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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

Application Of Kentucky Power Company For (1) Authority To Amend Temporarily Tariff C.S. - I.R.P. And Tariff E.D.R.; (2) To Establish Temporarily Tariff C.S. - Coal; (3) For Leave To Deviate From The Notice Requirements Of 807 KAR 5:011, Section 8; (4) For Related Accounting Relief; And 5) For All Other Required Approvals and Relief	))))))))	Case No. 2017-00___

APPLICATION OF KENTUCKY POWER COMPANY FOR INTERIM RELIEF TO ASSIST COAL EXTRACTION AND PROCESSING OPERATIONS IN KENTUCKY

Kentucky Power Company applies to the Public Service Commission of Kentucky pursuant to 807 KAR 5:011, Section 6(2)(a), 807 KAR 5:011, Section 15, and KRS 278.220 for an Order: (1) temporarily authorizing Kentucky Power to amend Tariff C.S. - I.R.P. and Tariff E.D.R. to include provisions for customers engaged in coal mining and coal processing activities; (2) to temporarily establish a new Tariff C.S. - Coal for customers engaged in coal mining and coal processing activities; (3) granting Kentucky Power leave as necessary to deviate from the notice requirements of 807 KAR 5:001, Section 8; and (4) granting all other required relief or approvals. In support thereof Kentucky Power states:

APPLICANT

1. Kentucky Power was organized in 1919 under the laws of the Commonwealth of Kentucky.[1] The Company's mailing address is 855 Central Avenue, Suite 200, Ashland, KY

[1] A certified copy of the Company's Articles of Incorporation and all amendments thereto was attached to the Joint Application in *In the Matter Of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149. The Company's February 20, 2017 Certificate of Existence is attached as **EXHIBIT 1**.

41101. Its electronic mail address is kentucky_regulatory_services@aep.com . Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. The Company serves approximately 168,000 retail customers in the following 20 counties of eastern Kentucky: Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike and Rowan. In addition, the Company also supplies electric power at wholesale to other utilities and municipalities in Kentucky for resale. Kentucky Power is a utility as that term is defined at KRS 278.010. [807 KAR 5:001, Section 14].

2. Kentucky Power is a direct, wholly-owned subsidiary of American Electric Power Company, Inc.

Coal Extraction And Processing Activity In Kentucky Power's Service Territory

3. In 2015 Kentucky was the third largest coal-producing state in the United States.[2] As recently as 1988 Kentucky was the largest coal-producing state in the union; it remained the second largest coal producing state until 1994.[3] The 61,414,000 tons of coal produced in Kentucky in 2015 constituted 6.8% of total United States coal production that year.[4]

4. Thirty one counties in Kentucky commercially produced coal in 2015, including 13 of the 20 counties in Kentucky Power's service territory.[5] Kentucky Power's service territory includes 12 of the top 18 2015 coal-producing counties in the Eastern Kentucky Coal Field:[6]

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[2] Ky. Energy and Env't Cabinet, Dep't for Energy Dev. and Indep., *Kentucky Coal Facts* at 15 (16th Ed. 2016) http://energy.ky.gov/Coal%20Facts%20Library/Kentucky%20Coal%20Facts%20-%2016th%20Edition%20(2016).pdf ("2016 Coal Facts").

[3] *Id.* at 12.

[4] *Id.*

[5] Ky. Cabinet for Econ. Dev., Office of Research and Pub. Affairs, *Kentucky Coal Mining Annual 2015 Economic Impact Estimate* (March 11, 2016) ("2015 Economic Impact Estimate").

[6] 2016 Coal Facts at 16.

Rank (Ky. Coal Producing Counties)	County	Production (Millions of Tons)	Percentage of Total 2015 Kentucky Coal Production
2	Pike	6.926	11.28%
5	Perry	6.652	10.83%
9	Floyd	2.148	3.50%
10	Knott	2.133	3.47%
11	Martin	1.578	2.57%
12	Leslie	1.437	2.34%
15	Letcher	0.523	0.85%
16	Lawrence	0.373	0.61%
18	Magoffin	0.258	1.42%
20	Breathitt	0.251	0.41%
22	Johnson	0.122	0.20%
25	Clay	0.009	<0.01%

5. In 2015 Kentucky had the second largest number of direct coal mining jobs in the United States.[7] The 9,557 Kentucky 2015 direct coal mining jobs constitute 14.3% of total direct coal mining jobs in the United States.[8]

6. Fourteen of the 20 counties in Kentucky Power's service territory enjoyed direct coal employment in 2015[9]:

Rank (E. Ky. Coal Producing Counties)	County	2015 Surface Or Underground Miners	2015 Mine Office And Coal Preparation Plant Employment	2015 Total Direct Coal Mining Jobs	2015 Direct Coal Mining Jobs As A Percentage of Total 2015 County Employment
1	Pike	1339	252	1,591	8.4%
2	Perry	829	137	966	11.7%
4	Floyd	353	79	432	4.1%
5	Martin	279	122	401	13.4%
7	Knott	222	30	252	5.7%
8	Leslie	233	12	245	9.2%

7 2016 Coal Facts at 29. Direct coal mining jobs are defined as jobs located at the mine site or coal preparation plant. *Id.*44

8 *Id.* 17

9 *Id.* at 31.

Rank (E. Ky. Coal Producing Counties)	County	2015 Surface Or Underground Miners	2015 Mine Office And Coal Preparation Plant Employment	2015 Total Direct Coal Mining Jobs	2015 Direct Coal Mining Jobs As A Percentage of Total 2015 County Employment
9	Letcher	134	51	185	3.0%
12	Lawrence	73	0	73	1.6%
13	Magoffin	44	8	52	1.7%
14	Johnson	43	8	51	1.7%
15	Breathitt	31	17	48	1.3%
16	Boyd	0	44	44	0.3%
18	Clay	7	17	24	0.5%
22	Owsley	3	0	3	0.3%

7. Coal mining and related activities provide a substantial economic benefit to the 31 counties where the coal is extracted and prepared. In 2015, direct coal mining-related employment in the 31 Kentucky coal-producing counties yielded $764 million in total wages and benefits, and added $2.862 billion to the gross domestic product of the 31 coal producing counties.[10] The indirect and induced economic benefits of coal extraction and preparation yielded an additional 12,699 jobs, $586.4 million in total wages and benefits, and $1.01 billion in gross domestic product.[11] 2014 coal severance tax receipts produced by the Eastern Coal Field counties totaled $104.5 million.[12]

8. The economic effects of coal extraction and preparation activity extend beyond the 31 coal-producing counties. The 2015 Economic Impact Estimate indicates coal-related direct, indirect, and induced economic activity produced 1,499 jobs, $84 million in total wages

[10] *Id.* at 34. Information was not available on a per-county basis or by region. In addition, the source document indicates different methodologies and data sources were used to compute these values than was used in connection with the compilation of the data appearing in the table in paragraph 6.

[11] *Id.*

[12] *Id.* at 35.

and benefits, and $141 million in additional gross domestic product in the 89 non-coal-producing counties.[13]

9. Coal mining activity, particularly in the Eastern Coal Field, which includes Kentucky Power's service territory, faces unprecedented challenges:

> Since the year 2000, however, diminishing reserves of thick and easily accessible coal seams in eastern Kentucky have made coal more difficult, labor-intensive, and costly to mine, which has resulted in reductions in price competitiveness of Kentucky coal in comparison to coal from other regions and alternative energy sources. Kentucky coal has been under increased competition from cheaper Powder River Basin coal since the 1980s and from natural gas produced through advances in hydrologic fracturing and horizontal drilling since the 2010s. Federal environmental regulations targeting mercury, sulfur dioxide, nitrogen dioxide, and recently carbon dioxide, have further impeded the market competitiveness of coal for domestic electricity versus alternative energy sources.[14]

10. From a peak of 131 million tons in 1990, eastern Kentucky coal production declined 78.5% to 28.09 million tons in 2015.[15] In 2001 eastern Kentucky coal production was 110 million tons;[16] as recently as 2006 eastern Kentucky coal production totaled 95 million tons.[17] The rate of decline accelerated in recent years. Between 1990 and 2000 eastern Kentucky coal production declined at an average annual rate of 1.9% per year.[18] Between 2000 and 2006 the annual rate of decline in production was 2.1%;[19] the annual rate of decline in Eastern Coal Field production between 2006 and 2015 accelerated to 7.81%.[20]

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[13] 2015 Economic Impact Estimate at 3.

[14] 2016 Coal Facts at 9.

[15] *Id.* at 123.

[16] *Id.*

[17] *Id.*

[18] *Id.*

[19] *Id.*

[20] *Id.*

11. Recent declines in production in the coal-producing counties in Kentucky Power's service territory have been particularly steep. Between the fourth quarter of 2014 and the fourth quarter of 2015, production declines varied from a low -11.01% (Perry) to a high of -95.12% (Clay) for the 10 of the 12 counties in Kentucky Power's service territory for which data was provided by 2016 Coal Facts and that experienced a decline in production:[21]

County	**Percentage Change In Production**
Breathitt	-55.55%
Clay	-95.12%
Floyd	-15.00%
Johnson	-39.5%
Knott	+7.18
Lawrence	-52.36%
Leslie	+2.40%
Letcher	-68.30%
Magoffin	-78.58%
Martin	-22.76%
Perry	-11.01%
Pike	-33.69%

Seven of the ten counties in Kentucky Power's service territory with falling production between 2014 and 2015 experienced declines in excess of 33.33%;[22] five of the ten counties saw coal production decline between 2014 and 2015 by more than 50%.[23]

12. Coal production and processing employment likewise declined in eastern Kentucky. In addition to significantly reduced production, automation and mechanization have depressed coal-related employment.[24] In 1948, coal production employment totaled 66,410

[21] *Id.* at 72, 74, 78, 86, 88, 93, 94, 96, 100, 102, 110, 112.

[22] *Id.*

[23] *Id.*

[24] *Id.* at 9.

persons in the Eastern Coal Fields region.[25] By 1990 coal production employment in eastern Kentucky was 24,912.[26] In 2008 coal production employment in eastern Kentucky minimally increased year-over-year in comparison to the 2007 employment level to 15,418 person.[27]

13. Since 2008, coal-related employment in the Eastern Coal Fields has declined each year but two.[28] Consistent with the increasing rate of production decline, the rate of decline in coal production employment has accelerated. From 1948 until 1989 the annual rate of employment decline averaged 1.65%.[29] Between 1990 and 2007 the average annual rate of decline in employment was 6.97%.[30] Between 2008 and 2015, coal-related employment in eastern Kentucky declined 61.4% for an average annual rate of decline of approximately 8.8%.[31]

14. Recent declines in coal-related employment in Kentucky Power's service territory have been steep. Between the fourth quarter of 2014 and the fourth quarter of 2015 production declines in coal extraction and processing employment varied from a low -12.43% (Perry) to a high of -65.56% (Magoffin) in the 12 counties in Kentucky Power's service territory for which data was provided by 2016 Coal Facts[32]:

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[25] *Id.* at 123.

[26] *Id.*

[27] *Id.*

[28] *Id.*

[29] *Id.*

[30] *Id.*

[31] *Id.*

[32] *Id.* at 72, 74, 78, 86, 88, 93, 94, 96, 100, 102, 110, 112.

County	Percentage Change In Employment
Breathitt	-31.65%
Clay	-45.07%
Floyd	-56.97%
Johnson	-13.89%
Knott	-35.54%
Lawrence	-18.92%
Leslie	-15.52%
Letcher	-50.90%
Magoffin	-65.56%
Martin	-15.01%
Perry	-12.43%
Pike	-16.45%

15. Six of the 12 counties in Kentucky Power's service territory experienced coal production and processing employment declines in excess of 30%;[33] three of the 12 counties saw coal related employment decline by more than 50%.[34]

16. The effect of declining coal mining and processing employment extends throughout Kentucky Power's service territory:

> The impact of the sustained loss of coal jobs ripples through the local economy. While the rest of the state and nation recovered from the Great Recession, eastern Kentucky didn't, and it has been declining the past 4 years [2010-2014]. Incomes have been impacted too. In 2014, the average annual income in eastern Kentucky was $35,982, while the average coal miner earned $72,809, nearly double the region's average. The loss of thousands of high paying coal mining jobs represents a significant decline in local spending power.[35]

17. The 20 counties comprising Kentucky Power's service territory are among the least wealthy in the Commonwealth. The median household income in all but two (Boyd and Greenup counties) of the 20 counties in the Company's service territory is below Kentucky's

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[33] *Id.*

[34] *Id.*

[35] Fed. Reserve Bank of Cleveland, 7 *Forefront* 105 (May 2, 2016), https://www.clevelandfed.org/newsroom-and-events/publications/forefront/ff-v7n01/ff-20160302-v7n0105-eastern-kentucky-a-region-in-flux.aspx .

household median.[36] Ten of the 20 counties in the Company's service territory rank among the least wealthy quartile of Kentucky counties; three counties in Kentucky Power's service territory are among the ten least wealthy counties in the Commonwealth, including Owsley County which is the least wealthy county as measured by median family income.[37]

18. Recent years also have seen an outflow of population from eastern Kentucky. From 2011 to 2014, a period that coincides with the most recent decline in coal production and employment, eastern Kentucky population has declined on average by 1,100 persons per year.[38]

19. Kentucky Power likewise has been affected by the decline in the coal industry in its service territory. Between 2010 and 2016 the number of Kentucky Power coal extraction and processing customers declined by 38% from 449 to 279. During the same period, the Company's kWh sales to coal extraction and processing customers declined by 63% from 979,812,619 kWh to 366,834,904 kWh. During the single year ended December 31, 2016 the number of coal mining customers declined 14.15% from 325 to 279 customers. Sales to coal mining customers declined 30.75% during the same one-year period from 529,746,944 kWh to 366,834,904 kWh.

INTERIM MEASURES TO AID COAL MINING AND PROCESSING ACTIVITY IN KENTUCKY POWER COMPANY'S SERVICE TERRITORY

20. On February 16, 2017 President Trump signed H.J. Res. 38 nullifying the Stream Protection Rule finalized by the Department of the Interior's Office of Surface Mining Reclamation and Enforcement on December 20, 2016.

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[36] http://www.indexmundi.com/facts/united-states/quick-facts/kentucky/median-household-income#chart

[37] *Id.*

[38] Fed. Reserve Bank of Cleveland, 7 *Forefront* 105 (May 2, 2016), https://www.clevelandfed.org/newsroom-and-events/publications/forefront/ff-v7n01/ff-20160302-v7n0105-eastern-kentucky-a-region-in-flux.aspx .

21. To further supplement its existing economic development efforts in its service territory, Kentucky Power proposes to amend two existing tariffs and to establish a third tariff. The proposed amendments and the new tariff are aimed at supporting the revitalization of the coal extraction and processing industry in the Company's service territory. The tariff amendments and new tariff are temporary and will expire by their terms on December 31, 2017.

1. <u>Tariff C.S. - I.R.P. (Sheet 12-1 to 12-3)</u>.

22. Tariff C.S. - I.R.P. is an existing tariff. Service is available to customers who contract for interruptible service subject to certain minimum requirements. Customers taking service under Tariff C.S. - I.R.P. designate interruptible load that qualifies under PJM's rules as capacity for the purpose of Kentucky Power's PJM FRR obligation. In return, the customer is entitled to a credit in the amount of $3.68/kw/month.

23. The existing Tariff C.S. - I.R.P. requires that customers taking service under the tariff contract for a minimum period of four years. During the term of the minimum four-year contract, the interruptible portion of the customer's load may be reduced by no more than 20%.

24. Kentucky Power proposes to amend the contract term and termination provisions of Tariff C.S. - I.R.P. for customers who are engaged in coal extraction or processing and who otherwise meet the tariff minimums. The tariff will be amended by adding the following provision to Sheet 12-1:

> *SPECIAL PROVISION FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES.*
>
> *Notwithstanding other provisions of this Tariff, customers engaged in the extraction or processing of coal must be able to provide interruptible load (not including behind the meter diesel generation) of at least one (1) MW at a single site and commit to a minimum two (2) year contract term. Following the permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months, the contract may be terminated by the Customer upon written notice to the Company. The minimum period for the Customer to give written notice of termination following the*

permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months shall be the lesser of: (a) the remaining term of the contract; or (b) two months.

This Special Provision for Customers Engaged In Coal Extraction Or Processing Activities shall expire on December 31, 2017.

A copy of the complete proposed tariff is attached as **EXHIBIT 2** to this application.

25. Tariff C.S. – I.R.P. also will be amended as follows to identify the tariff codes associated with the voltage under which service is delivered. The Company is not changing the amount of the credit received under Tariff C.S. – I.R.P:

RATE. ~~(Tariff Code 321)~~

Credits under this tariff of $3.68/kW/month will be provided for interruptible load that qualifies under PJM's rules as capacity for the purpose of the Company's *Fixed Resource Requirement (*FRR*)* obligation.

Tariff	*Tariff Type*	*Tariff Code Description*	*Tariff Description*
321	*IR*	*CS-IRP SEC*	*IRP-IGS SECONDARY*
330	*IR*	*CS-IRP PR*	*IRP-IGS PRIMARY*
331	*IR*	*CS-IRP-ST*	*IRP-IGS SUBTRANSMSN*
332	*IR*	*CS-IRP TR*	*IRP-IGS TRANSMISSION*

26. The proposed amendment reduces the minimum contract term for customers engaged in coal extraction and processing from four years to two years. In addition, the amendment provides for the early termination of the contract upon the permanent cessation of coal extraction or processing activity. Under the amended tariff, qualifying customers engaged in coal extraction or processing may, after permanently ceasing coal extraction or processing activities, terminate the agreement upon the lesser of two months' notice or the remaining term of the contract.

27. Customers engaged in coal extraction or processing who take service under Tariff C.S. - I.R.P. will qualify for the $3.68 kw/month credit during the term of the contract. The cost

of the credits, as with other credits under Tariff C.S. - I.R.P., will be recovered by Kentucky Power through Tariff P.P.A.

28. The reduced contract term, along with the provision permitting the termination of the contract following permanent cessation of coal extraction or processing activity for six months, are intended to encourage coal extraction and processing customers to reopen closed facilities or to establish new operations in the Company's service territory.

2. Tariff E.D.R. (Sheet No. 37-1 to 37-6).

29. Tariff E.D.R. is an existing tariff approved by the Commission's Order dated March 4, 2015 in Case No. 2014-00336.[39] The tariff as approved provides new commercial (Tariff L.G.S.) and industrial (Tariff I.G.S.) customers, with a monthly maximum billing demand of at least 500 kW, and existing commercial and industrial customers who contract to increase their monthly maximum billing demand by at least 500 kW, with limited term reductions in billing demand charges.

30. The existing tariff requires qualifying customers to contract for service for ten, eight, six, four, or two year terms. The limited term reduction in billing demand charges is provided through a declining incremental billing demand discount ("IBDD") for one-half of the contract term. For example, a customer entering into a ten-year contract would receive the declining IBDD for the first five years of the contract term. The initial year's IBDD is equal to the term of the contract divided by two and multiplied by 10%. The IBDD declines by 10% each subsequent year of the discount period. Thus, a qualifying customer entering into a ten-year contract would receive a reduction in the billing demand charge as follows:

[39] Order, *In the Matter of: Application Of Kentucky Power Company For (1) Approval Of An Economic Development Rider; (2) For Any Required Deviation From The Commission's Order In Administrative Case No. 327; And (3) All Other Required Approvals And Relief*, Case No. 2014-00336 (March 4, 2015).

Contract Year	IBDD
1	50%
2	40%
3	30%
4	20%
5	10%

Under the current tariff, the qualifying customer contracting for ten years would pay the full minimum demand charge for the final five years of the contract.

31. Kentucky Power proposes to amend Tariff E.D.R. to permit customers engaged in coal extraction and processing activities to receive IBDD under modified terms and conditions. Kentucky Power proposed to modify the existing tariff by adding the following provision to Tariff Sheet 37-6:

> *SPECIAL PROVISION FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES.*
>
> *Customers engaged in coal extraction or processing activities may receive IBDD for a one-year period or a two-year period upon the terms and conditions of this tariff, except as expressly provided below, by executing a special economic development rider agreement:*

One-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*10%*

Two-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*20%*
2	*10%*

> *Customers may reduce in whole or part the incremental billing demand that is the subject of the Economic Development Rider agreement at the expiration of the term of the Economic Development Rider agreement without further obligation.*

Customers wishing to maintain in whole or part the Economic Development Rider agreement billing demand following the expiration of the agreement shall enter into a new agreement for the incremental billing demand. Such incremental billing demand shall be subject to the applicable full tariff billing demand rate.

Nothing in this provision shall prevent the Company from entering into a special contract, subject to Commission approval, addressing requests to maintain existing load.

This Special Provision for Customers Engaged In Coal Extraction Or Processing Activities shall expire on December 31, 2017.

A copy of the complete proposed tariff is attached as **EXHIBIT 3** to this application.

32. The proposed amendment permits customers engaged in coal extraction or processing activities to receive the IBDD for incremental billing demand for a one-year or two-year term without the obligation of maintaining the incremental billing demand at full billing demand rates for an equal period.

33. The proposed amendment of Tariff E.D.R. is contrary to certain of the requirements established by the Commission in its September 24,1990 Order in Administrative Case No. 327 for economic development riders:

> 14. The term of an EDR contract should be for a period twice the length of the discount period, with the discount period not exceeding five years. During the second half of an EDR contract, the rates charged to the customer should be identical to those contained in a standard rate schedule that is applicable to the customer's rate class and usage characteristics.[40]

34. The proposed amendment allows customers to contract for a term equal to the discount period. To date, Companies engaged in the extraction or processing of coal have been unwilling or unable to meet the requirement that the contract term be twice the discount period. As a result, the current Tariff E.D.R. has not served to encourage coal extraction and processing customers to open mining or processing facilities or to increase the load of minimum billing

[40] Order, *In the Matter Of: An Investigation Into The Implementation Of Economic Development Rates By Electric And Gas Utilities*, Administrative Case No. 327 at 26 (Ky. P.S.C. September 24, 1990).

demand of their existing facilities. Good cause exists to permit the requested deviation from the requirements of Administrative Case No. 327.

35. The proposed amendment of Tariff E.D.R. is intended to encourage coal extraction and processing customers to reopen closed facilities or to establish new operations in the Company's service territory at this time.

3. Tariff C.S. - Coal (Sheet 11-1 to 11-3).

36. Kentucky Power seeks authority to establish Tariff C.S. - Coal. A copy of the complete proposed tariff is attached as **Exhibit 4** to this application. The tariff will be applicable to customers engaged in coal extraction and processing activities who contract for at least 1,000 kW of capacity. The tariff limits the total contract capacity of customers taking service under this tariff to 60,000 kW.

37. Eligible customers may contract to take service from Kentucky Power on rates, terms, or conditions different from those established by the Company's tariffs, including, but not limited to, those terms governing deposits, minimum billing demand, and hours and days of operation. For example, if acceptable to the Commission, an eligible customer may be served under an alternative demand structure. Kentucky Power may also consider an alternative deposit payment schedule to assist an eligible customer, which removes a potential barrier to re-entry to the market. The Company will also consider other alternative arrangements. Nothing in this tariff proposal impedes the ability of existing operation to explore alternative arrangements acceptable to the Commission.

38. If an agreement is reached between Kentucky Power and an eligible customer, the contract will be submitted to the Commission for approval pursuant to 807 KAR 5:011, Section 13. The contract will not become effective unless and until it is approved by the Commission.

39. Tariff C.S. - Coal is intended to encourage coal extraction and processing customers to reopen closed facilities or to establish new operations in the Company's service territory by permitting the Company the flexibility to provide service to such customers upon terms that may vary from those contained in the Company's existing tariffs.

4. Term Of Tariff C.S. - Coal And The Proposed Amendments To Tariff C.S. - I.R.P. And Tariff E.D.R.

40. Tariff C.S. - Coal and the amendments to Tariff C.S. - I.R.P. and Tariff E.D.R. are temporary, interim measures designed to address in part the conditions challenging the coal extraction and processing industry in the Company's service territory. Approval of the proposed tariffs will not increase the Company's current tariffed rates.[41]

41. Kentucky Power proposes that Tariff C.S. - Coal and the amendments to Tariff C.S. - I.R.P. and Tariff E.D.R., if approved, remain in effect until December 31, 2017.

REQUEST FOR LEAVE TO DEVIATE FROM THE NOTICE REQUIREMENTS OF 807 KAR 5:011, SECTION 8

1. 807 KAR 5:011, Section 8(b)(3).

42. Kentucky Power seeks leave pursuant to 807 KAR 5:011, Section 15 to deviate from that portion of the notice requirements of 807 KAR 5:011, Section 8(b)(3) requiring that the Company publish notice "once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, ***the first publication to be made no later than the date the tariff filing is submitted to the Commission***."[42] The Company seeks leave only to the extent required to permit it to begin publishing the three weekly notices of the

[41] The cost of the $3.68 kw/month credit payable under Tariff C.S. - I.R.P., up to a maximum contract load of 75,000 kW for all customers taking service under the tariff, is recovered by the Company through its existing Tariff P.P.A. The proposed amendment will not alter the maximum amount payable under Tariff C.S. - I.R.P. or the formula used to calculate the monthly purchase power adjustment factor. To the extent, the tariff amendment increases the amount of interruptible load nominated by customers engaged in coal extraction and processing that otherwise would not or could not nominate load, it will change the purchase power adjustment factor.

[42] (Emphasis supplied).

proposed tariff and tariff revisions described in this Application *after* the date this application is filed with the Commission.

43. To provide notice to its entire service territory, Kentucky Power must publish notice of the proposed changes in twenty different newspapers. Because the publication schedule varies for each of these newspapers, the Company must submit its notice to the Kentucky Press Association, the entity that coordinates publication for the Company, approximately ten days prior to the conclusion of the first weekly publication cycle.

44. Good cause exists to deviate from the notice publication timing requirements of 807 KAR 5:011, Section 8(b)(3). The precipitous decline in the coal industry has had a dramatic and on-going negative impact on the Company and its customers. The tariff changes proposed by Kentucky Power in this application are required to provide flexibility to customers engaged in coal extraction and processing in the region. Complying with the requirement that the notice be published at least one time prior to the filing of this application will delay the benefits to be provided by the proposed changes. In addition the proposed changes do not increase the current applicable rates. Kentucky Power is informed by the Kentucky Press Association that the notice will first be published in each of the 20 newspapers no later than March 3, 2017.

45. The actions proposed by the Company in this Application are narrowly focused to changes in the way certain coal producing and processing customers can contract for service. These actions do not change any of the existing rates paid by customers in any customer class. In light of the scope of the proposed action and the absence of rate changes, the limited delay in publication sought by the Company will not materially affect any interested party's ability to review the proposed changes or seek intervention in the case.

2. **<u>807 KAR 5:011, Section 8(4)(b)-(d)</u>.**

46. 807 KAR 5:011, Section 8(4)(b)-(d) require that the identified information be provided for each customer classification.

47. The proposed amendments to Tariff C.S. - I.R.P. and Tariff E.D.R. are limited to customers engaged in the extraction and processing of coal. There currently are no such customers taking service under either tariff. Moreover, the rate effect of each tariff amendment on customers engaged in the extraction and processing of coal will vary based upon the incremental billing demand (Tariff E.D.R.) and interruptible demand (Tariff C.S. - I.R.P.) nominated under each tariff.

48. It thus is impracticable to provide the information required by 807 KAR 5:011, Section 8(4)(b)-(d) with respect to customers to which the proposed tariff changes will apply.

49. Further, the proposed amendment to Tariff E.D.R. will not affect the published tariff rate paid by any other customer classification.

50. The cost of the $3.68 kw/month credit payable under Tariff C.S. - I.R.P., up to a maximum contract load of 75,000 kW for all customers taking service under the tariff, is recovered by the Company through its existing Tariff P.P.A. The proposed amendment will not alter the maximum amount payable under Tariff C.S. - I.R.P. or the formula used to calculate the monthly purchase power adjustment factor.

51. The amount of the additional $3.68 per kW/month credit recovered through Tariff P.P.A. will vary based upon the amount of interruptible load nominated by customers engaged in coal extraction or processing activity that elect to take service under the amendment that otherwise would not have taken service under Tariff C.S. - I.R.P..

52. Customers engaged in coal extraction and processing may nominate interruptible load in any amount, subject to a one MW minimum, up to a maximum contract load of 75,000

kW for all customers taking service under the tariff. There currently is 31,900 kW of interruptible load subject to the tariff, leaving customers the ability to nominate any portion of the balance of 43,100 kW, subject to the minimum, under the tariff. Because the amount of load to be nominated under the tariff is not knowable, it is not practicable to estimate the effect of the proposed amendment on the amounts paid by customers subject to Tariff P.P.A.

53. Tariff C.S. - Coal is a new tariff recognizing the ability of customers engaged in coal extraction and processing to contract for service from Kentucky Power on rates, terms, or conditions different from those established by the Company's tariffs, including, but not limited to, those terms governing deposit arrangements, minimum billing demand, and hours and days of operation. Any agreement will become effective only upon approval by the Commission pursuant to 807 KAR 5:011, Section 13.

54. Any changes in minimum billing demand, deposit arrangements, or hours or days of operation will not affect the amounts paid by other customers. Further, because the terms of any contract to be negotiated pursuant to Tariff C.S. - Coal are not now known, it is not possible to determine the effect, if any, of the proposed tariff on customers engaged in coal extraction or mining or other customers.

55. The impracticability of providing the required information concerning Tariff C.S. - Coal constitutes good cause for the requested deviation.

RELATED ACCOUNTING RELIEF

56. The proposed amended tariffs and the new tariff, including particularly, but not limited to, the deposit provisions of Tariff C.S. – Coal, expose Kentucky Power to a heightened risk of customer default. In accordance with FASB Codification 980-340-25-1, Kentucky Power requests the Commission to exercise its authority under KRS

278.220 to prescribe the manner in which the Company keeps its accounts by entering an order authorizing Kentucky Power to accumulate and defer for review and recovery in its next base rate proceeding any financial loss incurred in connection with the proposed amendments to Tariff C.S. - I.R.P. and Tariff E.D.R. and proposed Tariff C.S. – Coal.

CUSTOMER NOTICE

57. The required customer notice is and will be given by publication, subject to the requested deviation, by posting the required notice at the Company's offices, and by posting the required notice on the Company's website (https://www.kentuckypower.com) in compliance with 807 KAR 5:001, Section 17 and 807 KAR 5:011, Section 8(2), and all other applicable regulations. A copy of the notice is attached as **EXHIBIT 5** to this application.

EXHIBITS

58. The exhibits listed in the Appendix to this Application are attached to and made a part of this Application.

COMMUNICATIONS

59. The Applicant respectfully requests that communications in this matter be transmitted electronically to:

Mark R. Overstreet
Kenneth J. Gish, Jr.
Katie M. Glass
STITES & HARBISON PLLC
moverstreet@stites.com
kgish@stites.com
kglass@stites.com

Kentucky Power Company
Kentucky_regulatory_services@aep.com

WHEREFORE, Kentucky Power Company requests that the Commission issue an Order:

(1) Authorizing the proposed amendment of Tariff Sheet 12-1;

(2) Authorizing the proposed amendment of Tariff Sheet 37-6;

(3) Authorizing proposed Tariff Sheets 11-1 to 11-3;[43]

(4) Authorizing leave to deviate from the requirements of the Commission's September 24, 1990 Order in Administrative Case No. 327 to the extent they are contrary to the proposed amendment of Tariff Sheet 37-6;

(5) Authorizing leave to deviate from the publication requirements of 807 KAR 5:011, Section 8;

(6) Authorizing Kentucky Power to accumulate and defer for review and recovery in its next base rate proceeding any financial loss incurred in connection with the proposed amendments to Tariff C.S. - I.R.P. and Tariff E.D.R. and proposed Tariff C.S. – Coal.

(7) Granting all other required relief or approvals.

This 23rd day of February, 2017.

[43] Tariff Sheets 1-1 and 1-2, which are a part of the index, also are being amended to reflect the proposed amendments and the new tariff. See, **EXHIBIT 6**.

Respectfully submitted,

Mark R. Overstreet
Katie M. Glass
STITES & HARBISON PLLC
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P.O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477
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Kenneth J. Gish, Jr.
STITES & HARBISON PLLC
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Lexington, Kentucky 40507
Telephone: (859) 226-2300
Facsimile: (859) 253-9144
kgish@stites.com

COUNSEL FOR:
KENTUCKY POWER COMPANY

LIST OF EXHIBITS

VERIFICATION

The undersigned, Matthew J. Satterwhite, being duly sworn, states and deposes that he is the President and Chief Operating Officer, Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing testimony, or knowledge gained by his review of the sources cited, and his testimony herein is true and correct to the best of his information, knowledge and belief.

Matthew J. Satterwhite

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF BOYD)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Matthew J. Satterwhite this the 21st day of February, 2017.

Judy K Rosquist
Notary Public

Notary ID Number: 571144

My Commission Expires: January 23, 2021

(SEAL)

CERTIFICATE OF SERVICE

I hereby certify that a true and copy of the foregoing was served by electronic mail upon:

Rebecca Goodman
Lawrence W. Cook
Kentucky Attorney General's Office
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204
Rebecca.goodman@ky.gov
Larry.cook@ky.gov

Michael L. Kurtz
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
mkurtz@bkllawfirm.com
kBoehm@bkllawfirm.com
jkylercohn@bkllawfirm.com

on this the 23rd day of February, 2017.

Mark R. Overstreet

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Certificate of Existence

Authentication number: 186269
Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY POWER COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 21, 1919 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 20th day of February, 2017, in the 225th year of the Commonwealth.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
186269/0028317

TARIFF C.S.-I.R.P.
(Contract Service - Interruptible Power)

AVAILABILITY OF SERVICE.

Available for service to customers who contract for service under one of the Company's interruptible service options. The Company reserves the right to limit the total contract capacity for all customers served under this Tariff to 75,000kW.

Loads of new customers locating within the Company's service area or load expansions by existing customers may be offered interruptible service as part of an economic development incentive. Such interruptible service shall not be counted toward the limitation on total interruptible power contract capacity, as specified above, and will not result in a change to the limitation on total interruptible power contract capacity.

CONDITIONS OF SERVICE.

The Company will offer eligible customers the option to receive interruptible power service. This interruptible service will be consistent with PJM's Limited Demand Response, Emergency – Capacity Only Program, subject to any limitations on the availability of that Program by PJM. If insufficient MWs are available for PJM enrollment by Kentucky Power, the Company shall offer to substitute one of the other PJM Emergency Demand Response Programs that is available. To be eligible for the credit, customers must be able to provide interruptible load (not including behind the meter diesel generation) of at least one (1) MW at a single site and commit to a minimum four (4) year contract term. The contract shall provide that 90 days prior to each contract anniversary date, the customer shall re-nominate the amount of interruptible load for the upcoming contract year, except that the cumulative reductions over the life of the contract shall not exceed 20% of the original interruptible load nominated under the contract. If no re-nomination is received at least 90 days prior to the contract anniversary date, the prior year's interruptible load shall apply for the forthcoming contract year.

Upon receipt of a request from the Customer for interruptible service, the Company will provide the Customer with a written offer containing the rates and related terms and conditions of service under which such service will be provided by the Company. If the parties reach an agreement based upon the offer provided to the Customer by the Company, such written contract will be filed with the Commission. The contract shall provide full disclosure of all rates, terms and conditions of service under this Tariff, and any and all agreements related thereto, subject to the designation of the terms and conditions of the contract as confidential, as set forth herein.

The Customer shall provide reasonable evidence to the Company that the Customer's electric service can be interrupted in accordance with the provisions of the written agreement including, but not limited to, the specific steps to be taken and equipment to be curtailed upon a request for interruption.

The Customer shall contract for capacity sufficient to meet normal maximum interruptible power requirements, but in no event will the interruptible amount contracted for be less than 1,000 KW at any delivery point.

SPECIAL PROVISIONS FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES. N

Notwithstanding other provisions of this Tariff, customers engaged in the extraction or processing of coal must be able to provide interruptible load (not including behind the meter diesel generation) of at least one (1) MW at a single site and commit to a minimum two (2) year contract term. Following the permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months, the contract may be terminated by the Customer upon written notice to the Company. The minimum period for the Customer to give written notice of termination following the permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months shall be the lesser of: (a) the remaining term of the contract; or (b) two months.

This Special Provision for Customers Engaged in Coal Extraction or Processing Activities shall expire on December 31, 2017. N

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By Authority Of An Order By The Public Service Commission

In Case No. 2017-XXXX Dated XXXXXXX

TARIFF C.S.-I.R.P.
(Contract Service - Interruptible Power) (Cont'd.)

RATE. (~~Tariff Code 321~~)

Credits under this tariff of \$3.68/kW/month will be provided for interruptible load that qualifies under PJM's rules as capacity for the purpose of the Company's Fixed Resource Requirement (FRR) obligation. T

Tariff	*Tariff Type*	*Tariff Code Description*	*Tariff Description*	
321	*IR*	*CS-IRP SEC*	*IRP-IGS SECONDARY*	N
330	*IR*	*CS-IRP PR*	*IRP-IGS PRIMARY*	
331	*IR*	*CS-IRP-ST*	*IRP-IGS SUBTRANSMSN*	
332	*IR*	*CS-IRP TR*	*IRP-IGS TRANSMISSION*	N

Charges for service under this Tariff will be set forth in the written agreement between the Company and the Customer and will Reflect the firm service rates otherwise available to the Customer.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated I in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-15 of this Tariff Schedule, unless the Customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge Adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1through 29-7 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rate set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

(Cont'd on Sheet No. 12-3)

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In Case No. 2017-XXXX Dated XXXXXXX

TARIFF C.S.-I.R.P.
(Contract Service - Interruptible Power) (Cont'd.)

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.

TERM OF CONTRACT.

The length of the agreement and the terms and conditions of service will be stated in the agreement between the Company and the Customer.

CONFIDENTIALITY.

All terms and conditions of any written contract under this Tariff shall be protected from disclosure as confidential, proprietary trade secrets, if either the Customer or the Company requests a Commission determination of confidentiality pursuant to 807 KAR5:001, Section 7 and the request is granted.

KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE.

Applicable to all customers. Bills computed according to the rates set forth herein shall be increased by a KEDS charge of $0.15 per month and shall be shown on the customers' bills as a separate line item. The KEDS charge will be applied to all customer electric bills rendered during the billing cycles commencing July 2015 and continue until otherwise directed by the Public Service Commission.

SPECIAL TERMS AND CONDITIONS

Except as otherwise provided in the written agreement, this Tariff is subject to the Company's Terms and Conditions of Service.

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.

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.

Customers 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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By Authority Of an Order of the Public Service Commission

In Case No. 2017-XXXX Dated

TARIFF E.D.R.
(Economic Development Rider)

AVAILABILITY OF SERVICE.

To encourage economic development in the Company's service territory, limited-term reductions in billing demand charges described herein are offered to qualifying new and existing retail customers who make application for service under this Rider.

Service under this Economic Development Rider (EDR) is intended for specific types of commercial and industrial customers whose operations, by their nature, will promote sustained economic development based on plant and facilities investment and job creation. Availability is limited to customers on a first-come, first-served basis until such time as a total of 250 MW of new load has been added to Kentucky Power's system under the EDR. The EDR is available to commercial and industrial customers served under Tariffs L.G.S.,I.G.S. who meet the following requirements:

(1) A new customer must have at least a monthly maximum billing demand of 500 kW. An existing customer must increase its monthly maximum billing demand by at least 500 kW over the current Base Maximum Billing Demand in order to receive the Incremental Billing Demand Discount (IBDD).

(2) A new customer, or the business expansion by an existing customer, will receive a Supplemental Billing Demand Discount (SBDD) for creating and sustaining at least 25 new permanent full time jobs over the contract term at the service location. The Company reserves the right to verify job counts. Failure to demonstrate the creation of new employment positions or to maintain the employment during the contract term will result in the termination of the supplemental discount.

(3) The customer must demonstrate to the Company's satisfaction that, absent the availability of this EDR, the qualifying new or increased electrical demand would be located outside of the Company's service territory or would not be placed in service.

TERMS AND CONDITIONS.

(1) The Company will offer the EDR to qualifying customers with new or increased load when the Company has sufficient generating capacity available. When sufficient generating capacity is not available, the Company will procure the additional capacity on the customer's behalf. The cost of capacity procured on behalf of the customer shall reduce on a dollar-for-dollar basis the customer's IBDD and SBDD. Such reduction shall be capped so that the customer's maximum demand charge shall be the non-discounted tariff demand charge. The reduction will be applied in reverse chronological order beginning with the most recent customer to receive discounted service under this tariff. Last customer to sign up for the EDR tariff would be the first customer responsible for paying the cost of incremental capacity purchases. In any year during the discount period in which the customer pays the full tariff demand charge for all twelve months, the Company will reduce the term of the contract by one year.

(2) The new or increased load cannot accelerate the Company's plans for additional generating capacity during the period for which the customer receives a demand discount. Customers receiving Temporary Service are not eligible for this EDR.

(3) To receive service under this EDR, the customer shall make written application to the Company with sufficient information contained therein to determine the customer's eligibility for service. At a minimum, such information will include:

(Cont'd on Sheet 37-2)

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In Case No. 2017-XXXX Dated June 22, 2015

TARIFF E.D.R. (Cont'd)
(Economic Development Rider)

TERMS AND CONDITIONS-(Cont'd).

a. A description and good faith estimate of the new or increased load to be served during each year of the contract,
b. The number of new employees or jobs that will be added as a result of the new load,
c. A description of the anticipated capital investment, and
d. A description of all other federal, state or local economic development tax incentives, grants, or any other incentives / assistance associated with the new or expanded project.
e. A statement that without the EDR discount, the customer would locate elsewhere or chose not to expand within Kentucky Power's service territory.

(3) For new and existing customers, billing demands for which reductions will be for service at a new service location or expanded production at an existing facility and not merely the result of a change of ownership. Relocation of the delivery point of the Company's service, moving existing equipment from another KPCo-served location or load transfers from another KPCo-served location do not qualify as a new service location. Relocating existing facilities from within the Company's service territory shall not disqualify the customer from the IBDD as long as the new relocated facility exceeds the Base Maximum Billing Demand of the previous facility by the minimum required amount.

(4) For existing customers, billing demands for which deductions will be applicable under this EDR shall be the result of an increase in business activity and not merely the result of resumption of normal operations following a force majeure, strike, equipment failure, renovation or refurbishment, or other such abnormal operating condition. In the event that such an occurrence has taken place prior to the date of the application by the customer for service under this EDR, the monthly Base Maximum Billing Demand shall be adjusted as appropriate for this analysis to eliminate the effects of such occurrence.

(5) Service under the EDR will be offered under the applicable Tariff L.G.S., I.G.S. schedule. An EDR will be filed as a Special Contract and must be approved by the Kentucky Public Service Commission before it can be implemented. The total contract period is equal to twice the number of years for which the customer receives a demand discount. The special contract term will be for two (2), four (4), six (6), eight (8), and (ten) 10 years only.

(6) The IBDD and the SBDD, if applicable, begin when the customer's new or expanded operations are billed for service under this Rider. Temporary jobs created during the construction of new facilities or the expansion phase of existing operations are not eligible to be counted as permanent jobs for the purposes of this EDR.

(7) If construction of new or expanded local distribution and/or transmission related facilities by the Company is required in order to provide the additional service, the customer may be required to make a contribution-in-aid of construction (CIAC) for the installed cost of such facilities pursuant to the provisions of the Company's Terms and Conditions of Service. The total cost of the CIAC, including gross-up by the effect of applicable taxes, will be recovered over the life of the EDR contract period, with no less than 80% recovered during the period for which the customer receives a demand discount. If the customer breaches the terms of the contract or ends the contract prematurely, any unpaid contribution-in-aid of construction must be paid to the Company and any EDR discounts provided to the customer must be repaid to the Company. CIAC payment provided under this Rider supersedes the other payment provisions only in the Company's Terms and Conditions Sheet 2-5 Section 9.

(Cont'd on Sheet 37-3)

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TARIFF E.D.R. (Cont'd)
(Economic Development Rider)

TERMS AND CONDITIONS (Cont'd).

(8) The L.G.S., and I.G.S. tariffs each contain a monthly minimum billing demand charge provision. The minimum demand charge provision is waived for EDR customers for up to 36 months depending upon the length of the contract. The provision is waived for the first 36 months of a 10 year contract, the first 24 months of an 8 year contract and the first 12 months of a 6 year contract. If during the special contract discount period, the customer's monthly demand falls below the minimum billing demand level for four (4) consecutive months or six (6) months total in a contract year, then the EDR discount will not be applied and the appropriate tariff minimum billing demand charge provision will be in force until the customer achieves the minimum billing demand level. Applicable EDR discounts will be applied to the qualifying incremental maximum billing demand only and will appear as a separate line item on the customer's bill.

DETERMINATION OF MONTHLY QUALIFYING INCREMENTAL BILLING DEMAND.

For the purposes of this Rider, the monthly qualifying incremental billing demand will be calculated in the following manner:

Where the new qualifying incremental demand resides in new facilities (or separate facilities for existing customers), those facilities may be metered on a separate meter according to Tariffs L.G.S., I.G.S., for the current billing period and the incremental billing demand will be calculated based upon that facility's meter readings.

Where the new qualifying incremental demand resides in a customer's existing facility with sufficient service and metering capability to accommodate the business expansion, the qualifying incremental billing demand is equal to demand in excess of the Base Maximum Billing Demand. The Base Maximum Billing Demand for each billing month will be calculated by the Company as the average of the previous three years, corresponding month maximum billing demands, subject to Terms and Conditions Items (3) and (4), and will be agreed to by the customer in advance.

DETERMINATION OF INCREMENTAL BILLING DEMAND DISCOUNT.

Customers meeting all Availability of Service and Terms and Conditions above may contract for service for a period of up to ten (10) years, with a commensurate discount period of up to five (5) years. The (IBDD) for a ten (10) year contract follows:

(a) For the twelve consecutive monthly billings of the first contract year, the qualifying incremental billing demand charge shall be reduced by 50% from the applicable tariff L.G.S., I.G.S., demand charge;

(b) For the twelve consecutive monthly billings of the second contract year, the qualifying incremental billing demand charge shall be reduced by 40% from the applicable tariff L.G.S., I.G.S., demand charge;

(c) For the twelve consecutive monthly billings of the third contract year, the qualifying incremental billing demand charge shall be reduced by 30% from the applicable tariff L.G.S., I.G.S., demand charge;

(Cont'd on Sheet 37-4)

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TARIFF E.D.R. (Cont'd)
(Economic Development Rider)

DETERMINATION OF INCREMENTAL BILLING DEMAND DISCOUNT (Cont'd).

(d) For the twelve consecutive monthly billings of the fourth contract year, the qualifying incremental billing demand charge shall be reduced by 20% from the applicable tariff L.G.S., I.G.S., charge, but shall not be less than the applicable tariff rate schedule minimum billing demand;

(e) For the twelve consecutive monthly billings of the fifth contract year, the qualifying incremental billing demand charge shall be reduced by 10% from the applicable tariff L.G.S., I.G.S., demand charge, but shall not be less than the applicable tariff rate schedule minimum billing demand; and

(f) All subsequent monthly billings shall be at the full charges stated in the applicable tariff rate schedule for contract years six (6) through ten (10).

The starting point for the IBDD is dependent upon the length of contract: i.e., an eight (8) year contract will have four (4) years of discount beginning with the IBDD of 40% in year one (1). Similarly, a six (6) year contract will have three (3) years of discount beginning with the IBDD of 30% in year one (1).

DETERMINATION OF SUPPLEMENTAL BLLING DEMAND DISCOUNT.

At the Company's discretion, a (SBDD) which is applicable to the monthly incremental billing demand charge is available to customers meeting all Availability of Service and Terms and Conditions above, and that create at least twenty five (25) new permanent job opportunities in the facility and that maintain those job opportunities in each discount year. The amount of additional discount is determined by the actual number of jobs maintained in each year. The SBDD for a ten (10) year contract follows:

(a) For the twelve consecutive monthly billings of the first contract year, the qualifying incremental billing demand charge shall be reduced an additional 5% for an increase of at least 50 jobs or 2.5% for an increase of at least 25 jobs;

(b) For the twelve consecutive monthly billings of the second contract year, the qualifying incremental billing demand charge shall be reduced 4.5% for at least 50 jobs or 2.0% for at least 25 jobs.

(c) For the twelve consecutive monthly billings of the third contract year, the qualifying incremental billing demand charge shall be reduced an additional 4% for an increase of at least 50 jobs or 1. 5% for an increase of at least 25 jobs;

(d) For the twelve consecutive monthly billings of the fourth contract year, the qualifying incremental billing demand charge shall be reduced an additional 3.5% for an increase of at least 50 jobs or 1. 0% for an increase of at least 25 jobs;

(Cont'd on Sheet 37-5)

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TARIFF E.D.R. (Cont'd)
(Economic Development Rider)

DETERMINATION OF SUPPLEMENTAL BLLING DEMAND DISCOUNT (Cont'd).

(e) For the twelve consecutive monthly billings of the fifth contract year, the qualifying incremental billing demand charge shall be reduced an additional 3% for an increase of at least 50 jobs or 0.5% for an increase of at least 25 jobs; and

(f) All subsequent monthly billing shall be at the full charges stated in the applicable tariff rate schedule for contract years six (6) through ten (10)

The length of the SBDD shall be identical to the length of the IBDD. The starting point for the discount will be commensurate with the contract length, i.e., an eight (8) year contract will have four (4) years of discount with the SBDD of either 4.5% or 2.0% as appropriate in year one (1).

The appropriate discount(s) shall be applicable over a period of up to 60 consecutive billing months beginning with the first such month following the end of the start-up period. The start-up period shall commence with the effective date of the contract addendum for service under this EDR and shall terminate by mutual agreement between the Company and the customer. In no event shall the start-up period exceed 12 months.

TERMS OF CONTRACT.

A contract or agreement addendum for service under this Rider, in addition to service under Tariffs L.G.S., I.G.S., shall be executed by the customer and the Company for the time period which includes the start-up period and the multi-year period during which a Total Demand Charge discount is in effect and an equal multi-year period during which the customer agrees to pay the full rates in the applicable Tariff rate schedule.

At a minimum, the contract or agreement addendum shall specify the Base Maximum Billing Demand, the anticipated annual total qualifying demand, the Adjustment Factor and related provisions to be applicable under this Rider, and the effective date for the contract addendum.

The customer may discontinue service under this Rider before the end of the contract or agreement addendum only by reimbursing the Company for any and all demand reductions received under this Rider when billed at the applicable tariff schedule rate.

SPECIAL TERMS AND CONDITIONS.

Except as otherwise provided in this Rider, written agreements shall remain subject to all of the provisions of the applicable tariffs. This Rider is subject to the Company's Terms and Conditions of Service.

(Cont'd on Sheet No. 37-6)

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TARIFF E.D.R. (Cont'd)
(Economic Development Rider)

SPECIAL PROVISION FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES. N

Customers engaged in coal extraction or processing activities may receive IBDD for a one-year period or a two-year period upon the terms and conditions of this tariff, except as expressly provided below, by executing a special economic development rider agreement:

One-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*10%*

Two-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*20%*
2	*10%*

Customers may reduce in whole or part the incremental billing demand that is the subject of the Economic Development Rider agreement at the expiration of the term of the Economic Development Rider agreement without further obligation. Customers wishing to maintain in whole or part the Economic Development Rider agreement billing demand following the expiration of the agreement shall enter into a new agreement for the incremental billing demand. Such incremental billing demand shall be subject to the applicable full tariff billing demand rate.

Nothing in this provision shall prevent the Company from entering into a special contract, subject to Commission approval, addressing requests to maintain existing load.

This Special Provision for Customers Engaged in Coal Extraction or Processing Activities shall expire on December 31, 2017. N

DATE OF ISSUE: February 23, 2017

DATE EFFECTIVE: Service Rendered On And After March 25, 2017

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of An Order By The Public Service Commission

In Case No. 2017-XXXX Dated June 22, 2015

N

TARIFF C.S.-COAL
(Contract Service – Coal Power)

AVAILABILITY OF SERVICE.

Available for service to customers engaged in the extraction or processing of coal. This tariff is available for new customers and for load expansions of existing customers who contract for service with the Company. The Company reserves the right to limit the total contract capacity for all customers served under this Tariff to 60,000 kW.

CONDITIONS OF SERVICE.

The Company will offer eligible customers the option to receive service pursuant to a contract agreed to by the Company and the Customer. Any such contract will be filed with the Commission and is subject to approval by the Commission. The Company will work with the Customer to provide limited exceptions to tariff provisions in areas of, but not limited to, demand charges and hours or days of operation.

Upon receipt of a request from the Customer for new or additional service, the Company will provide the Customer with a written offer containing the rates and related terms and conditions of service under which such service will be provided by the Company. If the parties reach an agreement based upon the offer provided to the Customer by the Company, such written contract will be filed with the Commission. The contract shall provide full disclosure of all rates, terms and conditions of service under this Tariff, and any and all agreements related thereto, subject to the designation of the terms and conditions of the contract as confidential, as set forth herein. The contract will become effective only upon approval by the Commission.

The Customer shall contract for capacity sufficient to meet normal maximum power requirements, but in no event will the amount contracted for be less than 1,000 KW at any delivery point.

RATE.

Charges for service under this Tariff will be set forth in the written agreement between the Company and the Customer.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 through and 22-18 of this Tariff Schedule, unless the Customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

N

(Cont'd. On Sheet No. 11-2)

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By Authority Of an Order of the Public Service Commission

In Case No. 2017-XXXXX Dated XXXX XX, 2017

TARIFF C.S.-COAL
(Contract Service – Coal Power) N

BIG SANDY RETIREMENT RIDER.

Bills computed according to the rates set forth herein will be increased or decreased by a Big Sandy Retirement Rider Adjustment Factor based on a percent of revenue in compliance with the Big Sandy Retirement Rider contained in Sheet No. 38-1 through 38-2 of this Tariff Schedule.

BIG SANDY I OPERATION RIDER.

Bills computed according to the rates set forth herein will be increased or decreased by a Big Sandy 1 Operation Rider Adjustment Factor per kW and/or kWh calculated in compliance with the Big Sandy I Operation Rider contained in Sheet Nos. 39-1 through 39-2 of this Tariff Schedule.

PURCHASE POWER ADJUSTMENT.

Bills computed according to the rates set forth herein will be increased or decreased by a Purchase Power Adjustment Factor based on a percent of revenue in compliance with the Purchase Power Adjustment contained in Sheet No. 35-1 of this Tariff Schedule.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1through 29-7 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 through 28-2 of this Tariff Schedule.

KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE.

Applicable to all customers. Bills computed according to the rates set forth herein shall be increased by a KEDS charge of $0.15 per month and shall be shown on the customers' bills as a separate line item. The KEDS charge will be applied to all customer electric bills rendered during the billing cycles commencing July 2015 and continue until otherwise directed by the Public Service Commission.

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.

TERM OF CONTRACT.

The length of the agreement and the terms and conditions of service will be stated in the agreement between the Company and the Customer. N

(Cont'd. On Sheet No. 11-3)

DATE OF ISSUE: February 23, 2017

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ISSUED BY: JOHN.A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of an Order of the Public Service Commission

In Case No. 2017-XXXXX Dated XXXX XX, 2017

TARIFF C.S.-COAL
(Contract Service – Coal Power) N

CONFIDENTIALITY.

All terms and conditions of any written contract under this Tariff shall be protected from disclosure as confidential, proprietary trade secrets, if either the Customer or the Company requests a Commission determination of confidentiality pursuant to 807KAR 5:001, Section 7 and the request is granted.

SPECIAL TERMS AND CONDITIONS.

Except as otherwise provided in the written agreement, this Tariff is subject to the Company's Terms and Conditions of Service.

Should a new or additional deposit be required pursuant to the Company's Terms and Conditions of Service, Customers receiving service under this Tariff have the option to pay such deposit by making twelve equally monthly payments of one-twelfth of the deposit during the first year of service under this Tariff.

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.

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.

Customers 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.

Tariff C.S.-Coal shall expire on December 31, 2017. N

DATE OF ISSUE: February 23, 2017

DATE EFFECTIVE: Service Rendered On and After March 25, 2017

ISSUED BY: JOHN.A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of an Order of the Public Service Commission

In Case No. 2017-XXXXX Dated XXXX XX, 2017

Please Take Notice that on February 23, 2017 Kentucky Power Company (Kentucky Power or the Company) filed with the Public Service Commission of Kentucky the new Contract Service – Coal Power tariff (Tariff C.S. – Coal) and related revisions to its existing Contract Service – Interruptible Power tariff (Tariff C.S.-I.R.P.) and Economic Development Rider tariff (Tariff E.D.R.). Kentucky Power's tariff filing does not propose to change the published rates for service under any of the Company's tariffs. The Company proposes that the tariffs become effective March 25, 2017. If approved by the Commission, new Tariff C.S. – Coal and the revisions to Tariff C.S. – I.R.P. and Tariff E.D.R. will remain in effect until December 31, 2017.

PROPOSED CHANGES

New Tariff C.S. – Coal

Tariff C.S. – Coal (Sheets 11-1 through 11-3) is a new tariff that creates a special category of contract service for customers engaged in the extraction or processing of coal. The tariff is available for new customers and for expansions by existing customers. The Company reserves the right to limit the total contract capacity for all customers served under Tariff C.S. – Coal to 60,000 kW.

Eligible customers wishing to take service under Tariff C.S. – Coal must enter into a contract with the Company that establishes the terms and conditions of service. Contracts for service under Tariff C.S. – Coal will be filed with the Commission and are subject to approval by the Commission. The Company will work with eligible customers to provide limited exceptions to tariff provisions in areas of, but not limited to, demand charges and hours or days of operation. In the event a new or additional deposit is required pursuant to the Company's terms and conditions, customers receiving service under Tariff C.S. – Coal have the option of paying the deposit in twelve equal monthly payments during the first year of service under the tariff. The minimum contract capacity for customers electing to take service under Tariff C.S. – Coal is 1,000 kW. Tariff C.S. – Coal will expire on December 31, 2017.

Revised Tariff C.S. – I.R.P.

Tariff C.S. – I.R.P. will be amended by adding the following provision to Sheet 12-1:

SPECIAL PROVISION FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES.

Notwithstanding other provisions of this Tariff, customers engaged in the extraction or processing of coal must be able to provide interruptible load (not including behind the meter diesel generation) of at least one (1) MW at a single site and commit to a minimum two (2) year contract term. Following the permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months, the contract may be terminated by the Customer upon written notice to the Company. The minimum period for the Customer to give written notice of termination following the permanent cessation of coal extraction or processing activity, or both as applicable, for a continuous period of six (6) months shall be the lesser of: (a) the remaining term of the contract; or (b) two months.

This Special Provision for Customers Engaged In Coal Extraction Or Processing Activities shall expire on December 31, 2017.

Tariff C.S. – I.R.P. will also be amended as follows to identify the tariff codes associated with the voltage under which service is delivered. The Company is not changing the amount of the credit received under Tariff C.S. – I.R.P.

RATE. ~~(Tariff Code 321)~~

Credits under this tariff of $3.68/kW/month will be provided for interruptible load that qualifies under PJM's rules as capacity for the purpose of the Company's *Fixed Resource Requirement (*FRR*)* obligation.

Tariff	*Tariff Type*	*Tariff Code Description*	*Tariff Description*
321	*IR*	*CS-IRP SEC*	*IRP-IGS SECONDARY*

330	*IR*	*CS-IRP PR*	*IRP-IGS PRIMARY*
331	*IR*	*CS-IRP-ST*	*IRP-IGS SUBTRANSMSN*
332	*IR*	*CS-IRP TR*	*IRP-IGS TRANSMISSION*

Revised Tariff E.D.R.

Tariff E.D.R. will be amended by adding the following provision to Sheet 37-6:

SPECIAL PROVISION FOR CUSTOMERS ENGAGED IN COAL EXTRACTION OR PROCESSING ACTIVITIES.

Customers engaged in coal extraction or processing activities may receive IBDD for a one-year period or a two-year period upon the terms and conditions of this tariff, except as expressly provided below, by executing a special economic development rider agreement:

One-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*10%*

Two-Year Economic Development Rider Agreement	
Contract Year	*IBDD*
1	*20%*
2	*10%*

Customers may reduce in whole or part the incremental billing demand that is the subject of the Economic Development Rider agreement at the expiration of the term of the Economic Development Rider agreement without further obligation. Customers wishing to maintain in whole or part the Economic Development Rider agreement billing demand following the expiration of the agreement shall enter into a new agreement for the incremental billing demand. Such incremental billing demand shall be subject to the applicable full tariff billing demand rate.

Nothing in this provision shall prevent the Company from entering into a special contract, subject to Commission approval, addressing requests to maintain existing load.

This Special Provision for Customers Engaged In Coal Extraction Or Processing Activities shall expire on December 31, 2017.

None of the changes proposed by the Company in this tariff filing affect the published tariffed rates applicable to any customer class.

Kentucky Power's application, tariff filings, and any related filings are available for public inspection at Kentucky Power's offices located at 855 Central Avenue, Suite 200, Ashland, KY 41101 with a phone number of 606-327-2600; 101A Enterprise Drive, Frankfort, KY 40601 with a phone number of 502-696-7011; 1400 E. Main St. Hazard, KY 41701 with a phone number of 606-436-1322; and 3249 North Mayo Trail Pikeville, KY 41501 with a phone number of 606-437-3827. Additionally, the application and other related filings are available for public inspection on the Company's website: www.kentuckypower.com.

The application and other related filings are also available for public inspection between the hours of 8:00 a.m. to 4:30 p.m., Monday through Friday, at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky. The application, tariff filings, and related filings may also be found on the Commission's website: http://psc.ky.gov.

Written comments on Kentucky Power's application and the proposed tariff changes may be submitted to the Commission by mail to Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602-0615 or via the Commission's website: http://psc.ky.gov.

The Company is not proposing to modify any tariffed rates in its application. The Public Service Commission may order rates to be charged or terms and conditions that differ from the application. Such action by the Commission may result in rates or terms and conditions for customers other than the rates and terms and conditions contained in this notice.

Any person may submit a timely written request for intervention in this case. The motion shall be submitted to the Public Service Commission, P. O. Box 615, Frankfort, Kentucky 40602-0615, and shall establish the grounds for the request, including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Commission may take final action on the application.

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(Cont'd on Sheet No. 1-2)

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ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

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In Case No. 2017-XXXX Dated XXXXXXX

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INDEX (Cont'd)

THE ABOVE TARIFFS ARE APPLICABLE TO THE ENTIRE TERRITORY SERVED BY KENTUCKY POWER COMPANY IN BOYD, BREATHITT, CARTER, CLAY, ELLIOTT, FLOYD, GREENUP, JOHNSON, KNOTT, LAWRENCE, LESLIE, LETCHER, LEWIS, MAGOFFIN, MARTIN, MORGAN, OWSLEY, PERRY, PIKE AND ROWAN COUNTIES.

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