucky Power stated that since the hypothetical combustion turbine ("CT") could be dispatched any day of the year, it requires firm gas service. The Commission disagrees. While firm gas service would certainly allow the CT to be dispatched any day of the year, the Commission is unaware of any jurisdictional utility utilizing firm gas service for a CT. Because CTs typically operate at low capacity factors and are primarily utilized during the summer peaking months, when pipeline capacity would typically not be constrained, the Commission finds the inclusion of firm gas service in the calculation of the PUE to be unreasonable, and therefore, this change in the PUE calculation should be denied. Kentucky Power's proposal to include startup costs and variable O&M expense is reasonable and should be approved.

4. Gains and Losses from Incidental Gas Sales.

Kentucky Power proposed to recover gains and losses from incidental sales of natural gas through Tariff P.P.A. Kentucky Power nominates Big Sandy Unit 1 in the PJM day-ahead electric power market based in part on the price of natural gas purchased for delivery the next day. If the Big Sandy Unit 1 Day Ahead nomination price is higher than the PJM electric power market clearing price, Big Sandy Unit 1 is not selected to run in the Real Time Market. In such a case, the natural gas purchased must either be stored by Columbia Gas or be sold. Kentucky Power stated that in August, September, and November of 2016, there were days that it was required to sell natural gas that had been purchased for delivery because Big Sandy Unit 1 was not selected by PJM to run.[140]

In Case No. 2014-00078, Duke Energy Kentucky ("Duke Energy") proposed similar treatment of gains and losses it experienced in January and February of 2014 from incidental sales of natural gas.[141] Duke Energy amended its request to apply to similar losses or gains occurring in the future. The Commission approved the treatment of the January and February 2014 gains and losses. However, the Commission found

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[140] Application, Direct Testimony of John A. Rogness at 26-27

[141] Case No. 2014-00078, *An Investigation of Duke Energy Kentucky, Inc.'s Accounting Sale of Natural Gas Not Used in Its Combustion Turbines* (Ky. PSC Nov. 25, 2014).

Duke Energy's proposal to apply such treatment to similar losses or gains in the future to be overly broad and did not approve such treatment, finding that such gains and losses should be investigated on a case-by-case basis.

In this case, the Commission finds, as it did in Case No. 2014-00078, that gains and losses from the incidental sale of natural gas should be investigated on a case-by-case basis. If such gains or losses occur in the future, Kentucky Power should notify the Commission so those matters may be addressed in a formal proceeding. For purposes of this case, the Commission finds that the gain on the incidental sale of natural gas of $13,982 should be utilized to reduce Kentucky Power's revenue requirement.

Tariff K-12 School

In its Application, Kentucky Power proposed to discontinue the pilot Tariff K-12 School under which public schools in Kentucky Power's service territory took service under discounted rates. Kentucky Power stated that its load research and class cost of service study demonstrated that Tariff K-12 School customers would be better off in the Tariff L.G.S. customer class than they were previously a part of prior to the pilot Tariff K-12.

Tariff Pilot K-12 School was approved as part of the settlement agreement in Case No. 2014-00396. In Case No. 2014-00396, KSBA argued, as it does in this proceeding, that public school load characteristics were sufficiently unique to justify a distinct rate class for K-12 schools. Because school load data did not exist, Kentucky Power agreed to establish a pilot tariff with load research meters at 30 K-12 schools.

Kentucky Power further agreed to evaluate whether to continue Tariff K-12 School in its next base rate case using the load research data.

Tariff K-12 School rates were designed to produce an annual revenue requirement that was $500,000 less than would be produced under the L.G.S. rates from customers eligible to take service under Tariff K-12 School.[142] Tariff L.G.S. and Tariff M.G.S. customers rates were designed to include the $500,000 subsidy to Tariff K-12 Schools.[143]

Under the Settlement, Tariff K-12 School would cease to be a pilot, and would continue as a separate rate class. The tariff would be available to all K-12 schools, public and private, in Kentucky Power's service territory with normal maximum demands greater than 100 kW. Tariff K-12 School rates continue to be designed with a $500,000 subsidy absorbed by Tariff L.G.S. customers.

In its Settlement Testimony, KCUC asserted that the Settlement is unfair and unreasonable because L.G.S. customers had to absorb the subsidy to provide a $500,000 benefit for Tariff K-12 School customers, in addition to a significant inter-class subsidy burden as part of the overall rate structure.[144] KCUC stated that it did not object to the $500,000 discount to Tariff K-12 School customers, but instead objected that the discount is funded by L.G.S. customers, and not spread out among all customer classes. As a remedy, KCUC proposed that, if the Commission reduced the revenue requirement, that the first $500,000 of any reduction be applied first to reduce the revenue requirement of the L.G.S. class.

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[142] Case No. 2014-00396, Final Order, at 19.

[143] *Id.*

The Commission finds that load research data collected and analyzed by Kentucky Power demonstrates that a separate, discounted K-12 schools tariff is not justified and that public school usage characteristics do not support the discounted rates paid by Tariff K-12 School customers relative to the L.G.S. class. The Commission finds that it is unreasonable to continue Tariff K-12 School, and therefore rejects this portion of the Settlement.

Green Pricing Option Rider/Renewable Power Option Rider

Kentucky Power proposed to revise its Green Pricing Option Rider to expand the categories of renewable energy credits available, to allow participating customers to purchase their full requirements from renewable energy generators, and to change the name of the rider to the Renewable Power Option Rider ("Rider R.P.O"). The Commission finds that the Rider R.P.O. provision in the Settlement is reasonable and should be approved.

Tariff C.A.T.V.

In its Application, Kentucky Power proposed to increase Tariff C.A.T.V. rates for pole attachments on a two-user pole from $7.21 per year to $11.97 per year, and for pole attachments on a three-user pole from $4.47 per year to $7.52 per year. In the Settlement, Kentucky Power and the Settling Intervenors agreed to a rate of $10.82 per year for attachments on a two-user pole, and $6.71 per year for attachments on a three-user pole.

The Commission finds that the rates for Tariff C.A.T.V. as set forth in the Settlement are reasonable and should be approved.

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[144] Higgins Settlement Testimony at 2.

Temporary Service Tariff

In its Application, Kentucky Power proposed to revise its Temporary Service Tariff ("Tariff T.S.") to limit service provided under Tariff T.S. to ensure that customers do not continue to take service under Tariff T.S. even after construction is complete and the facility is occupied. The Commission finds these changes to be reasonable and that they should be approved.

Optional Residential Demand Charge Tariff

Kentucky Power proposed a new optional residential rate schedule ("Tariff R.S.D.") that will be available to up to 1,000 residential customers. The rate structure will consist of a monthly service charge, on-peak and off-peak kWh energy charges, and an on-peak kW demand charge. Kentucky Power stated that the goal of Tariff R.S.D. is to send targeted price signals that will reward customers for shifting usage away from the peak time periods that cause Kentucky Power to incur higher costs. Kentucky Power also stated that certain electric heating customers may benefit from Tariff R.S.D. due to their potentially higher load factor usage characteristics, and that the rate design is revenue neutral to the standard residential tariff.[145]

The Commission finds the proposed Tariff R.S.D. to be reasonable, that it should be approved, and that the rates included in Appendix C of this Order should be approved.

Tariff C.S.-Coal, Tariff C.S.-I.R.P. and Tariff E.D.R.

The Settlement extends through December 31, 2018, Tariff C.S.-Coal and the amendments to Tariff C.S.-I.R.P. and Tariff E.D.R., which were due to expire December

[145] Vaughan Direct Testimony at 19

31, 2017. The Commission finds the extension of the tariffs reasonable and that they should be approved. Any financial loss incurred in connection with these tariffs will be deferred for review and recovery in Kentucky Power's next base rate proceeding.

ENVIRONMENTAL COMPLIANCE PLAN

In its Application, Kentucky Power requested Commission approval of an amended environmental Compliance Plan ("2017 Plan") and an amended Environmental Surcharge tariff ("Tariff E.S.").

The 2017 Environmental Compliance Plan

The 2017 Plan includes previously approved projects and two new projects, Project 19 and Project 20. The 20 projects included in the 2017 Plan are listed in Appendix D to this Order.

Project 19 will install SCR technology at Rockport Unit 1 ("Rockport Unit 1 SCR Project"). The Rockport Unit 1 SCR project will reduce the plant's nitrogen oxide emissions, and is required under terms of a 2007 Consent Decree ("Consent Decree") among several AEP entities including Kentucky Power and I&M, and the Environmental Protection Agency and several environmental plaintiffs.

Project 20 seeks to include a return on inventories for consumables used in conjunction with approved projects through Tariff E.S. Kentucky Power currently recovers the cost of the consumption of consumables through Tariff E.S. The return on consumable inventories is currently part of the general rate base. Kentucky Power proposed that the return on consumable inventories be recovered through Tariff E.S. to align that cost with the cost recovery of items consumed.

Kentucky Power stated that the pollution control projects included in the 2017 Plan amendment are necessary to comply with the Federal Clean Air Act ("CAA") and other federal, state, and local regulations that apply to coal combustion wastes and by-products from facilities utilized for the production of energy from coal. Kentucky Power asserted that the costs associated with its 2017 Plan are reasonable, and that the projects are a reasonable and cost-effective means to comply with environmental requirements.

The Attorney General argued that Kentucky Power should not be permitted to recover the cost of the Rockport Unit 1 SCR Project.[146] The Attorney General asserted that Kentucky Power's customers have been paying increasing amounts for environmental costs resulting from the Consent Decree because AEP voluntarily made environmental upgrades at generating stations, including the Rockport generating units, that were not identified in the original EPA litigation that led to the Consent Decree. Because Rockport was not part of the original litigation, the Attorney General asserts Kentucky Power should not recover the costs for the Rockport Unit 1 SCR project from its ratepayers.

In rebuttal, Kentucky Power stated that the decision to include Rockport in the Consent Decree settlement was a way to remove the significant risk of additional litigation at those units not named in any pending complaints, as well as to provide a more favorable outcome than would be expected on an individual basis.[147] Kentucky Power further stated that the Consent Decree provided certainty regarding the timing of

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[146] Smith Testimony at 59.
[147] Rebuttal Testimony of John McManus at 3.

additional control installations across the AEP fleet. At the time of the settlement, Kentucky Power was still participating in the AEP Pool, which meant that the outcome of litigation involving all units across the AEP fleet contributing to the pool was in the best interest of Kentucky Power and its customers.

The Settlement was silent on the 2017 Environmental Compliance Plan.

The Commission finds that the 2017 Plan is reasonable as set forth in the Application and should be approved.

ENVIRONMENTAL SURCHARGE TARIFF MODIFICATIONS

Kentucky Power updated its Tariff E.S. to reflect the changes proposed in its Application and the Settlement. Kentucky Power updated the list of projects in the tariff to match the projects included in the 2017 Plan as noted previously in this Order. Kentucky Power updated Tariff ES to reflect the rate of return included in the Settlement to this case. Kentucky Power also updated the tariff to reflect the new monthly base environmental costs based on that rate of return. Kentucky Power determined the annual base revenue requirement level for environmental cost recovery to be $47,513,461.[148] The Commission has determined that the correct annual base revenue requirement is $44,379,316, which reflects the Commission authorized return on equity, capital structure changes, reduction of the federal corporate income tax rate from 35 percent to 21 percent and the depreciation rates set forth in Exhibit 5 of the

[148] In the Tariff E.S. filed December 1, 2017, Kentucky Power reflected an annual base revenue requirement of $47,811,215. Kentucky Power updated this amount to $47,513,461 to reflect the depreciation rates included in Exhibit 5 to the Settlement Agreement. See Response to Commission Staff's Post-Hearing Request for Information ("Staff's Post-Hearing Request"), Item 20 attachment KPCO_R_KPSC_PH_20_Attachment1.xls.

Settlement.[149] Kentucky Power shall file a revised Tariff ES to reflect the Commission authorized return on equity and capitalization discussed in this Order, and the annual base revenue requirement as shown on Appendix E attached to this order. Per the settlement agreement in Case No. 2012-00578,[150] all costs associated with the Mitchell FGD equipment are excluded from base rates and therefore are not included in the base revenue requirement noted above, but will be included as part of the current period environmental revenue requirement. The Commission finds that Tariff E.S. as discussed and modified in this Order should become effective for service rendered on and after the date of this Order.

Costs Associated with the 2015 Plan

Tariff E.S. revenue requirement is determined by comparing the base period revenue requirement with the current period revenue requirement. Kentucky Power proposed to incorporate the costs associated with the 2017 Plan into the existing surcharge mechanism used for previous compliance plans. Kentucky Power identified the environmental compliance costs for the 2017 Plan projects, which Kentucky Power proposed to recover through its environmental surcharge. Kentucky Power proposed to apply a gross-up factor to environmental expenses to account for uncollectible accounts and the Commission assessment fee. The factor will be applied to the incremental change in operating, maintenance, and other expenses from the base period. The

[149] Response to Staff's Post-Hearing Request, Item 20.

[150] Case No. 2012-00578, *Application of Kentucky Power Company for (1) a Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power Company of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act and Related Requirements; and (5) All Other Required Approvals and Relief* (Ky. PSC Oct. 7, 2013).

costs identified by Kentucky Power are eligible for surcharge recovery if they are shown to be reasonable and cost-effective for complying with the environmental requirements specified in KRS 278.183. The Commission finds that the costs identified for the 2017 Plan projects have been shown to be reasonable and cost-effective for environmental compliance. Thus, they are reasonable, and should be approved for recovery through Kentucky Power's environmental surcharge.

Qualifying Costs

As stated previously, the qualifying costs included in Kentucky Power's annual baseline level for environmental cost recovery under the tariff shall be $44,379,316. The qualifying costs included in the current period revenue requirement will reflect the Commission-approved environmental projects from Kentucky Power's 1997, 2005, 2007, 2015 and 2017 Plans. Per the settlement agreement in Case No 2012-00578, all costs associated with Mitchell Units 1 and 2 FGD equipment have been excluded from base rates and the environmental baseline level and shall be recovered exclusively through Tariff E.S. Should Kentucky Power desire to include other environmental projects in the future, it will have to apply for an amendment to its approved compliance plans.

Rate of Return

Paragraph 8(a) of the Settlement authorizes Kentucky Power to use a 9.75 percent ROE to be utilized in Tariff E.S. to determine the WACC for non-Rockport environmental projects. However as previously noted, the Commission has authorized a 9.70 percent ROE that should be used for all non-Rockport environmental projects.

Kentucky Power's ROE for environmental projects at the Rockport Plant is 12.16 percent as established by the FERC-approved Rockport Unit Power Agreement.

Capitalization and Gross Revenue Conversion Factor

Paragraph 3(c) and Exhibit 6 of the Settlement provide that Kentucky Power shall utilize a WACC of 6.48 percent and a gross revenue conversion factor ("GRCF") of 1.6433 to determine a rate of return of 9.11 percent to be used in the monthly environmental surcharge filings. As a result of the reduction of the federal corporate tax rate from 35 percent to 21 percent, the Commission has determined that Kentucky Power should use a GRCF of 1.352116. Because of the change in the authorized ROE, capitalization, and the GRCF, the WACC to be used for non-Rockport environmental projects is 6.44 percent. Utilizing a WACC of 6.44 percent and a GRCF produces a rate of return of 7.88 percent to be used in the monthly environmental surcharge filings. The WACC and GRCF shall remain constant until the Commission sets base rates in Kentucky Power's next base rate case proceeding.

Surcharge Formulas

The inclusion of the 2017 Plan into Kentucky Power's existing surcharge mechanism will not result in changes to the surcharge formulas. The costs associated with the Mitchell FGD will be excluded from base rates and the base rate revenue requirement of the environmental surcharge at least until June 30, 2020, but will be included in the current period revenue requirement for the environmental surcharge. The Commission finds that the formulas used to determine the environmental surcharge revenue requirement as proposed by Kentucky Power should be approved.

Surcharge Allocation

The retail share of the revenue requirement will be allocated between residential and non-residential customers based upon their respective total revenue during the previous calendar year. The environmental surcharge will be implemented as a percentage of total revenues for the residential class and as a percentage of non-fuel revenues for all other customers.

Monthly Reporting Forms

The inclusion of the 2017 Plan into the existing surcharge mechanism will require modifications to the monthly environmental surcharge reporting forms. Kentucky Power provided its proposed revised forms to be used in the monthly environmental reports. The revised forms include the changes necessary to reflect the proposed 2017 Plan, as well as changes necessitated by the application of a gross-up factor to the incremental operating, maintenance and other expenses. The Commission finds that Kentucky Power's proposed monthly environmental surcharge reporting forms as revised should be approved.

FINDINGS ON SETTLEMENT AGREEMENT

Based upon a review of all the provisions in the Settlement, an examination of the entire record, and being otherwise sufficiently advised, the Commission finds that the provisions of the Settlement are in the public interest and should be approved, subject to the modifications as discussed in this Order. Our approval of the Settlement as modified is based solely on its reasonableness and does not constitute precedent on any issue except as specifically provided for in this Order.

OTHER ISSUES

Vegetation Management

Kentucky Power's current Vegetation Management Plan ("2015 Vegetation Management Plan") was modified from its 2010 Vegetation Management Plan in Kentucky Power's last rate case, Case No. 2014-00396. In Case No. 2014-00396, it was determined that funding for the 2010 Vegetation Management Plan, which was scheduled to move to a four-year cycle within seven years of initial circuit clearing, needed modification. However, the work required to transition to a four-year cycle was significantly greater than initially estimated, and Kentucky Power could not wait until all circuits had an initial clearing ("Task 1") to begin re-clearing the circuits. Thus, the modification was approved allowing the continuation of Task 1 and a simultaneous undertaking of interim re-clearing ("Task 2"). Under this schedule, Task 1 would be completed by December 31, 2018, Task 2 would be completed by June 30, 2019, and on July 1, 2019, Kentucky Power's entire distribution system would commence to be re-cleared on a five-year cycle ("Task 3"), rather than a four-year cycle. Funding was approved for the 2015 Vegetation Management Plan, as well as a provision requiring Kentucky Power to obtain Commission approval prior to modifying its annual projected vegetation management spending on both an aggregate and a district basis if the change is more than 10 percent of the budget.

Kentucky Power is on pace to exceed the December 31, 2018 target for Task 1, and expects to complete Task 1 circuit clearing in the first quarter of 2018. In addition, Task 2 circuit re-clearing is expected to be completed by December 31, 2018, six months sooner than projected. To date, Kentucky Power has exceeded targets on budget as total expenditures are 101 percent of target level.[151] Reliability has increased

[151] Application, Direct Testimony of Everett G. Phillips ("Phillips Testimony") at 35.

and Kentucky Power customers have seen a 60 percent decrease in interruptions related to rights-of-way trees and vegetation.[152] Task 3 is estimated to begin in January 2019.

Embedded in Kentucky Power's current base rates are annual vegetation management O&M expenses of $27.661 million. Due to early completion of Tasks 1 and 2, Kentucky Power estimates a reduction of O&M expenses related to Tasks 1 and 2 from $27.661 million in 2017 to $21.639 million 2018. According to the 2015 Vegetation Management Plan, at the start of Task 3, O&M expenses are projected to decrease, resulting in a decrease of O&M expenses of $11.780 million. However, Kentucky Power has determined that the estimates of the annual O&M expenditures for Task 3 as estimated in the 2015 Vegetation Management Plan are undervalued and need to be increased.[153] Due to the re-clearing in Task 2, Kentucky Power now has a better grasp on regrowth, the effect of higher-than-average rainfall, and growing customer demand to remove tree debris, and proposes to increase the annual O&M expenses for Task 3. This re-estimation calculates costs for Task 3 to increase from the original $15.880 million to $21.284 million in 2019, and $21.473 in 2020.[154] Kentucky Power proposes the amount of vegetation management O&M expenses to be recovered through base rates for the instant case to be equal to the average of the revised estimated annual vegetation management plan O&M spending over 2018-2020, or $21.465 million.[155]

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[152] *Id* at 40.

[153] *Id.*

[154] *Id.* at 46

Kentucky Power also proposes two changes to its current vegetation management reporting requirements. First, Kentucky Power proposes to modify the pre-approval requirement for deviation of 10 or more percent from projected annual vegetation management O&M expenditures to eliminate the district-specific threshold and retain only the requirement for pre-approval if overall Kentucky Power vegetation management expenditures deviate more than 10 percent. Second, Kentucky Power proposes to manage its vegetation work and expenditures on a calendar year basis, as opposed to managing its vegetation work on a fiscal year and expenditures on a calendar year. Kentucky Power stresses that neither modification will change their overall vegetation management obligation, but provides for more flexibility to manage its obligations.[156]

The 2015 Vegetation Management Plan included a one-way balancing account. In this balancing account, any annual shortfall or excess in vegetation management O&M expenditures that is over the amount in base rates is added to or subtracted from future expenditures over four years. At the end of the four-year period, Kentucky Power will record a cumulative shortfall as a regulatory liability that will either be refunded to the customers or used to reduce the revenue requirement in its next filed base-rate case. If Kentucky Power has overspent on a cumulative basis during the four-year period, it will not seek recovery of such costs in a future base-rate proceeding. As of the end of November 2017, Kentucky Power testified that cumulative expenditures were slightly over the budgeted amount.[157]

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[155] Application, Section V, Exhibit 2, page 59.

[156] *Id.* at 43.

The Commission finds that the one-way balancing adjustment should be continued; however due to the change in the annual revenue requirement as noted in the Application, it should be adjusted accordingly. All expenses will be recorded against the annual budget. The annual shortfall or excess will be applied to the balance account. Through 2023, or until Kentucky Power's next base rate application, whichever occurs first, the expenditures will be balanced against the annual projected expenditures as found in the Application.[158]

The Commission approves the proposed modifications allowing Kentucky Power to request Commission approval for any spending deviation greater than 10 percent on an aggregate level as opposed to a district level. The Commission also approves Kentucky Power's request to manage its vegetation management program on a calendar year basis to coincide with the budgetary year. The Commission notes that Kentucky Power has exceeded the goals of the 2015 Vegetation Management Plan resulting in a reduction of O&M expenses 24 months earlier than estimated. The Commission approves Kentucky Power's proposed revenue requirement of $21.465 million. All other provisions of the 2015 Vegetative Management Plan are to remain unchanged.

The Commission will continue to review closely the vegetation management annual work plans and expenditures filed by Kentucky Power. In addition, the Commission will monitor the progress of the five-year maintenance cycle.

<u>Bill Redesign</u>

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[157] Dec. 8, 2017 H.V.T. at 2:09:38.

[158] Phillips Testimony, Table 9 at 46.

On June 12, 2017, Kentucky Power filed an Application requesting approval to implement new bill formats that change the bill layout and composition, which is being implemented concurrently for all AEP operating companies, and to combine certain billing line items. That Application was docketed as Case No. 2017-00231.[159] By Order dated July 17, 2017, that case was consolidated into this proceeding. By further Order dated September 12, 2017, the Commission approved Kentucky Power's request to redesign the appearance of its bills, but stated that a decision on the proposed substantive changes to consolidate billing line items would be determined in the final Order in this proceeding.

Kentucky Power proposed to consolidate eight residential billing line items,[160] and seven commercial and industrial billing line items[161] into a single "Rate Billing" line item. Kentucky Power explained that customer satisfaction regarding billing correspondence was below the industry average according to a survey commissioned by Kentucky Power.[162] Kentucky Power asserted that its customers found the number of billing line

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[159] Case No. 2017-00231, *Electronic Application of Kentucky Power Company for (1) Approval of Its Revised Terms and conditions of Service Implementing New Bill Formats; (2) An Order Granting All other Required Approvals and Relief* (filed June 12, 2017).

[160] The residential billing line items Kentucky Power proposes to consolidate into a single line items are Rate Billing, Residential Home Energy Assistance Program Charge, Kentucky Economic Development Surcharge, Capacity charge, Big Sandy 1 Operation Rider, Big Sandy Retirement Rider, Purchased Power Adjustment, and Green Pricing Option. The residential charges that Kentucky Power proposes to continue to display as individual billing line items are the Fuel Adjustment Charge, Demand-Side Management Factor, Environmental Surcharge, School Tax, Franchise Fee, State Sales tax, and HomeServe Warranty.

[161] The commercial and industrial billing line items Kentucky Power proposes to consolidate into a single line items are Rate Billing, Kentucky Economic Development Surcharge, Capacity charge, Big Sandy 1 Operation Rider, Big Sandy Retirement Rider, Purchased Power Adjustment, and Green Pricing Option. The commercial and industrial charges that Kentucky Power proposes to continue to display as individual billing line items are the Fuel Adjustment Charge, Demand-Side Management Factor, Environmental Surcharge, School Tax, Franchise Fee, and State Sales tax.

[162] Case No. 2017-00231, Direct Testimony of Stephen L. Sharp, Jr. (filed June 12, 2017) at 2.

items were "unhelpful," made the bills "difficult to understand," and obscured the information customers most wanted to know, which was the total amount owed and payment due date.[163] Kentucky Power further asserted that customers requested that line items be consolidated in order to simplify the bills. Customers who want detailed billing information could contact a Kentucky Power customer service center.

In the Settlement, the Settling Intervenors agreed to Kentucky Power's proposed consolidation of billing line items.

Neither KCUC nor the Attorney General filed testimony in this proceeding regarding the consolidation of billing line items. However, in a motion filed in Case No. 2017-00231 before it was incorporated into this proceeding, the Attorney General argued that consolidating the billing line items would result in a lack of transparency that impeded customers' understanding of how rates and their bills are calculated.[164]

The Commission finds that Kentucky Power's proposed consolidation of billing line items is unreasonable and should be denied. The Commission concurs with the Attorney General that displaying discrete billing line items on customer bills promotes transparency and customer understanding of their billing amounts. Further, it is not reasonable to require customers to take additional steps in order to obtain a detailed accounting for their bills. This is especially so given that the billing line items that Kentucky Power wishes to consolidate represent charges in addition to the base rate charge for utility service.

Analysis of Kentucky Power's Participation in PJM

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[163] *Id.* at 3; *Id.* at Application, paragraph 11.

Kentucky Power currently elects to self-supply its PJM capacity requirements under the Fixed Resource Requirement ("FRR") alternative. As discussed in testimony at the hearing, AEP conducts regular evaluations to determine whether its operating companies in PJM should elect to participate in the Reliability Pricing Model ("RPM") capacity market, or to self-supply under FRR.[165]

The Commission finds that Kentucky Power should file an annual update of the FRR/RPM election analysis. The Commission recognizes that this information is deemed confidential during the AEP internal decision-making process. However, once PJM is notified of the election, the information becomes public and ceases to be confidential. Kentucky Power should file the annual update after the information becomes public.

Further, the Commission recognizes that Kentucky Power's interests may not be aligned with the interests of other AEP operating companies. The Commission is aware that PJM bills AEP based on a one-coincident peak methodology, and that AEP subsequently allocates those costs to its operating companies using a twelve-coincident peak methodology. The Commission finds that Kentucky Power should file an annual report with the supporting calculations used by AEP to allocate these costs.

Last, the Commission strongly encourages Kentucky Power to recognize that it must make a determination regarding its participation in PJM that aligns with the interests of Kentucky Power and its ratepayers.

<u>Reduction in Corporate Tax Rates</u>

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[164] Case No. 2017-00231, Attorney General's Motion to Consolidate Cases (filed July 13, 2017) paragraphs 4-5.

[165] Dec. 7, 2017 H.V.T. at 10:43:18, and Kentucky Power Exhibit 9.

Effective January 1, 2018, the federal corporate income tax rate was reduced from 35 percent to 21 percent. Consistent with Kentucky Power's revised gross-up factor calculation in certain riders, the Commission finds that it is reasonable to utilize the 21 percent corporate income tax rate in the gross-up factor calculation. The Commission will address the impact of the recently enacted tax cuts on the excess ADIT and the rates of all investor-owned utilities, including Kentucky Power, on a prospective basis in pending cases that were opened on December 27, 2017.[166]

Based on the evidence of record and the findings contained herein, HEREBY ORDERS that:

1. The rates and charges proposed by Kentucky Power are denied.

2. The provisions in the Settlement, as set forth in Appendix A to this Order, are approved, subject to the modifications and deletions set forth in this Order.

3. The rates and charges for Kentucky Power, as set forth in Appendix C to this Order, are the fair, just, and reasonable rates for Kentucky Power, and these rates are approved for service rendered on and after January 19, 2018.

4. Kentucky Power's request to deviate from 807 KAR 5:006, Section 14(2)(a) by limiting enrollment in its Equal Payment Plan to the months of April through December is granted.

5. Kentucky Power's proposed depreciation rates, with the exception of the changes proposed in the Settlement are approved.

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[166] Case No. 2017-00477, *Kentucky Industrial Utility Customers, Inc. v. Kentucky Utilities Company, Louisville Gas and Electric Company, Kentucky Power Company, and Duke Energy Kentucky, Inc.* (Ky PSC Dec. 27, 2017); Case No. 2017-00481, *An Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Atmos Energy Corporation, Delta Natural Gas Company, Inc., Columbia Gas of Kentucky, Inc., Kentucky-American Water Company, and Water Service Corporation of Kentucky* (Ky. PSC Dec. 27, 2017).

6. The regulatory asset or liability account established by under- or over-recovery from the elimination of Tariff B.S.1.O.R. is approved for accounting purposes only.

7. The regulatory asset account established by the deferral of Rockport UPA expenses is approved for accounting purposes only.

8. Kentucky Power's 2017 Environmental Compliance Plan is approved.

9. Kentucky Power's environmental surcharge tariff is approved for service rendered on and after the date of this Order.

10. The base period and current period revenue requirements for the environmental surcharge shall be calculated as described in this Order.

11. The environmental reporting formats described in this Order shall be used for the monthly environmental surcharge filings. Previous reporting formats shall no longer be submitted.

12. The Commission approves the sample forms that were filed by Kentucky Power on January 3, 2018.

13. Within three months of the date of this Order, Kentucky Power shall identify and contact GS class customers whose average monthly demand is 25 kW or greater for the purpose of meeting to discuss the impact of the rate increase on their bills and analyze other available tariff options, such as time-of-day rates.

14. Within twelve months of the date of this Order, Kentucky Power shall file a report listing the names of each GS class customers whose average monthly demand is 25 kW or greater, and stating the date and method of contact with the customer, whether Kentucky Power has met with the customer, and the results of each meeting.

15. Kentucky Power's request to revise its billing format to consolidate billing line items, as set forth in the application, is denied.

16. Kentucky Power's Vegetation Management Plan, as set forth in the Application, is approved.

17. Kentucky Power's request to obtain Commission approval for any spending deviation from its Vegetation Management Plan greater than 10 percent on an aggregate level as opposed to a district level is approved.

18. Kentucky Power's request to manage its Vegetation Management Plan on a calendar year basis is approved.

19. Kentucky Power shall file an annual update of the FRR/RPM election analysis conducted by AEP and its operating companies within 30 days of notifying PJM of the election.

20. Kentucky Power shall file annually the supporting calculations for allocating PJM bills, which are based on a one-coincident peak methodology, AEP's operating companies using a twelve-coincident-peak methodology.

21. Within 20 days of the date of this Order, Kentucky Power shall, using the Commission's electronic Tariff Filing System, file its revised tariffs setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED

JAN 18 2018

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Gwen R. Pinson

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 1 8 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets Or Liabilities; And (5) An Order Granting All Other Required Approvals And Relief	)	Case No. 2017-00179

SETTLEMENT AGREEMENT

This Settlement Agreement, made and entered into this 22nd day of November, 2017, by and among Kentucky Power Company ("Kentucky Power" or "Company"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); Kentucky School Boards Association ("KSBA"); Kentucky League of Cities ("KLC"); Wal-Mart Stores East, LP and Sam's East, Inc. ("Wal-Mart"); and Kentucky Cable Telecommunications Association ("KCTA"); (collectively Kentucky Power, KIUC, KSBA, KLC, Wal-Mart, and KCTA, are "Signatory Parties").

RECITALS

1. On June 28, 2017 Kentucky Power filed an application pursuant to KRS 278.190, KRS 278.183, and the rules and regulations of the Public Service Commission of Kentucky ("Commission"), seeking an annual increase in retail electric rates and charges totaling $69,575,934, seeking approval of its 2017 Environmental Compliance Plan, an order approving accounting practices to establish regulatory assets or liabilities, and further seeking authority to implement or amend certain tariffs ("June 2017 Application").

2. On August 8, 2017, Kentucky Power supplemented its filing to reflect the impact of subsequent refinancing activities on the Company's Application ("August 2017 Refinancing Update"). The refinancing activities reduced the Company's requested annual increase in retail electric rates and charges from $69,575,934 to $60,397,438.

3. KIUC, KSBA, KLC, Wal-Mart, and KCTA filed motions for full intervention in Case No. 2017-00179. The Commission granted the intervention motions. Collectively KIUC, KSBA, KLC, Wal-Mart, and KCTA are referred to in this Settlement Agreement as the "Settling Intervenors."

4. The Attorney General of the Commonwealth of Kentucky ("Attorney General") and Kentucky Commercial Utility Customers, Inc. ("KCUC") also filed motions to intervene. The Attorney General and KCUC, who are not parties to this agreement, were granted leave to intervene.

5. Certain of the Settling Intervenors, KCUC, and the Attorney General filed written testimony in Case No. 2017-00179 raising issues regarding Kentucky Power's Rate Application.

6. Kentucky Power, KCUC, the Attorney General, and the Settling Intervenors have had a full opportunity for discovery, including the filing of written data requests and responses.

7. Kentucky Power offered the Settling Intervenors, KCUC, and the Attorney General, along with Commission Staff, the opportunity to meet and review the issues presented by Kentucky Power's application in this proceeding and for purposes of settlement.

8. The Signatory Parties execute this Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for approval pursuant to KRS 278.190 and KRS 278.183 and for further approval by the Commission of the rate increase, rate structure, and tariffs as described herein.

9. The Signatory Parties believe that this Settlement Agreement provides for fair, just, and reasonable rates.

NOW, THEREFORE, for and in consideration of the mutual promises set forth above, and the agreements and covenants set forth herein, Kentucky Power and the Settling Intervenors hereby agree as follows:

AGREEMENT

1. Kentucky Power's Application

(a) Except as modified in this Settlement Agreement, Kentucky Power's June 2017 Application as updated by the August 2017 Refinancing Update is approved.

2. Revenue Requirement

(a) Effective for service rendered on or after January 19, 2018, Kentucky Power shall implement a base rate adjustment sufficient to generate additional annual retail revenues of $31,780,734. This annual retail revenue amount represents a $28,616,704 million reduction from the $60,397,438 sought in the Company's August 2017 Refinancing Update.

(b) The $28,616,704 million reduction was the result of the following adjustments to the Company's request in the June 2017 Rate Application as modified in the August 2017 Refinancing Update:

Adjustment	Reduction in Revenue Requirement ($Millions)
Defer a portion of Rockport UPA non-fuel, non-environmental expenses	15.0
Increase revenues to Apply Weather Normalization to Commercial Sales Net of Variable O&M	0.40
Reduce Incentive Compensation	3.15
Reduce Amortization Expense to Recalibrate Storm Damage Amortization	1.22

Reduce Depreciation Expense by Extending Service Life of BS1 to 20 years	2.84
Reduce Depreciation Expense by Removing Terminal Net Salvage for BSU1	0.37
Reduce Depreciation Expense by Removing Terminal Net Salvage for Mitchell	0.57
Increase Short Term Debt to 1% and Set Debt Rate at 1.25%	0.36
Change in Return on Equity from 10.31% to 9.75%	4.70
Total Adjustments	**28.6**

(c) Kentucky Power agrees to allocate the $31,780,734 in additional annual revenue as illustrated on **EXHIBIT 1.** The Company will design rates and tariffs consistent with this allocation of additional revenue.

(i) As part of the Commission's consideration of the reasonableness of this Settlement Agreement, the tariffs designed in accordance with this subparagraph shall be filed with the Commission and served on counsel for all parties to this case no later than December 1, 2017.

(ii) Within ten days of the entry of the Commission's Order approving without modification this Settlement Agreement and the rates thereunder, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

3. Rockport UPA Expense Deferral

(a) Kentucky Power is a party to a FERC-approved Unit Power Agreement with AEP Generating Company for capacity and energy produced at the Rockport Plant ("Rockport UPA"). The Rockport UPA expires on December 8, 2022.

(b) Kentucky Power will defer a total of $50 million in non-fuel, non-environmental Rockport UPA Expense for later recovery as follows:

(i) Kentucky Power will defer $15M annually of Rockport UPA Expense in 2018 and 2019 for later recovery.

(ii) Kentucky Power will defer \$10M of Rockport UPA Expense in 2020 for later recovery.

(iii) Kentucky Power will defer \$5M annually of Rockport UPA Expense in years 2021 and 2022 for later recovery.

(c) The Rockport UPA Expense of \$50 million described in Paragraph 3(b) above will be deferred into a regulatory asset ("the Rockport Deferral Regulatory Asset") and will be subject to carrying charges based on a weighted average cost of capital ("WACC") of 9.11%[1] until the Regulatory Asset is fully recovered. From January 1, 2018 through December 8, 2022, the WACC will be applied to the monthly Rockport Deferral Regulatory Asset principal balance net of accumulated deferred income taxes ("ADIT"). From December 9, 2022 until the Rockport Deferral Regulatory Asset is fully recovered, the WACC will be applied to the monthly Rockport Deferral Regulatory Asset balance including deferred carrying charges net of ADIT. The Rockport Deferral Regulatory Asset shall be recovered on a levelized basis through the demand component of Tariff P.P.A. and amortized over five years beginning on December 9, 2022. Kentucky Power estimates that the regulatory asset balance will total approximately \$59 million on December 8, 2022.

(d) Additional expenses reflecting the declining deferral amount in years 2020 through 2022 will be recovered through the demand component of Tariff P.P.A. as follows:

(i) Kentucky Power will recover \$5 million through Tariff P.P.A. in 2020

(ii) Kentucky Power will recover \$10 million through Tariff P.P.A. in 2021

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[1] 6.48% grossed up for applicable State and Federal taxes, uncollectible accounts expense, and the KPSC maintenance fee

(iii) Kentucky Power will recover \$10 million through Tariff P.P.A. in 2022, prorated through December 8, 2022.

(e) The Signatory Parties acknowledge that the Company's decision whether to seek Commission approval to extend the Rockport UPA will be made at a later date. Whether or not the Company seeks to extend the Rockport UPA, beginning December 9, 2022, the Capacity Charge recovered through Tariff C.C., approved in Case No. 2004-00420, will end. Any final over- or under-recovery balance will be included in the subsequent calculation of the purchase power adjustment under Tariff P.P.A. In the event that Kentucky Power elects not to extend the Rockport UPA, it will experience a reduction in Rockport UPA fixed costs ("Rockport Fixed Costs Savings").

(f) If Kentucky Power elects not to extend the Rockport UPA, it will, beginning December 9, 2022, credit the Rockport Fixed Cost Savings through the demand component of Tariff P.P.A. until new base rates are set. However, for 2023 only, the Rockport Fixed Cost Savings credit will be offset by the amount, if any, necessary for the Company to earn its Kentucky Commission-authorized return on equity (ROE) for 2023 ("Rockport Offset"). An example of the calculation of the Rockport Offset is included as **Exhibit 2**.

(g) For the purposes of implementing the Rockport Fixed Costs Savings credit described in Paragraph 3(f) above, the following definitions apply:

(i) "Rockport Fixed Costs Savings" shall mean the annual amount of non-fuel, non-environmental Rockport UPA expense included in base rates for rates effective in November 2022.

(ii) "Estimated Rockport Offset" shall mean the amount of additional annual revenue the Company estimates would be necessary for it to earn the Commission-authorized return on equity for 2023 considering the termination of the Rockport UPA and the Rockport Fixed Cost Savings.

(iii) "Actual Rockport Offset" shall mean the amount of additional annual revenue that would have been necessary for the Company to earn the Commission-authorized return on equity for 2023 considering the termination of the Rockport UPA and the Rockport Fixed Cost Savings. The Company shall calculate the Actual Rockport Offset using a comparison of the per books return on equity for 2023 to the Commission-approved return on equity. The Actual Rockport Offset cannot exceed the Rockport Fixed Costs Savings.

(iv) "Rockport Offset True-Up" shall mean the difference between the Estimated Rockport Offset and the Actual Rockport Offset.

(h) The Company shall implement the Rockport Fixed Costs Savings credit described in Paragraph 3(f) above as follows:

(i) By November 15, 2022, the Company shall file an updated purchase power adjustment factor under Tariff P.P.A. for rates effective December 9, 2022. This filing shall reflect the impact of the Rockport Fixed Cost Savings and the Estimated Rockport Offset on the purchase power adjustment factor. This filing shall also reflect the commencement of recovery of the Rockport Deferral Regulatory Asset.

(ii) The Company shall make its normal August 15, 2023 Tariff P.P.A. filing for rates effective in October 2023. The Rockport Fixed Cost Savings and the Estimated Rockport Offset will continue to be factored into the calculation of the purchase power adjustment factor through the end of 2023. Beginning in January 2024, the Estimated Rockport Offset will not be factored into the calculation of the purchase power adjustment factor.

(iii) By February 1, 2024, the Company shall file an updated purchase power adjustment factor under Tariff P.P.A. for rates effective March 1, 2024. This filing shall only reflect the impact of the Rockport Offset True-Up on the purchase power adjustment factor. The purchase power adjustment factor shall be established to recover or credit the Rockport Offset True-Up amount in three months.

(iv) Beginning with the August 15, 2024 Tariff P.P.A. filing, the Company will incorporate the Rockport Fixed Cost Savings in its annual calculation of the purchase power adjustment factor.

4. PJM OATT LSE Expense Recovery

(a) As described in the testimony of Company Witness Vaughan, Kentucky Power has included an adjusted test year amount of net PJM OATT LSE charges and credits in base rates. Kentucky Power will track, on a monthly basis, the amount of OATT LSE charges and credits above or below the base rate level using deferral accounting. Kentucky Power will recover and collect 80% of the annual over or under collection of PJM OATT LSE charges, as compared to the annual amount included in base rates, ("Annual PJM OATT LSE Recovery") through the operation of Tariff P.P.A.

(b) Kentucky Power will credit against the Annual PJM OATT LSE Recovery 100% of the difference between the return on its incremental transmission investments calculated using the FERC-approved PJM OATT return on equity and the return on its incremental transmission investments calculated using the 9.75% return on equity provided for in this settlement (the "Transmission Return Difference"). Kentucky Power shall calculate the Transmission Return Difference as shown in **Exhibit 3**.

(c) These changes to Tariff P.P.A. to allow for the Annual PJM OATT LSE Recovery will terminate on the effective date when base rates are reset in the next base rate proceeding unless otherwise specifically extended by the Commission. Nothing in this Paragraph 4(c) prohibits Kentucky Power or any other Signatory Party from taking any position regarding the extension of the Annual PJM OATT LSE Recovery mechanism or any other treatment of the Company's PJM OATT LSE expenses.

5. Rate Case Stay Out

(a) Kentucky Power will not file an application for a general adjustment of base rates for rates that would be effective prior to the first day of the January 2021 billing cycle. This rate case "stay out" is expressly conditioned on Commission approval of this Settlement Agreement without modification including the recovery of the Rockport Deferral Regulatory Asset as described in Section 3 above and the incremental PJM OATT LSE expense through Tariff P.P.A. as described in Section 4 above.

(b) This stay out will not apply if a change in law occurs that will result in a material adverse effect on the Company's financial condition.

(c) Nothing in this stay out provision should be interpreted as prohibiting the Commission from altering the Company's rates upon its own investigation, or upon complaint, including to reflect changes in the tax code, including the federal corporate income tax rate, depreciation provisions, or upon a request by the Company to seek leave to address an emergency that could adversely impact Kentucky Power or its customers. In the event the Commission initiates an investigation or a complaint is filed with the Commission regarding the Company's rates, the Company retains the right to defend the reasonableness of its rates in such proceedings.

6. Tariff P.P.A.

(a) Kentucky Power's proposed changes to Tariff P.P.A., as set forth in the testimony of Company Witness Vaughan and modified by Sections 2 and 3 above, are approved.

(b) A revised version of Tariff P.P.A. incorporating the modifications described in Sections 2 and 3 above is included as **Exhibit 4.**

7. Depreciation Rates

(a) Kentucky Power and the Settling Intervenors agree that Big Sandy Unit 1 has an expected life of 20 years following its conversion from a coal-fired to a natural gas-fired generating unit. The depreciation rates for Big Sandy Unit 1 have been adjusted to reflect the 20 year expected life. Kentucky Power and the Signatory Parties retain the right to propose updated depreciation rates for Big Sandy Unit 1 in future proceedings to reflect updates to the expected life.

(b) Kentucky Power has adjusted depreciation rates for Big Sandy Unit 1 and for the Mitchell Plant to remove terminal net salvage costs. Kentucky Power retains the right to propose updated depreciation rates for Big Sandy Unit 1 and for the Mitchell Plant in future proceedings to include terminal net salvage costs, and the Settling Intervenors retain the right to challenge the inclusion of such costs in future proceedings.

(c) Kentucky Power's updated depreciation rates are included as **Exhibit 5**.

8. Return on Equity, Capitalization, WACC, and GRCF

(a) Kentucky Power shall be authorized a 9.75% return on equity. The authorized return on equity of 9.75% will be used in the calculation of the Company's Environmental Surcharge factor (for non-Rockport environmental projects) and the carrying charges for the Rockport Deferral and Decommissioning Rider regulatory assets.

(b) Kentucky Power will update its capitalization to reflect short term debt as 1% of the Company's total capital structure. The annual interest rate for the short term debt will be set at 1.25%.

(c) Kentucky Power shall utilize a weighted average cost of capital ("WACC") of 9.11% including a gross revenue conversion factor ("GRCF") of 1.6433%. The GRCF does not include a Section 199 deduction. This WACC and GRCF shall remain constant (including for the riders and surcharges described in Paragraph 8(a) above) until such time as the Commission sets base rates in the Company's next base rate case proceeding. The calculations of the WACC and GRCF are shown on **Exhibit 6**.

9. Storm Damage Expense Amortization

(a) Kentucky Power will recover and amortize the remaining unamortized balance of its deferred storm expense regulatory asset authorized in Case No. 2012-00445 over a period of five years beginning January 1, 2018, consistent with the recommendation of KIUC. The unamortized balance of the regulatory asset authorized in Case No. 2012-00445 will total $6,087,000 on December 31, 2017 and will be amortized over five years at an annual amount of $1,217,400.

(b) Kentucky Power will recover and amortize the deferred storm expense regulatory asset authorized in Case No. 2016-00180 over a period of 5 years beginning January 1, 2018 consistent with the testimony of Company Witness Wohnhas. The balance of the regulatory asset authorized in Case No. 2016-00180 totals $4,377,336 and will be amortized over five years at an annual amount of $875,467.

(c) The combined balance of the Kentucky Power's deferred storm expense regulatory assets (the remaining unamortized balance authorized in Case No. 2012-00445 and the amount authorized in Case No. 2016-00180) will total $10,464,336 on December 31, 2017 and will be amortized over five years at an annual amount of $2,092,867.

10. Kentucky Economic Development Surcharge

(a) Kentucky Power's new Kentucky Economic Development Surcharge Tariff ("Tariff K.E.D.S.") shall be approved with rates amended as follows:

(i) The KEDS rate for residential customers will be set at $0.10 per meter instead of $0.25 as proposed by the Company.

(ii) The KEDS rate for non-residential customers for which the KEDS applies will be set at $1.00 per meter instead of $0.25 as proposed by the Company.

(b) All KEDS funds collected by Kentucky Power shall be matched dollar-for-dollar by Kentucky Power from shareholder funds. The proceeds of KEDS and Kentucky Power's shareholder contribution shall be used by Kentucky Power for economic development projects, including the training of local economic development officials, in the Company's service territory. The KEDS, and the matching shareholder contribution, shall remain in effect until changed by order of the Commission.

(c) Kentucky Power will continue to file on or before March 31st of each year a report with the Commission describing: (i) the amount collected through the Economic Development Surcharge; and (ii) the matching amount contributed by Kentucky Power from shareholder funds. The annual report to be filed by the Company shall also describe the amount, recipients, and purposes of its expenditure of the funds collected through the Economic Development Surcharge and shareholder contribution.

(d) Kentucky Power shall serve a copy of the annual report to be filed with the Commission in accordance with subparagraph (c) on counsel for all parties to this proceeding.

11. Backup and Maintenance Service

(a) In order for Marathon Petroleum LP ("Marathon") to evaluate the economics of self or co-generation, Kentucky Power and Marathon will begin negotiations regarding the terms, conditions and pricing for backup and maintenance service within 30 days of a Commission Order approving this provision and will complete negotiations within the next 120 days. Prior to the start of the 120 day negotiation period, Marathon will provide Kentucky Power with specific information regarding the MW size of a potential self or co-generation facility and the type of generation technology being considered.

(b) If Kentucky Power and Marathon cannot reach an agreement on backup and maintenance service within 120 days, Kentucky Power and Marathon agree to submit the issue to the Commission for resolution.

12. School Energy Manager Program

(a) Kentucky Power shall seek leave from the Commission to include up to $200,000 for the School Energy Manager Program in its each of its 2018 and 2019 DSM Program offerings.

(b) Kentucky Power and KSBA both expressly acknowledge that there is in Case No. 2017-00097 a currently-pending Commission investigation of the Company's DSM programs and funding and that the outcome of that investigation could impact the School Energy Manager Program.

13. Tariff K-12 School

(a) Kentucky Power shall continue its current Pilot Tariff K-12 School but shall remove the Pilot designation as set forth in **EXHIBIT 7**. Tariff K-12 School shall be available for general service to all K-12 schools in the Company's service territory, public and private, with normal maximum demands greater than 100 kW. Tariff K-12 School shall reflect rates for customers taking service under the tariff designed to produce annually in the aggregate $500,000 less from Tariff K-12 School customers than would be produced under the new L.G.S. rates to be established under this Settlement Agreement from customers eligible to take service under Tariff K-12 School. The aggregate total revenues to be produced by Tariff K-12 School and Tariff L.G.S. shall be equal to the revenues that would be produced in the aggregate by the new rates in the absence of Tariff K-12 School. Service under Tariff K-12 School shall be optional.

14. Bill Format Changes

(a) The bill formatting changes proposed by the Company in Case No. 2017-00231 and consolidated into this case by Commission Order dated July 17, 2017, to the extent not already approved, are approved.

(b) Within 180 days of a Commission Order approving this Settlement, Kentucky Power will conduct a training session with representatives from its municipal clients and KLC to explain the new bill format and tools available to clients to evaluate their electric usage.

15. Renewable Power Option Rider

(a) The proposed changes to the Company's Green Pricing Option Rider, including renaming the rider to the Renewable Power Option Rider ("Rider R.P.O."), are approved except that the availability of service provision for Option B will state the following:

> "Customers who wish to directly purchase the electrical output and all associated environmental attributes from a renewable energy generator may contract bilaterally with the Company under Option B. Option B is available to customers taking metered service under the Company's I.G.S., and C.S.-I.R.P. tariffs, or multiple L.G.S. tariff accounts with common ownership under a single parent company that can aggregate multiple accounts to exceed 1000 kW of peak demand."

A revised version of Rider R.P.O. incorporating the modifications described above is included as EXHIBIT 8. Bills for customers receiving service under Rider R.P.O. will include a separate line item for Rider R.P.O. charges.

(b) Beginning no later than March 31, 2018, and no later than each March 31 thereafter, Kentucky Power will file a report with the Commission describing the previous year's activity under Rider R.P.O. This annual report will replace the semi-annual reports filed in Case No. 2008-00151.

16. Modifications To Kentucky Power's Rate Tariffs

In addition to the rate and tariff changes described and agreed to above, Kentucky Power and the Settling Intervenors agree that the following tariffs shall be modified or implemented as described below:

(a) The Customer charge for the Residential Class ("Tariff R.S.") shall be increased to $14.00 per month instead of the $17.50 per month proposed by the Company in its filing in this case.

(b) The Company is extending the termination date for Tariff C.S. – Coal and the amendments to Tariff C.S. – I.R.P. and Tariff E.D.R. approved in Case No. 2017-00099 from December 31, 2017 to December 31, 2018.

(c) The pole attachment rate under Tariff C.A.T.V. shall be $10.82 for attachments on two-user poles and $6.71 for attachments on three-user poles for all attachments instead of the $11.97 for attachments on two-user poles and $7.42 for attachments on three-user poles proposed by the Company in its filing in this case.

17. Filing Of Settlement Agreement With The Commission And Request For Approval

Following the execution of this Settlement Agreement, Kentucky Power and the Settling Intervenors shall file this Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Settlement Agreement so that Kentucky

Power may begin billing under the approved adjusted rates for service rendered on or before January 19, 2018.

18. Good Faith And Best Efforts To Seek Approval

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

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

(c) Kentucky Power and the Settling Intervenors filed testimony in this case. Kentucky Power also filed testimony in support of the Settlement Agreement. For purposes of any hearing, the Settling Intervenors and Kentucky Power waive all cross-examination of the other Signatory Parties' witnesses except for purposes of supporting this Settlement Agreement unless the Commission disapproves this Settlement Agreement. 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) The Signatory Parties further agree to support the reasonableness of this 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 Settlement Agreement shall challenge any Order of the Commission approving the Settlement Agreement in its entirety and without modification.

19. Failure Of Commission To Approve Settlement Agreement

If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission's order by (1) giving notice of withdrawal to all other Parties and (2) timely filing for rehearing or appeal. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission's order and (2) the conclusion of all rehearing's and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

20. Continuing Commission Jurisdiction

This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

21. Effect of Settlement Agreement

This Settlement Agreement shall inure to the benefit of, and be binding upon, the parties to this Settlement Agreement, their successors, and assigns.

22. Complete Agreement

This Settlement Agreement constitutes the complete agreement and understanding among the parties to this Settlement Agreement, and any and all oral statements, representations, or agreements. Any and all such oral statements, representations, or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

23. Independent Analysis

The terms of this Settlement Agreement are based upon the independent analysis of the parties to this Settlement Agreement, are the product of compromise and negotiation, and reflect a fair, just, and reasonable resolution of the issues herein. Notwithstanding anything contained in this Settlement Agreement, Kentucky Power and the Settling Intervenors recognize and agree that the effects, if any, of any future events upon the income of Kentucky Power are unknown and this Settlement Agreement shall be implemented as written.

24. Settlement Agreement And Negotiations Are Not An Admission

(a) This Settlement Agreement shall not be deemed to constitute an admission by any party to this Settlement Agreement that any computation, formula, allegation, assertion, or contention made by any other party in these proceedings is true or valid. Nothing in this Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of the Signatory Parties.

(b) Neither the terms of this Settlement Agreement nor any statements made or matters raised during the settlement negotiations shall be admissible in any proceeding, or binding on any of the parties to this Settlement Agreement, or be construed against any of the parties to this Settlement Agreement, **except that** in the event of litigation or proceedings involving the approval, implementation or enforcement of this Agreement, the terms of this Settlement Agreement shall be admissible. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

25. Consultation With Counsel

The parties to this Settlement Agreement warrant that they have informed, advised, and consulted with their respective counsel with regard to the contents and significance of this Settlement Agreement and are relying upon such advice in entering into this agreement.

26. Authority To Bind

Each of the signatories to this Settlement Agreement hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

27. Construction Of Agreement

This Settlement Agreement is a product of negotiation among all parties to this Settlement Agreement, and no provision of this Settlement Agreement shall be construed in favor of or against any party hereto. This Settlement Agreement is submitted for purposes of this case only and is not to be deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility.

28. Counterparts

This Settlement Agreement may be executed in multiple counterparts.

29. Future Rate Proceedings

Nothing in this Settlement Agreement shall preclude, prevent, or prejudice any party to this Settlement Agreement from raising any argument or issue, or challenging any adjustment, in any future rate proceeding of Kentucky Power.

IN WITNESS WHEREOF, this Settlement Agreement has been agreed to as of this 22nd day of November 2017.

KENTUCKY POWER COMPANY

By: ______________________

Its: Counsel

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: Michael L. Kurtz

Its: Counsel

KENTUCKY SCHOOL BOARDS
ASSOCIATION, INC.

By: Matthew Malone

Its: Legal Counsel

KENTUCKY LEAGUE OF CITIES

By: [signature]

Its: Director of Municipal Law & Training

KENTUCKY CABLE
TELECOMMUNICATION
ASSOCIATION, INC.

By: Jason K...

Its: KCTA Board Chairman

WAL-MART STORES EAST, LP AND
SAM'S EAST, INC.

By: [signature]

Its: Counsel

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 18 2018

Adjustments	Amounts
Capacity Charge Revenues Removal	($6,396,832)
Removal of Effects of Decommissioning Rider Revenue and Expenses	($18,512,331)
Eliminate Mitchell FGD Operating Expenses	($13,308,197)
Remove Mitchell plant FGD and Consumable inventory from Rate Base	($1,610,192)
Removal of Mitchell FGD Environmental Surcharge Rider Revenues	($538,417)
Remove Big Sandy Unit 1 Operation Rider Deferrals	($4,333,902)
Fuel Under (Over) Revenues	$4,574,472
Reset OSS Margin Baseline to 2016 Test Year OSS Margins	($8,800,856)
PPA Rider Synchronization Adjustment	$372,542
Remove DSM Revenue Expense	($5,503,380)
Remove HEAP Revenue and Expense	($246,772)
Remove Economic Development Surcharge Revenue and Expense	($303,011)
Tariff Migration Adjustment	$1,026,263
Customer Annualization Revenue Adjustment	($1,342,364)
Weather Normal Load Revenue Adjustment	$4,080,748
O&M Expense Interest on Customer Deposit	$67,254
Amortization of Major Storm Cost Deferral	$874,592
Postage Rate Decrease Adjustment	($6,656)
Eliminate Advertising Expense	$100,444
Adjust Pension and OPEB Expense	$148,679
Employee Related Group Benefit Expense	$429,241
Remove PJM BLIs From Base for FAC Inclusions	($516,659)
Adjustment to Include Purchase Power Limitation Expense in Rate Base	$3,150,582
Adjustment to Include Forced Outage Purchase Power Limitation in Base Rates	$882,204
Annualize NITS/PJM LSE OATT Expense	$3,825,858
Annualize PJM Admin Charges	$118,606
Amortization of NERC Cost Deferral	$14,275
Severance Expense Adjustment	$2,363
Annualization of Payroll Expense Adjustment	$244,837
Social Security Tax Base Adjustment	$26,009
Eliminate Non-Recoverable Business Expenses	$14,914
Plant Maintenance Normalization	($274,334)
Depreciation Annualization Adjustment Electric Plant in Service	$2,037,359
Decrease ARO Depreciation Expense to an Annualized Level	($3,818)
Decrease ARO Accretion Expense to an Annualized Level	($109,495)
Annualization of Cable Pole Attachment Revenue	$532,369
KPSC Maintenance Assessment	($1,801)
State Gross Receipts Tax Adjustment	$78,776

Interest Synchronization Adjustment (Per 8/7/2017 Amendment)	$6,449,828
AFUDC Offset Adjustment (Per 8/17/2017 Amendment)	$28,197
Adjustment to Recognize Accrued Surcharge Revenue Differences	($62,588)
Mitchell Plant ADSIT Amortization	$1,292,491
Decrease O&M for Vegetation Management Tree Trimming	($6,794,282)
Annualization of Property Taxes	$595,507

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 18 2018

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

TARIFF R.S.
RESIDENTIAL SERVICE

Service Charge per month	$ 14.00
Energy Charge per kWh	$ .09660
Storage Water Heating Provision - Per kWh	$ .06072
Load Management Water Heating Provision - Per kWh	$ .06072
Home Energy Assistance Program Charge Per meter per month	$ .30

TARIFF R.S.-L.M.-T.O.D.
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME-OF-DAY

Service Charge per month	$ 16.00
Energy Charge per kWh:	
All kWh used during on-peak billing period	$ .14346
All kWh used during off-peak billing period	$ .06072
Separate Metering Provision Per Month	$ 3.75
Home Energy Assistance Program Charge Per meter per month	$ .30

TARIFF R.S.-T.O.D.
RESIDENTIAL SERVICE TIME-OF-DAY

Service Charge per month	$ 16.00
Energy Charge per kWh:	
All kWh used during on-peak billing period	$ .14386
All kWh used during off-peak billing period	$ .06072
Home Energy Assistance Program Charge Per meter per month	$ .30

TARIFF R.S.-T.O.D. 2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-DAY 2

Service Charge per month	$ 16.00
Energy Charge per kWh:	
All kWh used during summer on-peak billing period	$ .17832
All kWh used during winter on-peak billing period	$ .15342
All kWh used during off-peak billing period	$ .08094
Home Energy Assistance Program Charge	
Per meter per month	$ .30

TARIFF R.S.D.
RESIDENTIAL DEMAND-METERED ELECTRIC SERVICE

Service Charge per month	$ 17.50
Energy Charge per kWh:	
All kWh used during on-peak billing period	$ .09738
All kWh used during off-peak billing period	$ .07029
Demand Charge per kW	$ 4.02
Home Energy Assistance Program Charge	
Per meter per month	$ .30

TARIFF G.S.
GENERAL SERVICE

Secondary Service:	
Service Charge per month	$ 22.50
Energy Charge per kWh:	
Phase 1	
First 4,450 kWh per month	$ .10198
Over 4,450 kWh per month	$ .10188
Phase 2	
First 4,450 kWh per month	$ .09807
Over 4,450 kWh per month	$ .09798
Demand Charge per kW greater than 10 kW	
Phase 1	$ 4.00
Phase 2	$ 6.00
Primary Service:	
Service Charge per month	$ 75.00
Energy Charge per kWh:	
First 4,450 kWh per month	$ .08629
Over 4,450 kWh per month	$ .08659
Demand Charge per kW greater than 10 kW	$ 7.18

Subtransmission Service:

Service Charge per month	$ 364.00
Energy Charge per kWh:	
First 4,450 kWh per month	$ .07822
Over 4,450 kWh per month	$ .07855
Demand Charge per kW greater than 10 kW	$ 5.74

TARIFF G.S.
GENERAL SERVICE
RECREATIONAL LIGHTING SERVICE PROVISION

Service Charge per month	$ 22.50
Energy Charge per kWh	$ .09968

TARIFF G.S.
GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Service Charge per month	$ 22.50
Energy Charge per kWh:	
All kWh used during on-peak billing period	$ .14423
All kWh used during off-peak billing period	$ .06072

TARIFF G.S.
GENERAL SERVICE
OPTIONAL UNMETERED SERVICE PROVISION

Service Charge per month	$ 14.00
Energy Charge per kWh:	
Phase 1	
First 4,450 kWh per month	$ .10198
Over 4,450 kWh per month	$ .10188
Phase 2	
First 4,450 kWh per month	$ .09807
Over 4,450 kWh per month	$ .09798

TARIFF S.G.S.-T.O.D.
SMALL GENERAL SERVICE TIME-OF-DAY

Service Charge per month	$ 22.50
Energy Charge per kWh:	
All kWh used during summer on-peak billing period	$ .17034
All kWh used during winter on-peak billing period	$ .14372
All kWh used during off-peak billing period	$ .07511

TARIFF M.G.S.-T.O.D.
MEDIUM GENERAL SERVICE TIME-OF-DAY

Service Charge per month	$	22.50
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.16747
All kWh used during off-peak billing period	$	.06072

TARIFF L.G.S.
LARGE GENERAL SERVICE

Secondary Service Voltage:		
Service Charge per month	$	85.00
Energy Charge per kWh	$	.07712
Demand Charge per kW	$	7.97
Primary Service Voltage:		
Service Charge per month	$	127.50
Energy Charge per kWh	$	.06711
Demand Charge per kW	$	7.18
Sub-transmission Service Voltage:		
Service Charge per month	$	660.00
Energy Charge per kWh	$	.05112
Demand Charge per kW	$	5.74
Transmission Service Voltage:		
Service Charge per month	$	660.00
Energy Charge per kWh	$	.04997
Demand Charge per kW	$	5.60
All Service Voltages:		
Excess Reactive Charge per KVA	$	3.46

TARIFF L.G.S.
LARGE GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Service Charge per month	$	85.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.14063
All kWh used during off-peak billing period	$	.06088

TARIFF L.G.S. – T.O.D.
LARGE GENERAL SERVICE TIME-OF-DAY

Secondary Service Voltage:		
Service Charge per month	$	85.00
Energy Charge:		
On-Peak Energy Charge per kWh	$	.09670
Off-Peak Energy Charge per kWh	$	.04132
Demand Charge per kW	$	10.87
Primary Service Voltage:		
Service Charge per month	$	127.50
Energy Charge:		
On-Peak Energy Charge per kWh	$	.09300
Off-Peak Energy Charge per kWh	$	.04010
Demand Charge per kW	$	7.84
Sub-transmission Service Voltage:		
Service Charge per month	$	660.00
Energy Charge:		
On-Peak Energy Charge per kWh	$	.09176
Off-Peak Energy Charge per kWh	$	.03970
Demand Charge per kW	$	1.52
Transmission Service Voltage:		
Service Charge per month	$	660.00
Energy Charge:		
On-Peak Energy Charge per kWh	$	.09049
Off-Peak Energy Charge per kWh	$	.03928
Demand Charge per kW	$	1.49
All Service Voltages:		
Excess Reactive Charge per KVA	$	3.46

TARIFF I.G.S.
INDUSTRIAL GENERAL SERVICE

Secondary Service Voltage:		
Service Charge per month	$	276.00
Energy Charge per kWh	$	.02663
Demand Charge per kW		
Of Monthly On-Peak Billing Demand	$	24.13
Of Monthly Off-Peak Billing Demand	$	1.60

Primary Service Voltage:

Service Charge per month	$ 276.00
Energy Charge per kWh	$ .02553
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 20.57

Sub-transmission Service Voltage:

Service Charge per month	$ 794.00
Energy Charge per kWh	$ .02793
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 13.69
Of Monthly Off-Peak Billing Demand	$ 1.51

Transmission Service Voltage:

Service Charge per month	$1,353.00
Energy Charge per kWh	$ .02792
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 13.26
Of Monthly Off-Peak Billing Demand	$ 1.49

All Service Voltages:
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 is $.69 per KVAR.

Minimum Demand Charge
The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates per kW:

Secondary	$ 25.83
Primary	$ 22.21
Subtransmission	$ 15.30
Transmission	$ 14.86

TARIFF M.W.
MUNICIPAL WATERWORKS

Service Charge per month	$ 22.90
Energy Charge - All kWh per kWh	$ .09135

Subject to a minimum monthly charge equal to the sum of the service charge plus $8.89 per kW as determined from customer's total connected load.

TARIFF O.L.
OUTDOOR LIGHTING

OVERHEAD LIGHTING SERVICE

High Pressure Sodium per Lamp:		
100 Watts (9,500 Lumens)	$	8.50
150 Watts (16,000 Lumens)	$	9.30
200 Watts (22,000 Lumens)	$	10.90
250 Watts (28,000 Lumens)	$	15.04
400 Watts (50,000 Lumens)	$	16.01
Mercury Vapor per Lamp:		
175 Watts (7,000 Lumens)	$	9.04
400 Watts (20,000 Lumens)	$	14.64

POST-TOP LIGHTING SERVICE

High Pressure Sodium per Lamp:		
100 Watts (9,500 Lumens)	$	14.05
150 Watts (16,000 Lumens)	$	23.30
100 Watts Shoe Box (9,500 Lumens)	$	29.50
250 Watts Shoe Box (28,000 Lumens)	$	24.99
400 Watts Shoe Box (50,000 Lumens)	$	36.16
Mercury Vapor per Lamp:		
175 Watts (7,000 Lumens)	$	10.59

FLOOD LIGHTING SERVICE

High Pressure Sodium per Lamp:		
200 Watts (22,000 Lumens)	$	13.10
400 Watts (50,000 Lumens)	$	17.06
Metal Halide		
250 Watts (20,500 Lumens)	$	15.27
400 Watts (36,000 Lumens)	$	18.39
1,000 Watts (110,000 Lumens)	$	30.94
250 Watts Mongoose (19,000 Lumens)	$	20.57
400 Watts Mongoose (40,000 Lumens)	$	23.59

Per Month:		
Wood Pole	$	3.40
Overhead Wire Span not over 150 Feet	$	2.00
Underground Wire Lateral not over 50 Feet	$	7.40

Per Lamp plus $0.02725 x kWh in Sheet No. 14-3 in Company's tariff

TARIFF S.L.
STREET LIGHTING

Rate per Lamp:		
Overhead Service on Existing Distribution Poles		
High Pressure Sodium		
100 Watts (9,500 Lumens)	$	7.02
150 Watts (16,000 Lumens)	$	7.55
200 Watts (22,000 Lumens)	$	8.95
400 Watts (50,000 Lumens)	$	11.71
Service on New Wood Distribution Poles		
High Pressure Sodium		
100 Watts (9,500 Lumens)	$	10.80
150 Watts (16,000 Lumens)	$	11.55
200 Watts (22,000 Lumens)	$	12.95
400 Watts (50,000 Lumens)	$	16.61
Service on New Metal or Concrete Poles		
High Pressure Sodium		
100 Watts (9,500 Lumens)	$	27.45
150 Watts (16,000 Lumens)	$	28.15
200 Watts (22,000 Lumens)	$	26.70
400 Watts (50,000 Lumens)	$	27.11

Per Lamp plus $0.02725 x kWh in Sheet No. 15-2 in Company's tariff

TARIFF C.A.T.V.
CABLE TELEVISION POLE ATTACHMENT

Charge for attachments		
On a two-user pole	$	10.82
On a three-user pole	$	6.71

TARIFF COGEN/SPP I
COGNERATION AND/OR SMALL POWER PRODUCTION
100 KW OR LESS

Monthly Metering Charges:		
Single Phase:		
Standard Measurement	$	9.25
Time-of-Day Measurement	$	9.85

Polyphase:		
Standard Measurement	$	12.10
Time-of-Day Measurement	$	12.40
Energy Credit per kWh:		
Standard Meter – All kWh	$	.03240
Time-of-Day Meter:		
On-Peak kWh	$	.03860
Off-Peak kWh	$	.02790
Capacity Credit:		
Standard Meter per kW	$	3.11
Time-of-Day Meter per kW	$	7.47

TARIFF COGEN/SPP II
COGNERATION AND/OR SMALL POWER PRODUCTION
OVER 100 KW

Metering Charges:		
Single Phase:		
Standard Measurement	$	9.25
Time-of-Day Measurement	$	9.85
Polyphase:		
Standard Measurement	$	12.10
Time-of-Day Measurement	$	12.40
Energy Credit per kWh:		
Standard Meter – All kWh	$	.03240
Time-of-Day Meter:		
On-Peak kWh	$	.03860
Off-Peak kWh	$	.02790
Capacity Credit:		
Standard Meter per kW	$	3.11
Time-of-Day Meter per kW	$	7.47

TARIFF K.E.D.S.
KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE

Per month per account:		
Residential	$	.00
All Other	$	1.00

TARIFF C.C.
CAPACITY CHARGE

Energy Charge per kWh:		
Service Tariff		
I.G.S.	$	.000749
All Other	$	.001435

RIDER R.P.O.
RENEWABLE POWER OPTION RIDER
OPTION A

Solar RECs:		
Block Purchase per 100 kWh per month	$	1.00
All Usage Purchase per kWh consumed	$	.01000
Wind RECs:		
Block Purchase per 100 kWh per month	$	1.00
All Usage per kWh consumed	$	.01000
Hydro & Other RECs:		
Block Purchase per 100 kWh per month	$	.30
All Usage per kWh consumed	$	.00300

RIDER A.F.S.
ALTERNATE FEED SERVICE RIDER

Monthly Rate for Annual Test of Transfer Switch/Control Module	$	14.67
Monthly Capacity Reservation Demand Charge per kW	$	6.29

APPENDIX D

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 18 2018

ENVIRONMENTAL COMPLIANCE PLAN

Project	Plant	Pollutant	Description	In-Service Year
			Previously Approved Environmental Compliance Projects	
1	Mitchell	NOx, SO2, and SO3	Mitchell Units 1 & 2, Water Injection, Low NOx Burners, Low NOx Burner Modification, SCR, FGD, Landfill, Coal Blending Facilities & SO3 Mitigation	1993-1994-2002-2007
2	Mitchell	SO2, NOx and Gypsum	Mitchell Plant Common CEMS, Replace Burner Barrier Valves & Gypsum Material Handling Facilities	1993-1994-2007
3	Rockport	SO2 / NOx	Continuous Emission Monitors ("CEMS")	1994
4	Rockport	NOx, Fly Ash, & Bottom Ash	Rockport Units 1 & 2 Low NOx Burners, Over Fire Air & Landfill	2003-2008
5	Mitchell & Rockport	SO2, NOx, Particulates & VOC and etc.	Title V Air Emissions Fees at Mitchell and Rockport Plants	Annual
6	Big Sandy, Mitchell & Rockport	NOx	Costs Associated with NOx Allowances	As Needed
7	Big Sandy, Mitchell & Rockport	SO2	Costs Associated with SO2 Allowances	As Needed
8	Big Sandy, Mitchell & Rockport	SO2 / NOx	Costs Associated with the CSAPR Allowances	As Needed
9	Mitchell	Particulates	Mitchell Units 1 & 2 - Precipitator Modifications	2007-2013
10	Mitchell	Particulates	Mitchell Units 1 & 2 - Bottom Ash & Fly Ash Handling	2008-2010
11	Mitchell	Mercury	Mitchell Units 1 & 2 - Mercury Monitoring ("MATS")	2014
12	Mitchell	Selenium	Mitchell Units 1 & 2 - Dry Fly Ash Handling Conversion	2014
13	Mitchell	Fly Ash, Bottom Ash, Gypsum & WWTP Solids	Mitchell Units 1 & 2 - Coal Combustion Waste Landfill	2014
14	Mitchell	Particulates	Mitchell Unit 2 - Electrostatic Precipitator Upgrade	2015
15	Rockport	Particulates	Rockport Units 1 & 2 - Precipitator Modifications	2004-2009
16	Rockport	Mercury	Rockport Units 1 & 2 - Activated Carbon Injection ("ACI") & Mercury Monitoring	2009-2010

17	Rockport	Hazardous Air Pollutants ("HAPS")	Rockport Units 1 & 2 - Dry Sorbent Injection	2015
18	Rockport	Fly Ash & Bottom Ash	Rockport Plant Common - Coal Combustion Waste Landfill Upgrade to Accept Type 1 Ash	2013 & 2015
			Proposed Environmental Compliance Projects	
19	Rockport	NOx	Rockport Unit 1 - Selective Catalytic Reduction equipment	2017
20	Mitchell Rockport	SO2 / NOx, Mercury, Particulates, Hazardous Air Pollutants ("HAPS")	Cost of consumables used in conjunction with approved ECP projects including the cost of the consumables used and a return on consumable inventories. Consumables include, but are not limited to sodium bicarbonate, activated carbon, anhydrous ammonia, trona, lime hydrate, limestone, polymer, and urea.	As Needed

APPENDIX E

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 18 2018

MONTHLY BASE PERIOD REVENUE REQUIREMENT

Billing Month	Base Period Cost
January	$ 3,664,681
February	3,581,017
March	3,353,024
April	3,661,574
May	3,595,145
June	3,827,332
July	3,747,320
August	3,888,262
September	3,636,247
October	3,824,697
November	3,717,340
December	3,882,677
	$ 44,379,316

APPENDIX F

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JAN 18 2018

Commission Staff Adjustments to the Revenue Requirement in the Settlement Agreement
Case No. 2017-00179
Kentucky Power Company (Kentucky Jurisdiction)

	Pre-Tax Operating Income Amount	NOI Amount	GRCF		Staff RR Amount
Increase Per Settlement					31,780,734
Operating Income Issues					
OSS Rider Adjustment	(486,412)	(361,693)	1.352116	$	(489,051)
Theft Recovery Revenue	(166,198)	(123,584)	1.352116	$	(167,100)
Purchased Power Adj (WP 26&27)	(4,032,786)	(2,998,755)	1.352116	$	(4,054,664)
Relocation Expense	(132,109)	(98,235)	1.352116	$	(132,826)
Cost of Capital Issues					
Total Change in ROE and capitalization		(476,714)	1.352116	$	(644,573)
Change in GCRF					(13,943,890)
Total Adjustments to the Settlement Agreement				$	(19,432,104)
Recommended Change in Base Rates				$	12,348,630

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) AN ORDER APPROVING ITS 2017 ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER APPROVING ITS TARIFFS AND RIDERS; (4) AN ORDER APPROVING ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND (5) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2017-00179

ORDER

By petition filed on February 7, 2018, Kentucky Power Company ("Kentucky Power") requests a rehearing of the Commission's final Order issued on January 18, 2018. Among other things, the January 18, 2018 Order approved a $12,348,630 increase in Kentucky Power base rate. Kentucky Power requests rehearing on the following: 1) the methodology for calculating Kentucky Power's tax expense savings arising from the reduction in the federal corporate income tax rate from 35 percent to 21 percent; 2) the adjustment to Tariff Purchase Power Agreement ("P.P.A.") Forced Outage Expense; 3) Tariff P.P.A. peaking unit equivalent ("PUE") cost calculation; 4) reporting gains and losses from incidental gas sales; 5) recovery of the Rockport Deferral Regulatory Asset; and 6) adjustments to accounts receivable financing.

The Commission finds that the accounts receivable adjustments are reasonable, lawful, and supported by evidence in the record, and therefore rehearing on this issue is denied. The Commission reduced the percentage of accounts receivable financing from 1.95 percent to 1.67 percent by blending funds between short-term debt and accounts receivable financing. The Commission notes that it did not disallow Kentucky Power's accounts receivable financing, but instead made reasonable adjustments. Despite Kentucky Power's arguments to the contrary, it is not reasonable to conclude that a prudent business would exclusively utilize long-term debt, with its higher rates, to fund accounts receivables instead of utilizing some portion of short-term financing at a lower rate.

Clarification on Recovery of the Rockport Deferral

Kentucky Power requests that the Commission clarify language in the January 18, 2018 Order that appears to limit the time period and recovery mechanism for the Rockport Deferral Regulatory Asset, and conditions any such recovery of the Rockport Deferral Regulatory Asset on Kentucky Power not renewing the Rockport Unit Power Agreement ("UPA"), which is contrary to the Settlement Agreement. Kentucky Power contends that its credit rating could be at risk absent clarification.

KIUC concurs with Kentucky Power that the language should be clarified. The Attorney General argues that rehearing should be denied, arguing that Kentucky Power seeks to modify the January 18, 2018 Order to obtain a greater benefit from a more expansive order and to preclude the Commission from addressing the recovery mechanism in a future rate case.

The Commission finds that the costs to be recovered by Kentucky Power for its UPA are established by the Federal Energy Regulatory Commission, and as the UPA represents an assignment of costs from an affiliate of Kentucky Power, the Commission has no discretion to deny recovery of those costs. We can, however, determine the manner and timing of cost recovery. Here, Kentucky Power has agreed to defer the current cost recovery of the Rockport UPA and to record a deferred asset to reflect the subsequent recovery of those costs in rates. Under these circumstances, Kentucky Power is correct that the recording of a deferred asset is not just for accounting purposes but is to reflect the future rate recovery of the deferred UPA costs. For these reasons, the Commission will grant rehearing for the limited purpose of amending the January 18, 2018 Order, beginning at the bottom of page 39 and continuing to the top of page 40 to state that:

> The recovery period of the proposed Rockport Deferral Mechanism is not contingent upon Kentucky Power's decision whether or not to renew the Rockport UPA. Given Kentucky Power's excess capacity and slow load growth, the Commission believes the benefits of the deferral outweigh the associated risks, and approves the Rockport deferral mechanism and the associated $15 million decrease to rate base. The carrying charges associated with the Rockport Deferral Mechanism shall be as specific in paragraph 3(c) on page 5 of the Settlement Agreement attached as Appendix A to the January 18, 2018 Order.

Options for Addressing Potential Adjustments

Should the Commission find that any of the proposed adjustments are reasonable, Kentucky Power proposes that all adjustments be addressed in this rate case or in Case No. 2018-00035, the tax impact complaint. KIUC argues that adjustments applicable to the rate case should be made in the rate case and not Case

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY POWER COMPANY FOR (1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC SERVICE; (2) APPROVAL OF TARIFFS AND RIDERS; (3) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; (4) APPROVAL OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND (5) ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2020-00174

O R D E R

On July 15, 2020, Kentucky Power Company (Kentucky Power) filed[1] its application for approval of an increase in its electric revenues by $70,096,743, or 13.16 percent; a Certificate of Public Convenience and Necessity (CPCN) to purchase and install an advanced metering infrastructure (AMI) system; new and revised tariffs; and approval of regulatory assets and liabilities. Kentucky Power proposed to offset the first year of the rate increase by ending Tariff Capacity Charge (Capacity Charge) two years early, conditioned upon the Commission approving the entirety of the application as filed, and by using a portion of the unprotected excess accumulated deferred income tax (ADIT) to offset the first year of the rate increase.

To determine the reasonableness of these requests, the Commission entered an Order on July 14, 2020, pursuant to KRS 278.190(2), suspending the proposed rates for

[1] Kentucky Power tendered its application on June 26, 2020. By letter dated July 1, 2020, Kentucky Power was notified that its application was rejected for filing due to certain filing deficiencies, which were subsequently cured. Kentucky Power's application was deemed filed as of July 15, 2020.

five months from their effective date of August 14, 2020, up to and including January 13, 2021.

The following parties requested and were granted full intervention: the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General); Kentucky Industrial Utility Customers, Inc. (KIUC); Walmart Inc. (Walmart); Kentucky Solar Industries Association, Inc. (KYSEIA); Mountain Association for Community Economic Development,[2] Kentuckians for the Commonwealth, and Kentucky Solar Energy Society (collectively, Joint Intervenors); SWVA Kentucky, LLC (SWVA); and Sierra Club. The Attorney General and KIUC (collectively, Attorney General/KIUC) entered into an agreement to jointly sponsor certain discovery requests and witness testimony.

By Order entered on July 14, 2020, the Commission established a procedural schedule that provided for discovery, intervenor testimony, rebuttal testimony from Kentucky Power, a formal evidentiary hearing, and an opportunity for the parties to file post-hearing briefs. Informal conferences were held on October 21, 2020, and October 30, 2020, to discuss the possible resolution of pending issues, but did not result in a settlement agreement. Public meetings on the application were held, with two meetings on November 13, 2020, and one meeting on November 16, 2020.

An evidentiary hearing was held on November 17-20 and 23-24, 2020. Kentucky Power filed a response to post-hearing requests for information. On December 8, 2020, Kentucky Power filed a post-hearing brief. On December 14, 2020, the Attorney General, KIUC, Walmart, KYSEIA, Joint Intervenors, SWVA, and Sierra Club filed their respective

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[2] During the pendency of this proceeding, Mountain Association for Community Economic Development changed its name to "Mountain Association."

post-hearing response briefs. On December 17, 2020, Kentucky Power filed its post-hearing reply brief. The matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

Kentucky Power filed its application pursuant to KRS 278.180; KRS 278.190; KRS 278.22; 807 KAR 5:001, Sections 14-16; 807 KAR 5:011; and 807 KAR 5:051. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with statutory and case law, Kentucky Power is allowed to charge its customers "only 'fair, just, and reasonable rates.'"[3] Further, Kentucky Power bears the burden of proof to show that the proposed rate increase is just and reasonable, under KRS 278.190(3).

TEST PERIOD

Kentucky Power proposed the 12-month period ending March 31, 2020, as the test period for determining the reasonableness of its proposed rates. None of the Intervenors contested the use of this period as the test period.

The Commission finds that it is reasonable to use the 12-month period ending March 31, 2020, as the test period in this case because, due to the timing of Kentucky Power's filing, the 12-month period ending March 31, 2020, is the most recent feasible period to use for setting rates. Further, except for the adjustments approved in this Order, the revenues and expenses incurred during that period are neither unusual nor

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[3] KRS 278.030; and *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

extraordinary. In using this historic test period, the Commission gave full consideration to appropriate known and measurable changes.[4]

VALUATION METHOD

Pursuant to KRS 278.290(1), the Commission is empowered to "ascertain and fix the value of the whole or any part of the property of any utility," and in doing so is given guidance by the legislature "in establishing value of utility property in connection with rates."[5] The legislature's guidance requires the Commission "give due consideration" to a number of factors, including capital structure, original cost and "other elements of value recognized by law" in order to ascertain the value of any property under KRS 278.290 "for rate-making purposes."[6] In its application, Kentucky Power proposed to use the capitalization method to calculate its revenue requirement and required increase. The Attorney General/KIUC and their joint witness, Lane Kollen, argued that the more appropriate method to calculate Kentucky Power's revenue requirement was to utilize a rate base calculation.[7] As support for his argument, Mr. Kollen stated that the use of rate base is a more precise and accurate method to calculate a utility's revenue requirement when compared to the capitalization method, because it allows the Commission to specifically review, assess, and quantify each of the costs that will earn a return.[8]

[4] *See*, 807 KAR 5:001, Section 16(1)(a)(1). *See also* *Public Service Comm'n v. Continental Telephone Co. of Ky.*, 692 S.W.2d 794, 799 (Ky. 1985) ("There is also a provision for an adjustment because of known and measurable changes outside the test year.").

[5] *National Southwire Aluminum Co. v. Big Rivers Elec.*, 785 S.W.2d 503, 512 (Ky. App. 1990).

[6] *Id.*

[7] Attorney General/KIUC Post-Hearing Brief at 7.

[8] Direct Testimony of Lane Kollen (Kollen Direct Testimony) at 10.

In general, the Commission must consider multiple factors when determining the reasonableness of a utility's request to use a capitalization or rate base calculation in determining the revenue requirement. A utility has the burden of demonstrating that its proposed method is the most reasonable, and the Commission is not bound by a utility's request to select one method over the other.

Based upon a review of the case record and being otherwise sufficiently advised, the Commission finds that applying the capitalization method to calculate Kentucky Power's revenue requirement is not reasonable because this method measures the capital allocations to Kentucky Power from its parent company, in excess of that needed to finance Kentucky Power's direct investment rate base as determined herein.[9] In the converse, the rate base method measures the direct investment into Kentucky Power's system, and, under the facts presented here, is a more accurate method of measuring the financial health of Kentucky Power and its operations. For these reasons, the Commission finds that rate base methodology should be used to determine revenue requirement for this proceeding.

REVENUE REQUIREMENT ADJUSTMENTS

Kentucky Power proposed an annual increase in its electric revenues of $70,096,743 using the Capitalization method to calculate its Overall Revenue Requirement. The only intervenor that supported testimony regarding specific revenue requirement adjustments was the Attorney General and KIUC, supporting the testimony of Mr. Lane Kollen. The table below shows adjustments both proposed by the Attorney General/KIUC and their witness, Lane Kollen, and those made by the Commission to

[9] Application, Section V Schedule 4 and Section V, Workpaper S-2 at 1.

Kentucky Power's requested increase. Summaries of each issue and the findings of the Commission are explained in greater detail in the paragraphs that follow the table.

	KIUC/AG	Commission Adjustments	Difference
Kentucky Power Requested Increase			
Request Based On Original Filing	$ 70,096,743	$ 70,096,743	$ -
Effects on Increase from Rate Base Recommendations			
Utilize Rate Base Instead of Capitalization to Reflect Return on Component for Base Rates	608,162	608,162	-
Reduce Cash Working Capital to '0' in Lieu of Lead/Lag Study	(1,660,444)	(1,660,444)	-
Remove Prepaid Pension and Prepaid OPEB from Rate Base, Net of ADIT	(5,203,831)	(5,203,831)	-
Remove Accounts Payable Balances from CWIP in Rate Base	(687,079)	(687,079)	-
Remove Accounts Payable Balances from Prepayments in Rate Base	(6,784)	(6,784)	-
Effects on Increase from Operating Income Recommendations			
Increase to Base Revenue Due to Moving of Certain Non-Recurring Charges from Misc. Revenue	-	2,817,345	2,817,345
Addition of Pension and OPEB Expense Originally Removed from Cost of Service	-	3,712,668	3,712,668
Reduction of Savings Plan Contribution Expense	-	(1,684,045)	(1,684,045)
Adjustment to Rate Case Expense	-	(418,069)	(418,069)
Remove Incentive Compensation Expense Tied to Financial Performance	(5,665,765)	(5,665,765)	-
Remove SERP Expense	(205,475)	(205,475)	-
Remove Kentucky Power's Pro Forma Adjustment to Restate Rockport UPA Operating Ratio	(1,705,844)	(1,705,844)	-
Restate State Income Tax Expense Based on Kentucky-Online Income Tax Rate of 5%	(692,374)	-	692,374
Remove EEI Dues for Covered Activities (Legislative and Regulatory Advocacy and Public Relations)	(48,360)	-	48,360
Remove Miscellaneous Expense Less EEI Dues for Covered Activities	-	(545,012)	(545,012)
Correct Allocation of Rockport UPA Deferral to Non-jurisdictional Customers	-	(211,280)	(211,280)
Remove SSC GreenHat Default Charges from FAC Base Rates	-	(16,552)	(16,552)
Effects on Increase from Rate of Return Recommendations			
Reallocate the Mitchell Coal Stock Adjustment Proportionately Across Capital Structure	(704,754)	-	704,754
Increase Short Term Debt and Set Debt Rate at 0.51%	(2,512,397)	-	2,512,397
Reduce Long Term Debt Rate to Reflect Refinance of June 2021 Maturity	(793,388)	(1,057,851)	(264,463)
Reduce Return on Equity from 10.0%	(7,576,217)	(5,511,493)	2,064,724
Reduce Return on Equity for Environmental Surcharge to 9.1%	-	(236,063)	(236,063)
Total Adjustments to Company's Proposed TY Base RR	(26,854,550)	(17,677,411)	(9,177,139)
Net Increase to Base Rates	$ 43,242,193	$ 52,419,332	$ 9,177,139

Rate Base Adjustments

Adjustment to Return on Component for Base Rates to Reflect Calculation Utilizing Rate Base. As a result of his proposal to change the valuation method from capitalization to rate base as described above, Mr. Kollen also proposed to make an adjustment to increase the revenue requirement by $608,162[10] to reflect the return on the difference between the two valuation methods of $7,488,735. Because the Commission finds that utilizing rate base is the most appropriate method of calculating the revenue requirement in this case, the Commission additionally finds that the adjustment proposed by Mr. Kollen

[10] Kollen Direct Testimony at 7.

is reasonable and necessary to reflect the increased return on the difference between rate base and capitalization. This adjustment is reflected in the above table.

Cash Working Capital (CWC). In its application, Kentucky Power calculated a CWC component in its calculation of rate base in the amount of $20,446,234.[11] The Attorney General/KIUC, based upon the testimony of Mr. Kollen, proposed that an adjustment be made to rate base to reduce Kentucky Power's CWC component to $0, which resulted in a total reduction to the revenue requirement of $1,660,444.[12] As support for his proposal, Mr. Kollen argued that the use of the one-eighth Operation & Maintenance (O&M) expense formula employed by Kentucky Power overstates the amount of CWC funds required because it is directly tied to the level of O&M expense, and ignores the actual level of investment made by the utility or its customers.[13] Mr. Kollen further argued that Kentucky Power sells its receivables, and therefore the lag between conversion of receivables into cash is significantly reduced.[14]

In response, Kentucky Power asserted that there is no statutory requirement to perform a lead/lag study, a lead/lag study is not necessary under capitalization methodology, and that Mr. Kollen's arguments contain "unsupported speculation."[15] Further, in response to discovery, Kentucky Power contended that there are several reasonable methodologies to determine CWC, including the one-eighth O&M expense,

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[11] Application, Section V, Exhibit 1 at 11.

[12] Kollen Direct Testimony at 12; and Attorney General/KIUC Post-Hearing Brief at 11.

[13] Kollen Direct Testimony at 13.

[14] *Id.* at 15.

[15] Rebuttal Testimony of Alex E. Vaughan (Vaughan Rebuttal Testimony) at R5–R6; and Kentucky Power Post-Hearing Brief at 87.

and that a lead/lag study may be reasonable when rate base is used for the return on calculation, while Kentucky Power proposed to use capitalization methodology.[16]

As previously noted, the Commission, not Kentucky Power, retains the authority to determine the appropriate method for valuing utility property for ratemaking purposes. In order to help inform the Commission's determination of the appropriate value of utility property for ratemaking purposes, including the method to be used, the Commission promulgated certain regulations, including 807 KAR 5:001 Section 16(4)(h) and (i). For instance, 807 KAR 5:001 Section 16(4)(i) requires a "reconciliation of the rate base and capital used to determine [the utility's] revenue requirements." Although Kentucky Power correctly notes that a lead/lag study may not be necessary under the capitalization methodology, under Kentucky law the Commission determines the appropriate valuation methodology for ratemaking purposes. Because the Commission has determined net investment rate base is the appropriate measure of return in this matter, it must determine an appropriate amount of CWC to include in its valuation of utility property for ratemaking purposes. The Commission notes that there is compelling evidence that, because Kentucky Power sells its receivables it is likely that Kentucky Power does not finance CWC on behalf of its customers. Although this could be determined with absolute certainty, Kentucky Power has refused to conduct a lead/lag study, either before the case in an attempt to meet its burden of proof, or during this matter in response to discovery requests. The results of a lead lag study could offer a negative result in the calculation of Kentucky Power's required CWC. Taking into consideration the evidence at hand,

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[16] Kentucky Power's Response to the Attorney General's/KIUC's Second Request for Information (Attorney General/KIUC's Second Request), Item 9.

including Kentucky Power's unwillingness to conduct a lead/lag study in support of its CWC adjustment, in accordance with precedent the Commission finds that CWC should be reduced to $0, and the resulting adjustment to the revenue requirement is a reduction of $1,660,444.[17] Furthermore, the Commission finds that Kentucky Power shall be required to submit a lead/lag study in all general rate cases its files, until further notice. The expenses incurred in conducting lead/lag studies for future general adjustment in rates matters will be reviewed for recovery in each case as rate case expense.

Prepaid Pension and Prepaid Other Post-Employment Benefits (OPEB) included in Rate Base. The Attorney General/KIUC and Mr. Kollen proposed a reduction to the revenue requirement in the amount of $5,203,831 to reduce prepaid pension and prepaid OPEB assets that were included in Kentucky Power's rate base calculation.[18] Mr. Kollen argued that Kentucky Power does not finance these assets and therefore they should not be included in the calculation of rate base.[19] In response, Kentucky Power argued that there is a cash outlay to finance these assets and therefore should be included in the calculation of rate base.[20]

While the Commission acknowledges Kentucky Power's assertion that there has been cash outlay to finance these prepaid assets as demonstrated in Ms. Whitney's rebuttal testimony and supporting exhibits, the Commission finds that a more reasonable

[17] Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020), Order at 6-7.

[18] Kollen Direct Testimony at 18–22; Attorney General/KIUC Post-Hearing Brief at 12.

[19] Kollen Direct Testimony at 21.

[20] Rebuttal Testimony of Heather M. Whitney (Whitney Rebuttal Testimony) at 4-5.

method of measuring and recording Kentucky Power's pension and OPEB amounts for ratemaking purposes would be to remove the expenses attributed to these amounts for the test period because it reflects the actual amounts expended for pensions and OPEB expenses in the test period, rather than an expected future liability. As a result of this finding, the Commission reduced the revenue requirement by $5,203,831 to reflect the removal of the prepaid pension and prepaid OPEB asset and made a corresponding adjustment to increase expenses for Kentucky Power's applicable test-year pension and OPEB amounts as discussed in the Operating Income Adjustments section below.

Adjustments to Accounts Payable. Mr. Kollen, on behalf of the Attorney General/KIUC provided testimony proposing two additional adjustments to the revenue requirement for outstanding accounts payable related to construction work in progress (CWIP) and to prepayments in the amounts of $687,079 and $6,784 respectively.[21] In rebuttal testimony, Kentucky Power did not provide contrary evidence or arguments against Mr. Kollen's proposed adjustments in the context of the calculation of rate base, but rather restated its position that Kentucky Power used capitalization in the calculation of its revenue requirement, thus making the adjustment unnecessary.[22] Because the Commission finds that rate base is the more appropriate method to calculate the revenue requirement, and Kentucky Power provided no contrary evidence or objection against Mr. Kollen's proposal in the context of the calculation of rate base, the Commission finds that the adjustments proposed by Mr. Kollen are reasonable and should be accepted, and are reflected in the calculation of the revenue requirement.

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[21] Kollen Direct Testimony at 24.

[22] Vaughan Rebuttal Testimony at R7.

Operating Income Adjustments

Certain Nonrecurring Charges. As discussed in the sections regarding the Delayed Payment Charge and Nonrecurring Charges, the Commission finds that certain Nonrecurring charges from Kentucky Power's tariff be removed. As a result, an increase to the Revenue Requirement for base rates that correspond with an equivalent decrease in miscellaneous revenues is necessary to ensure Kentucky Power is given the opportunity to recover the costs to perform utility service.

Pension and OPEB Expenses Removed from Cost of Service. As discussed in the preceding paragraphs regarding prepaid pension and prepaid OPEB assets that were included in rate base, Kentucky Power asserted that if the Commission adopted the Attorney General/KIUC's recommendations regarding the prepaid pension and prepaid OPEB assets and removed them from rate base, then a corresponding adjustment should be made to increase operating expenses to remove the benefit of the prepaid pension and prepaid OPEB asset that would normally reduce Kentucky Power's cost of service.

The Commission finds that Kentucky Power provided sufficient evidence that there is a certain amount of cost savings attributed to the amounts recorded as a prepaid asset on Kentucky Power's books, and that the effect of increased expenses by not including the prepaid assets in rate base should be adequately reflected in the cost of service. Therefore, the Commission increased operating expenses in the amount of $3,712,668[23]

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[23]

Annualized Pension and OPEB Costs Removed from Cost of Service	$	3,690,184
Times: Gross Revenue Conversion Factor		1.0060929
Increase to Revenue Requirement	$	3,712,668

to fully recognize the effects of the preceding adjustment to the prepaid Pension and prepaid OPEB assets.

Incentive Compensation and Stock-Based Compensation. Kentucky Power included $4,467,190 of short-term incentive compensation plan (STI) costs and $1,164,263 in long-term incentive compensation plan (LTIP) costs in its jurisdictional revenue requirement. These amounts reflect adjustments made by Kentucky Power to reduce test-year STI and LTIP costs by $945,619 to normalize test-year levels to a 1.0 target amount.[24] During the test period, Kentucky Power's STI funding was divided into three metrics: earnings per share (EPS), safety and compliance measures, and strategic initiatives. For 2020, the annual STI plan funding is entirely based on EPS metrics.[25] Kentucky Power's LTIP funding and performance metrics are both tied to earnings criteria.

The Attorney General/KIUC's witness, Mr. Kollen, recommended an adjustment to eliminate $5,665,765 of STI/LTIP costs from rate recovery. As support for the recommendation, Mr. Kollen asserted that the Commission historically disallowed and removed incentive compensation expenses that were incurred to incentivize the achievement of shareholder goals as measured by financial performance. As additional support, Mr. Kollen stated that in its most recent previous rate case proceeding, Kentucky Power elected to forego recovery of its incentive compensation expense in its settlement.[26]

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[24] Direct Testimony of Kimberly Kaiser (Kaiser Direct Testimony) at 6.

[25] Kentucky Power's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request), Item 24.

[26] Kollen Direct Testimony at 29.

In response, Kentucky Power argued that the Attorney General/KIUC's proposed adjustment is not warranted because although the goals to fund the STI plan are based on EPS metrics, the actual cost incurred by Kentucky Power is based primarily on performance goals.[27] Kentucky Power asserted that both STI and LTI incentivize employees to make efficient use of Kentucky Power's financial resources, and therefore benefits ratepayers.[28]

Incentive compensation plans typically have funding metrics that must be achieved before eligible employees who meet performance metrics are awarded incentive compensation. If the funding metrics are not achieved, then no incentive plan compensation is paid. Relevant here, both funding and performance metrics include financial and nonfinancial objectives. In a few previous cases, the Commission distinguished between the funding and performance metrics, removing amounts for ratemaking purposes based on financial objectives in performance metrics only.[29] However, in other cases, we denied recovery of compensation in the form of restricted stock units tied to financial objectives in funding metrics.[30]

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[27] Rebuttal Testimony of Kimberly Kaiser (Kaiser Rebuttal Testimony) at R2–R3.

[28] Kentucky Power Post-Hearing Brief at 74.

[29] Case No. 2014-00396, *Application of Kentucky Power Company for: (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief* (Ky. PSC June 22, 2015), Order at 25–26; and Case No. 2018-00358 *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC June 27, 2019), Order at 43–44.

[30] Case No. 2017-00321, *Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief* (Ky. PSC May 23, 2018), Order at 5–6.

The Commission must address the inconsistent treatment of funding and performance metrics tied to financial objectives. The Commission disallows recovery costs for compensation tied to financial objectives, such as earnings growth or earning per shares, because shareholders, but not ratepayers, receive primary, if not exclusive, benefit from financial objectives in the form of higher return on their investment. Such costs are disallowed based upon Commission precedent that, unless a utility can establish by substantial evidence that financial objectives benefit the utility's ratepayers, ratepayers should not pay for expenses that primarily benefit shareholders.[31]

The Commission finds that both funding metrics and performance metrics based upon financial objectives should receive the same regulatory treatment because funding and performance metrics tied to financial objectives are equally shareholder oriented, while ratepayers receive little demonstrative benefit. Additionally, regardless of whether a utility meets the funding or performance measures, including the costs of the programs in rates, normalized or otherwise, ensures customers pay to fund the programs. If a utility meets the funding or performance measures shareholders primarily benefit, but if the metrics are missed, shareholders are still enriched with additional revenue with no corresponding expense. For those reasons, the Commission finds that incentive plan costs for funding metrics and performance metrics tied to financial objectives should be disallowed from recovery for ratemaking purposes absent a clear showing of benefit to ratepayers.

[31] *See* Case No. 2014-00396, (Ky. PSC June 22, 2015) Order at 25–26; Case No. 2018-00358, (Ky. PSC June 27, 2019) Order at 43–44.

Based upon a review of the case record, the Commission finds that Kentucky Power offered conclusory statements but failed to establish by sufficient evidence that the portions of STI and LTIP funding and performance metrics tied to financial objectives provide ratepayer benefit. Therefore, the Commission finds that the STI and LTIP expenses tied to financial objectives, whether in funding metrics or performance metrics, should be disallowed for ratemaking purposes.

Consistent with this finding, the Commission reduced Kentucky Power's revenue requirement by $5,665,765 to remove STI and LTIP expenses included in the test year.

Supplemental Executive Retirement Plan (SERP). In its application, Kentucky Power included $0.006 million in Supplemental Executive Retirement Plan (SERP) expense for its employees and an additional $0.199 million in affiliate charges for AEP Service Corporation (AEPSC).[32]

Direct intervenor testimony and analysis regarding SERP expense was sponsored by the Attorney General/KIUC, and performed by Lane Kollen. Mr. Kollen proposed an adjustment to remove 100 percent of test-year SERP expenses[33] citing Commission precedent,[34] as well as stating that Kentucky Power's motion to recover SERP expenses in this proceeding is "an end-run around the Commission's prohibition against recovery of excessive expenses incurred pursuant to multiple retirement plans."[35] Mr. Kollen then stated that the Commission's historical practice of excluding expenses for multiple

[32] Kollen Direct Testimony at 31.

[33] *Id.* at 33.

[34] *Id.* at 32.

[35] *Id.*

retirement programs is of even more crucial importance for SERP because it is available only to highly-compensated executives.[36]

In rebuttal testimony, Kentucky Power asserted that SERP expenses should not be excluded for ratemaking, claiming that the non-qualified deferred compensation benefits have been designed as a part of a market competitive total rewards package, specifically for those employees who have skills and experience that command a higher level of compensation.[37]

In Case No. 2017-00179, Kentucky Power's SERP expense was included in the non-unanimous settlement revenue requirement.[38] In deference to the settlement, the Commission allowed recovery of the SERP expense. However, the Commission typically disallows SERP costs when retirement plan expenses offered exclusively to certain highly-compensated employees exceed the cost of pension plans for all employees because, absent substantial evidence to the contrary, retirement plans that benefit highly-compensated employees without providing a benefit to ratepayers are the type of costs the Commission finds should not be borne by ratepayers.[39]

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[36] *Id.*

[37] Kaiser Rebuttal Testimony at R13–R14.

[38] Case No. 2017-00179, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 18, 2018), Order at 16.

[39] *See* Case No. 90-158, *Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company* (Ky. PSC Dec. 21, 1990), Order at 27; Case No. 94-355, *Application of Cincinnati Bell Telephone Company for Authority to Increase and Adjust Its Rates and Charges and to Change Regulations and Practices Affecting Same* (Ky. PSC May 23, 1995), Order at 16; Case No. 2016-00169, *Application of Cumberland Valley Electric Inc. for a General Adjustment of Rates* (Ky. PSC Feb. 6, 2017), Order at 10.

The Commission is persuaded by the Attorney General/KIUC's argument that SERP expense should be disallowed. The Commission finds that Kentucky Power's SERP expenses should be disallowed for ratemaking purposes because Kentucky Power did not provide substantial evidence that its SERP benefits provide a quantitative benefit to ratepayers, and thus failed to establish that recovery of SERP costs is warranted under the facts of this case. For this reason, the Commission has reduced Kentucky Power's SERP expense for its employees by $5,467 and $198,807 in affiliate charges for AEPSC.

Savings Plan Expense. Kentucky Power included $1,673,846[40] in its jurisdictional revenue requirement for savings plan expense for employees who participate in a defined benefit plan and have matching 401(k) contributions from Kentucky Power that totals to $1,684,045 after applying the Gross Revenue Conversion Factor.[41]

None of the intervenors directly addressed Kentucky Power's savings plan expense.

Kentucky Power asserted that the cash balance formula pension contributions as well as 401(k) matching were designed together to provide a market competitive total benefit package, stating that each contribution alone would be less that what would be needed to constitute a market competitive benefit package.[42] In addition, Kentucky Power

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[40] Kentucky Power's Response to Commission Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request), Item 3, Attachment 1.

[41]

Adjusted Kentucky Jurisdictional Test Year Savings Plan Contributions	$1,673,846
Times: Gross Revenue Conversion Factor	1.0060929
Gross Adjusted Jurisdictional Contributions	$1,684,045

[42] Kentucky Power's Response to Commission Staff's Post-Hearing Request, Item 3.

cited the findings in the final Order in Case No. 2017-00179 in which the Commission recognized the Company's cash balance pension benefit was based on a "defined contribution" formula, rather than a traditional final average pay formula, as well as that participation in the Company's traditional final average pay pension formula was frozen in 2000 and that benefits from this formula were frozen in 2010.[43]

First, the Commission notes that it made an erroneous finding of fact in its final Order in Case No. 2017-00179 because the Order referenced only the 401(k) contributions and a defined benefit plan that was locked and frozen, but was silent regarding a third retirement plan funded entirely by Kentucky Power in the form of the cash balance formula pension.[44] In Case No. 2017-00179 and in this proceeding, Kentucky Power testified that the contributions to the 401(k) and cash balance formula pension were designed so that, taken individually, the contributions are less than would be required to provide a market competitive retirement benefit, but, taken together, are market competitive.[45] However, the Commission finds that Kentucky Power has not provided substantial evidence to support this assertion. For this reason, the Commission has reduced jurisdictional 401(k) savings plan expense by $1,684,045.

Rate Case Expense. In its application, Kentucky Power included an adjustment in the amount of $527,792 for the amortization of rate case expenses that were estimated

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[43] *Id.*

[44] Case No. 2017-00179, Jan. 18, 2018 Order at 15 and Dec. 7, 2017 Hearing Video Transcript (HVT) at 4:50:27.

[45] Kentucky Power Response to Staff's Post-Hearing Request, Item 3.a.

to total $1,583,375.[46] Kentucky Power provided monthly updates reporting actual amounts expended for rate case expense during the course of this proceeding.[47] As of November 30, 2020, Kentucky Power's rate case expenses to date totaled $391,375.[48] Of this amount, $2,315 was related to meals, snacks, and beverages consumed by Kentucky Power and American Electric Power (AEP) employees during meetings, and $51,117 was related to witness coaching provided by the Communication Counsel of America (CCA), for a total of $54,612.[49]

Kentucky Power has the burden of proof that its rate case expenses are just and reasonable. According to the invoices provided, the meal expenses that Kentucky Power asks ratepayers to cover include breakfasts, lunches, and hot beverages served in conjunction with meetings on or near the business premises.[50] Meal expenses incurred on or near the business premises are incurred for the convenience of Kentucky Power or AEP. Such expense is wholly different from meal expenses incurred by employees while away from their place of employment on business travel. The Commission finds that the recovery of expenses for meals, snacks, and beverages consumed by Kentucky Power and AEP employees during staff meetings are not just and reasonable and therefore should be denied. The Commission further finds that witness coaching provided by CCA

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[46] Application, Section V, Exhibit 2 at 19.

[47] Kentucky Power's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 39.

[48] Kentucky Power's Dec. 10, 2020 Supplemental Response to Staff's Second Request, Item 39, Supplemental Attachment 1.

[49] *Id.*

[50] *See Id.* at 16–25, which includes lunches for three Ashland, Kentucky-based Kentucky Power employees from Ashland, Kentucky restaurants; $96.95 for hot beverages, $370.51 for breakfast boxes, and $391.95 for lunches delivered to AEP's offices in Columbus.

should be denied as unreasonable, and additionally is likely duplicative of witness preparation that Kentucky Power is billed for by Kentucky Power's counsel, if the expense and activity is necessary at all. Furthermore, recovering this expense from customers is patently unfair. Therefore, the cost of meals during meetings and the amounts paid to CCA should be removed for ratemaking purposes.

To factor in for the preceding, and to reflect the actual amount of rate case related work expensed to date, the Commission finds that a reduction to the revenue requirement in the amount of $418,069[51] is necessary and is reflected in the Commission's revenue requirement calculation above.

Edison Electric Institute (EEI) Expenses. Kentucky Power was allocated $104,806 for dues to the EEI, a nonprofit trade association representing American investor-owned electric utilities.[52] Of the total amount, $88,361 was included in the cost of service and

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[51]

Total Rate Case Expenses to Date	$	391,375
Meals and Witness Coaching Provided by Communication Counsel of America		(54,612)
Estimated Rate Case Expenses in Application		(1,583,375)
Reduction Before Gross Up		(1,246,612)
Divide by: Three Years		3
Reduction to Amortization of Rate Case Expense		(415,537)
Gross Revenue Conversion Factor		1.0060929
Reduction to Revenue Requirement	$	(418,069)

[52] Rebuttal Testimony of Brian K. West (West Rebuttal Testimony) at R11; and Kentucky Power Response to Staff's Post-Hearing Request, Item 2, Attachment 1. AEP is billed and then allocates the expense to its operating company subsidiaries based upon each utilities number of customers and revenue.

$16,445, representing legislation influencing activity, was excluded from the cost of service.[53]

Attorney General/KIUC and Mr. Kollen recommended that 45.35 percent of the $104,806 allocated to Kentucky Power, or $48,000, be disallowed for ratemaking purposes, asserting that there is "no assurance" that the percentage removed for influencing legislation accurately incorporates all advocacy and public relations costs.[54]

In response, Kentucky Power maintained that there is no evidence to support Attorney General/KIUC's and Mr. Kollen's recommendation, asserting that, consistent with the express language of the EEI bill, the appropriate amounts were excluded from the cost of service, and therefore no additional adjustment is warranted.

The Commission finds that through its responses to Staff's Post-Hearing Request, Kentucky Power has properly explained what was excluded from the cost of service for ratemaking purposes and has provided additional information for the Commission to consider in rendering its decision on the reasonableness of the expense. Therefore, the Commission finds that the full amount of EEI Dues that have been included in the test year should be included in the calculation of Kentucky Power's revenue requirement.

Miscellaneous Expenses. Kentucky Power included in its test-year expenses $630,072 that were included in FERC Account 930, Miscellaneous Expense. In response to Staff's Second Request, Item 47, Kentucky Power provided a spreadsheet that provided a breakdown of the expenses included in this category with some detail for

[53] *Id.*

[54] Kollen Direct Testimony at 37–38; Attorney General/KIUC Post-Hearing Brief at 25–27.

amounts expensed over $500.[55] In Staff's Post-Hearing Data Request, the Commission asked Kentucky Power to provide the information in the record that showed support that the amounts expensed were reasonable. In its response, Kentucky Power stated that adjustments had been made to the test-year expenses after they were reviewed for reasonableness by Kentucky Power's witnesses Ms. Scott and Mr. Bishop. Kentucky Power additionally stated in its response that "to identify each expense (or category of expense) and provide testimony expressly supporting its recovery would be unworkable, unprecedented, and unreasonable." [56]

The Commission finds that Kentucky Power has the burden of proof in this case to demonstrate that the expenses that it requests recovery of are reasonable. While the Commission can appreciate that requiring a utility, such as Kentucky Power, to provide written testimony on why each individual expense should be recovered, merely providing the Commission some indication of the purpose or benefit of the category of expenses in order for the Commission to determine the reasonableness of recovery would not be "unworkable, unprecedented, [or] unreasonable." In fact, other utilities in rate cases include at least the recipient of miscellaneous expenses incurred during a test-year or base period in its application or accompanying support. The Commission notes that when asked to provide information regarding a certain category of expenses, as has been done in this case, Kentucky Power has evidenced its inability, or unwillingness to do so. Therefore, the Commission finds that test year expenses be reduced by $545,012 which excludes $88,361 for EEI Dues as discussed above.

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[55] Kentucky Power's Response to Staff's Second Request, Item 47.

[56] Kentucky Power's Response to Staff's Post-Hearing Request, Item 14.

Rockport Unit Power Agreement (UPA) Demand Expense Operating Ratio. Kentucky Power proposed an adjustment to increase test-year purchased power expense to account for known and measurable changes to its Rockport UPA expenses.[57] Kentucky Power argued that the adjustment is necessary because the Rockport UPA rate calculation includes an operating ratio that increased the Rockport UPA expenses due to the Rockport Unit 2 SCR being placed into service in June 2020, after the test year.[58] The operating ratio component decreases the return component in order to remove CWIP.[59]

Attorney General/KIUC witness, Mr. Kollen, recommended to remove Kentucky Power's proposed adjustment, and defer any increased expense to the Rockport UPA regulatory asset, to be recovered as increased amortization expense through Tariff PPA starting in December 2022.[60] Mr. Kollen argued that the post-test-year adjustments should be deferred to mitigate the immediate effect on ratepayers and allow Kentucky Power full recovery of its costs.[61] In response, Kentucky Power stated that Kollen's proposed adjustment should be included in the Rockport UPA regulatory asset because it is a reasonable mitigation proposal in this case.[62]

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[57] Direct Testimony of Alex E. Vaughan (Vaughan Direct Testimony) at 48-49.

[58] *Id.*

[59] *Id.*; Kentucky Power's Response to Staff's Sixth Request for Information (Staff's Sixth Request), Item 12(b).

[60] Kollen Direct Testimony at 33-34.

[61] *Id.*

[62] Vaughan Rebuttal Testimony at 7-8.

The basis of Kentucky Power's proposed adjustment is that an increase in the operating ratio will increase the Rockport UPA purchase power expenses recovered in base rates. However, during the test year, the operating ratio effectively removed CWIP related to a project, which is recovered through Kentucky Power's environmental surcharge (Tariff ES), from the Rockport UPA calculation,[63] thus Kentucky Power was billed a return component based on all the in-service plant at that time, which will continue after the Unit 2 SCR is placed into service. The total Rockport UPA is recovered through the fuel adjustment clause, Tariff ES, and base rates.[64] The nonfuel components affected by the operating ratio are recovered either through base rates as purchased power expenses or Tariff ES as discrete expenses and capital projects, which do not include the operating ratio component of the UPA cost calculation. The increase in the operating ratio after the Unit 2 SCR went into service in June 2020 is simply the result of including the Unit 2 SCR in the return calculation. Because the Unit 2 SCR began to be recovered through Tariff ES in June 2020, Kentucky Power did not include this project in the Tariff ES base revenue requirement. The increases in the Rockport UPA associated with the Unit 2 SCR are already being recovered through Kentucky Power's Tariff ES.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that Kentucky Power's proposed adjustment to increase test-year purchased power expense to reflect an increase in the operating ratio included in the Rockport UPA cost calculation should be denied. Mr. Kollen's recommendation to defer

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[63] Kentucky Power's Response to Staff's Sixth Request, Item 12(b).

[64] Kentucky Power's Response to the Attorney General/KIUC's First Request for Information (Attorney General/KIUC's First Request), Item 8.

this increase in expense and include it in the Rockport UPA regulatory asset is therefore unnecessary. The result is a decrease in test-year purchased power expense of $1,695,513, which results in a revenue requirement reduction of $1,705,844.

Kentucky State Income Tax Rate. In its application, Kentucky Power applied a blended effective state income tax rate of 5.85 percent in the calculation of its gross revenue conversion factor.[65] Attorney General/KIUC witness Mr. Kollen proposed to reduce Kentucky Power's revenue requirement to reflect the actual Kentucky state income tax rate of 5.00 percent resulting in a reduction of $692,374 to the base revenue requirement.[66] In response to Commission Staff's Post-Hearing Request for Information, Kentucky Power provided under confidential seal its state income tax returns filed in Illinois, Michigan, and West Virginia for the years 2018 and 2019.[67] Additionally, Kentucky Power provided support for the apportionment factors it used in calculating the blended effective state income tax rate.[68] The Commission finds that Kentucky Power demonstrated sufficient support for the use of the blended effective income tax rate, which is based on a ratio of total sales to sales for each state in which it actually files tax returns, and therefore rejects Mr. Kollen's proposed adjustment.

Off-System Sales (OSS) Margins and System Sales Clause Tariff (Tariff SSC). During the test year, Kentucky Power included OSS margins in the amount of

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[65] Application, Section V, Workpaper S-2, at 2.

[66] Kollen Direct Testimony at 36.

[67] Kentucky Power's Response to Staff's Post-Hearing Request, Item 17.

[68] *Id.* at Item 1.

$7,343,330.[69] As discussed below, Kentucky Power's adjustment to test-year purchased power expenses for amounts related to the GreenHat default did not include an allocation to Tariff SSC for estimated amounts. The Commission finds that OSS margins should be adjusted to reflect the allocation of GreenHat default charges to Tariff SSC for the months of April 2020, through December 2020. Therefore, the Commission will utilize the OSS margins of $7,326,879, rather than the test-year amount, resulting in a decrease in operating revenue of $16,451. Additionally, the amount of OSS margins to be collected in base rates is $7,326,879, rather than the $7,343,330 proposed in the application.

Cost of Capital Adjustments

Environmental Surcharge. Kentucky Power proposed an adjustment to incorporate test-year Tariff ES expenses into its base rates, which synchronizes the expenses and revenues that flow through its Tariff ES and removes amounts related to the Mitchell Flue Gas Desulfurization project (FGD).[70] To place the Tariff ES base revenue requirement on the same basis as base rates, Kentucky Power utilized its requested return of equity (ROE) of 10.00 percent in the calculation of the ES base revenue requirement.[71] Kentucky Power's adjustment reduced test-year expenses by $28,786,651.[72]

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[69] Vaughan Direct Testimony at 43.

[70] Direct Testimony of Lerah M. Scott (Scott Direct Testimony) at 8-9.

[71] Kentucky Power's Response to Commission Staff's Third Request for Information (Staff's Third Request), Item 1, Attachment 33.

[72] Application, Section V, Exhibit 2 at 6.

Attorney General/KIUC witness Mr. Kollen recommended that the Tariff ES revenue requirement be reduced to remove CWC,[73] use a state income tax rate of 5.00 percent,[74] use an ROE of 9.00 percent,[75] and extend the Rockport 2 Unit Selective Catalytic Reduction project (SCR) depreciation period to ten years.[76] The total effect of these adjustments is a revenue requirement decrease of $19,577,018.[77]

The Commission will not accept Mr. Kollen's recommendation to adjust the state income tax rate used in Kentucky Power's Tariff ES and declines to extend the depreciation period for the Rockport Unit 2 SCR, based on the finding above that the appropriate state income tax rate is the blended rate and the Commission's concern regarding the numerous cost deferrals already established for Kentucky Power regarding the Rockport UPA. Based on its finding above regarding CWC in rate base, the Commission finds that CWC should be removed from Kentucky Power's Tariff ES rate base. Based on the finding below that Kentucky Power should utilize an ROE of 9.10 percent for limited purpose rider revenue requirement calculations, the Commission finds that Kentucky Power should utilize an ROE of 9.10 percent for all Tariff ES filings after the date of this Order. The adjustments to remove CWC from rate base and adjust the ROE to 9.3 percent include Tariff ES rate base recovered in base rates. The only remaining adjustment is to reduce the ROE for Mitchell Non-FGD rate base, without

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[73] Kollen Direct Testimony at 17.

[74] *Id.* at 36.

[75] *Id.* at 46-47.

[76] *Id*. at 51-52.

[77] *Id.* at 7.

CWC, from 9.3 to 9.10 percent. Based on the Mitchell Non-FGD rate base, excluding CWC, of $218,135,633, the resulting revenue requirement reduction is $236,063. Kentucky Power shall file a revised Tariff ES to reflect the Commission authorized return on equity and rate base discussed in this Order, and the annual base revenue requirement as shown on Appendix D attached to this order.

OFFSET TO REVENUE INCREASE

Tariff Capacity Charge

As an offset to the proposed revenue increase, Kentucky Power proposed a conditional offer to terminate the Capacity Charge tariff two years early, which would offset rates by $6,200,000 annually.[78] Kentucky Power conditioned this offer on the Commission accepting Kentucky Power's proposed revenue and CPCN requests, as well as all of the Company's other proposals without making any adjustments or modifications. Although Kentucky Power's proposal is effectively an attempt at a regulatory quid pro quo, the Company noted in its application (and in press offerings) the early termination of the Capacity Charge was offered in an attempt to "mitigate" the impacts of this matter.

The Capacity Charge tariff was one of the settlement provisions approved in Case No. 2004-00420.[79] The Capacity Charge tariff is a surcharge designed to recover from customers the supplemental annual payments for the Rockport UPA, between 2005 and 2022. The payments were structured so that Kentucky Power received $5,100,000 annually from 2005 through 2009, $6,200,000 from 2010 through 2021, and then

[78] The amount is prorated for calendar year 2022 since the UPA expires in December 2022.

[79] Case No. 2004-00420, *Application of Kentucky Power Company for Approval of a Stipulation and Settlement Agreement Resolving State Regulatory Matters* (Ky. PSC Dec. 13, 2004).

$5,792,329 in 2022, when the payments, and Rockport UPA, terminate.[80] The parties to the settlement agreement approved in Case No. 2004-00420 agreed to these supplemental payments as consideration for Kentucky Power extending the Rockport UPA from December 31, 2004, through December 7, 2022.[81] The supplemental payments are revenue without an expense.

The Attorney General/KIUC's witness, Mr. Kollen, argued that the Commission should require Kentucky Power to terminate the Capacity Charge no matter what because the Capacity Charge is a retail rate and not a cost imposed on Kentucky Power, and that the market conditions that warranted the equity incentive payments for extending the Rockport UPA lease no longer exist.[82] In rebuttal testimony, Kentucky Power rejected the arguments of Attorney General/KIUC's witnesses as irrelevant, noting that the Commission recognized market conditions could change and that the revenue provided through the Capacity Charge was material consideration for Kentucky Power's agreement to extend the UPA.[83] Additionally, Kentucky Power argued that the Attorney General/KIUC were parties to the settlement in Case No. 2004-00420, and therefore are precluded from unilaterally now attempting to abrogate the settlement agreement.[84]

As discussed throughout this Order, the Commission for multiple reasons cannot accept Kentucky Power's proposed application as filed. Kentucky Power's request to

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[80] *Id.*, Appendix A at 4. $5,792,239 represents payments through December 7, 2022, or 341/365 of $6,200,000.

[81] *Id.*, Appendix A at 2.

[82] Kollen Direct Testimony at 57–58; and Attorney General/KIUC Post-Hearing Brief at 38–41.

[83] Kentucky Power Post-Hearing Brief at 26–28.

[84] *Id.* at 26–27.

approve a significant rate increase as filed would require us to abdicate our statutory responsibility to conduct a full and robust investigation to ensure that rates are fair, just and reasonable. Kentucky Power received the ongoing seven-figure payments as incentive to extend a power purchase agreement. The Commission will not require Kentucky Power to make good on its conditional offer. However, given Kentucky Power's concern for its customers, as expressed repeatedly in this pendency of this proceeding, the Commission expects Kentucky Power to earnestly consider the value to its customers by carrying out the offset to rates by terminating the Capacity Charge effective with or closely after the rates approved in this Order are placed into effect. As such, the Commission will allow Kentucky Power 15 days following service of this Order to respond by letter from Kentucky Power's President and Chief Operating Officer, Brett Mattison, indicating whether it will voluntarily forego all or a portion of the Capacity Charge for the remainder of the term of the UPA.

Unprotected Excess ADIT

Kentucky Power proposed to accelerate amortization of approximately $65,000,000 of existing unprotected excess ADIT to offset the first year of the proposed rate increase, with a determination how applicable the amortization rate will be calculated after 2021. The Commission approved an 18-year amortization period for the unprotected excess ADIT in Case No. 2018-00035.[85] As of April 30, 2020, the unprotected excess ADIT balance was approximately $113,500,000.[86] Kentucky Power proposed to amortize

[85] Case No. 2018-00035, *Kentucky Industrial Utility Customers, Inc. v. Kentucky Power Company* (Ky. PSC June 28, 2018).

[86] West Direct Testimony at 6–9.

the amount of unprotected excess ADIT required for these offsets ratably across 2021 to align with time of reduced base rate revenues during 2021.[87]

The Attorney General/KIUC recommended that the unprotected excess ADIT be used to offset both 100.00 percent of the first year and 50.00 percent of the second year of the proposed rate increase.[88] The Attorney General/KIUC further recommended that, once applied to offset the rate increase, the unprotected excess ADIT continue to be amortized at current level until the balance is fully amortized.[89] In response, Kentucky Power asserted that, while there may be negative impacts on cash flow and credit metrics from its proposal, those could be borne for one year, but a longer period recommended by the Attorney General would be the type of event that leads to Kentucky Power being placed on a negative outlook by rating agencies or could result in a credit downgrade.[90]

With the enactment of the Tax Cuts and Jobs Act (TCJA), the federal corporate income tax rate was reduced from 35 percent to 21 percent. This reduction in the federal corporate income tax rate on regulated utilities resulted in excess ADIT balances that were to be returned to ratepayers. The TCJA separated the excess ADIT into two categories: protected and unprotected. The TCJA normalization rules apply to return of the excess protected ADIT, whereas the return of the unprotected excess ADIT is not governed by normalization rules. Therefore, the prior agreed upon 18-year amortization

[87] Kentucky Power Response to Staff's Sixth Request, Item 13.

[88] Kollen Direct Testimony at 47–49; Attorney General/KIUC Post-Hearing Brief at 44-45.

[89] Kollen Direct Testimony at 49.

[90] Rebuttal Testimony of Brett Mattison (Mattison Rebuttal Testimony) at R5; West Rebuttal Testimony at R2; Messner Rebuttal Testimony at R6-R7; Hearing Transcript, Vol. III at 817–818; Kentucky Power Post-Hearing Brief at 23–24.

of the unprotected excess ADIT can be modified. The balance of the unprotected excess ADIT is estimated to be $81,011,186 for 2021.[91] Using a gross revenue conversion factor of 1.34492, the estimated revenue credit is $108,945,504 for unprotected excess ADIT. Historically, Kentucky Power's protected excess ADIT is approximately $3,500,000 per year.

The Commission agrees with the overall proposal to use the unprotected excess ADIT to mitigate the impact of the rate increase on their customers. However, the Commission is not persuaded by Kentucky Power's argument that the accelerated return of unprotected excess ADIT should be limited to one year because Kentucky Power offered conclusory statements of opinion from its own personnel without any evidentiary support. The Commission finds amortizing the total unprotected excess ADIT over three years followed by a review of rates at the end of three years is more appropriate as savings may be realized through the ending of the Rockport UPA and the associated environmental costs. Further, due to the anticipated savings from the termination of the Rockport UPA and therefore termination of associated costs that are currently in base rates and the termination of the Capacity Charge, the Commission finds that Kentucky Power should file a general base rate adjustment application for rates effective January 1, 2024.

The Federal Tax Cut (FTC) surcredit will follow the same allocation as in Case No. 2018-00035 where the total credit is allocated between residential and nonresidential

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[91] Figure 1 of West Rebuttal Testimony at R3. Note that the Fed Tax Cut Rider of $6,951,693 in Figure 1 is an error as this amount is the 18 year amortization revenue credit balance after the GRCF is applied. However, this error would not change the end sum of the Total and EOY ADFIT Bal in Figure 1. *See* Case No. 2018-00035, Appendix A, Exhibit 2.

based upon the test-year revenues. The total credit will be approximately $40,000,000 per year total for unprotected excess ADIT and protected excess ADIT. For residential customers only, the rate credits will continue to be higher in the winter heating months of December through March to provide greater benefits during the high-usage winter hearing months. Such an allocation also more closely matches revenues with cash flow for Kentucky Power. For a residential customer using 1100 kWh per month, the savings during the winter heating month will be $24.06.[92]

RATE OF RETURN

Capital Structure and Cost of Debt

Kentucky Power proposed an adjusted test-year-end capital structure consisting of 53.73 percent long-term debt at 4.04 percent; zero percent short-term debt at 2.23 percent; 3.02 percent accounts receivable financing at 2.80 percent;[93] and 43.25 percent common equity at a return of 10.00 percent.[94] The proposed capital structure included one adjustment for the refinance of $65,000,000 WVEDA Mitchell Project, Series 2014A Bonds on June 19, 2020.[95] For the short-term debt component, the balance at the end of the test year was approximately $10,685,291; however, this balance was reduced to zero as a result of an adjustment for the excessive target levels of coal from the Mitchell coal stock. The test-year balance of the excessive Mitchell coal stock, or $13,084,362,

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[92] *See* Appendix B for surcredit calculations.

[93] As filed the interest rate of the Accounts Receivable was 2.802 percent.

[94] Direct Testimony of Franz D. Messner (Messner Direct Testimony) at 4.

[95] Messner Direct Testimony at 6.

was first applied to the short-term debt followed with the balance being allocated proportionally between long-term debt and equity.[96]

Short-Term Debt. Regarding the zero balance of short-term debt, the Attorney General/KIUC's witness, Mr. Kollen, asserted that Kentucky Power carried a much larger average monthly balance of short-term debt during the test year and just before the end of the test year, significantly paid down the short-term debt and then moved it to zero with the Mitchell coal stock adjustment. Mr. Kollen suggested that, due to the short-term debt pay down, the capital structure should include the test-year average of short-term debt at the most recent interest rate incurred by Kentucky Power, 0.51 percent.[97] Mr. Kollen also proposed to allocate the Mitchell coal stock adjustment proportionately across the entire capital structure rather than applying it to short-term debt first and then allocating the balance.[98]

In response, Kentucky Power contended that it reduced its short-term holdings in February 2019, via a two-year term loan at 1.68 percent[99] as opposed to a long-term debt issuance because, with the uncertainty with economic development activity, marketing of the private placement to investors would be difficult and could result in a higher interest rate.[100] Kentucky Power further contended that it followed regulatory filing requirements for an historical test year with the inclusion of the end of the test-year book balance of

[96] Application, Section V, Exhibit 1, Workpaper S-3.

[97] Kollen Direct Testimony at 40–41.

[98] *Id.* at 39.

[99] Actual interest rate was listed as 1.683%.

[100] Rebuttal Testimony of Franz D. Messner (Messner Rebuttal Testimony) at R3.

short-term debt.[101] Regarding the Mitchell coal stock adjustment, Kentucky Power supported the adjustment as being an appropriate allocation as it avoids a negative short-term debt balance and is consistent with prior Commission rulings in Case Nos. 2014-00396 and 2017-00179, and therefore both proposals of Mr. Kollen should be rejected.[102]

The Attorney General/KIUC supported Mr. Kollen's assertion regarding the allocation of the Mitchell coal stock stating the proposed allocation is unreasonable.[103] The Attorney General/KIUC argued that long-term coal inventories are not solely financed with short-term debt and any Mitchell coal stock adjustment should not assume that low-cost, short-term debt will primarily be used.[104] The two parties alleged that if there was a sufficient balance of short-term debt at the end of the test year, 100.00 percent of the Mitchell coal stock adjustment would have been entirely applied to short-term debt for the sole reason there was sufficient short-term debt to do so, not because the excessive coal stock was solely financed by short-term debt.[105]

Mr. Kollen also addressed $40,000,000 in Senior Unsecured Notes–Series A that are currently at an effective interest rate of 7.32 percent[106] and will mature on June 18, 2021, less than six months after rates are effective in the instant case. Mr. Kollen proposed to adjust the cost of this debt to 4.00 percent and defer any difference in interest

[101] *Id.* at R4.

[102] *Id.*; Kentucky Power Post-Hearing Brief at 91; Case No. 2014-00396, June 22, 2015 Order; and Case No. 2017-00179, Jan. 18, 2018 Order.

[103] Attorney General/KIUC Post-Hearing Brief at 27.

[104] *Id.*

[105] *Id.*

[106] Actual effective interest rate is 7.319%.

expense as a regulator asset or liability.[107] Mr. Kollen advocated that such an adjustment will lower annual interest expense, and if the Commission does not make an adjustment, Kentucky Power will recover this interest expense difference at the determent of its own customers.[108] Kentucky Power asserted that such an adjustment is not appropriate because those notes are part of the test-year book balance of long-term debt and are currently outstanding.[109] Kentucky Power also asserted that Mr. Kollen's adjustment does not meet the criteria of being known and measurable, but instead applied a hypothetical interest rate.[110] Kentucky Power contended that this recommendation does not consider Kentucky Power's already struggling credit metrics and is a punitive reduction of Kentucky Power's revenue requirement.[111]

The Attorney General/KIUC noted that it is Kentucky Power's practice to issue and replace maturing debt with new debt.[112] The Attorney General/KIUC further noted that the cost of debt is at a historical low due to the COVID-19 pandemic and that is likely that the interest rates will be even lower than Mr. Kollen's proposed 4.00 percent.[113] The two parties recommended following Mr. Kollen's proposal and adjust the long-term debt rate for this maturing bonds and establish a regulatory asset for any interest costs until the bonds mature and are refinanced and a regulatory liability or asset for any difference

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[107] Kollen Direct Testimony at 42–43.
[108] *Id.*

[109] Messner Rebuttal Testimony at R5.

[110] Kentucky Power Post-Hearing Brief at 22.

[111] *Id.*

[112] Attorney General/KIUC Post-Hearing Brief at 29.

[113] *Id.*

between the actual interest rates and 4.00 percent until the next base rate case. The Attorney General/KIUC maintained that this rate adjustment is a known and measurable adjustment akin to Kentucky Power's forecasted proposed post-test-year increase to revenue requirements related to the Rockport UPA demand expense increase.[114]

In Case Nos. 2014-00396 and 2017-00179, Kentucky Power's proposed capital structure included an allocation of the excess Mitchell coal stock whereby it was first allocated to short-term debt. In Case No. 2014-00396, the entirety of the Mitchell coal stock was allocated to short-term debt, and this allocation, and others, led to a negative short-term debt amount in the proposed capital structure.[115] In that proceeding, the Attorney General/KIUC, took issue with the negative short-term debt balance proposed in the application. To address this, Kentucky Power agreed to a zero balance of short-term debt and a pro rata allocation between long-term debt and equity and, in the final Order of that proceeding, the Commission found that Kentucky Power's capital structure for ratemaking purposes should include zero short-term debt.[116] In Case No. 2017-00179, Kentucky Power conformed to the prior case and the proposed capital structure included an allocation of the Mitchell coal stock, first to short-term debt until the balance reached zero, and then the remaining balance was applied proportionally between long-term debt and equity.[117] In that proceeding, although the Commission made other adjustments to the short-term debt, the proposed allocation of the Mitchell coal stock was

[114] *Id.* at 30.

[115] Case No. 2014-00396, Application, Section_V_Exhibit 1.xlsx, Tab Sch 3.

[116] Case No. 2014-00396, June 22, 2015 Order at 36.

[117] Case No. 2017-00179, Application, Section V, Exhibit 1, Workpaper S-3.

not altered.[118] In the instant case, Kentucky Power stated that it uses its working capital resources to pay for expenses and that all capitalized items, including the Mitchell coal inventory, are financed based upon the Company's overall capital structure.[119] Kentucky Power also stated that because the Mitchell coal stock is a shorter term in nature, it is reasonable to adjust short-term debt first.[120] The Commission finds that the proposed allocation to be reasonable based exclusively upon past precedent. However, the Commission encourages Kentucky Power to provide support that coal purchases are primarily financed through short-term debt in its next base rate case.

The Commission also finds that the short-term debt at the test-year end is reasonable and, although it is uncharacteristically low as compared to the rest of the test year, Kentucky Power followed standard filing requirements for an historical test year with the inclusion of the end of the test-year book balance of short-term debt.

As mentioned above, in Case No. 2017-00179, the Commission made a further adjustment to short-term debt due to Kentucky Power selling its receivables to AEP for cost savings related to default risk and for improved cash flow; however, the uncollectible accounts remained with Kentucky Power and were not sold with the accounts receivable. Therefore, since the cost of accounts receivable financing was higher than traditional short-term financing, the Commission reduced the total capital structure percentage of accounts receivable financing and correspondingly increased the percentage of short-term debt. In response to discovery, Kentucky Power stated that because Kentucky

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[118] Case No. 2017-00179, Jan. 18, 2018 Order at 24.
[119] Kentucky Power's Response to Staff's Sixth Request, Item 7.

[120] *Id.*

Power sells its customer accounts receivable and accrued unbilled revenue balances to AEP Credit, the uncollectible accounts do not remain with Kentucky Power.[121] Therefore, the Commission will not make a similar adjustment in this case and finds the cost of short-term debt and accounts receivable financing of 2.23 percent and 2.80 percent, respectively, to be reasonable.

Long-Term Debt. Regarding the bond maturity, based upon settled case law and Commission regulations, the Commission must determine what the reasonable cost is for ratemaking purpose for a maturing debt that, shortly after new rates are in effect, will be reissued at a significantly lower interest rate. In determining a utility's cost of capital, the Commission has the authority to impute hypothetical debt rates for instruments reasonably anticipated to be issued during a rate case test year provided that the hypothetical rates are supported by substantial evidence.[122] The determination of hypothetical, yet reasonable and evidence-supported, debt rates is effectively what the Commission approved above regarding Kentucky Power's short-term debt and the Mitchell coal stock. Commission regulation 807 KAR 5:001, Section 16(1)(a)(1), permits adjustments to historical test periods for known and measurable changes. According to Kentucky Power's testimony, it typically refinances a debt instrument when it matures.[123] As discussed above, Kentucky Power's Senior Unsecured Notes–Series A debt with an interest rate of 7.32 percent will mature June 18, 2021. Kentucky Power reported that as of December 2, 2020, current bond rates range from 2.59 percent for a

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[121] Kentucky Power's Response to Staff's Fourth Request, Item 51.

[122] *Public Serv. Comm'n v. Continental Telephone Co. of Ky.*, 692 S.W.2d, 798-801.

[123] Hearing Transcript, Vol. III at 824–825.

7-year bond tenor to 4.49 percent for a 30-year tenor.[124] Based upon the evidence of record regarding its refinancing practices, Kentucky Power is expected to take advantage of the refinance opportunity due to the interest rate savings as the current rates are at a minimum 2.83 percent lower, which represents an annual savings of $1,131,600.[125] The Commission finds that adjusting the interest rate of this long-term debt instrument is reasonable because there is substantial evidence that Kentucky Power will refinance the debt and there is significant evidence that the imputed rates will be substantially lower than interest rates Kentucky Power included in the test year.

Based on the evidence of record, the Commission finds that the midpoint of the current rates, or 3.54 percent, is reasonable and will result in an annual interest rate savings of $1,511,600. Kentucky Power should defer the difference in jurisdictional interest expense between 3.54 percent and the high-cost debt until it matures as a regulatory asset. The resulting long-term debt rate for the capital structure will be 3.89 percent.

Return on Equity

In its application, Kentucky Power's expert witness, Adrian M. McKenzie, CFA, proposed an ROE using the discounted cash flow model (DCF), the capital asset pricing model (CAPM), the empirical CAPM (ECAPM), utility risk premium model (RP), and the expected earnings approach. In addition, Mr. McKenzie calculated an ROE estimate for nonutility companies for use as a comparative benchmark. Mr. McKenzie, after making

[124] Kentucky Power's Response to Staff's Post-Hearing Request, Item 18.

[125] $40,000,000 * 2.829 % = $1,131,600.

adjustments for flotation costs, company size, and removing high and low extremes for several model results, recommended an ROE 10.30 percent with a range of 9.40 percent to 10.50 percent.[126] Mr. McKenzie argued that Kentucky Power's risk exposure regarding its ability to recover rising costs and investments timely, its need for financial strength, coupled with the heightened economic, financial, and environmental uncertainties demonstrates that a 10.30 percent ROE is warranted.[127] Kentucky Power, in an effort to mitigate the effect of the requested increase in rates, requested a 10.00 percent ROE.[128]

The table below summarizes the range of Mr. McKenzie's ROE estimates.[129]

Methodology	**ROE-Average**		**ROE-Midpoint**
DCF			
DCF - Value Line	9.7%		10.2%
DCF – IBES	9.1%		8.7%
DCF – Zacks	9.2%		9.4%
DCF - Internal br+sv	8.6%		9.6%
CAPM			
Current Bond Yield	8.0%		8.3%
Projected Bond Yield	8.4%		8.8%
ECAPM			
Current Bond Yield	9.1%		9.3%
Projected Bond Yield	9.5%		9.8%
Utility Risk Premium			
Current Bond Yield		9.6%	
Projected Bond Yield		10.5%	
Expected Earnings	11.0%		10.6%
ROE Range	**9.4%**		**10.5%**

[126] Direct Testimony of Adrian M. McKenzie CFA (McKenzie Direct Testimony) at 4 and 9.

[127] *Id.* at 4, 9, 12, and 14.

[128] *Id.* at 4.

[129] *Id.* at Exhibit AMM-2.

Direct intervenor testimony and analysis regarding ROE was sponsored by the Attorney General/KIUC, and performed by Richard A. Baudino. Mr. Baudino's analysis used both the DCF and CAPM models and a historical risk premium analysis. He recommended an ROE range of 8.93 percent to 9.25 percent based upon the DCF results only.[130] Mr. Baudino utilized the CAPM model as an alternative method to calculate ROE only. Mr. Baudino stated that considerable judgement must be employed to determine market returns and expected risk premium elements for the CAPM model, and that the analyst's application of judgement can influence the results significantly.[131] Mr. Baudino argued that the sharp increase in beta values results from extreme market volatility due to the effects of COVID-19. Mr. Baudino, citing lower historical beta values warranted caution in the current case, asserted that it is unlikely that the 63.00 percent increase in expected beta values for electric utilities from earlier this year is accurate or reliable, or is necessarily reflective of investors' longer-term expectations.[132]

The Attorney General/KIUC's witness, Mr. Kollen, adopted a 9.00 percent ROE, citing the poor economic conditions of Kentucky Power's service territory.[133] SWVA did not file testimony, but, in its brief, recommended that the Commission adopt a 9.00 percent ROE.[134] Similarly, Walmart did not file testimony regarding the ROE, but, in its brief, argued that the 9.20 percent ROE recently awarded by the Virginia State

[130] Direct Testimony of Richard A. Baudino (Baudino Direct Testimony) at 35.

[131] *Id.* at 29.

[132] *Id.* at 34.

[133] Kollen Direct Testimony at 45–46.

[134] SWVA Post-Hearing Brief at 2–4.

Corporation Commission closely aligns with the ROE recommendations of other witnesses in this proceeding.[135] The Joint Intervenors did not propose a specific ROE to be adopted, asserting that the ROE should be towards the lower end of Commission Staff's analysis, but objected that Kentucky Power's proposed 10.00 percent ROE was higher than justified.[136]

For his DCF analysis, Mr. Baudino started with Mr. McKenzie's proxy group of 23 companies but eliminated two companies, one of which had lowered its dividend and the other was divesting electric operations in the United Kingdom.[137] Using updated proxy group information, Mr. Baudino employed forecasted dividend and earnings growth rates, and calculated DCF estimates using two methods. The first applied average growth rates and the second, median growth rates.[138] Method 1 ROE estimates range from 8.75 to 9.05 percent and Method 2 ROE estimates range from 8.61 to 9.63 percent, with averages of 8.93 and 9.25, respectively.[139]

For his CAPM estimates, Mr. Baudino employed two approaches. The first approach used the forecasted market return and the second approach used a historical risk premium based upon actual stock and bond returns from 1926 to 2019.[140] Mr. Baudino updated Mr. McKenzie's beta value inputs, noting that they had increased since

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[135] Walmart Post-Hearing Brief at 7–10.

[136] Direct Testimony of James Owen (Owen Direct Testimony) at 16-24; Joint Intervenors' Post-Hearing Brief at 15–16.

[137] Baudino Direct Testimony at 21.

[138] *Id.* at 24–25.

[139] *Id.* at 25 and Exhibit RAB-4.

[140] *Id.* at 29 and Exhibit RAB-5 and RAB-6.

the start of the pandemic in early 2020.[141] Two different risk free rates were utilized. The first measure was an average of the 30-year Treasury bond yields for the March through August 2020 period. The second measure was a normalized risk free rate developed by Duff and Phelps, utilizing a measure for the real risk free rate and expected inflation.[142]

The following table summarizes Mr. Baudino's results:[143]

DCF Methodology	
Average Growth Rates	
High	9.05%
Low	8.75%
Average	8.93%
Median Growth Rates	
High	9.63%
Low	8.61%
Average	9.25%
CAPM Methodology	
Forward looking Mkt Return	
Current 30-year Treasury	9.80%
D&P Normal Risk Free Rate	9.95%
Historical Risk Premium	
Current 30-year Treasury	6.73% - 7.65%
D&P Normal Risk Free Rate	7.85% - 8.77%

Mr. Baudino argued that his recommended ROE range is reasonable as it is consistent with his DCF results and falls within the CAPM estimate range. In addition, a reliance on the DCF results is supported by a number of factors including reduced stock market volatility from the April through May 2020, and relatively stable dividend yields since May 2020, and that the six month average dividend yield is representative of

[141] *Id.* at 33.

[142] *Id.* at 32 and Exhibit RAB-5 and RAB-6.

[143] *Id.* at 35.

investor expectations given the current environment. Mr. Baudino further argued that interest rates are low and long term utility bond yields have fallen substantially since January 2020.[144] Finally, Mr. Baudino stated that his results are reasonable as the recommended range falls within AEP's own return projections of 8 to 10 percent.[145]

Mr. Baudino took issue with multiple assumptions used in Mr. McKenzie's ROE calculations and concluded that Mr. McKenzie's 10.30 percent recommendation was inconsistent with current financial market evidence and the low interest rate environment.[146] Mr. Baudino argued that the forecasted rates are often overstated and should not be given preference over current rates. In addition, he noted that the Value Line's updated forecasts for the 2021-2024 period for the 10-year Treasury note and the 30-year Treasury bond were substantially lower than the original forecasts supporting Mr. McKenzie's calculations.[147] Regarding the DCF calculations, Mr. Baudino argued that the practice of excluding select low ROE observations biased Mr. McKenzie's DCF results upward while the inclusion of excessively high observations ranging from 12-13.6 percent was unreasonable as such are much higher than any recent Commission allowed ROE.[148] Mr. Baudino strongly recommended rejecting Mr. McKenzie's DCF approach.[149]

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[144] *Id.*

[145] *Id.* at 36 and Exhibit RAB-2 at 3 of 3.

[146] *Id.* at 37.

[147] *Id.* at 39.

[148] *Id.* at 40-41.

[149] *Id.* at 42.

Regarding the CAPM and ECAPM models, Mr. Baudino argued that Mr. McKenzie offered no support that the ECAPM model was favored by investors over the standard CAPM model. In addition, Mr. Baudino argued that the use of the ECAPM model suggests that the Value Line published betas are imprecise.[150] Mr. Baudino contended that Mr. McKenzie's estimated expected market return calculation was flawed by unnecessarily restricting the number of companies included in the calculation, which served to overstate the estimate.[151] Mr. Baudino also rejected Mr. McKenzie's application to both the CAPM and ECAPM model of a size adjustment stating that such adjustments were inappropriate as the comparative betas of the decile groups used to make the adjustments had average beta values far greater than the 0.87 average utility proxy group beta value.[152] Mr. Baudino further rejected the use of forecasted interest rates and bond yields, arguing that financial markets are efficient and that current interest rates and bond yields embody all relevant market data and investor expectations, and are indicative of investor expectations of future interest rate changes.[153] Regarding Mr. McKenzie's Utility Risk Premium approach, Mr. Baudino argued that this approach is too imprecise and should only be used as a general guide and was overstated due to the use of forecasted utility bond yields.[154] For the Expected Earnings Approach, Mr. Baudino recommended not relying on forecasted ROEs for the same reasons as not relying on forecasted interest

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[150] *Id.* at 43.

[151] *Id.* at 44.

[152] *Id.*

[153] *Id.* at 45–46.

[154] *Id.* at 48.

rates.[155] Finally, Mr. Baudino argued that applying a flotation cost adjustment was inappropriate as current stock prices already account for flotation costs and the inclusion of such amounts to double counting.[156]

In rebuttal testimony, Mr. McKenzie asserted that Mr. Baudino's ROE recommendation was below realistic investor expectations. Specifically, Mr. McKenzie disputed Mr. Baudino's ROE analyses for the following reasons:[157]

- The discussion of current capital markets is incomplete and potentially misleading.
- There were insufficient checks on the reasonableness to test DCF results and a failure to evaluate the reasonableness of individual DCF estimates.
- Reliance on historical data compromised the application of the CAPM model and the forward-looking CAPM application had methodological shortcomings and inconsistencies.
- Failure to apply a flotation cost adjustment contradicts findings in financial literature and economic requirements underlying a fair rate of return.
- Failure to consider both the ECAPM and risk premium approaches, which are recognized ROE methodologies.
- The criticism of the size adjustment, market return calculations, expected earnings approach, and nonutility analysis is without merit.

[155] *Id.* at 49.

[156] *Id.* at 50.

[157] Rebuttal Testimony of Adrien M. McKenzie (McKenzie Rebuttal Testimony) at R3.

Mr. McKenzie provided updated analyses using current information to reflect changes in capital market conditions that occurred subsequent to the filing of his direct testimony. The table below summarizes the range of Mr. McKenzie's revised ROE estimates:[158]

Methodology	ROE-Average	ROE-Median	ROE-Midpoint
DCF			
DCF - Value Line	8.9%	8.7%	10.3%
DCF – IBES	9.1%	9.3%	8.9%
DCF – Zacks	9.3%	9.3%	9.2%
DCF - Internal br+sv	8.2%	8.0%	8.7%
Average	8.9%	8.8%	9.2%
CAPM			
Current Bond Yield	10.6%	10.3%	10.8%
Projected Bond Yield	10.7%	10.4%	10.9%
Average	10.6%	10.4%	10.8%
ECAPM			
Current Bond Yield	10.9%	10.5%	11.1%
Projected Bond Yield	11.0%	10.7%	11.1%
Average	10.9%	10.6%	11.1%
Utility Risk Premium			
Current Bond Yield	9.3%	9.3%	9.3%
Projected Bond Yield	10.1%	10.1%	10.1%
Average	9.7%	9.7%	9.7%
Expected Earnings	10.6%	10.9%	10.6%
Indicated ROE	**10.1%**	**10.1%**	**10.3%**

The full range of Mr. McKenzie's updated ROE estimates extends from a low of 8.00 percent to a high of 11.10 percent. Mr. McKenzie argued that an ROE range of 9.30-10.40 percent before a flotation cost adjustment falls within the middle range of the

[158] Nov. 17–24, 2020 Hearing, Kentucky Power Exhibit 9.

updated ROE results and that Kentucky Power's proposed 10.00 percent ROE in the middle of the results.[159]

Comparing Mr. McKenzie's original and updated ROE estimates shows that the CAPM and ECAPM estimates are significantly higher. The driver of the higher CAPM and ECAPM estimates were higher beta values as the other model inputs moved in a downward direction.[160] Mr. McKenzie's updated DCF ROE average estimate decreased slightly from the original estimate, decreasing from 9.20 percent to 8.90 percent. Similarly, for the Utility Risk Premium estimate, which decreased from 10.10 percent to 9.70 percent, and for the Expected Earnings estimate, which decreased from 11.00 percent to 10.60 percent.

The Commission continues to believe that it is appropriate for utilities to present and the Commission evaluate multiple methodologies to estimate ROEs and that it is the Commission's role to analyze the various approaches as presented by the parties. The evaluation of an ROE may consider many factors, including opportunity costs. There have been sustained downward adjustments of both the short-term and longer-term interest rates, with no indication either will increase in the near future. In addition, recent regulatory decisions regarding awarded ROEs have shown a clear downward trend. For example, S&P Global Market Intelligence's Regulatory Focus reports that the average ROE awarded in the first quarter 2020 was 9.58 percent, 9.47 percent in the second

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[159] McKenzie Rebuttal Testimony at R38.

[160] McKenzie Direct Testimony at Exhibits AMM-6 and AMM-7; McKenzie Rebuttal Testimony, Exhibits AMM-17 and AMM-18.

quarter 2020, and 9.44 for the third quarter.[161] Further support for lower ROE trends come from affiliates within the AEP family, including a 9.45 percent award for SWEPCO Arkansas and 9.40 percent award for AEP Texas.[162] Also, as noted by Walmart in its brief, in the most recent triennial review of Appalachian Power Company, the Virginia State Corporation Commission awarded a 9.20 percent ROE, down from the previous 9.42 percent ROE award that covered the 2017-2019 triennial period.[163]

The Commission notes that, with the relative decline of industry and the economy in eastern Kentucky generally, Kentucky Power has struggled to achieve its allowed ROE.[164] Furthermore, the Commission recognizes the need for adequate cash flow so that Kentucky Power can effectively manage its operations. Balancing the needs of Kentucky Power and its customers, and reviewing the record in its entirety in this proceeding, the Commission finds that an ROE of 9.3 percent is fair, just and reasonable. The approved ROE falls within the top range of the Attorney Generals/KIUC's recommended range and although is not in Mr. McKenzie's recommended range it does fall within his models. Additionally, although the Commission believes this ROE is higher than evidence in this matter may support, certain factors lead the Commission to approve an ROE at this level. Some factors contributing to this higher ROE are the application of

[161] Kentucky Power's Response to Attorney General/KIUC First Request, Item 84, Attachment 1; and Kentucky Power's Response to Staff's Post-Hearing Request, Item 11.

[162] Kentucky Power's Response to Commission's Staff's Fourth Request, Item 32, Attachment 1.

[163] Walmart Post-Hearing Brief at 8–9; Case No. PUR-2020-00015, *Application of Appalachian Power Company for a 2020 Triennial Review of Its Base Rates, Terms, and Conditions* (SCC Nov. 24, 2020).

[164] The Commission notes that while Kentucky Power's transmission investments allow it to earn a return, the transmission expenses associated with Kentucky Transco investments represent ratepayer investment expenses for which Kentucky Power does not earn a return. At the margin, this arrangement may benefit Kentucky Transco and AEP generally to the detriment of Kentucky Power.

a lower ROE for single issue riders, and the need for additional operating revenues to offset the reduced revenues and cash flow from the amortization of excess ADIT and Kentucky Power's numerous deferrals.

Rate of Return Summary

Applying the rates of 3.89 percent for long-term debt, 2.23 percent for short-term debt, 2.80 percent for accounts receivable financing, and 9.3 percent of common equity to the adjusted capitalization produces an overall cost of capital of 6.19 percent.

REVENUE ALLOCATION AND RATE DESIGN

Cost of Service Study (COSS) and Revenue Allocation

Kentucky Power filed a fully allocated jurisdictional COSS to determine the cost to serve each customer class as well as the rate of return (ROR) on rate base for each rate class during the test year. Kentucky Power's COSS utilizes the 12 coincident peak (12 CP) method.[165] The 12 CP COSS utilized a production demand allocation factor based on the 12 monthly internal peak demands for the test year to allocate production plant and demand-related production O&M expenses among Kentucky Power's retail classes. None of the intervenors objected to the filed COSS.

In its application, Kentucky Power stated that the primary cost drivers for the rate increase are the loss of industrial customers and transmission costs. Kentucky Power explained that, since the end of the test year in the 2017 rate case, customer usage declined 576 million kWh, which translated into a loss of $19,478,639 and 77.85 percent

[165] Direct Testimony of Jason M. Stegall (Stegall Direct Testimony) at 9.

of the total load loss is from the industrial class.[166] The loss of the industrial load can be seen in the cost shifts to the residential class in the last three COSSs as illustrated below:

Rate Case	Total Operating Expense	Residential Class	Percentage
2014–00396[167]	$485,021,545	$211,916,612	43.7%
2017–00179[168]	$523,190,005	$241,412,671	46.4%
2020–00174[169]	$499,531,792	$251,534,326	50.4%

Although the current rate design illustrates the interclass subsidies, the proposed revenue increase is allocated to each class based upon their contribution to rate base without any reduction to these interclass subsidies. Kentucky Power stated that if the Commission were to approve a lower increase than what is requested, then Kentucky Power would be in favor of removing a portion of the interclass subsidy that is deemed reasonable, stating that although it did not propose reducing the existing interclass subsidies, cost based rates continue be Kentucky Power's goal.[170] None of the intervenors objected to this proposed allocation. However, Wal-Mart suggested that if the final increase granted is less than what is proposed, that a portion of the reduction in the

[166] Direct Testimony of Brett Mattison at 13; and Kentucky Power's Response to Staff's Fourth Request, Item 29, KPCO_R_KPSC_4_29_Attachment1.xlsx.

[167] Case No. 2014-00396, Direct Testimony of Jason M. Stegall, Exhibit JMS-2, at 10 of 30.

[168] Case No. 2017-00179, Direct Testimony of Douglas R. Buck, Exhibit DRB-1, at 10 of 29.

[169] Stegall Direct Testimony, Exhibit JMS-1, at 10 of 30.

[170] Vaughan Direct Testimony at 9.

revenue requirement increase be used to further reduce the current class subsidies.[171]

The proposed rate increases are as follows:[172]

	Propose Increase	Percent Increase	Current ROR	Proposed ROR
Rate RS	$ 39,415,631	17.97%	-0.11%	3.57%
Rate GS	$ 9,364,809	12.76%	7.25%	10.93%
Rate LGS	$ 7,521,879	12.93%	6.38%	10.06%
Rate IGS	$ 12,615,284	10.91%	5.62%	9.30%
Rate MW	$ 19,527	10.70%	9.51%	13.19%
Rate OL	$ 1,013,097	12.99%	15.21%	18.89%
Rate SL	$ 146,508	10.18%	17.35%	21.03%
TOTAL	$ 70,096,735	14.73%	2.86%	6.54%

For its COSS, Kentucky Power applied a version of the minimum size method for poles, conductors, and transformers by basing the fixed distribution plant allocation factors upon the typical distribution plant component size when connecting the average distribution level customer.[173] While use of the minimum sized method, or in this case, something similar, is not uncommon, typically it is defaulted to when the zero-intercept method results in statistically unreliable results. Kentucky Power stated that it did not perform the zero-intercept method, stating that it did not have the detailed information needed to properly perform the zero-intercept method.[174] The Commission believes that such modeling should be performed first and finds that Kentucky Power should perform a zero-intercept study in its next base rate case.

The Commission accepts Kentucky Power's proposal to use the 12 CP method as a guide to determining revenue allocation. Additionally, the Commission agrees to

[171] Direct Testimony of Lisa V. Perry (Perry Direct Testimony) at 4.

[172] Stegall Direct Testimony, Exhibit JMS-2, page 1 of 3.

[173] Kentucky Power's Response to Staff's Sixth Request, Item 28.

[174] *Id.*

allocating the revenue increase based upon each class's contribution to rate base without any reduction to the interclass subsidies especially given the economic conditions not only inherent in Kentucky Power's service territory but also as the result of the impact of the COVID-19 pandemic. Allocating the Commission's revenue increase results in a 12.71 percent increase for the residential class.

Residential Customer Charge

In its application, Kentucky Power proposed an increase in the residential customer charge from $14.00 to $17.50, an increase of 25.00 percent. Kentucky Power maintained that because the residential class does not include a separate demand charge, the majority of fixed distribution costs are recovered through the energy charge, or, at a minimum, a larger portion should be recovered in the basic service charge.[175] Kentucky Power asserted that the current residential customer charge is too low relative to the fixed cost of providing electric service, thus creating intraclass subsidies between residential customers, which disadvantages higher usage customers.[176] Kentucky Power supported its argument that the current customer charge is not representative of the fixed costs by comparing it to its calculated fixed costs based upon its version of the minimum system method of $38.31 and a marginal cost study of $35.00.[177] Kentucky Power stated that beyond simply cost causation principles, a benefit of increasing the customer charge

[175] Vaughan Direct Testimony at 11.

[176] *Id.*

[177] Kentucky Power's Supplement Response to Staff's Fifth Request for Information (Staff's Fifth Request), Item 15; and Vaughan Direct Testimony, Exhibit AEV-2.

closer to the actual cost of providing service include reduced bill volatility, especially for electric heating customers during winter months.[178]

Mr. James Owen, on behalf of the Joint Intervenors, opposed any increase to the customer charge, arguing that an increase would have a detrimental impact on low-income customers, on those customers with on-site distributed energy resources, and on overall energy conservation and energy efficient (EE) goals.[179] Mr. Owen stated that an increased customer charge imposes a disproportionate burden on vulnerable customers who may be struggling with volatile or burdensome electricity bills.[180] In support of Mr. Owen, the Joint Intervenors noted that if approved, the residential customers in the most distressed region of the Commonwealth would bear the burden of the highest such charge of any Investor Owned Utility in the Commonwealth.[181] The Joint Intervenors further noted that combined with the January 2018, increase in the customer charge, moving to $17.50 would cumulatively result in a 59.09 percent increase.[182] No other intervenor addressed the proposed customer charge.

In its post-hearing brief, the Sierra Club opposed the increase, but did not file any testimony or specific evidence regarding its position.[183]

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[178] Kentucky Power Post-Hearing Brief at 103.

[179] Owen Direct Testimony at 25.

[180] *Id.* at 26.

[181] Joint Intervenors' Post-Hearing Brief at 14.

[182] *Id.*

[183] Sierra Club Post-Hearing Brief at 2–3.

In establishing customer charges, the Commission uses the filed COSS as a guide and has generally supported a movement towards cost-based rates, in a measured and reasonable manner. In recent cases, the Commission expressed its concern about the demand/customer expense allocations for the distribution plant classifications and its preference for the zero-intercept method.[184] Furthermore, comparative studies between the minimum-size and zero-intercept methods suggest that the minimum system method produces a larger customer component.[185] However, the Commission acknowledges that on average, 34.02 percent of the bills issued by Kentucky Power are for usage over 1,300 kWh per month, yet there is no indication if these are low-income customers, and increases in the volumetric charge can skew this even further.[186] Therefore, the Commission finds the proposed customer charge of $17.50 to be reasonable. This level of customer charge and the resulting reduction in the volumetric charge balances the interests of customers, particularly the significant number with excessive winter bills, with the utility's need for adequate cash flow and additional revenue independent of weather and other variabilities. This increase provides an additional $5,611,032 annually of fixed revenue for the utility.[187] For a residential customer with an average monthly usage of 1,100 kWh, the average bill increases $18.59, or 15.46 percent, from $120.26 to

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[184] *See* Case No. 2020–00131 *Electric Application of Meade County Rural Electric Cooperative Corporation For An Adjustment in Rates* (KY. PSC Sept 16, 2020), final Order at 12.

[185] *National Association of Regulatory Utility Commissioner's Electric Utility Cost Allocation Manual*, January, 1992, at 91.

[186] Kentucky Power's Response to Staff's Post-Hearing Request, Item 16.

[187] 1,603,152 residential test year billing determinants * $3.50.

$138.85.[188] Due to the TCJA surcredit of $24.06 during the winter months, the average monthly bill in the winter will actually decrease to $114.79 or (4.55) percent, and during the non-winter heating months a decrease will also be applied. In addition, due to the lower ROE applied to limited riders such as the Environmental Surcharge and Big Sandy Decommissioning Rider and the increase in the profit sharing from off system sales, residential customers will realize a further decrease in their average monthly bills.

Residential Declining Block Rate

Kentucky Power requested to establish a declining block rate for residential customers for those customers whose average monthly usage is above 1,100 kWh during the winter months of December, January, and February. Kentucky Power asserted that the current residential rate design over-allocates fixed cost recovery to high use customers, and the proposed winter block rate is designed to reduce the existing residential intraclass subsidy.[189] Kentucky Power stated that the winter heating block rate discount is worth $14,605,655 during the winter months, but this discount is then collected from all residential customers throughout the entire year, including those who directly benefit from the winter block.[190]

Kentucky Power claimed that the proposed winter declining block rate offers winter bill relief to low-income residential customers.[191] In support of that assertion, Kentucky

[188] The total bill increase is higher than the overall increase to the residential class as the increase is not across the board to each rate component

[189] Vaughan Direct Testimony at 12–13; and Kentucky Power Post-Hearing Brief at 102.

[190] Vaughan Direct Testimony at 13; and Kentucky Power Post-Hearing Brief at 104.

[191] Kentucky Power Post-Hearing Brief at 105.

Power stated that low-income energy assistance customers use 1,367 kWh/month versus 1,240 kWh/month for the residential class as a whole.[192] However, Kentucky Power never offered evidence that low-income customers, in general, on Kentucky Power's system use more energy, only those customers who participate in that singular payment assistance program do.[193] In addition, although those benefiting from the declining block rate will pay back a portion of the $14,605,655, nonelectric heating customer or low usage customer intraclass subsidies will increase. For the above reasons, the Commission denies the proposed residential declining block rate.

PROPOSED TARIFF CHANGES

Tariff Purchased Power Adjustment (PPA)

Pursuant to Tariff PPA, Kentucky Power currently recovers, among other things, 80.00 percent of the PJM Interconnection, LLC (PJM) load service entity (LSE) Open Access Transmission Tariff (OATT) charges above or below the amount established in base rates, with 20.00 percent of the charges credited to or collected from customers. Kentucky Power requested to recover 100.00 percent of the PJM LSE OATT charges instead of 80.00 percent, arguing that such expenses are Kentucky Power's largest growing expense, and that without a 100.00 percent recovery mechanism, Kentucky Power does not have an opportunity to earn its allowed ROE.[194]

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[192] Vaughan Direct Testimony at 14.

[193] *See*, Vaughan Direct Testimony at 14; and Kentucky Power's Response to Staff's Seventh Request for Information (Staff's Seventh Request), Item 1.

[194] Vaughan Direct Testimony at 31–33; and Kentucky Power Post-Hearing Brief at 53–55 and 59.

Attorney General/KIUC witness, Mr. Kollen, testified that Kentucky Power's request was unreasonable because the primary reason for the increase in PJM LSE OATT expenses is transmission investment by other AEP operating companies and transmission companies, which are within the control of AEP.[195] According to Attorney General/KIUC witness, Stephen Baron, Kentucky Power ratepayers pay $19,000,000 more in transmission costs allocated to Kentucky Power by AEP under a FERC-approved, AEP-designed allocation methodology than Kentucky Power's actual transmission costs.[196] The Attorney General/KIUC recommended that the Commission open an investigation into whether Kentucky Power should remain in the AEP East Transmission Agreement because Kentucky Power is allocated significantly greater expenses from AEP East Transmission zone that Kentucky Power would pay as a standalone transmission zone in AEP.[197]

In response, Kentucky Power argued that recovering 100.00 percent of the PJM LSE OATT costs aids customers by avoiding more frequent base rate cases that would otherwise be filed to recover FERC-approved transmission costs that, under federal law, Kentucky Power is entitled to recover.[198] Kentucky Power claimed that PJM LSE OATT charges are "largely outside" of Kentucky Power control, due to investment decisions made by other transmission owners and regional transmission organizations.[199]

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[195] Kollen Direct Testimony at 52

[196] Direct Testimony of Stephen J. Baron (Baron Direct Testimony) at 17–18.

[197] Attorney General/KIUC Post-Hearing Brief at 51–52.

[198] Kentucky Power Post-Hearing Brief at 53–60.

[199] *Id.* at 57–58.

Because the 80.00 percent factor was established pursuant to a settlement and not a finding of the reasonableness of that discounted recovery, the Commission finds that Kentucky Power's request to recover 100.00 percent of the PJM LSE OATT expenses through Tariff PPA should be granted until the next rate case, when the issue will be re-examined. The Commission is allowing this change in the recovery amount only in an attempt to balance the impact to Kentucky Power's revenue and cash flow in response to the actual mitigation actions taken by the Commission in this case to help customers continue to afford service in Kentucky Power's territory. No party, and in particular the applicant in this case, should construe the Commission's decision on this issue as an indication that such a tracking mechanism will continue or is reasonable on a standalone basis. In fact, and as explained in greater detail below, in granting Kentucky Power's proposal on this issue the Commission is putting the utility on notice that its transmission planning and investment activities are not sustainable and must be substantively addressed in the near future. Failing to address the issues that face Kentucky Power's customers as a result of Kentucky Power's actions and the actions of its affiliates, will result in ever-increasing bills that based on recent experience will cause a severe impact on the tens of thousands of Kentuckians who have, do, and will continue to depend on Kentucky Power for life-sustaining service.

The Commission's concern regarding Kentucky Power's and AEP's activities related to transmission investment, control and ownership in Kentucky Power's territory is not remote or inconsequential. Other than the positions of president and COO, AEP and Kentucky Power share the same executives, including the same CEO, Nicholas

Akins.[200] Kentucky Power has a statutory duty as a jurisdictional utility to provide adequate, efficient, and reasonable service to its customers. Furthermore, as Kentucky Power is well aware, it has been granted a state-determined certified territory where it is the monopoly provider of retail electric service.[201] In return for its obligation of service and monopoly protection against competition, Kentucky Power is afforded the right by law to "demand, collect and receive fair, just and reasonable rates for the services rendered."[202] Over many decades Kentucky Power has built a transmission system throughout its territory in order to, primarily, satisfy its obligation of service under KRS Chapter 278. Although it may be axiomatic, the issues raised in this case requires the Commission to state the obvious: Kentucky Power owns Kentucky Power's transmission system, not AEP. Although AEP or other affiliates may own other transmission assets in Kentucky other than Kentucky Power's transmission system, those entities and "systems" are not utilities under Kentucky law.

For instance, in Case No. 2011-00042, the Commission found that an AEP subsidiary and Kentucky Power affiliate, AEP Kentucky Transmission Company, Inc. (KY Transco), does not provide utility service subject to the Commission's jurisdiction, and thus does not have the same statutory obligation as Kentucky Power regarding the provision of service. KY Transco does not seem to be operated or controlled by any

[200] Application, Section II, Filing Requirements Exhibit P, Page 17 of 256.

[201] KRS 278.016; *See* Case No. 2012-00224, *Petition and Complaint of Kentucky Power Company for a Declaration of Its Exclusive Right Pursuant to KRS 278.018(1) to Serve those Portions of the Sand Gap Estates in Greenup County, Kentucky Lying Within Its Certified Territory in Lieu of Grayson Rural Electric Cooperative Corporation* (Ky. PSC Apr. 1, 2014).

[202] KRS 278.030.

Kentucky-based individuals or entities. Nevertheless, Kentucky Power and KY Transco have executive officers in common, including the same CFO and the same CEO, again, Mr. Nick Akins.[203] The Commission is concerned that AEP, not Kentucky Power, is exerting the ultimate authority over Kentucky Power's transmission system that is required to provide adequate service to Kentucky Power's retail customers. Recently the Commission explained one of its concerns in this regard, noting "that Kentucky Power, on its own volition or at the direction of another, plans to continue systemically [*sic*] transferring ownership of its transmission system in a piecemeal fashion under the auspices of the system's rehabilitation and replacement and under the cover of PJM's transmission planning processes, regardless of whether 'projects' are designated as baseline or supplemental."[204] The Commission continued to explain in that matter that although it expressed the downside, or "grave concern" of allowing Kentucky Power to transfer functional control of its transmission system when joining PJM, today the reality is that Kentucky Power is "acquiescing to the transfer of actual ownership and control of its transmission system to affiliates for which Kentucky Power has no command and the Commission has no authority."[205]

Contrary to Kentucky Power's pleas otherwise, the Commission finds that a vast amount of the PJM LSE OATT expenses Kentucky Power incurs are not "largely outside" of the utility's control. Indeed, more than 90 percent of these expenses originate with

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[203] Hearing Transcript, PSC Staff Exhibit 1, AEP Kentucky Transmission Company, Inc. 2020 FERC Form 1, page 105.

[204] Case No. 2020-00062, *Electronic Application of Kentucky Power Company for a Certificate of Public Convenience and Necessity to Construct a 138 kV Transmission Line and Associated Facilities in Pike and Floyd Counties, Kentucky* (Ky. PSC Dec. 29, 2020), Order at 27-28. The word should be "systematically" and not "systemically." This error will be corrected in Case No. 2020-00062.

[205] *Id.* at 28.

entities who share a CEO and CFO with Kentucky Power. Furthermore, to the extent these expenses are allocated pursuant to a tariff or agreement, the record in this case is void of evidence of any attempt by Kentucky Power or its agents to try and minimize costs to its customers or independently ensure continued participation in those agreements are in the utility's or its customers' best interest. Instead, the record shows quite clearly that the only persons whom Kentucky Power depends on for transmission expertise or regulatory assistance have inherent conflicts in that they perform the same offerings to the Kentucky Power affiliates that are maximizing their profits as a result of the current scheme. PJM LSE OATT cost are not unavoidable for Kentucky Power, but by failing to address them in any reasonable manner, Kentucky Power has by design made them unavoidable for its customers. Therefore, as noted earlier in this Order, the Commission will grant Kentucky Power the opportunity to recover 100 percent of its incremental PJM LSE OATT expense for the next three years.

The Commission grants Kentucky Power's proposal in this regard while putting the utility on notice that it must address the burden these increasing expenses will represent to its dwindling customer base. Failure by Kentucky Power to take immediate steps to materially address this issue will force the Commission, whether it is through its statutory authority at the retail level or its advocacy at the wholesale level, to address these concerns itself. Further, to the extent Kentucky Power requires capital necessary to invest in its transmission system so the utility can maintain adequate service required by Kentucky law, the Commission expects that AEP will continue to provide sufficient capital to Kentucky Power. With the rates approved in this matter, we know AEP will ensure that Kentucky Power will have the capital made available to it in order to complete the entirety of its necessary transmission investments in order to enable the utility to provide safe, adequate and reasonable service to its customers, rather than continuing the apparent practice discussed in the pendency of this matter of allocating, by default, a portion of Kentucky Power's transmission needs to a nonregulated affiliate.

Rockport Deferral Regulatory Asset

In Case No. 2017-00179, Kentucky Power was granted authority to establish a regulatory asset for the difference between the deferral of $15,000,000 in Rockport UPA expenses, stipulated to be included in base rates until the Rockport UPA expires in 2022, and the declining actual deferral of $10,000,000 in 2020 and $5,000,000 in 2021 and 2022.[206] The Order on rehearing stated that approval was not just for accounting purposes but was to reflect the future rate recovery of the deferred UPA costs.[207] As part of this proceeding, Kentucky Power requested a five-year amortization period and authority to recover the amortization through Tariff PPA. [208] The purpose of the Commission deciding the amortization period at a later date was to allow Kentucky Power's plans regarding the renewal of the Rockport UPA to become more certain. For instance, if Kentucky Power's proposed replacement capacity was more expensive than initially anticipated, a longer amortization period may be more reasonable so as to reduce the rate impact to customers. As demonstrated in the record, Kentucky Power was unable to confirm the amortization amount or the savings once the Rockport UPA terminates.[209]

[206] Case No. 2017-00179, Jan. 18, 2018 Order at 37–40.

[207] Case No. 2017-00179, Feb. 27, 2018 Order at 9.

[208] Direct Testimony of Heather M. Whitney (Whitney Direct Testimony) at 34-36.

[209] Hearing Transcript, Vol II at 581–582 and Vol. IV at 1149–1150; and Kentucky Power's Response to Commission Staff's Sixth Request, (Staff's Sixth Request), Item 1.

Therefore, the Commission finds that Kentucky Power's request to amortize the Rockport regulatory asset over five years beginning in 2022 for recovery through Tariff PPA is premature at this time, and the Commission will defer the determination of the appropriate amortization period and recovery mechanism to a subsequent matter the Commission will initiate on its own motion. As part of this subsequent matter, the Commission will also review and clarify items related to provisions of the final Order in Case No. 2017-00179 regarding Kentucky Power's ability to use the savings from the expiration of the Rockport UPA to earn its Commission-approved ROE in calendar year 2023.

Decommissioning Rider

Pursuant to the settlement agreement approved in Case No. 2014-00396,[210] Kentucky Power recovers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2, and other site-related retirement costs through the Big Sandy Decommissioning Rider. These costs are recovered over a 25-year period on a levelized basis and include a weighted-average-cost-of-capital (WACC) carrying cost, which is adjusted with each base rate proceeding. The Decommissioning Rider Factor is updated annually each year with the Commission no later than August 15, and it goes into effect on October 1. The annual actual revenue requirement for the expense year for the Decommissioning Rider is allocated between residential and all other customers based upon their respective contribution to total retail revenues for the most recent 12-month period ending June 30. The Adjustment Factor for residential customers is calculated by dividing the net annual residential allocation, which would include any over- or undercollection from the most recent 12-month period ending June 30, by residential

[210] Case No. 2014-00396, June 22, 2015 Order.

retail revenue. The Adjustment Factor for all other classes is calculated by dividing the net annual all other allocation, which would include any over- or undercollection from the most recent 12-month period ending June 30, by all other classes nonfuel retail revenue.

Currently, Kentucky Power files the calculations, along with supporting spreadsheets, into the post-case file of its most recent completed general rate case no later than August 15 each year, with the new factor going into effect with bills issued in Cycle 1 of the October billing cycle. The information is reviewed by Commission Staff, who contact Kentucky Power if they have any questions. Currently, Kentucky Power's tariff does not contain the amount of the Decommissioning Rider factor. However, in response to Commission Staff's Fourth Request for Information, Item 17, Kentucky Power provided a tariff page reflecting the Decommissioning Rider factor amount. Because Kentucky Power committed to including the Decommissioning Rider factor in its tariff, all future filings should be submitted through the Commission's electronic Tariff Filing System no later than August 15 to become effective with bills issued in Cycle 1 of the October billing cycle.

Recently, the Commission evaluated riders and the associated financial risk. In Case Nos. 2020-00060[211] and 2020-00061,[212] the Commission noted that limited riders are relatively less risky and correlated ROEs are lower than rate case awarded ROEs. The Commission stated that:

[211] Case No. 2020-00060, *Electronic Application of Kentucky Utilities Company for Approval of an Amended Environmental Compliance Plan and a Revised Environmental Surcharge* (Ky. PSC Sept. 29, 2020).

[212] Case No. 2020-00061, *Electronic Application of Louisville Gas and Electric Company for Approval of an Amended Environmental Compliance Plan and a Revised Environmental Surcharge* (Ky. PSC Sept. 29, 2020).

> The cost of equity is affected by the risk of shareholders not adequately recovering their investment, the risk associated with recovering the investment later than desired, and the risk from the shareholder receiving less than comparable investments." To reduce shareholder risk, utilities can recover specified expenditures…with more certainty through specific riders. With a rider, since a return is guaranteed and the time line of recovery is known and ordinarily not meaningfully delayed, the required return is less than the ROE associated with a rate case as the risk involved is decreased and most lag associated with recovery is eliminated.[213]

The final Orders in Case Nos. 2020-00060 and 2020-00061 also noted that, after removing ROE premiums, limited rider ROEs were 43 basis point below the January–June 2020 vertically integrated ROE average.[214] Consistent with the Commission's statutory duty under KRS 278.183(2)(b) to establish a reasonable return on compliance-related capital expenditures, the Commission found in those proceedings that an ROE of 9.20 was a reasonable reflection of current economic conditions and investor expectations, as well as the fact that the award was for the propose of a limited rider. For the same reasons discussed above and because the ROE in the instant case was fully litigated and analyzed, the Commission therefore finds that, for the purpose of the Big Sandy Decommissioning Rider, an ROE of 9.10 will be applied to the equity component of the WACC carrying charges. This lower ROE and reduced risk of the Big Sandy Decommissioning Rider is evidenced in part by the yearly adjustments and ability to true up amounts.

NONREVENUE REQUIREMENT RIDERS AND TARIFFS

[213] Case No. 2020-00060, Sept. 29, 2020 Order at 20; and Case No. 2020-00061, Sept. 29, 2020 Order at 20.

[214] *Id.*

The following sections address riders and tariffs that have no immediate impact on Kentucky Power's revenue requirement.

Grid Modernization Rider and AMI CPCN

Kentucky Power requested a CPCN to purchase and install an AMI metering system to replace its current meters, along with a new Grid Modernization Rider (GMR) to recover capital and incremental O&M expenses associated with the AMI meters. Therefore, both the AMI CPCN and GMR will be discussed in this section.

Current Meter System. At the time of filing its application, Kentucky Power had 172,233 Automated Meter Reading (AMR) meters in its service territory.[215] First installed in 2005-2006, the AMR meters are equipped with an encoder receiver transmitter module, which allows Kentucky Power's meter readers to walk or drive by an AMR meter and electronically capture meter data via radio transmission, removing the need to manually check each meter.[216] The data captured is then transferred to the customer management system by a Standard Consumption Messaging (SCM) platform.[217]

Kentucky Power stated that 74.60 percent of its existing AMR meters were between 10 and 15 years old, and thus nearing the end of their 15-year useful life.[218] Kentucky Power also stated that over the past three years, the AMR meters in the 10- to

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[215] Direct Testimony of Stephen D. Blankenship (Blankenship Direct) at 2.

[216] *Id.*

[217] *Id.*

[218] *Id.* at 3.

15-year-old range experienced a failure rate of approximately 10 percent, a rate higher than expected that Kentucky Power believes will only grow as the meters get older.[219]

Kentucky Power stated that the AMR meter used in its system are no longer manufactured by any vendor, and the SCM software platform is no longer supported by its developer, Itron.[220] Kentucky Power explained that only one vendor supports AMR at the time, and that vendor supports only SCM+, a platform Kentucky Power does not have.[221] Kentucky Power asserted that, in order to continue utilizing AMR meters, Kentucky Power would have to replace its existing SCM platform with the SCM+ platform at an estimated cost of $22,000,000 if Kentucky Power replaces failing AMR meters with SCM+ AMR meters instead of its proposed Advanced Metering Infrastructure (AMI) Meters.[222]

Proposed AMI System. Kentucky Power proposed to replace all existing AMR meters in its service territory with AMI meters over the period from 2021 to 2024.[223] The AMI meters have the capacity to utilize two-way communications between the meter and Kentucky Power's central office instead of the one-way meter to reader communication capability of Kentucky Power's existing AMR meter infrastructure.[224] Kentucky Power explained that the two-way communication of AMI meters allows for increased visibility

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[219] *Id.* at 3-4; Hearing Transcript, Vol. IV, at 979.

[220] Rebuttal Testimony of Stephen D. Blankenship (Blankenship Rebuttal Testimony) at R3-R4.

[221] *Id.* at R4.

[222] Hearing Transcript, Vol. IV at 984.

[223] Blankenship Direct Testimony at 16-17.

[224] Direct Testimony of Brian K. West (West Direct Testimony) at 13.

into the distribution systems which enables programs that are not currently available with AMR meters, discussed below.[225]

The estimated cost over the four years of deployment for the proposed AMI system is $34,493,845 in capital costs and $2,466,414 in O&M, for a total cash outlay of $36,960,260.[226]

Grid Modernization Rider. Kentucky Power proposed to fund the cost of AMI deployment through a new GMR.[227] The GMR would recover capital, including carrying costs, and incremental O&M expense associated with the rollout of AMI,[228] as well as property taxes, depreciation, and a return on plant in service based on the cost of debt, return on common equity, and capital structure.[229] In addition, the GMR would not terminate once the AMI project has been deployed. Kentucky Power proposed that the GMR be used to recover additional distribution grid modernization expenses approved by the Commission in future proceedings.[230]

Kentucky Power stated that, in the event that it were to file a base rate case prior to the completion of AMI deployment, it would propose to roll any GMR revenue requirement into base rates, after which any incremental costs going forward would

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[225] *Id.*

[226] Blankenship Direct Testimony at 17. The one dollar difference between capital costs and O&M is due to Kentucky Power rounding.

[227] West Direct Testimony at 9.

[228] Blankenship Direct Testimony at 10.

[229] *Id.*

[230] *Id.* at 12.

continue to be recovered through the GMR going forward until included in base rates or the project was completed and all costs were recovered.

Depreciation – Proposed AMI System. Kentucky Power requested Commission approval for a 15-year depreciation for the proposed AMI meters and related communication equipment, as well as a 5-year depreciation period of the AMI-related software. Kentucky Power stated that it will propose depreciation rates for both AMI and AMR meters in its next base rate case.

Net Book Value of AMR System. The accumulated depreciation on Kentucky Power's existing AMR meters is $10,710,344, with a remaining net book value of $14,490,238.[231] The AMR meters are being depreciated over 15 years. Kentucky Power expects to continue depreciating the AMR meters until they are taken out of service, at which point the book cost of the unit would be credited to electric plant.[232] Kentucky Power also stated that it will propose a timeframe over which to recover the remaining net present value of the retired meter and associated infrastructure assets in the next base rate case.

Kentucky Power will not know the exact remaining net book value for the AMR meters until the proposed project is substantially completed because the existing meters continue to depreciate until the new system is fully deployed, which is expected to occur by January 2025.[233]

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[231] Kentucky Power's Response to Attorney General/ KIUC's First Request, Item 65, Attachment 1.

[232] *Id.* at Item 63.

[233] Kentucky Power's Response to Attorney General/KIUC's First Request, Item 62; and Hearing Transcript, Vol. IV at 1012

Projected Costs and Benefits. Kentucky Power, while it did not perform a formal cost-benefit analysis for the replacement of existing AMR meters with AMI meters, asserted that there is not a statutory requirement for a cost-benefit analysis for the approval of a CPCN,[234] AMI meters are the industry standard and are needed to replace AMR meters nearing or at their useful service lives, with a high failure rate.[235] Kentucky Power emphasized that it will soon be unable to provide reliable, adequate service due to the age and failure rate of its existing AMR meters.[236] In addition, Kentucky Power asserted that customers would reap benefits in the form of the Flex Pay Program, discussed in this Order below, as well as benefits, including but not limited to faster reconnection, faster service restoration, remote identification of outages, as well as other customer centric benefits.[237]

Alternatives. Kentucky Power identified two alternatives to its proposed AMI system deployment: (1) replacing its existing AMR meters that operate on the outdated SCM platform with new AMR meters that operate on the SCM+ platform;[238] and (2) replacing individual AMR meters as they fail with AMI meters.[239]

Kentucky Power argued that, under the first alternative, it would replace the obsolete AMR meters running on SCM with soon-to-be-obsolete AMR meters running on

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[234] Kentucky Power Post-Hearing Brief at 31.

[235] *Id.* at 38.

[236] Blankenship Direct Testimony at 3.

[237] Kentucky Power Post-Hearing Brief at 42-45.

[238] Blankenship Direct Testimony at 4–5.

[239] West Direct Testimony at 15-16.

SCM+, at a cost of approximately $22,000,000.[240] Kentucky Power asserted that, when the SCM+ meters became obsolete, it would cost approximately $37,000,000 to deploy AMI as proposed, leading to a total cost of $59,000,000 under this proposal.[241] Kentucky Power opined that, based on AMI being the industry standard, it was likely that all AMR meters will become obsolete ahead of the end of the 15-year useful service life due to lack of manufacturer support or replacement parts.[242]

Concerning the second alternative, while it has not quantified an exact cost, Kentucky Power stated that the practice of replacing individual failing AMR meters with AMI meters in the normal course of business creates an additional financial burden as well as operational inefficiencies of having to simultaneously support both the SCM and AMI systems.[243]

Intervenor Arguments. The Attorney General/KIUC, Walmart, Joint Intervenors, and the Sierra Club each addressed the AMI CPCN and GMR in their witness testimony and briefs.

Attorney General/KIUC recommended denying both the AMI CPCN and the GMR. In their brief, the Attorney General/KIUC argued that the benefits that Kentucky Power attributed to implementing AMI meters were unsubstantiated because Kentucky Power did not conduct a cost-benefit analysis, and that any benefits attributed to AMI meters

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[240] Blankenship Rebuttal Testimony at R4.

[241] Hearing Transcript, Vol. IV at 984, 992.

[242] *Id.*

[243] West Direct Testimony at 19.

have already been achieved using the existing AMR meters.[244] Additionally, the Attorney General/KIUC argued that Kentucky Power did not provide sufficient evidence that the Commission can weigh to approve a multimillion dollar CPCN because Kentucky Power failed to identify the AMI model or vendor, relying instead on description of AMI meters installed in other AEP subsidiaries.[245] Finally, the Attorney General/KIUC argued that, contrary to Kentucky Power's argument that the current AMR meters are obsolete, Kentucky Power has provided evidence that it has access to supplies of retired, but functional AMR meters from sister utilities that can be used to replace meters or components that fail, and at least one vendor that continues to manufacture the AMR meter used by Kentucky Power.[246] For these reasons, Attorney General/KIUC argued there is no basis to conclude that the existing AMR system is in threat of imminent failure and can continue operation until Kentucky Power can provide a more thorough cost-benefit analysis.[247]

Regarding the GMR, the Attorney General/KIUC pointed out that if the AMI CPCN is denied, then there would not be a need for the GMR to recover costs for deploying AMI.[248] However, if the Commission were to approve the AMI CPCN, the Attorney General/KIUC and their witness, Mr. Kollen, argued that the costs should be recovered in base rates and that the costs for new distribution have not been granted special

[244] Attorney General/KIUC Post-Hearing Brief at 43.

[245] *Id.*

[246] Kentucky Power's Response to Attorney General/KIUC's First Request, Item No. 117.

[247] Attorney General/KIUC Post-Hearing Brief at 43-44.

[248] *Id*.

ratemaking recovery through riders between base rate cases.[249] To the extent that Kentucky Power intended to use GMR to recover the future costs of projects, those costs have not been quantified.[250] Mr. Kollen recommended that if the Commission approves the GMR, the costs recovered through the rider should be modified to reflect all savings in O&M expense, depreciation expense, ad valorem tax expense, and other expenses as reductions in the GMR revenue requirement.[251]

Walmart does not take a position on the AMI CPCN, but recommended that if the CPCN is approved, Kentucky Power should recover the costs for AMI deployment in subsequent base rate cases.[252] Walmart's witness, Lisa V. Perry, argued that riders are more appropriate to recover costs that fluctuate from year to year, which does not apply to AMI costs, and in a base rate case, AMI costs can be balanced against any savings for ratemaking purposes.[253] Walmart asserted that the GMR would place risk on ratepayers because they are paying for the AMI project as it is being constructed, before it is being used.[254] Finally, Walmart argued that project costs are based on rough estimates from vendors who might be incentivized to downplay costs, and thus cannot be relied upon with sufficient confidence to justify approving a GMR for recovery of those costs.[255]

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[249] *Id.* and Kollen Direct Testimony at 59.

[250] Attorney General/KIUC Post-Hearing Brief at 59.

[251] Kollen Direct Testimony at 60-61.

[252] Walmart Post-Hearing Brief at 3.

[253] Perry Direct Testimony at 15-16.

[254] Walmart Post-Hearing Brief at 4.

[255] Hearing Transcript, Vol. IV at 1010.

The Joint Intervenors recommended that the Commission deny the AMI CPCN, arguing that Kentucky Power failed to demonstrate that replacing the existing AMR infrastructure would not constitute an excessive investment in relation to productivity of efficiency, and world not create an unnecessary multiplicity of physical properties.[256] The Joint Intervenors recommended that if the Commission grants the CPCN, the GMR be rejected. The Joint Intervenors argued that the use of a rider that proposes only one project under the broad title of “grid modernization” imposes costs on ratepayers without demonstrating that the new infrastructure is useful or justifies the investment, especially in light of the fact that the anticipated benefits of the AMI infrastructure have not been quantified.[257]

Sierra Club did not oppose the AMI CPCN but urged the Commission to make any approval of the CPCN contingent on Kentucky Power taking actions, and instituting policies and programs, that maximize the realization of the efficiency and cost savings benefits that AMI theoretically poses.[258] Sierra Club did not take a position with regard to the GMR.

<u>Kentucky Power Response to Intervenors</u>. In rebuttal to the Attorney General/KIUC, Kentucky Power argued that a cost/benefit analysis was unnecessary because it would be unreasonable to spend additional money on an obsolete and unsupported metering system, and that replacing the current system with another AMR

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[256] Joint Intervenors Post-Hearing Brief, at 16-21.

[257] *Id.* at 21.

[258] Sierra Club Post-Hearing Brief at 3.

system would cost ratepayers more money in the long-term.[259] Kentucky Power disputed the viability of relying upon replacement parts for current meters from other utilities, contending that Attorney General/KIUC did not address the cost of such a solution or how long the replacement meters or parts would last.[260] Kentucky Power also disputed that there is a vendor that supports the same AMR system Kentucky Power currently uses, noting that the vendor in question manufactures meters that operate on the SCM+ platform.[261] Kentucky Power testified that the cost to upgrade to such a platform would be approximately $22,000,000.[262]

In rebuttal to the positions stated by Walmart, the Joint Intervenors, and the Sierra Club, Kentucky Power defended the GMR proposal, stating that, while the AMI project at hand is the most pressing issue, the need to update the grid will require more future projects and the GMR serves to allow Kentucky Power to more quickly implement them than if they were financed through base rates alone, without sacrificing thorough oversight from the Commission.[263]

Legal Standard for a CPCN. The Commission's standard of review for a request for a CPCN is well settled. KRS 278.020(1) provides that no utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained

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[259] Blankenship Direct Testimony at 3-4; and Blankenship Rebuttal Testimony at R2.

[260] *Id.* at R3.

[261] *Id.* at R3-R4.

[262] *Id.* at R4.

[263] *Id.* at R4; Hearing Transcript, Vol. IV at 968.

a CPCN from this Commission. The utility must demonstrate a need for such facilities and an absence of wasteful duplication.[264]

"Need" requires a showing of substantial inadequacy of existing service due to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business.[265]

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties."[266] To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.[267] The fundamental principle of reasonable least-cost alternative is embedded in such an analysis. Selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.[268] All relevant factors must be balanced.[269]

<u>Discussion and Findings</u>. Historically, the Commission has not issued a CPCN for meter replacement absent a cost-benefit analysis, but has on occasion approved meter

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[264] *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d 885 (Ky. 1952).

[265] *Id.* at 890.

[266] *Id.*

[267] Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

[268] *See Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965). *See also* Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005).

[269] Case No. 2005-00089, *East Kentucky Power Cooperative, Inc.* (Ky. PSC Aug. 19, 2005), Order at 6.

replacement requests when the petitioners have provided the Commission with substantial evidence of extenuating circumstances, such as the obsolescence of existing systems, along with substantial evidence showing the proposed AMI systems were the reasonable least-cost alternative to address the utilities' metering needs.[270]

Based upon the case record, the Commission concludes that Kentucky Power has not provided adequate support for either the costs of its proposal or the alternatives, nor has it provided sufficient evidence that its proposal is the reasonable least-cost alternative. Kentucky Power provided a ballpark figure for an AMI system based upon costs for AMI systems tailored for other AEP affiliates that do not necessarily share the same service issues and characteristics as Kentucky Power. While estimates from affiliate companies may be useful for the initial planning phases, the Commission cannot approve a project of this magnitude without an actual projection of the cost based upon vendor proposals tailored for project needs that are specific to Kentucky Power. Whether the AMI was approved in this case or not, in order to move forward with the AMI project, Kentucky Power will have to issue an RFP to select a vendor, which could also provide information on possible alternatives. Finally, Kentucky Power provided no substantial

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[270] Case No. 2017-00419, *Application of Grayson Rural Electric Cooperative Corporation of Grayson, Kentucky, for Commission Approval Pursuant to 807 KAR 5:001 and KRS 278.020 for a Certificate of Public Convenience and Necessity to Install an Advanced Metering Infrastructure (AMI) System* (Ky. PSC July 16, 2018); Case No. 2016-00077, *Application of Licking Valley Rural Electric Cooperative Corporation for an Order Issuing a Certificate of Public Convenience and Necessity* (Ky. PSC Aug. 29, 2016); and Case No. 2014-00436, *Application of Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 807 5:001 and KRS 278.020 Requesting the Granting of a Certificate of Public Convenience and Necessity to Install an AMI System* (Ky. PSC Mar. 12, 2015). *See also* Case No.2018-00005, *Electronic Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for Full Deployment of Advanced Metering Systems* (Ky. PSC Aug. 30, 2018) (denying without prejudice a CPCN for which the utilities failed to provide substantial evidence that, among other things, the proposed AMI system was a reasonable, least-cost alternative).

evidence to support its assertion that replacing its current system with another AMR system was not a reasonable alternative because AMR meters will become obsolete in the near term, and therefore Kentucky Power would have to install an AMI system before a replacement AMR system reached the end of its useful life. [271]

For the above reasons, the Commission finds that the AMI CPCN should be denied without prejudice, and will require Kentucky Power to refile a CPCN application and provide evidence that its existing system is obsolete, along with exhibits documenting Kentucky Power's evaluation of multiple proposals filed in response to a RFP and the costs of the proposed system that is selected. The analysis of whether the AMI project is the least-cost alternative should include both capital and O&M costs. Kentucky Power should also demonstrate that the systems under consideration are effective in the terrain of its service territory. The Commission finds that the GMR should be also be denied.

<u>Flex Pay Tariff</u>

Kentucky Power proposed a new voluntary prepayment program, Flex Pay, which would allow customers to prepay for their electric service without incurring the costs of deposits or other fees associated with post pay accounts. The program would be available to all residential customers with an AMI meter rated up to 200 amps, except residential customers taking service under Tariff R.S.D., customers with certain medical or life-threatening conditions, customers on partial payment plans or budget payment plans, and customers with on-site generation operated in parallel with Kentucky Power's system.

[271] Hearing Transcript, Vol. IV at 984, 990-994.

Customers would be able to make deposits to their accounts in such amounts as are convenient to them. The initial deposit would have to be $40 or more. The only requirement is that they maintain a positive balance. Customers would be able to choose a low balance amount that would trigger a notification from Kentucky Power. When the customer's balance reaches that amount, or $25, whichever is greater, they would receive daily alerts until their account is restored above the low balance notification amount. Once a customer's account hits $0, they will have until the beginning of the next business day to re-establish a positive balance.

A customer with an outstanding balance that signs up for the Flex Pay Program must pay at least 50.00 percent of the account balance, and can carry over up to $1,500 of the account balance to their Flex Pay account. Any future deposits into the Flex Pay account will be split 80/20, with the 20.00 percent being applied to the arrears balance. Billing will be based on the customer's actual daily usage and fixed charges will be applied to the account on a daily basis.

Kentucky Power indicated that it would not be able to offer the Flex Pay Program if its request for AMI conversion was denied.[272] Because the Flex Pay Program cannot be implemented without the AMI conversion and the AMI CPCN has been denied, the Commission finds that proposed Flex Pay program should be rejected.

Kentucky Power also proposed a Bill Format for Flex Pay Customers. The bill format would not include the following information required by 807 KAR 5:006, Section 7(1)(a): specific line items for taxes and adjustments, as this would complicate the billing information and would be reflected in the customer's daily Flex Pay amount and balance;

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[272] Kentucky Power's Response to Commission Staff's Fourth Request for Information, Item 28.

present and last preceding meter readings; date of the present meter reading; meter constant; gross amount of the bill; and the date after which a penalty may apply to the gross amount. Kentucky Power requested a deviation from 807 KAR 5:006, Section 7(1)(a), for the proposed Flex Pay Bill Format. The bill format would show billing information for each day. Because the Commission rejected the proposed Flex Pay Program, the Commission finds that the Flex Pay Bill Format should be rejected. Therefore, Kentucky Power's request for deviation is rejected as moot.

Tariff Net Metering Service I and II

Based upon the changes in Kentucky law resulting from Senate Bill 100, An Act Related to Net Metering, which took effect on January 1, 2020, Kentucky Power proposed to close the current Net Metering Service (NMS I) tariff as of January 1, 2020, and establish a new NMS tariff (Tariff NMS II).[273] Kentucky Power stated that the proposed Tariff NMS II addresses the end of, or the reduction of, the intraclass subsidies the previous net metering statute produced by (1) changing the netting periods applicable to the monthly billing for customers; (2) changing the compensation rate paid for excess generation; (3) changing the cost recovery of payments made for Tariff NMS II customers' excess self-generation; and (4) changing the application fee to reflect the cost of processing an NMS application.[274] Kentucky Power noted that the proposed Tariff NMS II comports with the requirements of KRS 278.466 as it applies only to customers whose eligible electric generating facility service begins after January 1, 2021, and all existing

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[273] KRS 278.465 and KRS 278.468.

[274] Vaughan Direct Testimony at 23.

NMS customers will continue to be served under the existing NMS tariff for up to 25 years.[275]

The netting periods under the proposed Tariff NMS II consist of two time of use (TOU) periods, 8 AM to 6 PM and 6 PM to 8 AM, and for the billing period, all positive or negative net kWh[276] will accumulate for that particular netting period. Net negative energy describes when, during a TOU netting period, a customer's generator produces an amount of energy that is greater than what the customer uses. Net positive energy depicts a situation when a customer's load is greater than what is self-generated during a TOU netting period. Any net positive energy or demand will be charged at the rates under the standard service tariff applicable to the customer. For all net negative energy, Kentucky Power proposed an avoided cost rate of $0.03659 per kWh.[277] In this initial calculation, the proposed avoided cost rate included the cost of service related avoided energy costs at Kentucky Power's marginal cost of energy, distribution losses, and avoided generation and transmission fixed costs. The proposed calculation did not include the societal cost of carbon, the value of the customer generators' renewable energy credits (RECs), nor other externalities as Kentucky Power contended that those items are not cost of service related.[278] Kentucky Power also proposed to collect the avoided cost payments made to customers under Tariff NMS II for net negative energy

[275] *Id.* at 24.

[276] The proposed NMS II is also kW where applicable.

[277] Vaughan Direct Testimony at 26. *See* Vaughan Direct Testimony, Exhibit AEV-3 for the complete calculation of the NMS II Excess Generation Pricing.

[278] Vaughan Direct Testimony at 27.

credits through its PPA tariff.[279] Kentucky Power asserted that the proposed Tariff NMS II results in a more appropriate fixed cost contribution towards Kentucky Power's cost of retail electric service and is consistent with the net metering act.[280]

The Attorney General/KIUC supported Kentucky Power's Tariff NMS II as proposed.[281] The Joint Intervenors, KYSEIA, and their witnesses, in their respective testimony and briefs, recommend denying the proposed rate and proposed establishing a separate proceeding with stakeholders and electric utilities to develop a methodology that is similar for all utilities, and based upon a cost of service study and cost-benefit analysis to determine appropriate dollar value for exports.[282] The parties also expressed concern that, by expanding their current systems or adding battery storage, existing net metered customers could lose their legacy status.[283] Sierra Club did not file testimony in this case, explaining that its position aligns with testimony filed by the Joint Intervenors and KYSEIA.[284]

The Commission first notes that it is in the process of contracting with a consultant with experience in developing net metering rates. Relevant here, Kentucky Power did not conduct a cost of service study or provide any cost support for serving net metered

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[279] *Id.* at 28.

[280] Vaughan Direct Testimony at 29.

[281] Attorney General/KIUC Post-Hearing Brief at 49–50.

[282] Direct Testimony of Justin R. Barnes (Barnes Direct Testimony) at 10–14, 16–18, and 20–21; Direct Testimony of James M. Van Nostrand (Van Nostrand Direct Testimony) at 2 and 12; Direct Testimony of Andrew McDonald (McDonald Direct Testimony) at 5–11;KYSEIA Post-Hearing Brief at 12–16; Joint Intervenors' Post-Hearing Brief at 4–13.

[283] Direct Testimony of Benjamin D. Inskeep (Inskeep Direct Testimony) at 17–28; Van Nostrand Direct Testimony at 2–3, 15; KYSEIA Post-Hearing Brief at 16–19.

[284] Sierra Club Post-Hearing Brief at 4.

customers. Instead, Kentucky Power proposed to use avoided cost as the basis for net metering rates. The Commission is not convinced by Kentucky Power's arguments that avoided cost should be the basis for establishing new net metering rates. Given that this is the first proceeding to propose new net metering rates consistent with the Net Metering Act, the Commission finds that its decision regarding net metering rates should be deferred to allow Commission Staff to work with its consultant to ensure that there is sufficient evidence to support the conclusion that Kentucky Power's proposed Tariff NMS II rates are fair, just and reasonable. Pursuant to KRS 278.190(2), Kentucky Power should file written notice with the Commission within 15 days of the date of this Order if Kentucky Power intends to place Tariff NMS II into effect as of January 14, 2021.

The Commission is cognizant that it must issue a decision on this issue on or before May 14, 2021, which is the statutory due date established by KRS 278.190(3). A procedural schedule will be issued by separate Order.

In regard to the Joint Intervenors and KYSEIA's requests to establish a separate proceeding to determine a methodology applicable to net metering rates, KRS 278.466(5) requires that net metering rates be established using ratemaking process established in KRS Chapter 278, such as this proceeding. The Joint Intervenors and KYSEIA's recommended process is not consistent with the express provisions of net metering statutes, and therefore the Commission will not grant their request.

Tariff SCC

Kentucky Power currently retains 25 percent of its OSS margins, which flow through Tariff SSC. Sharing mechanisms generally exist to provide an incentive to the utility to optimize a certain behavior, usually the reduction of an expense. When asked, "Do you think that [no sharing] of the off-system sales clause between customers and the Company, no sharing with the Company, would change the Company's dispatch procedures or choices?" Kentucky Power's witness responded, "No, because I think commercial operations does the best -- tries to make the best decision for customers regardless."[285] Because Kentucky Power participates in PJM's energy market on an economic basis and the OSS margins are simply the outfall of its participation in PJM,[286] the Commission finds that the OSS margins should not be shared between ratepayers and Kentucky Power. Therefore, the Commission finds that Kentucky Power's Tariff SSC should be revised to reflect that all OSS margins are attributable to ratepayers.

Kentucky Power currently files its Tariff SSC update, along with supporting spreadsheets, into the post-case file of its most recent completed general rate case no later than August 15 each year, with the new amount going into effect with bills issued in Cycle 1 of the October billing cycle. The information is reviewed by Commission Staff, who contact Kentucky Power if they have any questions. Currently, Kentucky Power's tariff does not contain the amount of the Tariff SSC factor. However, during the processing of this case, Kentucky Power provided a tariff page reflecting the Tariff SSC factor and committed to including the Tariff SSC factor in its tariff. Therefore, the Commission finds that all future filings should be submitted through the Commission's electronic Tariff Filing System no later than August 15 to become effective with bills issued in Cycle 1 of the October billing cycle.

<u>Demand Response Service</u>

[285] Hearing Transcript, Vol. III at 801-803

[286] *Id.*; and Kentucky Power's Response to Staff's Fourth Request, Item 15.

Kentucky Power proposed a new Demand Response Service tariff (Rider D.R.S.) that will be a peak shaving tariff for the purpose of reducing its cost causing peaks. Customers that choose this new tariff cannot participate in PJM's Demand Response Capacity Program as it will reduce a customer's peak load contribution eligible for PJM capacity credit. The Demand Response Tariff will be similar to C.S. – I.R.P. but with new pricing, terms, and intended use. Customers would agree to 60 annual hours of interruptions in exchange for a monthly interruptible demand credit of $5.50/KW. Customers would have to achieve at least 90.00 percent of their agreed upon interruptible capacity reservation during an event or be subject to an escalating repayment of its total annual discount, calculated based on the number of failures. Kentucky Power also proposed that the Commission allow them to defer the interruptible credits paid to Rider D.R.S. customers and recover the combined amount of Rider D.R.S. and Tariff C.S. – I.R.P. credits above the test-year level of Tariff C.S. – I.R.P. credits in the PPA tariff revenue requirement, as it currently does with the Tariff C.S. – I.R.P. credits.

The Commission finds that Rider D.R.S.is reasonable since it will allow Kentucky Power to reduce its cost causing peaks and that it should be approved. The Commission also finds that Kentucky Power should be allowed to defer the interruptible credits paid to Rider D.R.S. customers and recover the combined amount of Rider D.R.S. and Tariff C.S. – I.R.P. credits above the test-year level of Tariff C.S. – I.R.P. credits in the PPA tariff revenue requirement.

<u>Electric Vehicle Charging</u>

Kentucky Power proposed to add a provision to its residential tariff allowing customers to, through a separately wired time-of-use meter, take advantage of time-of-use rates for their electrical vehicle charging load only. The on-peak and off-peak rates for such loads would be the same as those offered under the load management time-of-day and standard time-of-day provisions that are already in the residential tariff. Kentucky Power proposed to waive the extra basic service charge because the cost of the extra meter would be offset by the additional fixed cost contributions from the on-peak and off-peak energy charges. Based on the installed cost of a separate AMI meter, Kentucky Power stated that the net annual incremental fixed cost contribution of a customer taking advantage of the proposed electric vehicle charging provision is $136.65.[287] As discussed earlier in this Order, the Commission rejected Kentucky Power's request for a CPCN to begin converting to AMI meters. Using the standard time-of-day AMR meter cost of $4.30 per month,[288] the net annual incremental fixed cost contribution would be $100.77. Kentucky Power indicated that customers currently charge their electric vehicles under their current rate schedules. The proposal would allow customers to charge their electric vehicles on a time of use rate without having to switch their whole house to such rates.[289]

Kentucky Power also proposed to modify the existing separate meter load management time-of-day provisions in Tariff G.S. and L.G.S to include EV charging.

Because the proposal is voluntary and customers are not required to go onto the load management time-of-day provisions of the respective tariffs to charge their electric

[287] Kentucky Power's Response to Staff's Post-Hearing Request, Item 15.

[288] Vaughan Testimony, Exhibit AEV-1, page 3 of 65.

[289] Kentucky Power's Response to Staff's Fourth Request, Item 72.

vehicles, the Commission finds that the proposal is reasonable when utilizing AMR meters and that it should be approved.

<u>Outdoor Lighting and Street Lighting</u>

Kentucky Power proposed several revisions to its Outdoor and Street Lighting Tariffs. They have proposed the following:

- Add standard LED lamp offerings;
- Cease new installations of non-LED lamps but continue to repair existing non-LED lamps as long as it has replacement lamps and parts in inventory;
- Add a conversion charge for customers with working non-LED luminaire who wish to convert to LED; and
- Add a flexible lighting option that gives customers options beyond the standard offerings in the tariff.

Kentucky Power indicated that it received numerous inquiries regarding LED lighting. Kentucky Power argued that LED lights will provide customers with a better light, more attractive color temperature options and reduced monthly energy consumption and associated energy cost. In addition, they state that LED technology will be more compatible with future technology enhancements to the system.[290] LED lighting has become much more prevalent in recent years. The Commission finds that the addition of LED lamp offerings is reasonable as LED lighting is becoming more prevalent and that the addition of LED lamp offerings should be approved.

Kentucky Power also indicated that it is becoming increasingly difficult to obtain traditional lighting technologies in sufficient volumes and at a reasonable cost. Therefore,

[290] Vaughan Direct Testimony at 20.

Kentucky Power is proposing to cease new installations of non-LED lamps. However, Kentucky Power will continue to repair existing non-LED lamps as long as it has replacement lamps and parts in inventory. Given the move to LED technology and the difficulty in obtaining non-LED technologies, the Commission finds that ceasing new installations of non-LED lamps is reasonable and that it should be approved.

Kentucky Power proposed to add a conversion charge for customers with functioning non-LED luminaires who wish to convert to LED technology in order to recover the average remaining book value of the non-LED luminaire. The charge would be collected over 84 months. The charge would not apply if the ballast or housing of the existing non-LED luminaire fails or the existing luminaire is out of stock. The Commission finds that it is reasonable for Kentucky Power to recover the average remaining book value of the non-LED luminaire when a customer with a functioning non-LED luminaire requests to convert to LED technology and that the conversion fee should be approved.

Kentucky Power proposed to add a flexible lighting option to the tariff to give customers options beyond the standard offerings in the tariff. The rate design for the flexible lighting option will include a monthly lamp charge for the system, a monthly maintenance charge, a non-fuel energy charge, a base fuel charge and all applicable adjustment clauses. The lamp charge will be computed using the same monthly levelized fixed cost rate used to compute the cost based lamp charges in Kentucky Power's standard lighting options. The monthly maintenance charge is based on an average of Kentucky Power's monthly maintenance charges for its LED lighting options. The nonfuel charge is the same rate used to compute the cost based lamp charges for its LED lighting options. Kentucky Power indicated that customers choosing the flexible payment option could pay part of the installed cost up front in order to reduce their monthly lamp charge.[291]

Kentucky Power filed a revised cost estimate for each Rate OL LED option. The revision reduced the average estimated monthly maintenance cost from $1.20 per month to $0.80 per month.[292] For the Rate SL LED option, Kentucky Power proposed a monthly maintenance cost of $2.23 while the average estimated monthly maintenance cost was $2.52 according to their cost justification.[293]

Because the rate design is similar to rate design for Kentucky Power's standard OL and SL offerings, the Commission finds that the proposal is reasonable and that it should be approved with language added indicating that customers can pay part of the installed cost upfront in order to reduce the monthly lamp charge component of the rate. The Commission also finds that the amount of the monthly maintenance charges in the flexible lighting options should be adjusted to reflect the amounts reflected in their cost justification. The Commission further finds that the monthly non-fuel energy charge per kWh under the flexible lighting options should be revised to $0.05517 for Tariff OL and $0.04391 for Tariff SL to account for the lower revenue requirement approved herein. Finally the Commission finds that the monthly levelized fixed charge rate under the flexible lighting options should be revised to 1.36 percent under Tariff OL and 0.97 percent under Tariff SL to account for the revised rate of return.

Tariff EDR

[291] Kentucky Power's Response to Staff's Fourth Request, Item 78.

[292] Kentucky Power's Response to Commission Staff's Fifth Request for Information (Staff's Fifth Request), Item 5(a), Attachment 1.

[293] Kentucky Power's Response to Staff's Fourth Request, Item 13, Attachment 2.

Kentucky Power proposed to revise Tariff E.D.R. to allow customers to choose the order in which they receive their contractual discounts. The timing of the discounts would be set out in the contract and submitted to the Commission for approval. Kentucky Power argues that the proposed change would make the tariff more attractive to customers seeking to relocate or expand in Kentucky Power's territory, thus aiding its economic development efforts. The Commission has concerns that allowing a customer to choose the order of discount could result in Kentucky Power receiving less in revenue than if the order of discounts remained as is in the current tariff, especially if the customer chooses the larger discounts to be in the years their load is the largest. However, because Kentucky Power will still be required to show that the discounted rates exceed the marginal cost associated with serving a customer over the entire discount period when seeking Commission approval of an EDR contract, thus holding Kentucky Power's remaining customers harmless, and in order to assist economic development in Kentucky Power's service territory, the Commission finds that the revision is reasonable and should be approved.

Tariff FAC

Kentucky Power proposed to update Tariff F.A.C. to include PJM billing line item 1999 (BLI 1999) as a category of fuel costs recoverable through the FAC.[294] Kentucky Power argued that as a member of PJM, it is required to pay all costs billed by PJM and is entitled to all revenues earned through its participation. It stated that retail ratepayers

[294] Direct Testimony of Scott E. Bishop (Bishop Direct Testimony) at 6; and Whitney Direct Testimony at 25. Kentucky Power proposed to remove BLI 1999 cost from the test year ended March 31, 2020 amount of $150,650 (retail jurisdictional amount). The recovery of the total $357,829 in default costs was proposed to be amortized over a three year period and resulted in an annual amortization expense of $117,487.

benefit through their share of off system sales margins as well as revenues earned by Kentucky Power for the provision of transmission service, which reduces the cost of providing retail electric service. Kentucky Power argued that, because retail ratepayers receive the benefits of its participation in PJM, it is appropriate to reflect the costs of participation in retail rates.[295]

Currently, default expenses are recovered through either base rates or the system sales clause. The Commission finds that the recovery of BLI 1999 charges through the FAC should be denied, for the reasons discussed below, and that these charges should continue to be recovered through base rates and Tariff SSC. Although there have been default expenses other than GreenHat, which was an exception in its magnitude, the expenses were not extraordinary.[296] In addition, FAC proceedings allow electric utilities to recover the difference between fuel costs in the base period and current period. While electric utilities can include financial transmission rights (FTR) in FAC proceedings, FTR expenses are not fuel costs. BLI 1999 are not FTR expenses; they are remote expenses associated with FTRs, representing third party liquidated positions allocated to Kentucky Power. For these reasons, the Commission concludes that BLI 1999 charges should continue to be recovered through base rates and Tariff SSC, and not through FAC proceedings. Additionally, even though Kentucky Power explained in Case No. 2020-00034[297] that a portion of the BLI 1999 charges would be allocated to OSS through Tariff

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[295] Kentucky Power's Response to Staff's Fourth Request, Item 21.

[296] *Id*. at Item 20.

[297] Case No. 2020-00034, *Electronic Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with Charges Related to GreenHat Energy, LLC Default* (Ky. PSC Sept. 30, 2020).

SSC and the historic period was allocated to OSS, Kentucky Power did not allocate a portion of the estimated expenses from April 2020, to December 2020. Using the average allocation to OSS during the actual period of 14 percent, $16,552 should be allocated to the OSS margins and removed from base rates. With the change that 100 percent of OSS margins will flow through Tariff SSC, the total amount billed to customers would remain the same without the additional allocation; however, the FAC base fuel amount would be understated and the SCC margins would be overstated by the same amount, adding an additional layer of complexity to the review process for these mechanisms. Thus, the Commission will include $101,155 in base rates and $16,451 in the system sales clause, on a jurisdictional basis.

The Commission notes that the issue will be examined further if PJM and its members continue to have problems monitoring and policing its markets, ensuring that adequate participant reserves are in place to protect the integrity of market positions and passing new extraordinary default charges through BLI 1999.

<u>Tariff C.S. – I.R.P.</u>

Kentucky Power proposed to eliminate the expiring special coal provisions in Tariff C.S. – I.R.P. The special coal provisions allowed for customers engaged in the extraction or processing of coal to provide interruptible load of at least 1 MW at a single site and commit to a minimum two year contract term instead of the four year contract term for other customers under Tariff C.S. – I.R.P. Kentucky Power stated that the provisions are difficult to manage and are no longer necessary as the proposed Demand Response Tariff contains a one year contract period for customers willing and able to interrupt their load requirements in return for demand-based bill credits.

Kentucky Power also proposed revisions to make the language in Tariff C.S. – I.R.P. consistent with PJM's Load Management Resource Product – Capacity Performance Demand Response requirement, add language to the tariff that was in previously Commission approved C.S. – I.R.P. contract addenda, and remove language that already appeared in Tariff I.G.S., under which C.S. – I.R.P. customers take service.

Because customers engaged in the extraction or processing of coal will be able to provide interruptible load under the new Demand Response tariff under a 1 year contract, the Commission finds that the removal of the special coal provisions from C.S. – I.R.P. is reasonable and that it should be approved. As the remaining revisions were just for clarification, the Commission finds them reasonable and that they should be approved.

Underground Service Tariff

Kentucky Power proposed revisions to its Underground Service tariff to add cities and towns to the list of entities that can request underground service. If a city or town is the entity requesting underground service, Kentucky Power proposes to collect the estimated underground cost differential from the residents of the city or town requesting such service through a separate line item on the bill. Kentucky Power is also proposing to add language regarding situations where a city or town requires the installation of underground facilities or the relocation of overhead facilities underground pursuant to a municipal or other governmental requirement or directive. In such cases, Kentucky Power is proposing to collect such costs from the customers within the boundary of the municipality or governmental entity requiring such service.

Kentucky Power indicates that its preferred method of recovery of such costs would be directly from the city or town. However, if the city or town were unable to pay the upfront cost, Kentucky Power would then add the costs either to the franchise fee billing line item or a new billing line item of the customer bills in that city or town. Kentucky Power indicated that they would notify such customers through bill messages, its website, and social media. [298] Kentucky Power indicated that it would be willing to create payment arrangements directly with the cities or towns to recover the costs instead of recovering them through a franchise fee billing line item as originally proposed.[299]

The Commission believes that these issues should be addressed in franchise agreements and the Commission's authority regarding franchises is limited by statute to finding only whether there is a need and demand for the service sought to be rendered, no finding or determination is made as to the qualifications of the bidder, the validity of any of the provisions of the franchises offered by said city, or the manner in which any franchise fees are to be treated for rate purposes. Therefore, for the reasons discussed above, the Commission finds that the revisions should be rejected.

Tariff Non-Utility Generator (NUG)

Kentucky Power proposed to close Tariff NUG for new participants and remove provisions for commissioning power service and startup power service. Due to pending litigation at the Kentucky Court of Appeals regarding this tariff,[300] the Commission finds that the proposal should be denied.

Tariff Cogen/SPP

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[298] Kentucky Power's Response to Staff's Fourth Request, Item 6.

[299] Kentucky Power's Response to Staff's Fifth Request, Item 4(a).

[300] *Riverside Generating Co. LLC v. Pub. Serv. Comm'n,* Ky. App Case No. 2020-CA-0678 (filed June 11, 2020).

In Case No. 2000-00279,[301] Kentucky Power was permitted to deviate from the filing requirements of 807 KAR 5:054, Sections 5(1)(a) and (2), which relate to the filing of avoided cost data with the Commission. That deviation was reversed in Case No. 2020-00134,[302] and the Commission also found that "the reasonableness of Kentucky Power's cogeneration tariffs, particularly as they relate to the avoided cost data filed in this proceeding, will be adjudicated in Case No. 2020-00174." Kentucky Power proposed to revise its avoided capacity cost rates based upon a hypothetical incremental dispatchable generation addition.[303] It used an estimated cost of an F class combustion turbine natural gas generating plan based on the AEP System new generation technologies key supply-side resource option assumptions from its most recent IRP filing.[304] Kentucky Power proposed to revise its avoided energy cost rates based on a four year average of forward pricing for the Kentucky Power residual load aggregate.[305] Kentucky Power argues that its generation resources are not dispatched to meet load requirements, but instead are dispatched against PJM's locational marginal price (LMP) prices.[306] Therefore, Kentucky Power argued that its marginal/avoided cost of energy is the PJM LMP for Kentucky Power's residual load aggregate.[307]

[301] Case No. 2000-00279, *Request of Kentucky Power Company D/B/A American Electric Power for Deviation from 807 KAR 5:054, Section 5(1)(a) and (2)* (Ky. PSC Aug. 4, 2000).

[302] Case No. 2020-00134, *Electronic Investigation of Kentucky Power Company's Deviation from 807 KAR 5:054, Section 5(1)(A) and (2)* (Ky. PSC June 1, 2020).

[303] Kentucky Power's Response to Staff's Fourth Request, Item 111.

[304] Kentucky Power's Response to Staff's Fourth Request, Item 94.

[305] Kentucky Power's Response to Staff's Fourth Request, Item 102.

[306] Kentucky Power's Response to Staff's Fifth Request, Item 18(a).

[307] *Id.*

KYSEIA's witness, Justin R. Barnes, proposed that instead of using a capital cost of $700 per kW to calculate the avoided capacity rate, Kentucky Power should use the amount from PJM's Cost of New Entry (CONE) of at least $799 per kW.[308] In addition, Mr. Barnes argued that since PJM uses a 20-year useful life in it CONE calculation for the same type of generating unit Kentucky Power uses, Kentucky Power should also use a 20-year useful life in its calculation.[309] Mr. Barnes also proposed that the Cogen Tariffs be revised to specify that QFs may seek a contract with pricing based on rates at the time of the establishment of a legally enforceable obligation (LEO) and specify the length of time that a QF may provide energy and capacity under a locked-in rate, which it argued should be at least ten years.[310]

Kentucky Power argued that the avoided cost calculation should be consistent with the methodology so that favorable values from different methodologies are not combined in a piecemeal fashion.[311] Kentucky Power stated that, while it continues to support its proposed simplified hypothetical CT calculation, the Commission has ultimate discretion as to the avoided cost methodology. Kentucky Power argued that because the Public Utility Regulatory Policies Act (PURPA) does not require Kentucky Power to fix avoided cost rates for any period, Mr. Barnes' recommendation to require fixed rates for a minimum term of ten years is inconsistent with FERC Order 872 and the Commission's

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[308] Direct Testimony of Justin R. Barnes (Barnes Direct Testimony) at 48.

[309] *Id.*

[310] Barnes Direct Testimony at 47.

[311] Vaughan Rebuttal Testimony at 44-45.

regulations. Kentucky Power also stated that its tariff should be updated to reflect the avoided cost methodology chosen by the Commission and FERC Order 872, which reduced the purchase obligation threshold from 20 MW to 5 MW, subject to FERC approval.[312]

Discussion and Findings. PURPA is a "program of cooperative federalism that allows the States, within limits established by federal minimum standards, to enact and administer their own regulatory programs, structured to meet their own particular needs."[313] FERC Order 872 and 872-A revised FERC's regulations implementing PURPA. To account for the significant development of energy markets, FERC established a rebuttable presumption that locational marginal prices (LMPs) may reflect a purchasing electric utility's avoided energy costs and allowed states the ability to require variable energy rates.[314] FERC also retained the option granted to QFs to fix their capacity rates for the term of their contracts at the time the LEO is incurred,[315] and clarified that a QF must demonstrate commercial viability and a financial commitment to construct its facility pursuant to objective and reasonable state-determined criteria before the QF is entitled to a contract or LEO.[316] FERC has declined to specify a minimum required contract length and stated that "it is up to states to decide appropriate contract lengths in

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[312] *Id.* at 43–44. *See* revised Vaughan Rebuttal Testimony (filed Nov. 23, 2020).

[313] *See FERC v. Miss*., 456 U.S. 742, 767 (1982).

[314] FERC Order No. 872 at 8 and 18.

[315] *Id.* at 27.

[316] *Id.* at 45. "States may not impose any requirements for a LEO other than a showing of commercial viability and a financial commitment to construct the facility."

a way that accurately calculates avoided costs so as to meet all statutory requirements."[317]

The Commission chooses to avail itself of the new capability to require variable energy rates and finds that the avoided energy rate should be the variable LMP at time of delivery. This will eliminate any forecast error from Kentucky Power's avoided energy rate and place the risk of economic feasibility on the QF instead of Kentucky Power's ratepayers. The Commission also finds that the avoided capacity rate should be the zonal net CONE for the delivery years that have an established CONE at the time of the contract and the last known net CONE for the remainder of the term. This will balance the interests of Kentucky Power and the QF by enabling QFs to estimate the avoided capacity rates from publically available documents and providing a market based capacity value specific to Kentucky Power's location. The Commission also finds that Kentucky Power's current minimum term of one year may discourage QFs from locating in its service territory and will therefore lengthen the minimum agreement term to five years. While longer minimum agreement periods shift risk to ratepayers, the variable energy rates will alleviate some of these concerns. The Commission further finds that the LEO requirements should be set by regulation, because they should apply to all utilities equally. Therefore, the Commission will not dictate LEO requirements at this time. Finally, the Commission will still allow utilities and QFs, if they choose, to have agreements different than the tariff, subject to the Commission's approval.

For small power production facilities, but not cogeneration facilities, FERC also revised the threshold for the rebuttable presumption that a QF with a net capacity of less

[317] *Id.* at 206.

than 20 MW lacks nondiscriminatory access to markets from 20 MW to 5 MW, for the purposes of determining the electric utility's purchase obligation.[318] Utilities for which FERC has already granted relief from the mandatory purchase obligation for small power production facilities over 20 MW must reapply with FERC to request relief from the mandatory purchase obligation for small power production facilities between 5 MW and 20 MW.[319]

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power's Tariff Cogen/SPP should be revised to (1) reflect an avoided energy cost rate based on the variable LMP at the time of delivery; (2) reflect an avoided capacity cost rate based on the zonal net CONE for the delivery years that have an established CONE at the time of the contract and the last known net CONE for the remainder of the term; (3) specify that a QF can request to that avoided cost rates be set on an "as available" basis or when the QF has established a LEO; and (4) specify that the minimum contract term is five years. Additionally, if Kentucky Power is granted approval by FERC to reduce its purchase obligation for small power production facilities, Kentucky Power should revise its tariff to reflect that approval.

Tariff Language Change

Equal payment plan to nonresidential customers. Kentucky Power proposed to offer its Equal Payment Plan to nonresidential customers when mutually agreeable. Kentucky Power indicated that nonresidential customers are eligible for the Equal

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[318] *Id.* at 45.

[319] *Id.* at 356.

Payment Plan if the customer's account is current and it meets the satisfactory credit criteria for nonresidential customers in the deposit section of the tariff.[320] Commission regulation 807 KAR 5:006, Section 14(2)(a)2, requires that utilities offer budget payment plans to residential customers and also allows such plans to be offered to other classes of customers. Therefore, the Commission finds that the proposal is reasonable, but that language should be added to the Equal Payment Plan section of the tariff specifying the requirements a nonresidential customer must meet to be eligible for the Equal Payment Plan. As a similar provision is contained in the Average Monthly Payment Plan section of the current tariff, the Commission finds that language should be added to that section of the tariff specifying the requirements a nonresidential customer must meet to be eligible for the Average Monthly Payment Plan.

Allow verbal request by customers for meter test. Kentucky Power proposed to allow customers to submit a verbal request to a Customer Service Representative for a meter test. The current tariff only allows customers to request a meter test upon written request. Commission regulation 807 KAR 5:006, Section 19, requires a utility to make a test of a meter upon written request of a customer as long as the request is not made more frequently than once every 12 months.

The Commission is concerned that allowing customers to verbally request a meter test increases the likelihood that regulatory requirements to maintain adequate documentation and to inform customers of their rights and responsibilities would not be followed. For example, pursuant to 807 KAR 5:006, Section 9(3)(f), and 807 KAR 5:041, Section 19(1)(b), a customer may be charged if, after requesting a meter test, the meter

[320] Kentucky Power's Response to Staff's Fourth Request, Item 4.

is found to be within the regulatory accuracy limits. Pursuant to 807 KAR 5:006, Section 10(4)–(5), a utility must provide notice to a customer of their right to file a complaint with the Commission if the customer's complaint is not resolved by the utility. Here, Kentucky Power did not provide evidence how it would ensure that customers' rights are protected. Therefore, for the reasons discussed above, the Commission finds that the revision should be rejected.

Revisions to franchise tariff regarding notice of expansion of municipal government boundaries. Kentucky Power proposed two revisions to its Franchise Tariff. The first revision addresses situations when Kentucky Power is required to install underground facilities or relocate overhead facilities underground pursuant to a municipal or other governmental requirement or directive. Under such a situation, Kentucky Power proposed to charge the customers within the boundary of that municipality or governmental entity for the costs related to the installation or relocation via the current franchise fee billing line item or a new billing line item.

The second revision requires cities and towns to timely notify Kentucky Power of any expansion of the city's or town's boundaries through annexation and to provide a new map of the city's or town's boundaries at the time notice is made. Once the notice is made, Kentucky Power would begin billing the applicable charges within 30 days.

The Commission concludes that these issues should be addressed in franchise agreements and the Commission's authority regarding franchises is limited by statute to finding only whether there is a need and demand for the service sought to be rendered, no finding or determination is made as to the qualifications of the bidder, the validity of any of the provisions of the franchises offered by said city, or the manner in which any franchise fees are to be treated for rate purposes. Therefore, for the reasons discussed above, the Commission finds that the revisions should be rejected.

Add delayed payment charge to Tariff T.S. and M.W. Kentucky Power proposed adding its delayed payment charge to its Temporary Service Tariff (Tariff T.S.) and Municipal Waterworks Tariff (Tariff M.W.). Because the Commission is allowing Kentucky Power's delayed payment charge for commercial and industrial customers to continue, the Commission finds that the proposal to add the delayed payment charge to Tariff T.S. and Tariff M.W should be approved. While Tariff T.S. is also available to residential customers, its use by residential customers appears to be infrequent based on the total number of occurrences during the test year.[321]

Change requirements from "normal" maximum demand to "average" maximum demand in Tariff G.S., M.G.S. -T.O.D., Tariff L.G.S., Tariff L.G.S.–T.O.D., Tariff I.G.S, Tariff C.S. – Coal, Tariff C.S. – I.R.P., Rider A.F.S. Kentucky Power proposed to revise the Availability of Service section of several rate schedules to change the requirements for those rate schedules from normal maximum demand to average maximum demand. Kentucky Power indicated that it proposed the revisions because average is a more easily defined term than normal. The Commission finds that the term average is more easily defined than normal and that the revisions be approved.

Delayed Payment Charge

Kentucky Power assesses most customers who pay their bill after the due date a delayed payment charge of 5.00 percent. This fee is intended to elicit customer behavior,

[321] Kentucky Power's Response to Staff's Post-Hearing Request, Item 5, Attachment 1.

is not cost based, and creates a hardship on customers that are already unable to timely pay for service. The evidence collected in Case No. 2020-00085,[322] including evidence related to Kentucky Power that was discussed at the hearing in this matter, challenged the efficiency of delayed payment charges to certain customers. In the response to the Commission's Request for Information in Case No. 2020-00085, the data provided by Kentucky Power demonstrated that the on time pay percentage for residential customers remained fairly steady and even increased during certain months that the required waiver of late payment fees was in effect. In that same response, the data provided by Kentucky Power demonstrated that the on time pay percentage for commercial and industrial customers decreased during the months that the required moratorium on late payment fees was in effect.[323]

Kentucky Power stated that its delayed payment charge is cost-based, citing its accounts receivable factoring expense of $3,800,926 during the test year.[324] Due to its almost instantaneous sale of accounts receivable for all customers, there is no evidence that there are costs imposed on all customers for some paying their bills late. While Kentucky Power does sell its accounts receivable at a discount, the discount reflects the time value of money and transaction fees for all customers, not just those paying late. In addition, Kentucky Power participates in the Residential Energy Assistance program,

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[322] See Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (filed Sept. 21, 2020) Kentucky Power's Supplemental Response to Commission Staff's Initial Request for Information, Item 9.

[323] *Id.*

[324] Kentucky Power's Response to Staff's Post-Hearing Request, Item 5(j).

whose purpose is to reduce bad debt expenses which benefits all customers.[325] Discontinuing the delayed payment charge for residential customers would allow for smaller write-offs based upon actual cost based sales.

As the evidence indicates, the delayed payment charge does not appear to have the intended impact on residential customers' behavior, the Commission finds that it is not reasonable for Kentucky Power to continue to collect delayed payment charges from residential customers. Therefore, the Commission reduces the test year delayed payment charge revenue by $2,458,312, which is the amount attributable to residential customers, so that Kentucky Power can receive the income through its base rates and the Commission finds that the assessment of delayed payment charges to residential customers should be discontinued.

Nonrecurring Charges

Following the Commission's recent decision set out in the final Order in Case No. 2020-00141,[326] the Commission finds that the calculation of non-recurring charges should be revised and only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. In Case No. 2020-00141, the Commission found that because personnel are paid for work performed during normal business hours regardless of whether they are on a field visit, labor costs included in nonrecurring charges that occur during regular business hours

[325] *See* Case No. 2019-00366, *Investigation of Home Energy Assistance Programs Offered by Investor-Owned Utilities Pursuant to KRS 278.285(4)* (Ky. PSC May 4, 2020), Order at 3 (The primary benefit of home energy assistance programs is, "a reduction in utility costs, and thus a reduction in rates as a result of avoided costs that would otherwise be incurred from debt collection and from writing off uncollectible accounts.").

[326] Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

should be eliminated. By reflecting only the marginal cost of the service in nonrecurring charges, Kentucky Power's rates will be more in line with the principle of cost causation. Merely allocating a fixed expense of ordinary labor costs in special nonrecurring charges like reconnect, termination/field trip, and returned check charges creates a mismatch between how Kentucky Power incurs expenses and how it recovers those expenses from customers. Instead of reflecting fixed costs in special nonrecurring charges that a utility incurs regardless of the number or timing of those nonrecurring services, including those fixed costs in rates for electric service more closely aligns those expenses with the actions that drive them. This approach to ratemaking is entirely consistent with the Commission's history of ensuring that rates reflect, to a reasonable degree, the principle of cost causation while simultaneously taking into account the health of the utility and the ability of the utility to provide the adequate, efficient and reasonable provision of service.

Based on the information discussed above and using the cost justifications submitted in Case No. 2014-00396, which is the last time Kentucky Power revised its nonrecurring charges, the Commission finds that the following revisions should be made to Kentucky Power's nonrecurring charges.[327]

	Current Charge	Revised Charge
Reconnect for non-payment (regular hours)	$21.00	$4.70
Termination or Field Trip	13.00	4.70
Returned Check	18.00	14.65

[327] The Commission is not revising the meter test fee or meter reading check fee. The Commission is also not revising reconnection fees for reconnections that require overtime, as those are outside regular business hours; reconnection fees resulting from fraudulent use or the energy diversion fee, as those relate to instances of theft of service or customer negligence; the temporary service fee as that is based on the installation of temporary service; and the fee charged for work performed on Kentucky Power's facilities at customer's request as that is extra work requested by the customer.

Therefore, the Commission reduces the test-year nonrecurring charge revenue by $359,033 so that Kentucky Power can receive the income through its base rates.[328]

Miscellaneous Tariff Changes

Kentucky Power proposed various minor text changes to its tariff. Unless otherwise stated in this Order, the Commission finds that the proposed changes are reasonable and should be approved.

OTHER ISSUES

Vegetation Management

Kentucky Power requested to change the frequency of certain reporting requirements so that all vegetation management reports are filed at the same time annually. Kentucky Power also requested to continue the one-way balancing mechanism first approved in Case No. 2014-00396 and re-approved in Case No. 2017-00179.[329]

Regarding its request to consolidate annual reporting dates, Kentucky Power is required to file two annual reports: (1) by October 1, Kentucky Power must file its vegetation management plan for the upcoming year; and (2) by April 1, Kentucky Power

[328] The Commission used the number of occurrences provided in Kentucky Power's Response to Staff's Post-Hearing Request, Item 5, Attachment 1 to calculate the reduction in nonrecurring charge revenue. It should be noted that the number of occurrences of the termination or field trip fee, returned check fee, and meter test fee provided by Kentucky Power did not match the number of occurrences if one took the amount of revenue from each charge divided by the current approved rate. However, the difference in the two-dollar amounts would only be $1,674, an amount the Commission deems *de minimis*. In addition, in its Response to Staff's Post-Hearing Request, Item 5, Kentucky Power did not provide the number of reconnections based on reconnect fee type. Therefore, the Commission was unable to determine the number of occurrences that occurred outside of regular business hours. However, as it appears that the vast majority of reconnections were during regular business hours based on dividing the amount of revenue by the number of occurrences, the Commission used the number of occurrences provided by Kentucky Power to calculate the nonrecurring charge revenue reduction.

[329] Case No. 2014-00396, June 22, 2015 Order, Appendix A at 11; Case No. 2017-00179, Jan. 18, 2018 Order at 70.

must file a report describing the work performed and expenditures made in the preceding year.[330] Kentucky Power proposed to combine the two reports into a single report filed by April 1 each year. Kentucky Power asserted that filing one report would promote administrative efficiency. None of the parties opposed Kentucky Power's proposal. The Commission agrees with Kentucky Power that combining the two reports into a single report will promote administrative efficiency by allowing Staff to evaluate the previous year's vegetation management plan, which informs the subsequent year's plan, without unduly impacting the timeliness of the information received by the Commission. For this reason, the Commission finds Kentucky Power's proposal reasonable and therefore Kentucky Power's request to combine the two annual vegetation management reports into a single report filed April 1 each year is granted.

Under the one-way balancing mechanism, any annual shortfall or excess in vegetation management O&M expenses that are over the amount in base rates is added to or subtracted from future expenditures until Kentucky-American's next base rate case is filed.[331] If Kentucky Power overspends, it will not seek recovery of the costs in a future base-rate proceeding. Through December 31, 2019, Kentucky Power overspent the budgeted amount of $112,075,362 by $253,288.[332] The Commission finds that the one-way balancing adjustment should be continued. However, the balancing mechanism should be adjusted with expenditures balanced against the annual projected expenditures

[330] *Id.* at 28.

[331] *Id.* at 29, and Exhibit EGP-1 at 9 of 17.

[332] Direct Testimony of Everett G. Phillips (Phillips Direct Testimony), Exhibit EGP-1 at Table 6.

as set forth in the application, with all expenses recorded against the annual budget until Kentucky Power's next base rate application.

The Commission is concerned that while Kentucky Power is spending more on vegetation management, its reported SAIFI and SAIDI numbers are increasing.[333] While Kentucky Power attributes this to trees located outside Kentucky Power's right-of-way,[334] the Commission cautions Kentucky Power that the Commission will closely analyze the reasonableness of this trend in future rate cases to ensure that the increase in SAIFI and SAIDI is not due to Kentucky Power not sufficiently investing in its system.

<u>Unprotected Excess ADIT for Bill Credit for COVID-19-related Delinquent Accounts</u>

The Commission entered an Order on October 2, 2020, in Case No. 2020-00176[335] denying Kentucky Power's request to apply $10,798,596 of the unprotected excess ADIT balance for a one-time bill credit for customer delinquencies attributed to the adverse economic impact of COVID-19. From testimony in the case record, it appears that Kentucky Power misunderstood that the Commission's determination, believing that the Commission was deferring a decision on the matter to this proceeding.

To the extent clarification is necessary, the Commission denied Kentucky Power's proposal to accelerate the return of unprotected excess ADIT through a one-time bill credit for delinquent customer accounts because it was not supported by substantial

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[333] Phillips Direct Testimony, EGP-1, at Tables 4-5.

[334] Phillips Direct Testimony at 21–23.

[335] Case No. 2020-00176, *Electronic Application of Kentucky Power Company to Amend the Settlement Agreement Approved in Case No. 2018-00035 to Provide for the One-Time Amortization of Unprotected Accumulated Deferred Federal Income Tax in an Amount Sufficient to Eliminate Customer Delinquencies Greater Than 30 Days as of May 28, 2020* (Ky. PSC Oct. 2, 2020).

evidence.[336] Kentucky Power's plan to return approximately 67.00 percent of the unprotected excess ADIT balance in Case No. 2020-00176 and this proceeding is inconsistent with Kentucky Power's sworn testimony in a previous case that it would face dire financial consequences if the excess ADIT was amortized less than 18 years.[337] The Commission did not make a finding related to the appropriateness of the accelerated amortization period, finding that this proceeding was the best venue to address the financial impact on credit metrics and cash flow arising from any accelerated amortization period. This Commission believes its use of the unprotected excess ADIT as noted in this Order is more reasonable than those proposed by Kentucky Power in this and related matters.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Kentucky Power are denied.

2. The rates and charges for Kentucky Power, as set forth in Appendix C to this Order, are fair, just and reasonable rates for Kentucky Power, and these rates are approved for service rendered on and after January 14, 2021.

3. Kentucky Power's request for a CPCN for AMI metering system is denied

4. Kentucky Power's request for a Grid Modernization Rider is denied.

5. Kentucky Power's request to revise Tariff PPA as discussed herein is approved until the next rate case.

6. Kentucky Power's Decommissioning Rider shall be calculated as described in this Order.

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[336] *Id.* at 6.

[337] *Id.*

7. The Decommissioning Rider factor shall be included in the tariff and all future annual updates to the Decommissioning Rider factor shall be submitted through the Commission's electronic Tariff Filing System no later than August 15 to become effective with bills issued in Cycle 1 of the October billing cycle.

8. Kentucky Power's request to implement a Flex Pay Program is denied.

9. Kentucky Power's request for a deviation from 807 KAR 5:006, Section 7(1)(a) is denied as moot.

10. Kentucky Power's Tariff SSC shall be modified as described in this Order.

11. The Tariff SSC factor shall be included in the tariff and all future annual updates to the Tariff SSC factor shall be submitted through the Commission's electronic Tariff Filing System no later than August 15 to become effective with bills issued in Cycle 1 of the October billing cycle.

12. Kentucky Power's request to implement Rider D.R.S. is approved.

13. Kentucky Power's request to defer the interruptible credits paid to Rider D.R.S. customers and recover the combined amount of Rider D.R.S. and Tariff C.S. - I.R.P. credits above the test year level of Tariff C.S. - I.R.P. credits in the PPA tariff revenue requirement is approved.

14. Kentucky Power's request to revise its Residential, General, and Large General Service Tariff to include the electric vehicle charging provision is approved.

15. Kentucky Power's request to revise its Outdoor Lighting and Street Lighting Tariff as discussed herein is approved as modified herein.

16. Kentucky Power's request to revise Tariff E.D.R. as discussed herein is approved.

17. Kentucky Power's request to revise Tariff F.A.C. as discussed herein is denied.

18. Kentucky Power's request to revise Tariff C.S.-I.R.P. as discussed herein is approved.

19. Kentucky Power's request to revise the Underground Service section of it tariff as discussed herein is denied.

20. Kentucky Power's request to revise Tariff N.U.G. as discussed herein is denied.

21. Kentucky Power's request to revise Tariff COGEN/SPP I and Tariff COGEN/SPP II is denied and these tariffs shall be modified as described in this Order.

22. Kentucky Power's request to revise the Equal Payment Plan section of its tariff as discussed herein is approved.

23. Kentucky Power's request to allow customers to verbally request a meter test is denied.

24. Kentucky Power's request to revise its Franchise Tariff as discussed herein is denied.

25. Kentucky Power's request to add its delayed payment charge to Tariff T.S. and Tariff M.W. is approved.

26. Kentucky Power's request to revise the Availability of Service section of multiple rate schedules to change the requirements from normal maximum demand to average maximum demand is approved.

27. Kentucky Power shall discontinue charging a delayed payment charge to residential customers.

28. The Commission shall defer a decision regarding Tariff NMS I and II to allow Commission Staff to work with its consultant to ensure that there is sufficient evidence to support the conclusion that Kentucky Power's proposed Tariff NMS II rates are fair, just and reasonable.

29. Within 15 days of the date of entry of this Order, Kentucky Power shall file written notice with the Commission if it intends to place Tariff NMS II into effect as of January 14, 2021. If Kentucky Power places Tariff NMS II into effect, Kentucky Power shall maintain its records in a manner as will enable Kentucky Power, or the Commission or any of Kentucky Power's customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered.

30. Except for the tariffs that have been modified, denied, or deferred herein, Kentucky Power's proposed tariffs are approved as filed.

31. Kentucky Power's vegetation management plan, as set forth in the application, is approved.

32. Kentucky Power's request to file a single vegetation management report annually on April 1 is granted. The report shall include the upcoming year vegetation management plan and the previous year vegetation management progress and expenses.

33. Kentucky Power shall file an annual update of the FRR/RPM election analysis conducted by AEP and its operating companies within 30 days of notifying PJM of the election.

34. Kentucky Power shall file annually the supporting calculations for allocating PJM bills, which are based on a one-coincident peak methodology, AEP's operating companies using a twelve-coincident-peak methodology.

35. Within 15 days of the date of entry of this order, Kentucky Power shall provide written notice to the Commission, by letter from Kentucky Power's President and Chief Operating Officer, Brett Mattison, whether it will voluntarily forego all or a portion of the Capacity Charge for the remainder of the term of the UPA.

36. Kentucky Power shall file all documents filed pursuant to ordering paragraphs 29, 32, 33, 34, and 35 in this proceeding's post-case correspondence file.

37. Within 20 days of the date of this Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.

38. This case shall remain open pending a final determination regarding Tariffs NMS I and NMS II.

By the Commission

ENTERED

JAN 13 2021

bsb

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00174 DATED JAN 13 2021

Kentucky Power Company
Case No. 2020-00174
Base Revenue Requirement
Summary of Adjustments
For the Test Year Ended March 31, 2020

	Adjustment Amount	Rate Base Change	WACC
Kentucky Power Requested Increase			
Request Based On Original Filing	$ 70,096,743		
Effects on Increase from Rate Base Recommendations			
Utilize Rate Base Instead of Capitalization to Reflect Return on Component for Base Rates	608,162	7,488,735	8.12103%
Reduce Cash Working Capital to '0' in Lieu of Lead/Lag Study	(1,660,444)	(20,446,234)	8.12103%
Remove Prepaid Pension and Prepaid OPEB from Rate Base, Net of ADIT	(5,203,831)	(64,078,478)	8.12103%
Remove Accounts Payable Balances from CWIP in Rate Base	(687,079)	(8,460,497)	8.12103%
Remove Accounts Payable Balances from Prepayments in Rate Base	(6,784)	(83,533)	8.12103%
		Expense Amount	**GRCF**
Effects on Increase from Operating Income Recommendations			
Increase to Revenue Due to Removal of Certain Non-Recurring Charges	2,817,345		
Addition of Pension and OPEB Expense Originally Removed from Cost of Service	3,712,668	3,690,184	1.0060929
Reduction of Savings Plan Contribution Expense	(1,684,045)	1,673,846	1.0060929
Adjustment to Rate Case Expense	(418,069)	(415,537)	1.0060929
Remove Incentive Compensation Expense Tied to Financial Performance	(5,665,765)	(5,631,453)	1.0060929
Remove SERP Expense	(205,475)	(204,230)	1.0060929
Remove Miscellaneous Expense Less EEI Dues for Covered Activities	(545,012)	(541,711)	1.0060929
Remove Kentucky Power's Pro Forma Adjustment to Restate Rockport UPA Operating Ratio	(1,705,844)	(1,695,513)	1.0060929
Correct Allocation of Rockport UPA Deferral to Non-jurisdictional Customers	(211,280)	(210,000)	1.0060929
Remove SSC GreenHat Default Charges from FAC Base Rates	(16,552)	(16,452)	1.0060929
Effects on Increase from Rate of Return Recommendations			
Reduce Long Term Debt Rate to Reflect Refinance of June 2021 Maturity	(1,057,851)		
Reduce Return on Equity from 10.0% to 9.3%	(5,511,493)		
Reduce Return on Equity for Environmental Surcharge to 9.1%	(236,063)		
Total Adjustments to Company's Proposed TY Base RR	(17,677,411)		
Base Rate Increase After Adjustments	$ 52,419,332		

	Amount (in millions)
Rate Base per Kentucky Power's filing	$ 1,399,886,233
Adjustments:	
Remove Asset ADIT for Solar ITC	7,488,735
Reflect Cash Working Capital of Zero In Lieu of 1/8th O&M Methodology	(20,446,234)
Remove Regulatory Asset for Deferred Rate Case Expenses	(64,078,478)
Reflect Changes in Acc.Dep. and ADIT Due to Lower Depreciation Expense	(8,460,497)
Reduce Plant for Additions in Excess of Budgets, including Acc. Dep. and ADIT Offsets	(83,533)
Removal of Battery Storage Project	
Removal of EV Projects	
Net Change in Rate Base	(85,580,007)
Adjusted Rate Base	$ 1,314,306,226

I. Kentucky Power Cost of Capital Per Filing

	Capital Amount	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	-	0.00%	2.23%	0.00%	0.00%
Long Term Debt	752,127,351	53.73%	4.04%	2.17%	2.18%
Accounts Receivable Financing	42,248,832	3.02%	2.80%	0.09%	0.09%
Common Equity	605,509,950	43.25%	10.00%	4.33%	5.85%
Total Capital	1,399,886,133	100.0%		6.58%	8.12%

II. Cost of Capital Adjusted to Reflect Updated Debt Rates

	Capital Amount	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	-	0.00%	1.71%	0.00%	0.00%
Long Term Debt	752,127,351	53.73%	3.89%	2.09%	2.10%
Accounts Receivable Financing	42,248,832	3.02%	2.80%	0.08%	0.08%
Common Equity	605,509,950	43.25%	10.00%	4.33%	5.86%
Total Capital	1,399,886,133	100.0%		6.50%	8.04%

Change in Grossed Up Weighted Avg Cost of Capital	-0.08%
Rate Base Calculated by Commission	1,314,306,226
Revenue Requirement Effect of Adjustment	$ (1,057,851)

II. Cost of Capital Adjusted to Reflect Lower ROE

	Capital Amount	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	-	0.00%	1.71%	0.00%	0.00%
Long Term Debt	752,127,351	53.73%	3.89%	2.09%	2.10%
Accounts Receivable Financing	42,248,832	3.02%	2.80%	0.08%	0.08%
Common Equity	605,509,950	43.25%	9.30%	4.02%	5.44%
Total Capital	1,399,886,133	100.0%		6.19%	7.62%

Change in Grossed Up Weighted Avg Cost of Capital	-0.42%
Rate Base Calculated by Commission	1,314,306,226
Revenue Requirement Effect of Adjustment	$ (5,511,493)

III. Cost of Capital Adjusted to Reflect Lower ROE for Environmental Surcharge

	Capital Amount	Capital Ratio	Component Costs	Weighted Avg Cost	Grossed Up Cost
Short Term Debt	-	0.00%	1.71%	0.00%	0.00%
Long Term Debt	752,127,351	53.73%	3.89%	2.09%	2.10%
Accounts Receivable Financing	42,248,832	3.02%	2.80%	0.08%	0.08%
Common Equity	605,509,950	43.25%	9.10%	3.94%	5.32%
Total Capital	1,399,886,133	100.0%		6.11%	7.50%

Change in Grossed Up Weighted Avg Cost of Capital	-0.11%
Environmental Surcharge Rate Base Calculated by Commission	218,135,633
Revenue Requirement Effect of Adjustment	$ (236,063)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00174 DATED JAN 13 2021

Total KY Retail Unprotected G&D Excess ADIT	$ (81,011,186)	a					
Applicable GRCF	1.34482	b					
Revenue Credit	$ (108,945,504)	c = a*b					
3 year average	$ (36,315,168)	d					
			2021*		2022*		2023*
KY Retail G&D Protected ARAM			$	(2,662,693)	$ (2,662,693)		$ (2,662,693)
				1.34482	1.34482		1.34482
Protected Revenue Credit		e	$	(3,580,845)	$ (3,580,845)		$ (3,580,845)
Annual Revenue Credit		f = d+e	$	(39,896,013)	$ (39,896,013)		$ (39,896,013)

	Current Revenue**	
Residential Class	$ 248,770,246	g
All Other	$ 279,559,942	h
Total	$ 528,330,188	i

*2020 protected excess ADIT
**Staff calculated revenue increase

2019-2020 FERC Form - Exhibit S

Residential Monthly MWh	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total	
Tariff Summary	118,591	126,106	142,691	179,298	177,585	147,972	125,293	166,728	222,360	215,565	200,497	161,688	1,984,374	
											Other		59.7%	m
											Winter		40.3%	n

			Annual Total Rate Credits		
			2021	2022	2023
Residential Class		j = f*(g/i)	$ (18,785,066)	$ (18,785,066)	$ (18,785,066)
All Other		k = f*(h/i)	$ (21,110,947)	$ (21,110,947)	$ (21,110,947)
Total			$ (39,896,013)	$ (39,896,013)	$ (39,896,013)
	Annual kWh***				
Residential Class kWh	1,992,407,328	l			
All Other kWh	3,142,308,667	= k/Annual kWh	(0.006718)	(0.006718)	(0.006718)
Total	5,134,715,995				

			2021 Seasonal Collection	2021 Seasonal Res Rate	
Residential Class kWh - Winter (Dec-Mar)	804,785,553	=l*n	(17,597,444)	$ (0.021866)	= (j-(Apr-Nov kWh *-.001))/Dec-Mar kWh
Residential Class kWh - All Other (Apr-Nov)	1,187,621,775	=l*m	(1,187,622)	$ (0.001000)	
	1,992,407,328		$ (18,785,066)		

			2022 Seasonal Collection	2022 Seasonal Res Rate	
Residential Class kWh - Winter (Dec-Mar)	804,785,553		(17,597,444)	$ (0.021866)	= (j-(Apr-Nov kWh *-.001))/Dec-Mar kWh
Residential Class kWh - All Other (Apr-Nov)	1,187,621,775		(1,187,622)	$ (0.001000)	
	1,992,407,328		$ (18,785,066)		

			2023 Seasonal Collection	2023 Seasonal Res Rate	
Residential Class kWh - Winter (Dec-Mar)	804,785,553		(17,597,444)	$ (0.021866)	= (j-(Apr-Nov kWh *-.001))/Dec-Mar kWh
Residential Class kWh - All Other (Apr-Nov)	1,187,621,775		(1,187,622)	$ (0.001000)	
	1,992,407,328		$ (18,785,066)		

**KPCO_R_KPSC_2_16_attachment2_BA.xlsx

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00174 DATED JAN 13 2021

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

TARIFF R.S.
RESIDENTIAL SERVICE

Service Charge per month	$	17.50
Energy Charge per kWh	$	.11032
Storage Water Heating Provision - Per kWh	$	.08125
Load Management Water Heating Provision - Per kWh	$	.08125
Electric Vehicle Energy Charge		
All kWh used during on-peak billing period	$	.14760
All kWh used during off-peak billing period	$	.08125

TARIFF R.S.-L.M.-T.O.D.
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME-OF-DAY

Service Charge per month	$	21.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.14760
All kWh used during off-peak billing period	$	.08125
Separate Metering Provision Per Month	$	4.30

TARIFF R.S.-T.O.D.
RESIDENTIAL SERVICE TIME-OF-DAY

Service Charge per month	$	21.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.14760
All kWh used during off-peak billing period	$	.08125

TARIFF R.S.-T.O.D. 2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-DAY 2

Service Charge per month	$	21.00
Energy Charge per kWh:		

All kWh used during summer on-peak billing period	$	.19082
All kWh used during winter on-peak billing period	$	.16585
All kWh used during off-peak billing period	$	.09318

TARIFF R.S.D.
RESIDENTIAL DEMAND-METERED ELECTRIC SERVICE

Service Charge per month	$	21.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.12556
All kWh used during off-peak billing period	$	.08125
Demand Charge per kW	$	3.90

TARIFF G.S.
GENERAL SERVICE

Secondary Service:		
Service Charge per month	$	25.00
Energy Charge per kWh:		
First 4,450 kWh per month	$	.11146
Over 4,450 kWh per month	$	.10440
Demand Charge per kW greater than 10 kW	$	6.59
Primary Service:		
Service Charge per month	$	100.00
Energy Charge per kWh:		
First 4,450 kWh per month	$	.09813
Over 4,450 kWh per month	$	.09232
Demand Charge per kW greater than 10 kW	$	5.99
Subtransmission Service:		
Service Charge per month	$	400.00
Energy Charge per kWh:		
First 4,450 kWh per month	$	.08902
Over 4,450 kWh per month	$	.08380
Demand Charge per kW greater than 10 kW	$	4.66

TARIFF G.S.
GENERAL SERVICE
RECREATIONAL LIGHTING SERVICE PROVISION

Service Charge per month	$	25.00
Energy Charge per kWh	$	.11071

TARIFF G.S.
GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Service Charge per month	$	25.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.16137
All kWh used during off-peak billing period	$	.08153

TARIFF G.S.
GENERAL SERVICE
OPTIONAL UNMETERED SERVICE PROVISION

Service Charge per month	$	15.00
Energy Charge per kWh:		
First 4,450 kWh per month	$	.11146
Over 4,450 kWh per month	$	.10440

TARIFF S.G.S.-T.O.D.
SMALL GENERAL SERVICE TIME-OF-DAY

Service Charge per month	$	25.00
Energy Charge per kWh:		
All kWh used during summer on-peak billing period	$	.21080
All kWh used during winter on-peak billing period	$	.18406
All kWh used during off-peak billing period	$	.11513

TARIFF M.G.S.-T.O.D.
MEDIUM GENERAL SERVICE TIME-OF-DAY

Service Charge per month	$	25.00
Energy Charge per kWh:		
All kWh used during on-peak billing period	$	.16137
All kWh used during off-peak billing period	$	.08153

TARIFF L.G.S.
LARGE GENERAL SERVICE

Secondary Service Voltage:

Service Charge per month	$	85.00
Energy Charge per kWh	$	.08665
Demand Charge per kW	$	8.77

Primary Service Voltage:

Service Charge per month	$	127.50
Energy Charge per kWh	$	.07588
Demand Charge per kW	$	7.90

Sub-transmission Service Voltage:	
Service Charge per month	$ 660.00
Energy Charge per kWh	$ .05540
Demand Charge per kW	$ 6.61
Transmission Service Voltage:	
Service Charge per month	$ 660.00
Energy Charge per kWh	$ .05321
Demand Charge per kW	$ 6.16
All Service Voltages:	
Excess Reactive Charge per KVA	$ 3.46

TARIFF L.G.S.
LARGE GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Service Charge per month	$ 85.00
Energy Charge per kWh:	
All kWh used during on-peak billing period	$ .14657
All kWh used during off-peak billing period	$ .08125

TARIFF L.G.S. – T.O.D.
LARGE GENERAL SERVICE TIME-OF-DAY

Secondary Service Voltage:	
Service Charge per month	$ 85.00
Energy Charge:	
On-Peak Energy Charge per kWh	$ .10515
Off-Peak Energy Charge per kWh	$ .05598
Demand Charge per kW	$ 10.92
Primary Service Voltage:	
Service Charge per month	$ 127.50
Energy Charge:	
On-Peak Energy Charge per kWh	$ .10363
Off-Peak Energy Charge per kWh	$ .05556
Demand Charge per kW	$ 8.17
Sub-transmission Service Voltage:	
Service Charge per month	$ 660.00
Energy Charge:	
On-Peak Energy Charge per kWh	$ .10286
Off-Peak Energy Charge per kWh	$ .05530
Demand Charge per kW	$ 1.77

Transmission Service Voltage:

Service Charge per month	$ 660.00
Energy Charge:	
On-Peak Energy Charge per kWh	$ .10200
Off-Peak Energy Charge per kWh	$ .05505
Demand Charge per kW	$ 1.75

All Service Voltages:

Excess Reactive Charge per KVA	$ 3.46

TARIFF I.G.S.
INDUSTRIAL GENERAL SERVICE

Secondary Service Voltage:

Service Charge per month	$ 276.00
Energy Charge per kWh	$ .02937
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 25.86
Of Monthly Off-Peak Billing Demand	$ 1.80

Primary Service Voltage:

Service Charge per month	$ 276.00
Energy Charge per kWh	$ .02899
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 22.94
Of Monthly Off-Peak Billing Demand	$ 1.78

Sub-transmission Service Voltage:

Service Charge per month	$ 794.00
Energy Charge per kWh	$ .02874
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 16.31
Of Monthly Off-Peak Billing Demand	$ 1.76

Transmission Service Voltage:

Service Charge per month	$1,353.00
Energy Charge per kWh	$ .02851
Demand Charge per kW	
Of Monthly On-Peak Billing Demand	$ 16.06
Of Monthly Off-Peak Billing Demand	$ 1.75

All Service Voltages:
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 is $.69 per KVAR.

Minimum Demand Charge
The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates per kW:

Secondary	$ 28.76
Primary	$ 25.80
Subtransmission	$ 19.16
Transmission	$ 18.87

TARIFF M.W.
MUNICIPAL WATERWORKS

Service Charge per month	$ 25.00
Energy Charge - All kWh per kWh	$ .10035

Subject to a minimum monthly charge equal to the sum of the service charge plus $9.78 per kW as determined from customer's total connected load.

TARIFF O.L.
OUTDOOR LIGHTING

OVERHEAD LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens)	$ 9.05
150 Watts (16,000 Lumens)	$ 10.35
200 Watts (22,000 Lumens)	$ 12.45
250 Watts (28,000 Lumens)	$ 17.85
400 Watts (50,000 Lumens)	$ 19.75
Mercury Vapor per Lamp:	
175 Watts (7,000 Lumens)	$ 11.55
400 Watts (20,000 Lumens)	$ 19.85
LED:	
55 Watts (5,400 Lumens)	$ 6.62
100 Watts (10,500 Lumens)	$ 9.20
175 Watts (18,430 Lumens)	$ 11.62
300 Watts (30,230 Lumens)	$ 17.94

POST-TOP LIGHTING SERVICE

High Pressure Sodium per Lamp:	
100 Watts (9,500 Lumens)	$ 16.40
150 Watts (16,000 Lumens)	$ 25.80
100 Watts Shoe Box (9,500 Lumens)	$ 30.00
250 Watts Shoe Box (28,000 Lumens)	$ 30.05
400 Watts Shoe Box (50,000 Lumens)	$ 39.45
Mercury Vapor per Lamp:	

175 Watts (7,000 Lumens)	$	13.25
LED:		
65 Watts Post Top (7,230 Lumens)	$	19.05

FLOOD LIGHTING SERVICE

High Pressure Sodium per Lamp:		
200 Watts (22,000 Lumens)	$	14.30
400 Watts (50,000 Lumens)	$	21.00
Metal Halide		
250 Watts (20,500 Lumens)	$	17.45
400 Watts (36,000 Lumens)	$	22.00
1,000 Watts (110,000 Lumens)	$	40.00
250 Watts Mongoose (19,000 Lumens)	$	22.75
400 Watts Mongoose (40,000 Lumens)	$	27.75
LED:		
175 Watt Flood	$	24.75
265 Watt Flood	$	30.40

Per Month:		
Wood Pole	$	3.60
Overhead Wire Span not over 150 Feet	$	2.00
Underground Wire Lateral not over 50 Feet	$	6.75

Per Lamp plus $0.02851 x kWh in Sheet No. 14-5 in Company's tariff

LED Conversion Charge for 84 months: $3.33/month

Flexible Lighting		
Monthly Levelized Fixed Cost Rate	1.36%	
Monthly Maintenance charge	$	.80
Monthly non-fuel charge per kWh	$	.05517
Monthly Base Fuel Charge per kWh	$	.02851

TARIFF S.L.
STREET LIGHTING

Rate per Lamp:		
Overhead Service on Existing Distribution Poles		
High Pressure Sodium		
100 Watts (9,500 Lumens)	$	7.60
150 Watts (16,000 Lumens)	$	8.35
200 Watts (22,000 Lumens)	$	9.90
400 Watts (50,000 Lumens)	$	13.00

LED	
55 Watt (5,400 Lumens)	$ 8.71
100 Watt (10,500 Lumens)	$ 11.19
175 Watt (18,430 Lumens)	$ 13.34
65 Watt Post Top (7,230 Lumens)	$ 9.05
90 Watt Dec Post Top (7,038 Lumens)	$ 20.07
175 Watt Flood (21,962 Lumens)	$ 14.69
Service on New Wood Distribution Poles	
High Pressure Sodium	
100 Watts (9,500 Lumens)	$ 11.90
150 Watts (16,000 Lumens)	$ 12.75
200 Watts (22,000 Lumens)	$ 14.30
400 Watts (50,000 Lumens)	$ 18.35
LED	
55 Watt (5,400 Lumens)	$ 14.36
100 Watt (10,500 Lumens)	$ 16.85
175 Watt (18,430 Lumens)	$ 19.00
65 Watt Post Top (7,230 Lumens)	$ 14.70
90 Watt Post Top (7,038 Lumens)	$ 25.73
175 Watt Flood (21,962 Lumens)	$ 20.35
Service on New Metal or Concrete Poles	
High Pressure Sodium	
100 Watts (9,500 Lumens)	$ 24.80
150 Watts (16,000 Lumens)	$ 25.70
200 Watts (22,000 Lumens)	$ 27.25
400 Watts (50,000 Lumens)	$ 30.35
LED	
55 Watt (5,400 Lumens)	$ 25.10
100 Watt (10,500 Lumens)	$ 26.78
175 Watt (18,430 Lumens)	$ 28.11
65 Watt Post Top (7,230 Lumens)	$ 25.85
90 Watt Post Top (7,038 Lumens)	$ 36.74
175 Watt Flood (21,962 Lumens)	$ 29.42

Per Lamp plus $0.02851 x kWh in Sheet No. 14-5 in Company's tariff

LED Conversion Charge for 84 months:	$2.18/month
Flexible Lighting	
Monthly Levelized Fixed Cost Rate	0.97%
Monthly Maintenance charge	$ 2.52
Monthly non-fuel charge per kWh	$ .04391
Monthly Base Fuel Charge per kWh	$ .02851

TARIFF COGEN/SPP I
COGNERATION AND/OR SMALL POWER PRODUCTION
100 KW OR LESS

Monthly Metering Charges:		
Single Phase:		
Standard Measurement	$	9.25
Time-of-Day Measurement	$	9.85
Polyphase:		
Standard Measurement	$	12.10
Time-of-Day Measurement	$	12.40
Energy Credit per kWh:	variable LMP at time of delivery	
Capacity Credit per kW per month:	Area 3 Combustion Turbine Cone	
2020/2021	$	6.74
2021/2022	$	8.09
2022/2023	$	7.89

TARIFF COGEN/SPP II
COGNERATION AND/OR SMALL POWER PRODUCTION
OVER 100 KW

Metering Charges:		
Single Phase:		
Standard Measurement	$	9.25
Time-of-Day Measurement	$	9.85
Polyphase:		
Standard Measurement	$	12.10
Time-of-Day Measurement	$	12.40
Energy Credit per kWh:	variable LMP at time of delivery	
Capacity Credit per kW per month:	Area 3 Combustion Turbine Cone	
2020/2021	$	6.74
2021/2022	$	8.09
2022/2023	$	7.89

RIDER A.F.S.
ALTERNATE FEED SERVICE RIDER

Monthly Rate for Annual Test of Transfer Switch/Control Module	$	15.75
Monthly Capacity Reservation Demand Charge per kW	$	6.38

RIDER D.R.S.
DEMAND RESPONSE SERVICES

Monthly Interruptible Demand Credit per kW	$	5.50

TARIFF F.T.C.
FEDERAL TAX CUT

January–March and December per kWh		
Residential	$	.02187
Nonresidential	$	.00672
April – November per kWh		
Residential	$	.00010
Nonresidential	$	.00672

NONRECURRING CHARGES

Late or Delayed Payment Charge		
Residential		0.00%
Nonresidential		5.00%
Reconnect (nonpayment during regular hours)	$	4.70
Termination or field trip	$	4.70
Returned Check Charge	$	14.65

APPENDIX D

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00174 DATED JAN 13 2021

MONTHLY BASE PERIOD REVENUE REQUIREMENT

Billing Month	Base Period Cost
January	$3,493,276
February	$3,951,504
March	$3,685,712
April	$4,642,912
May	$4,466,812
June	$3,887,300
July	$4,122,547
August	$3,923,098
September	$3,678,077
October	$3,765,621
November	$3,806,802
December	$3,804,411
	$47,228,073

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