

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF KENTUCKY)	CASE NO.
POWER COMPANY TARIFF P.P.A.)	2019-00349
RATES)	

ORDER

On August 15, 2019, Kentucky Power Company (Kentucky Power) filed a letter regarding its Tariff Purchased Power Agreement (P.P.A.) annual update filing in the post-case correspondence file for Case No. 2017-00179.¹ In the filing, Kentucky Power proposed to maintain the current P.P.A. rates for the period October 1, 2019, through September 30, 2020. The Commission will treat the letter as a motion.

In Case No. 2017-00179, the Commission approved an amendment of Tariff P.P.A. that allows Kentucky Power to recover and collect 80 percent of the annual over- or undercollection of PJM Interconnection, LLC (PJM), Open Access Transmission Tariff (OATT) Load Serving Entity (LSE) charges, as compared to the annual amount of net PJM OATT charges and credits included in base rates of \$74,453,085.

Kentucky Power stated that the P.P.A. rates for the period July 1, 2018, through June 30, 2019, resulted in an overrecovery of \$5,169,778 as compared to Kentucky Power's costs during that period. Kentucky Power explained that the overrecovery was

¹ Case No. 2017-00179, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets and Liabilities; and (5) An Order Granting All Other Required Approvals and Relief* (Ky. PSC Jan. 18, 2018).

due to a one-time credit arising from a change in Federal Energy Regulatory Commission's (FERC) methodology for allocation of costs. Kentucky Power asserted that it anticipates an increase in future costs recovered through Tariff P.P.A. and that an increase in costs would require a corresponding increase in P.P.A. rates beginning in October 2020. Kentucky Power contended that maintaining the current P.P.A. rates will mitigate future P.P.A. increases and minimize customer bill impacts. Kentucky Power argued that if the Commission denied Kentucky Power's request to maintain the current P.P.A. rates, the average residential customer using 1,253 kWh would receive a credit of \$1.53 per month from the existing overrecovery for the period between October 1, 2019, and September 30, 2020, but that the P.P.A. rate was estimated to increase to \$4.12 per month for an average residential customer beginning in October 2020. Kentucky Power further argued that, if P.P.A. rates were maintained at the current rate, that the increase beginning in October 2020 was estimated to be \$2.49.

Based upon the motion and supporting documents, and being otherwise sufficiently advised, the Commission finds that Kentucky Power's request should be denied. Kentucky Power filed a letter and a schedule with PJM OATT LSE costs and the over/under recovery calculation. Kentucky Power did not file evidence in the record to support its assertions regarding future P.P.A. rates. Further, Tariff P.P.A. requires Kentucky Power to file an updated tariff with annual P.P.A. factors with the Commission by August 15 of each year. Tariff P.P.A. contains formulas that calculate the P.P.A. factors to include over- or underrecovery in a prior period. Kentucky Power did not file a tariff update consistent with Tariff P.P.A. and implicitly asked the Commission to waive the tariff requirement for an annual update. The Commission finds that Kentucky Power

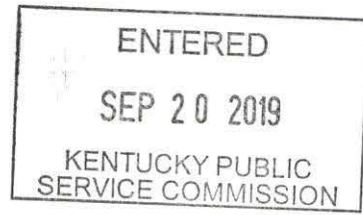
did not establish good cause and therefore we will not waive the tariff requirement to file an annual update. Tariff P.P.A. requires Kentucky Power to file the annual update by August 15 of each year, with rates to begin with the October billing period. We find good cause to shorten the time period from 45 days to 30 days. We further find that Kentucky Power should file its annual P.P.A. update to be effective for service rendered on or after November 1, 2019, with the refund of the overrecovery calculated over an 11-month period ending September 30, 2020.

The Commission advises Kentucky Power that any future request to deviate from the provision of a filed tariff needs to be set forth in an application for a deviation, not in a letter filed in a post-case file.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request to maintain current Tariff P.P.A. rates is denied.
2. On or before October 1, 2019, Kentucky Power shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the annual P.P.A factors and rates, with an effective date of November 1, 2019.
3. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director
Robert Owen R. Pinson

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