COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY POWER COMPANY ANNUALLY UPDATING RATES FOR ITS SYSTEM SALES CLAUSE (SSC) AND PURCHASE POWER ADJUSTMENT (PPA)	)))))	CASE NO. 2026-00253

O R D E R

On August 14, 2026, Kentucky Power Company (Kentucky Power) filed annual updates to the rates under its System Sales Clause (Tariff S.S.C.) and Purchase Power Adjustment (Tariff P.P.A.) tariffs. Both of the tariff rates are based on the 12 months ended June 30, 2026 and have proposed effective dates of September 29, 2026.[1] Kentucky Power responded to two inquiries from Commission Staff, which are attached as Appendix B to this Order. In response to one of those requests, Kentucky Power indicated that the Tariff S.S.C. mechanism over- or under-recovery compares the prior period's target revenue requirement to the prior period's actual revenues. Kentucky Power also stated that the Tariff S.S.C. is a historical period rate rider that does not use a historical period to forecast the coming year's revenue requirement. [2]

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[1] TFS2026-00407, *A Tariff Filing by Kentucky Power Company for a 2026 Update to its System Sales Clause (SSC) Sheet*. TFS2026-00409, *A Tariff Filing by Kentucky Power Company for a 2026 Update to its Purchase Power Adjustment (PPA) Sheet*.

[2] Email correspondence between Michelle Caldwell, Kentucky Power, and Peter Bostrom, Commission Staff, dated August 14–28, 2026.

There is an open case[3] regarding the Tariff P.P.A. under- or over-recovery that may affect the calculation of the Tariff P.P.A. rates. Because the calculations for Tariff P.P.A and Tariff S.S.C. are similar, the same or similar issues may affect the Tariff S.S.C. rates.

LEGAL STANDARD

The Commission has exclusive jurisdiction over the rates and service of utilities and is charged with enforcing the provisions of KRS Chapter 278.[4] KRS 278.030(1)–(2) provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. KRS 278.190 permits the Commission to investigate any schedule of new rates to determine its reasonableness.

DISCUSSION

Having reviewed the proposed tariff revisions and being otherwise sufficiently advised, the Commission finds that an investigation is necessary to determine the reasonableness of the proposed tariff revisions and that such investigation cannot be completed by September 29, 2026. Pursuant to KRS 278.190(2), the Commission will, therefore, suspend the effective date of the proposed tariff revisions for one day, up to and including September 30, 2026.

The Commission directs Kentucky Power to the Commission's July 22, 2021 Order in Case No. 2020-00085[5] in which the Commission mandated the use of electronic filing

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[3] Case No. 2025-00307, *Electronic Tariff Filing of Kentucky Power Company to Update Its Purchase Power Adjustment and Decommissioning Rider Rates and Its Securitized Surcharge Rider* (Ky. PSC May 28, 2026), July 2, 2026 Order.

[4] KRS 278.040.

[5] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after

procedures listed in 807 KAR 5:001, Section 8. Consistent with the filing procedures set forth in Case No. 2020-00085, the Commission finds that electronic filing procedures should be used.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed tariff revisions. The procedural schedule is attached as Appendix A to this Order.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Kentucky Power's proposed revisions to its Tariff S.S.C. and Tariff P.P.A. tariffs.

2. Kentucky Power's proposed tariff revisions are suspended for one day from September 29, 2026, up to and including September 30, 2026.

3. Kentucky Power shall, by counsel, enter an appearance in this proceeding within seven days of the date of service of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.

4. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

5. Unless Kentucky Power files an objection to the use of electronic filing procedures within seven days of the issuance of this Order, Kentucky Power shall:

March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the issuance of this Order, file with the Commission a written statement that it or its authorized agent possesses the facilities to receive electronic transmissions.

6. Unless a party granted leave to intervene objects to the use of electronic filing procedures in its motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of an Order granting intervention, file with the Commission a written statement that it or its authorized agent possesses the facilities to receive electronic transmissions.

7. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made by United States mail or other recognized mail carrier to the attorney or party at the last known address, pursuant to 807 KAR 5:001, Section 8(11).

8. The procedural schedule set forth in Appendix A to this Order shall be followed.

9. Kentucky Power shall respond to all requests for information propounded by Commission Staff, whether identified on the procedural schedule or otherwise, as provided in those requests.

10. As set forth in 807 KAR 5:001, Section 4(11)(a)-(b), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding, which is not adequately represented in the case, or (2) that the person requesting intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

11. Any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

12. If a hearing is scheduled in this matter, Kentucky Power shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statements: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov" and "Public comments may be made at the beginning of the hearing. Those wishing to make oral

public comments may do so by following the instructions listed on the PSC website, psc.ky.gov." At the time publication is requested, Kentucky Power shall forward a duplicate of the notice and request to the Commission.

13. At any public hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

14. Any hearing scheduled in this matter shall be held on the designated day or days and continued until called from the bench by the presiding officer. Pursuant to 807 KAR 5:001, Section 2, if the hearing is not concluded on the designated day, the hearing may be continued upon verbal announcement by the presiding officer. A verbal announcement made by the presiding officer shall be proper notice of the continued hearing.

15. Witnesses who sponsor schedules, testimony, or responses to requests for information shall participate in person at any hearing scheduled in this matter.

16. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

17. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of times with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

18. The Commission does not look favorably upon motions to substitute witnesses or excuse witnesses from testifying at Commission hearings. Accordingly, motions to substitute witnesses or excuse a witness from testifying at a Commission hearing or from testifying in person at a Commission hearing shall be made in writing at least 14 days prior to the hearing and will be granted only upon a showing of good cause.

Entered on this 21st day of September, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00253 DATED SEP 21 2026

Requests for intervention shall be filed no later than 10/06/2026

Initial requests for information to Kentucky Power
shall be filed no later than 10/13/2026

Kentucky Power shall file responses to
initial requests for information no later than.. 10/27/2026

All supplemental requests for information to Kentucky Power
shall be filed no later than 11/12/2026

Kentucky Power shall file responses to supplemental requests
for information no later than 11/30/2026

Intervenor testimony, if any, in verified prepared
form shall be filed no later than…. 12/07/2026

All requests for information to Intervenors shall
be filed no later than 12/21/2026

Intervenors shall file responses to requests for
information no later than…… 01/04/2027

Kentucky Power shall file, in verified form, its rebuttal
testimony no later than 01/11/2027

Kentucky Power or any Intervenor shall request either a
hearing or that the case be submitted for decision
based on the record no later than 01/12/2027

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00253 DATED SEP 21 2026

THIRTEEN PAGES TO FOLLOW

STITES & HARBISON PLLC
ATTORNEYS

250 West Main Street
Suite 2300
Lexington, KY 40507-1758
(859) 226-2300
(859) 253-9144 FAX

Ken Gish
(859) 226-2293
kgish@stites.com

August 14, 2026

FILED VIA ELECTRONIC TARIFF FILING SYSTEM

Justin M. McNeil
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: **Kentucky Power Company's First Revised Tariff Sheet 29-1 (Tariff S.S.C.)**

Dear Mr. McNeil:

Kentucky Power Company files redline and annotated versions of P.S.C. KY. NO. 14 1st Revised Tariff Sheet 29-1 to reflect the updated Tariff S.S.C. (System Sales Clause) rate.

Support for the updated Tariff S.S.C. rate is provided as "System_Sales_Annual_Update_2026."

The revised Tariff S.S.C. rate is effective for service rendered on and after September 29, 2026.

The revised tariff sheet and supporting files also are being filed in Case No. 2025-00257.

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

Very truly yours,

STITES & HARBISON PLLC

Kenneth J. Gish Jr.

KMG

Tariff S.S.C.
(System Sales Clause)

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., M.W., O.L. and S.L.

Rate

1. When the annual net revenues from system sales are above or below the annual base net revenues from system sales, as provided in paragraph 2 below, an additional credit or charge equal to the product of the KWHs and a system sales adjustment factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

   Annual System Sales Adjustment Factor (A) = (1.0 [Ta –Tb+U/a])/Sa

   In the above formula "T" is Kentucky Power Company's (KPCo) annual net revenues from system sales in the current annual (a), base (b) periods, and "S" is the KWH sales in the current annual (a) period, all defined below. "U/a" represents any under-or-over recovery from the prior period.

   The applicable rate for service rendered on and after September 29, 2026, calculated in accordance with the above formula, is $(0.00014) per kWh. T I

2. The net revenue from KPCo's sales to non-associated companies as reported in the FERC Energy Regulatory Commission's Uniform System of Accounts under Account 447, Sales for Resale, shall consist of and be derived as follows:

   a. KPCo's total revenues from system sales as recorded in Account 447, less b. and c. below.

   b. KPCo's total out-of-pocket costs incurred in supplying the power and energy for the sales in a. above.

      The out-of-pocket costs include all operating, maintenance, tax, transmission losses and other expenses that would not have been incurred if the power and energy had not been supplied for such sales, including demand and energy charges for power and energy supplied by Third Parties.

   c. KPCo's environmental costs allocated to non-associated utilities in the Company's Environmental Surcharge Report.

3. The base annual net revenues from system sales are: $4,425,300.

4. Sales (S) shall be equated to the sum of (a) generation (including energy produced by generating plant during the construction period), (b) purchase, and (c) interchange-in, less (d) energy associated with pumped storage operations, less (e) inter-system sales and less (f) total system losses.

5. The system sales adjustment factor shall be based upon actual annual revenues and costs for system sales, subject to subsequent adjustment upon final determination of actual revenues and costs.

Continued on Sheet 29-2

Tariff S.S.C.
(System Sales Clause)

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., M.W., O.L. and S.L.

Rate

1. When the annual net revenues from system sales are above or below the annual base net revenues from system sales, as provided in paragraph 2 below, an additional credit or charge equal to the product of the KWHs and a system sales adjustment factor (A) shall be made, where "A", calculated to the nearest 0.0001 mill per kilowatt-hour, is defined as set forth below.

   Annual System Sales Adjustment Factor (A) = (1.0 [Ta –Tb+U/a])/Sa

   In the above formula "T" is Kentucky Power Company's (KPCo) annual net revenues from system sales in the current annual (a), base (b) periods, and "S" is the KWH sales in the current annual (a) period, all defined below. "U/a" represents any under-or-over recovery from the prior period.

   The applicable rate for service rendered on and after September 29, ~~2025~~2026, calculated in accordance with the above formula, is $(~~0.00029~~0.00014) per kWh.

2. The net revenue from KPCo's sales to non-associated companies as reported in the FERC Energy Regulatory Commission's Uniform System of Accounts under Account 447, Sales for Resale, shall consist of and be derived as follows:

   a. KPCo's total revenues from system sales as recorded in Account 447, less b. and c. below.

   b. KPCo's total out-of-pocket costs incurred in supplying the power and energy for the sales in a. above.

      The out-of-pocket costs include all operating, maintenance, tax, transmission losses and other expenses that would not have been incurred if the power and energy had not been supplied for such sales, including demand and energy charges for power and energy supplied by Third Parties.

   c. KPCo's environmental costs allocated to non-associated utilities in the Company's Environmental Surcharge Report.

3. The base annual net revenues from system sales are: $4,425,300.

4. Sales (S) shall be equated to the sum of (a) generation (including energy produced by generating plant during the construction period), (b) purchase, and (c) interchange-in, less (d) energy associated with pumped storage operations, less (e) inter-system sales and less (f) total system losses.

5. The system sales adjustment factor shall be based upon actual annual revenues and costs for system sales, subject to subsequent adjustment upon final determination of actual revenues and costs.

Continued on Sheet 29-2

DATE OF ISSUE: ~~May 8, 2026~~August 14, 2026
DATE EFFECTIVE Services Rendered On And After ~~March 1, 2026~~September 29, 2026
ISSUED BY: /s/ Amy J. Elliott
TITLE: Vice President, Regulatory & External Affairs
By Authority of an Order of the Public Service Commission
In Case No.: ~~2025-00257~~XXXX-XXXXX Dated ~~February 28, 2026~~XXXX XX, XXXX

Bostrom, Peter (PSC)

From:	Michelle Caldwell <mmcaldwell@aep.com>
Sent:	Thursday, August 27, 2026 4:27 PM
To:	Bostrom, Peter (PSC)
Cc:	Hinton, Daniel E (PSC); Riley, Kayleigh (PSC); Rogness, Benjamin (PSC); Lerah M Kahn; Amy J Elliott; J.D. Cullop; Gish, Kenneth; Brandon Finley
Subject:	RE: KY-PSC Electronic Filing Center NotificationTFS2026-00407

Question 1: Explain why the mechanism under/over recovery is not associated with a regulatory asset/liability.

Response:
The SSC mechanism over/under referenced in the Commission's prior question (element "U/a" within the Tariff S.S.C. formula on P.S.C. KY. NO. 14 Sheet No. 29-1) simply compares the prior period's target revenue requirement to the prior period's actual revenues. U/a is an element within the Commission's approved revenue requirement calculation for Tariff S.S.C. The Tariff S.S.C. mechanism's over/under is calculated in the same manner that the Tariff P.P.A. mechanism's over/under was calculated prior to the Commission's Order in 2025-00307. This calculation does not function as an accurate true-up because it only looks at revenues to revenues, rather than considering actual revenues compared to actual expenses[1].

Conversely, it is the Commission approved accounting deferral treatment which establishes the monthly regulatory asset or liability for Tariff S.S.C. (also provided in the prior response). This accounting deferral appropriately considers both revenues and expenses.

Had the Company's request in Case No. 2023-00318 to align the P.P.A. mechanism's over/under methodology with the deferral accounting methodology been approved, the same request would have been made for the Tariff S.S.C. mechanism. That over/under methodology proposed in Case No. 2023-00318 would prevent the potential for the Company's regulatory assets/liabilities to accumulate. The mechanism would then function as an actual tracker and help to reduce the frequency of base rate cases.

The Company's approved deferral accounting methodology and related SSC mechanism regulatory asset/liability functions as shown in KPCO_R_KPSC_SSC.

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[1] For the SSC this relates to the net revenues from sales to non-associated companies (as described in the Company's Commission approved tariff sheet P.S.C. KY. NO. 14 Sheet 29-1 paragraph 2)

Question 2: Confirm that the SSC is a historical period rate rider that does not use a historical period to forecast the coming year's revenue requirement. If this cannot be confirmed, explain.

Response: Confirmed.

KENTUCKY POWER
An AEP Company
MICHELLE CALDWELL | **REGULATORY CASE COORDINATOR SR**
MMCALDWELL@AEP.COM | D:606.327.2652
1645 WINCHESTER AVENUE, ASHLAND, KY 41101

From: Bostrom, Peter (PSC) <peter.bostrom@ky.gov>
Sent: Friday, August 21, 2026 1:01 PM
To: Michelle Caldwell <mmcaldwell@aep.com>
Cc: Hinton, Daniel E (PSC) <dehinton@ky.gov>; Riley, Kayleigh (PSC) <kayleigh.riley@ky.gov>; Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>; Lerah M Kahn <lmkahn@aep.com>; Amy J Elliott <ajelliott@aep.com>; J.D. Cullop <jcullop@aep.com>; Gish, Kenneth <kgish@stites.com>; Brandon Finley <bfinley@aep.com>
Subject: [EXTERNAL] RE: KY-PSC Electronic Filing Center NotificationTFS2026-00407

Thank you. 2 more questions:

1. Explain why the mechanism under/over recovery is not associated with a regulatory asset/liability.
2. Confirm that the SSC is a historical period rate rider that does not use a historical period to forecast the coming year's revenue requirement. If this cannot be confirmed, explain.

From: Michelle Caldwell <mmcaldwell@aep.com>
Sent: Thursday, August 20, 2026 2:21 PM
To: Bostrom, Peter (PSC) <peter.bostrom@ky.gov>
Cc: Hinton, Daniel E (PSC) <dehinton@ky.gov>; Riley, Kayleigh (PSC) <kayleigh.riley@ky.gov>; Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>; Lerah M Kahn <lmkahn@aep.com>; Amy J Elliott <ajelliott@aep.com>; J.D. Cullop <jcullop@aep.com>; Gish, Kenneth <kgish@stites.com>; Brandon Finley <bfinley@aep.com>
Subject: RE: KY-PSC Electronic Filing Center NotificationTFS2026-00407

Please see the response below to Commission Staff's questions regarding the System Sales Clause 2026 Update.

Question: Explain how the regulatory asset/liability associated with the over/under recovery of the system sales clause is calculated. Provide the calculation for the twelve-month period ended June 30, 2026, in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response: The Company understands the question to ask for the accounting deferral methodology for establishing the monthly SSC regulatory asset/liability. Accordingly, the calculation is:

Net revenue from sales to non-associated companies (as defined in the Company's Commission approved tariff sheet P.S.C. KY. NO. 14 Sheet 29-1 paragraph 2) *less* base amount *divided* by 12 *less* rider revenue for the month *plus* the prior month's cumulative balance.

Please see KPCO_R_KPSC_SSC for the requested calculation – specifically rows 59-65 on tab "Form 3.0."

The over/under recovery for the SSC mechanism (or element "U/a" within the Tariff S.S.C. formula on P.S.C. KY. NO. 14 Sheet No. 29-1) is the difference between line 5 (row13) and line 6 (row 15) on tab "Form 1.0." For the twelve-months ended June 30, 2026 this over/under was $(1,245,930). The mechanisms over/under is not associated with a regulatory asset/liability.

MICHELLE CALDWELL | **REGULATORY CASE COORDINATOR SR**
MMCALDWELL@AEP.COM | D:606.327.2652
1645 WINCHESTER AVENUE, ASHLAND, KY 41101

From: Bostrom, Peter (PSC) <peter.bostrom@ky.gov>
Sent: Friday, August 14, 2026 1:09 PM
To: Michelle Caldwell <mmcaldwell@aep.com>

Cc: Hinton, Daniel E (PSC) <dehinton@ky.gov>; Riley, Kayleigh (PSC) <kayleigh.riley@ky.gov>; Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>
Subject: [EXTERNAL] RE: KY-PSC Electronic Filing Center NotificationTFS2026-00407

Hello Ms. Caldwell,

Staff has the following request regarding the System Sales Clause 2026 Update:

1. Explain how the regulatory asset/liability associated with the over/under recovery of the system sales clause is calculated. Provide the calculation for the twelve-month period ended June 30, 2026, in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

You can email your responses to us at the addresses above.

Thanks,

Peter Bostrom
Public Utilities Financial Analyst I
Kentucky Public Service Commission

From: PSC Tariffs <psc.tariffs@ky.gov>
Sent: Friday, August 14, 2026 11:16 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>; Riley, Kayleigh (PSC) <kayleigh.riley@ky.gov>; Rogness, Benjamin (PSC) <benjamin.rogness@ky.gov>; Bostrom, Peter (PSC) <peter.bostrom@ky.gov>
Subject: FW: KY-PSC Electronic Filing Center NotificationTFS2026-00407

From: KY Public Service Commission <psc.tariffs@ky.gov>
Sent: Friday, August 14, 2026 11:15:28 AM (UTC-05:00) Eastern Time (US & Canada)
To: mmcaldwell@aep.com <mmcaldwell@aep.com>
Cc: PSC Tariffs <psc.tariffs@ky.gov>
Subject: KY-PSC Electronic Filing Center NotificationTFS2026-00407

This notification has been sent to you regarding your recent Tariff filing : TFS2026-00407
file(s) have been transmitted successfully.
Documents received for Tariff filing: TFS2026-00407 for Kentucky Power Company
8/14/2026 11:14:32 AM

File Summary:
File Name: Cover_Letter.pdf
Description: Cover Letter
File Name: KPCO_Revised_Tariff_Sheet_SSC_29_1_Annotated.pdf
Description: Tariff
File Name: KPCO_Revised_Tariff_Sheet_SSC_29_1_Redline.pdf
Description: Tariff
File Name: System_Sales_Annual_Update_2026.xlsx
Description: Support Document

Thank you.

[1] For the SSC this relates to the net revenues from sales to non-associated companies (as described in the Company's Commission approved tariff sheet P.S.C. KY. NO. 14 Sheet 29-1 paragraph 2)

STITES & HARBISON PLLC

ATTORNEYS

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Ken Gish
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kgish@stites.com

August 14, 2026

FILED VIA ELECTRONIC TARIFF FILING SYSTEM

Justin M. McNeil
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: **Kentucky Power Company's Second Revised Tariff Sheet 31-2**
Tariff Purchase Power Adjustment ("Tariff P.P.A.")

Dear Mr. McNeil:

Kentucky Power Company hereby files a redline and annotated version of P.S.C. KY. NO. 14 2nd Revised Tariff Sheet 31-2 (Tariff P.P.A.) to reflect updated annual Tariff P.P.A. rates.

"**KPCo_PPA_2026_Annual_Update**" also is being uploaded with the tariff sheet. It includes the calculations supporting the updated Tariff P.P.A. rates.

These updated Tariff P.P.A. rates are effective for service rendered on and after September 29, 2026. These revised tariff sheets and supporting files also are being filed in Case No. 2025-00257.

Information Required by the Commission's March 4, 2025 Order in Case No. 2023-00318

The Commission's March 4, 2025 Order in Case No. 2023-00318 required the Company to provide additional information with this 2026 annual filing, including:

- The financial impact of removing the PJM LSE OATT expense (transmission expense) from Tariff P.P.A.; and

- The impact of using forecasted billings determinants and their role in mitigating under-recoveries.[1]

[1] Order at 5-6, *In The Matter Of: Electronic Tariff Filing Of Kentucky Power Company To Update Its Purchase Power Adjustment Rates*, Case No. 2023-00318 (Ky. P.S.C. Mar. 4, 2025).

The Company provides the following information in response:

1. The financial impact of removing the PJM LSE OATT expense (transmission expense) from Tariff P.P.A.

The Company's inability to track and recover actual PJM LSE OATT expense through Tariff P.P.A. results in a negative financial impact to Kentucky Power. Because these expenses continue to increase year-over-year, the difference in the actual expenses and the amount collected through base rates results in stranded costs. The amount of such stranded costs from July 2025 through June 2026 is $7.4 million. Please see "**Attachment1**" for the monthly breakdown of this amount.

The financial impacts of this issue include, but are not limited to:

a) An erosion of net income;

b) The erosion of net income in turn results in a reduction to the Company's earned return on equity ("ROE"), which can increase the risk profile of the Company to investors, including debt holders or lenders. PJM LSE OATT costs that are above the amount in base rates represents an approximate 57 basis point reduction to the Company's ROE (4.06% at close of June 2026);

c) An approximate 63 basis point negative impact to the Company's funds from operation ("FFO") to debt ratio; and

d) Continued erosion of net income could result in more frequent rate cases and an increased cost of borrowing, both of which ultimately result in increased costs to customers.

In Kentucky Power's most recent base rate case (Case No. 2025-00257) the Commission denied the PJM LSE OATT expense adjustment. This denial was premised on the concern that actual costs did not ultimately align with the previously forecasted adjustment. The denial of this adjustment remains subject to rehearing. In testimony supporting rehearing, Kentucky Power stated that the Commission's concern would be reasonably addressed by authorizing the Company to recover its actual PJM LSE OATT expense through a rider. The PJM LSE OATT expenses are material to the Company's financial metrics, volatile, and largely outside of the Company's control. It is reasonable for such costs to be tracked and recovered through a rider. Rider recovery ensures the Company is recovering its actual PJM LSE OATT expense and prevents customers from paying more than actual costs.

2. <u>The impact of using forecasted billings determinants and their role in mitigating under-recoveries.</u>

The impact of utilizing forecasted billing units on mitigating under-recoveries will vary year to year. Forecasted billing units are useful for a) capturing expected customer load changes and b) normalizing weather.

A comparison of historical vs. forecasted billing units is provided on the "Input Sheet" tab of "KPCo_PPA_2026_Annual_Update." Whether the forecasted units are an increase or reduction compared to historical depends on the customer class. For those customer classes with forecasted billing units that are less than the historical billing units, the rates produced by using forecasted units is higher – as the revenue requirement is being "spread" over less units. Conversely, for those customer classes with forecasted billing units that are more than the historical billing units, the rates produced by using forecasted billing units is less – as the revenue requirement is being "spread" over more units.

"**Attachment2**" provides an illustrative example comparing rates utilizing forecasted billing units to historical billing units and the resulting (over) or under recovery for each. This example is to highlight that each approach has the potential to result in a greater (over) or under recovery to the other.

<u>Information Required by the Commission's May 28, 2026 Order in Case No. 2025-00307</u>

The Commission's May 28, 2026 Order in Case No. 2025-00307 required the Company to provide information on the impact of changing the deferral accounting methodology with this 2026 annual filing. Kentucky Power sought and the Commission granted rehearing to review the Commission's Order in Case No. 2025-00307. Rehearing is pending.

In response to the Commission's directive, tab "PPA Form 3.0a" has been modified and provides the going forward deferral accounting methodology (rows 6 through 9) and the resultant monthly and cumulative profit or loss (rows 36 and 37 respectively) that result from the ordered change. As of June 2026 close, there is a cumulative loss of $627,798. As result of the change in deferral accounting methodology, either the Company or customers bear the risk associated with the variable and unpredictable expenses recovered through Tariff P.P.A.

On June 25, 2026 an informal conference was held, and Kentucky Power provided additional explanation regarding the deferral accounting methodology under the previously authorized methodology and as modified by the May 28, 2026 Order.

The Company offers to meet with Commission Staff via an informal conference to the extent it would be helpful.

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

Very truly yours,

STITES & HARBISON PLLC

Kenneth J. Gish, Jr.

KJG

Tariff P.P.A. Continued
(Purchase Power Adjustment)

Rates

Tariff Class	\$/kWh	\$/kW	
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D.	\$0.00099	--	I
S.G.S.-T.O.D.	\$0.00099	--	
M.G.S.-T.O.D.	\$0.00099	--	
G.S.	\$0.00099	--	
L.G.S., L.G.S.-T.O.D.	\$0.00100	\$0.00	R
L.G.S.-L.M.-T.O.D.	\$0.00099	--	
I.G.S. and C.S.-I.R.P.	\$0.00100	\$0.00	R
M.W.	\$0.00099	--	
O.L.	\$0.00100	--	
S.L.	\$0.00100	--	

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D, IGS, and CS-I.R.P. tariff classes.

The Purchase Power Adjustment factors shall be modified annually using the following formula:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total}) + PPA(D) \times (CP_{Class} / CP_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{PPA(D) \times (CP_{Class} / CP_{Total})}{BD_{Class}}$$

Continued on Sheet 31-3

DATE OF ISSUE: August 14, 2026
DATE EFFECTIVE: Services Rendered On And After September 29, 2026
ISSUED BY: /s/ Amy J. Elliott
TITLE: Vice President, Regulatory & External Affairs
By Authority of an Order of the Public Service Commission
In Case No.: XXXX-XXXXX Dated XXXX XX, XXXX

Tariff P.P.A. Continued
(Purchase Power Adjustment)

Rates

Tariff Class	$/kWh	$/kW
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D.	$~~0.00022~~0.00099	--
S.G.S.-T.O.D.	$~~0.00019~~0.00099	--
M.G.S.-T.O.D.	$~~0.00019~~0.00099	--
G.S.	$~~0.00019~~0.00099	--
L.G.S., L.G.S.-T.O.D.	$~~0.00007~~0.00100	$~~0.03~~0.00
L.G.S.-L.M.-T.O.D.	$~~0.00017~~0.00099	--
I.G.S. and C.S.-I.R.P.	$~~0.00007~~0.00100	$~~0.04~~0.00
M.W.	$~~0.00015~~0.00099	--
O.L.	$~~0.00010~~0.00100	--
S.L.	$~~0.00011~~0.00100	--

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D, IGS, and CS-I.R.P. tariff classes.

The Purchase Power Adjustment factors shall be modified annually using the following formula:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{\text{Class}} / BE_{\text{Total}}) + PPA(D) \times (CP_{\text{Class}} / CP_{\text{Total}})}{BE_{\text{Class}}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{\text{Class}} / BE_{\text{Total}})}{BE_{\text{Class}}}$$

$$\text{kW Factor} = \frac{PPA(D) \times (CP_{\text{Class}} / CP_{\text{Total}})}{BD_{\text{Class}}}$$

Continued on Sheet 31-3

DATE OF ISSUE: ~~June 17, 2026~~August 14, 2026
DATE EFFECTIVE: Services Rendered On And After ~~March 1, 2026~~September 29, 2026
ISSUED BY: /s/ Amy J. Elliott
TITLE: Vice President, Regulatory & External Affairs
By Authority of an Order of the Public Service Commission
In Case No.: ~~2025-00307~~XXXX-XXXXX Dated ~~May 28, 2026~~XXXX XX, XXXX

Service List for Case 2026-00253

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