COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF KENTUCKY POWER COMPANY ROCKPORT DEFERRAL MECHANISM	)))	CASE NO. 2022-00283

O R D E R

On September 2, 2022, the Commission initiated this proceeding, pursuant to KRS 278.030, KRS 278.260, and KRS 278.270, to investigate the appropriate ratemaking treatment for Kentucky Power Company's (Kentucky Power) Rockport Unit Power Agreement (UPA) deferral regulatory asset (Rockport Deferral Regulatory Asset), the savings to customers once the Rockport UPA is terminated (Rockport Fixed Cost Savings Credit), the amount necessary for Kentucky Power to earn its Commission-authorized return on equity (ROE) for 2023 that will offset the Rockport Fixed Cost Savings Credit (Rockport Offset), and the mechanism for recovery of the Rockport Deferral Regulatory Asset and the credit for the Rockport Fixed Cost Savings and Rockport Offset (collectively, Rockport Deferral Mechanism).

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), and Kentucky Industrial Utility Customers, Inc. (KIUC) (jointly Attorney General/KIUC) were made parties to this case in the September 2, 2022 Order initiating this proceeding. Attorney General/KIUC filed a notice of their witness sharing agreement on September 15, 2022. Kentucky Power responded to multiple rounds of discovery. Attorney General/KIUC responded to one round of discovery. A formal hearing was held on November 28, 2022. Kentucky Power responded to post-hearing discovery on December 2, 2022. Kentucky Power and Attorney General/KIUC, filed post-hearing briefs on December 5, 2022, and November 30, 2022, respectively.

This matter now stands submitted for a decision.

LEGAL STANDARD

In accordance with statutory and case law, Kentucky Power is allowed to "demand, collect and receive fair, just and reasonable rates."[1] KRS 278.260 provides the Commission with the jurisdiction over investigations into utility rates and service.

KRS 278.020(1) provides that utility rates must be fair, just and reasonable. KRS 278.270 states that, when the Commission, upon its own motion, finds that any rate is unjust, unreasonable, insufficient, unjustly discriminatory, or otherwise in violation of KRS Chapter 278, the Commission shall prescribe a just and reasonable rate to be followed in the future. KRS 278.390 provides that every Order entered by the Commission shall continue in force until the expiration of the time, if any, named in the Order, or until revoked or modified by the Commission.

BACKGROUND

This matter arises from a proposal that was approved as modified in Kentucky Power's 2017 rate case, Case No. 2017-00179,[2] to defer certain expenses for capacity

[1] KRS 278.030(1); and *Pub. Serv. Comm'n v. Com. ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

[2] 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).

and energy procured by Kentucky Power through the Rockport UPA. As discussed in greater detail below, the Commission stated that it approved the Rockport Deferral Mechanism but that the "the manner and timing of cost recovery" would be determined in a future proceeding.[3]

In the January 13, 2021[4] and February 22, 2021[5] Orders in Kentucky Power's 2020 rate case, Case No. 2020-00174, the Commission stated that it would initiate a separate proceeding to address the Rockport Deferral Mechanism once Kentucky Power filed certain information regarding the Rockport UPA replacement capacity source and price for capacity replacement. Kentucky Power filed the required information on August 12, 2022, in Case No. 2020-00174.

Case No. 2017-00179

Under the Rockport UPA, Kentucky Power purchases capacity and energy produced at the Rockport Plant in Spencer County, Indiana. The Rockport UPA expires on December 8, 2022; Kentucky Power will not renew or extend the Rockport UPA.

Under the Rockport Deferral Mechanism proposed in a nonunanimous settlement agreement filed in Case No. 2017-00179, Kentucky Power agreed to defer a total of $50 million in non-fuel, non-environmental Rockport UPA expense for later recovery.[6] As proposed, the $50 million in Rockport UPA expenses would be deferred into the Rockport

[3] Case No. 2017-00179, Feb. 27, 2018 Order at 9.

[4] Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021), Order at 65.

[5] Case No. 2020-00174, Feb. 22, 2021 Order at 25–26 and 29, ordering paragraph 14.

[6] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 4.

Deferral Regulatory Asset, subject to carrying charges based on a weighted average cost of capital (WACC) of 9.11 percent until the regulatory asset was fully recovered. Between January 1, 2018, through December 8, 2022, the WACC was to be applied to the monthly regulatory asset principal balance net of accumulated deferred income taxes (ADIT). From December 9, 2022, until the regulatory asset was fully recovered, the WACC would be applied to the monthly regulatory asset balance including deferred carrying charges net of ADIT. As of the date of the settlement agreement, Kentucky Power estimated that the Rockport Deferred Regulatory Asset balance would be approximately $59 million on December 8, 2022.[7]

As proposed, beginning December 9, 2022, the deferral period would end, and the recovery of the Rockport Deferral Regulatory Asset would begin. Kentucky Power would credit the Rockport Fixed Cost Savings[8] through the demand component of Tariff Purchased Power Adjustment (Tariff PPA) until new base rates were set.[9] The Rockport Fixed Cost Savings credit would be offset by an amount necessary for Kentucky Power to earn its Commission-authorized return on equity (ROE) for 2023 (Rockport Offset).[10] The Rockport Offset, which cannot exceed the Rockport Fixed Cost Savings, would include a true up of estimated and actual Rockport Offset revenue.[11]

[7] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 5.

[8] *See* Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 6. Rockport Fixed Cost Savings are the annual amount of non-fuel, non-environmental Rockport UPA expense included in base rates for rates effective in November 2022.

[9] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 6.

[10] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 6.

[11] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 6–7.

Under the proposed settlement agreement, Kentucky Power would file an updated purchase power adjustment factor for Tariff PPA for rates effective December 9, 2022, that reflected the Rockport Fixed Cost Savings and Rockport Offset, and recovery of the Rockport Deferral Regulatory Asset.[12] Kentucky Power would make a Tariff PPA filing on August 15, 2023, for rates effective in October 2023, with the Rockport Fixed Cost Savings and estimated Rockport Offset factored into the purchase power adjustment factor calculation through the end of 2023.[13] Beginning in January 2024, the estimated Rockport Offset would not be included in the purchase power adjustment factor calculation.[14] On or before February 1, 2024, Kentucky Power would file an updated purchase power adjustment factor for Tariff PPA for rates effective March 1, 2024 that would include the Rockport Offset true-up, which would be recovered or credited over a three-month period.[15]

In the January 18, 2018 Order, the Commission approved the Rockport Deferral Mechanism, subject to certain modifications, for accounting purposes only, explaining that the appropriate ratemaking treatment for the Rockport Deferral Regulatory Asset would be addressed in Kentucky Power's next general rate case.[16] Kentucky Power requested rehearing of, among other things, the amortization period and other conditions for the Rockport Deferral Mechanism. In a February 27, 2018 Order, the Commission stated that it approved future rate recovery of the Rockport Deferral Regulatory Asset, but that

[12] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 7.

[13] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 7.

[14] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 8.

[15] Case No. 2017-00179, Jan. 18, 2018 Order, Appendix A at 8.

[16] Case No. 2017-00179, Jan. 18, 2018 Order at 40.

the Commission retained the authority to determine the manner and timing of cost recovery of the Rockport Deferral Regulatory Asset.

Case No. 2020-00174

In Kentucky Power's 2020 rate case, Kentucky Power requested a five-year amortization period for the Rockport Deferral Regulatory Asset and authority to recover the amortization through Tariff PPA, as proposed in the settlement agreement in Case No. 2017-00179.[17] In the January 13, 2021 Order in Case No. 2020-00174, the Commission denied as premature Kentucky Power's request to establish an amortization period and recovery through Tariff PPA. The Commission explained that it did not determine an amortization period in Case No. 2017-00179 because the amortization period should be determined after Kentucky Power's plans regarding renewal of the Rockport UPA were more certain.[18] The Commission further explained that, if Kentucky Power's proposed replacement capacity was more expensive than initially anticipated, a longer amortization period might be more reasonable to reduce the rate impact to customers.[19] The Commission stated that, because Kentucky Power was unable to confirm the Rockport Deferral Regulatory Asset amortization amount or the savings once the Rockport UPA terminated, the determination of the amortization period, Rockport Fixed Cost Savings, Rockport Offset, and recovery through Tariff PPA would be deferred to a separate proceeding that the Commission would initiate.[20]

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[17] Case No. 2020-00174, Jan. 13, 2021 Order at 64.

[18] Case No. 2020-00174, Jan. 13, 2021 Order at 64.

[19] Case No. 2020-00174, Jan. 13, 2021 Order at 64.

[20] Case No. 2020-00174, Jan. 13, 2021 Order at 65.

Kentucky Power requested rehearing for the Commission to provide a date certain for the Commission-initiated proceeding to be established and to delete reference to a review of Kentucky Power's ability to use the Rockport Offset to earn a Commission-approved ROE in 2023. In a February 22, 2021 Order, the Commission denied Kentucky Power's request to remove the Rockport Fixed Cost Savings Credit and Rockport Offset from a future review, and stated that it would initiate a new proceeding to address the Rockport Deferral Regulatory Asset amortization period once Kentucky Power made a written filing identifying, by name, the capacity replacement for Rockport UPA and the expected costs.[21]

The Commission rejected Kentucky Power's argument on rehearing that the Rockport Deferral Regulatory Asset amortization balance and expected savings is not subject to Commission review, explaining that the assertion is contrary to the Commission's statutory duty to ensure that rates are fair, just and reasonable.[22] The Commission reiterated that Kentucky Power was unable to provide sufficient evidence of the amortization amount or expected savings once Rockport UPA terminates, and that these amounts had to be determined in a separate proceeding to ensure that Kentucky Power's proposed rate recovery of the Rockport Deferred Regulatory Asset was fair, just and reasonable.[23]

On August 12, 2022, Kentucky Power filed the required information, and this proceeding was subsequently initiated.

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[21] Case No. 2020-00174, Feb. 22, 2021 Order at 25–26.

[22] Case No. 2020-00174, Feb. 22, 2021 Order at 26.

[23] Case No. 2020-00174, Feb. 22, 2021 Order at 26.

DISCUSSION AND FINDINGS

Scope of Proceeding

In Kentucky Power's direct and rebuttal testimony, witness Brian K. West argued that the Commission could not make any modifications to the Rockport Deferral Mechanism other than the regulatory asset amortization period and recovery mechanism. Mr. West asserted that the 2017 settlement agreement as approved by the Commission "did not modify or delete any aspect of the settlement related to the Rockport Deferral, the Estimated Rockport Offset, the Actual Rockport Offset, the Rockport Offset True-Up, or the Rockport Fixed Cost Savings."[24] Mr. West further asserted that the January 18, 2018 Order in Case No. 2017-00179 and January 13, 2021 Order in Case No. 2020-00174 limited the "appropriate ratemaking treatment" to be decided in this proceeding to the amortization period and recovery mechanism of the Rockport Deferral Regulatory asset.[25] As an additional argument, Mr. West maintained that a settlement is a "contract entered into by settling parties" that, once approved by the Commission, cannot be modified because it provides certainty that utilities and credit rating agencies depended upon for strategic planning and forecasting.[26]

Regarding the scope of the review in this proceeding, the Commission has been clear that the Rockport Deferral Regulatory Asset amortization period and recovery mechanism, Rockport Fixed Cost Savings, and Rockport Offset will be reviewed in this proceeding. The Commission notes that, in the settlement agreement, Kentucky Power

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[24] Rebuttal Testimony of Brian K. West (West Rebuttal Testimony) (filed Nov. 10, 2022) at R2.

[25] Direct Testimony of Brian K. West Errata (West Direct Testimony) (filed Oct. 5, 2022) at 10.

[26] West Rebuttal Testimony at R3.

used the term “Rockport UPA Expense Deferral” as the heading for the section that addressed not only the deferral and regulatory asset, but also the Rockport Fixed Cost Savings and Rockport Offset.[27] Further, testimony filed in support of the settlement agreement by Kentucky Power’s then-President and Chief Operating Officer used the term “Rockport Deferral Mechanism” to refer to all components, including the regulatory asset amortization period and recovery mechanism, Rockport Fixed Cost Savings, and Rockport Offset.[28] The Commission mirrored this usage in the January 18, 2018 and February 27, 2018 Orders in Case No. 2017-00174, referring to all of the proposed components as “Rockport Deferral Mechanism.” The Commission rejects Kentucky Power’s current effort to create a pinched reading of a term that Kentucky Power used itself in a previous case with an expansive meaning that it now rejects.

Further, in the February 22, 2021 Order in Case No. 2020-00174, the Commission expressly rejected Kentucky Power’s request to limit the scope of the Rockport Deferral Mechanism proceeding to the amortization period and recovery mechanism. We repeat the language of that Order: “The Commission finds this assertion to be without merit because it is contrary to the Commission's statutory duty to ensure that rates are fair, just and reasonable.” At a minimum, Kentucky Power has been on notice of that the scope of this proceeding would include all provisions of the Rockport Deferral Mechanism since the February 22, 2021 Order.

Setting aside that Kentucky Power has been on notice of the scope of this proceeding for almost two years, Kentucky Power has changed its position regarding

[27] West Direct Testimony, Exhibit BKW 1 at 4–8.

[28] Case No. 2017-00179, Rebuttal Testimony of Matthew J. Satterwhite (Satterwhite Rebuttal Testimony) (filed Nov. 30, 2017) at S10–S14.

purported "modification" of the terms of the settlement agreement for this proceeding. In Case No. 2020-00174, Kentucky Power proposed to change the terms of the 2017 settlement agreement to discontinue collection of the Capacity Charge, including any remaining over or under collection.[29] In this matter, Kentucky Power also proposed to utilize an updated WACC in the calculation of carrying charges for the Rockport Deferral, despite the plain language of the 2017 settlement agreement stating that the pre-tax WACC would be 9.11 percent.[30]

Finally, the Commission has a statutory duty pursuant to KRS 278.030 to ensure that rates are fair, just, and reasonable. KRS 278.060 allows the Commission to open an investigation on the rates of any utility. KRS 278.070 authorizes the Commission to modify rates after an investigation to ensure that the rate is fair, just, and reasonable. These statutory duties take priority over the terms of the settlement agreement.[31]

<u>Rockport Deferral Mechanism</u>

The Rockport Deferral Mechanism that Kentucky Power proposed to use in this proceeding modified[32] terms of the 2017 settlement agreement for the Rockport Deferral

[29] Case No. 2020-00174, Direct Testimony of Brent Mattison at 12–13, and Direct Testimony of Alex E. Vaughan (filed June 29, 2020) at 30. The settlement agreement includes a provision to include a final over or under collection of the Capacity Charge in Tariff PPA

[30] West Rebuttal Testimony at R11-R12.

[31] The Commission notes that Kentucky Power is well-aware of the fact that settlement agreements, regardless of whether they were wholly adopted or modified, are subject to later modification. Kentucky Power, by definition, proposes to modify previous settlement agreement terms each time it files a subsequent base rate case if the past case resulted in adopted settlement terms. Further, the Commission recently modified a settlement term from a rate case following an investigation, *see* Case No. 2017-00097 where "Kentucky Power [wa]s relieved of its obligation to spend a minimum of $6 million on DSM programs," with the Commission noting "the changed circumstances since Kentucky Power acquired the Mitchell Generating Station in 2013" and the adoption by the Commission of "a non-unanimous settlement agreement in Case No. 2012-00578."

[32] The proposed modifications are an updated WACC, the establishment of a historic period for net income component of the estimated Rockport Offset

Mechanism to calculate Tariff PPA rates beginning December 9, 2022.[33] Kentucky Power originally stated that the Commission should "1) approve the amortization of the Rockport Deferral Regulatory Asset over 5 years through Tariff P.P.A beginning December 9, 2022, consistent with the settlement agreement modified and approved in Case No. 2017-00179; 2) review and approve the Rockport Fixed Cost Savings; and 3) review and approve the methodology for estimating the Rockport Offset amount to be used in Tariff P.P.A. until the Rockport Offset true-up takes place."[34]

Attorney General/KIUC's witness Lane Kollen argued that the Commission has broad discretion over the ratemaking treatment of the Rockport Deferral Mechanism[35] and proposed adjustments as discussed below.

On rebuttal, Kentucky Power argued that "[t]he only items remaining for adjudication in this proceeding are the Rockport Deferral [Regulatory Asset]'s amortization period and recovery mechanism. The Commission has already approved all other aspects of the 2017 Settlement Agreement about which Mr. Kollen opines."[36]

As discussed above, the Commission did not approve the specific ratemaking proposed for the Rockport Deferral Mechanism and otherwise has broad authority over Kentucky Power's rates. As discussed below, the Commission finds that Kentucky Power's proposed Tariff PPA rates are reasonable but the Rockport Offset true-up will be determined after Kentucky Power's 2023 net income is known. As Kentucky Power has

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[33] West Direct Testimony at 10. *See also* Case No. 2022-00416, *Electronic Tariff Filing of Kentucky Power Company to Revise Tariff Purchase Power Adjustment* (Ky. PSC Dec. 8, 2022).

[34] West Direct Testimony at 9.

[35] Direct Testimony of Lane Kollen (Kollen Direct Testimony) (filed Oct. 26, 2022) at 4.

[36] West Rebuttal Testimony at 4.

already filed a tariff which sets forth its proposed rates, Tariff PPA rates will be approved in a proceeding initiated to grant Kentucky Power a change in rates with less than 30 days' notice to the Commission.[37]

Rockport Deferral Regulatory Asset. Kentucky Power argued that the amortization period for the Rockport Deferral Regulatory Asset should be five years and proposed to update the WACC used to calculated carrying charges.[38] Kentucky Power argued that the 2017 settlement agreement proposed a 5-year amortization period and that updating the WACC to that of the most recent rate case is in keeping with precedent. After correcting an error identified through discovery, the total Rockport Deferral Regulate asset balance as of December 8, 2022, will be $57,902,948, and the monthly payment for levelized recovery over five years would be $1,128,292.[39]

Attorney General/KIUC's witness Lane Kollen argued that the Commission could extend the amortization period.[40]

The Commission finds that a 5-year amortization period is reasonable for the following reasons. While increasing the amortization period results in a lower annual revenue requirement, the increase in carrying charges, which are ultimately recovered from customers, outweighs the benefit. A 5-year amortization period balances the short-term and long-term impacts on rates. The Commission also finds that the WACC should be updated for rate cases, in keeping with prior precedent. The Commission further finds

[37] *See* Case No. 2022-00416, *Electronic Tariff Filing of Kentucky Power Company to Revise Tariff Purchase Power Adjustment* (Ky. PSC Dec. 8, 2022).

[38] West Direct Testimony at 9 and West Rebuttal Testimony at R11-R12.

[39] West Direct Testimony, Errata BKW Exhibit 2 (filed Oct. 5, 2022).

[40] Kollen Direct Testimony at 4.

that recovery of the Rockport Deferral Regulatory Asset through Tariff PPA is reasonable to begin recovery at the same time as the other aspects of the Rockport Deferral Mechanism, however base rate recovery will be explored in Kentucky Power's next rate case.

Rockport Fixed Cost Savings Credit. Kentucky Power stated that the amount of Rockport fixed costs included in base rates is $40,831,141[41] and proposed to credit Tariff PPA for this amount beginning December 9, 2022.[42] Attorney General/KIUC did not oppose the calculation of the Rockport Fixed Cost Savings. The Commission finds that the Rockport Fixed Cost Savings calculated by Kentucky Power is documented by substantial evidence that supports the conclusion that the Rockport Fixed Costs Savings amount is reasonable and should be returned to customers through Tariff PPA beginning December 9, 2022.

Rockport Offset. Kentucky Power proposed to use its per books net income for the 12-month period ending June 30, 2022, to calculate the estimated Rockport Offset.[43] Kentucky power argued that this estimate is reasonable because it was the most recent 12-month period at the time of filing, but that using the 12-months ending September 30, 2022, would also be reasonable.[44] Kentucky Power calculated an estimated Rockport Offset of $22,785,645, based on a net income of $65,090,127.[45] Kentucky Power further

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[41] West Direct Testimony, BKW Exhibit 3.

[42] West Direct Testimony at 10.

[43] West Direct Testimony at 7.

[44] Kentucky Power's Post-Hearing Brief at 31-32.

[45] West Direct Testimony, BKW Exhibit 4.

proposed that the 2023 per-books net income be used to calculate the Rockport Offset true-up.[46]

Attorney General/KIUC argued that the sale of Kentucky Power to Liberty, which is expected to close in January 2024, materially changed the circumstances of Kentucky Power's 2023 per-books net income and that the Rockport Offset should be based on the 12-months ending June 30, 2022.[47] Attorney General/ KIUC argued that Kentucky Power and Liberty's commitment to not pass through any cost of the transfer to customers will be obfuscated by using 2023 per-books net income. Attorney General/KIUC's witness Kollen also suggested that the Commission could entirely eliminate the Rockport Offset.[48]

In rebuttal, Kentucky Power argued that the Rockport Offset should be determined in 2024 when all variables are known and stated that adjustments could be made to eliminate certain expenses and the effects of the transfer to Liberty.[49] Kentucky Power argued that determining the specifics of the Rockport Offset true-up would be premature.[50]

The Commission finds that the estimated Rockport Offset should be based on the 12-months ending June 30, 2022, the amount proposed by Kentucky Power. The

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[46] West Direct Testimony at 8.

[47] Attorney General/KIUC's Post-Hearing Brief at 3-6.

[48] Kollen Direct Testimony at 4.

[49] Kentucky Power's Response to the Attorney General/KIUC's Second Request for Information, Item 9. "The 2017-00179 settlement agreement regarding the Rockport Offset requires the Company to utilize 2023 'per-books' net income. Nonetheless, the Company agrees that an adjustment(s) would be considered to neutralize the 2023 net income impact of conditions contingent upon close of the acquisition (such as the decommissioning rider rate 'holiday,' eastern Kentucky fuel relief fund, $43.561 million liability to offset deferred distribution restoration expenses, and $15 million annual refund for Kentucky Power customers' alleged transmission subsidization), if any." *See also* West Rebuttal Testimony at 11.

[50] Kentucky Power's Post-Hearing Brief at 34.

Commission finds that this is a reasonable estimate and the true-up will be determined in 2024, when Kentucky Power's 2023 net income and adjustments are known. As part of the true-up, the Commission may choose to exclude from Kentucky Power's 2023 net income any expenses that are unreasonable, unjust, unfair, disallowed for rate recovery by statute, regulation or Commission precedent, or which are related to the sale to Liberty. It is also likely that during the 2024 true-up the Commission will have the benefit of the record from an expected rate case ending on or near the beginning of 2024. Additionally, the Commission finds that the recovery period for the Rockport Offset true-up will be determined based on the magnitude of the over- or under-recovery. There exists a possibility that the amount of the Rockport Offset under-recovered is greater than the amount recovered over the 12 months of 2023. It would seem patently unjust to require a greater amount to be recovered over three months in 2024 as a true-up to a lesser amount recovered over a time period four times longer during 2023.

Further, the Commission finds that Kentucky Power should propose a method for ensuring that ratepayers are fully credited for the period from December 9, 2022, to December 31, 2022, for the Rockport Deferral Mechanism.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposal to amortize the Rockport Deferral Regulatory Asset over five years beginning December 9, 2022, is approved.

2. Kentucky Power's proposal, with the modifications described in this Order, including the 5-year amortization of the Rockport Deferral Regulatory Asset, Rockport Fixed Cost Savings Credit, and estimated Rockport Offset as described herein are reasonable and approved.

3. Within 20 days of the date of service of this Order, Kentucky Power shall file its proposal for ensuring that ratepayers are fully credited for Tariff PPA rates related to the Rockport Deferral Mechanism, from December 9, 2022, through December 31, 2022.

4. Documents filed pursuant to ordering paragraph 3 shall reference this case number and shall be retained in the post-case correspondence file.

5. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ENTERED

DEC 08 2022

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