

**BIG SANDY RETIREMENT RIDER
(B.S.R.R.)**

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, S.G.S., S.G.S.-T.O.D., M.G.S., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., K-12-School, I.G.S., C.S.- I.R.P., M.W., O.L. and S.L.

RATE.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2012-00578 and the Stipulation and Settlement Agreement dated July 2, 2013 as filed and approved by the Commission, Kentucky Power Company is to recover from retail ratepayers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2 and other site-related retirement costs that will not continue in use on a levelized basis, including a weighted average cost of capital (WACC) carrying cost over a 25 year period beginning when new base rates are set for the Company that include Mitchell Units 1 and 2. The term "Retirement Costs" as used in this agreement are defined as and shall include the net book value, materials and supplies that cannot be used economically at other plants owned by Kentucky Power, and removal costs and salvage credits, net of related ADIT. Related ADIT shall include the tax benefits from tax abandonment losses.
2. The allocation of the actual revenue requirement (ARR) between residential and all other customers shall be based upon their respective contribution to total retail revenues for the most recent twelve month period, ending June 30 according to the following formula:

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

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

Where:

(y) = the expense year;

(b) = Most recent available twelve month period ended June 30.

3. The Residential B.S.R.R. Adjustment shall provide for annual adjustments based on a percent of total revenues, according to the following formula:

$$\text{Residential B.S.R.R. Adjustment Factor} = \frac{\text{Net Annual Residential Allocation NRA}(y)}{\text{Residential Retail Revenue RR}(b)}$$

Where:

$$\text{Net Annual Residential Allocation NRA}(b) = \text{Annual Residential Allocation RA}(y), \text{ net of Over/ (Under) Recovery Adjustment;}$$

$$\text{Residential Retail Revenue RR}(b) = \text{Annual Retail Revenue for all KY residential classes for the year (b).}$$

(Cont'd on Sheet No. 38-2)

DATE OF ISSUE: June XX, 2015

DATE EFFECTIVE: Service Rendered On And After June 30, 2015

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of Order By The Public Service Commission

In Case No. 2014-00396 Dated XXXXXXXXX

BIG SANDY RETIREMENT RIDER (CONT'D)
(B.S.R.R.)

RATE. (Cont'd)

4. *The All Other Classes B.S.R.R. Adjustment shall provide for annual adjustments based on a percent of non-fuel revenues, according to the following formula:*

$$\text{All Other Classes B.S.R.R. Adjustment Factor} = \frac{\text{Net Annual All Other Allocation NOA (y)}}{\text{All Other Classes Non-Fuel Retail Revenue ONR(b)}}$$

Where:

$$\text{Net Annual All Other Allocation NOA(y)} = \text{Annual All Other Allocation OA(y), net of Over/ (Under) Recovery Adjustment;}$$

$$\text{All Other Classes Non-Fuel Retail Revenue ONR(b)} = \text{Annual Non-Fuel Retail Revenue for all classes other than residential for the year (b).}$$

5. *The annual Big Sandy Retirement Rider adjustments shall be filed with the Commission no later than August 15th of each year before it is scheduled to go into effect on Cycle 1 of the October billing cycle, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.*
6. *Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS61.870 to 61.884.*

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