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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

The Application Of Kentucky Power Company For (1) Approval of A Modified School Energy Manager Program; and (2) For All Other Required Approvals And Relief	)))	Case No. 2015-00189

APPLICATION

Kentucky Power Company moves the Public Service Commission of Kentucky pursuant to KRS 278.285(1) for an Order: (1) approving its modified School Energy Manager Program; and (2) granting all other required relief or approvals. In support thereof Kentucky Power states:

INTRODUCTION

1. By Order dated July 25, 2014 in Case No. 2014-00178,[1] the Commission approved Kentucky Power's Demand-Side Management School Energy Manager Program. The program, which implemented paragraph 12 of the July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578,[2] as modified by the Commission's October 7, 2013 Order, provided Kentucky Power shareholder funding for two energy managers for school districts in Kentucky Power's service territory located in Lawrence and contiguous counties in Kentucky. Although administered by Kentucky Power, in conjunction with the Kentucky School Boards

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[1] *In The Matter Of: The Application Of Kentucky Power Company For (1): Approval of A School Energy Manager Program; And (2) For All Other Required Approvals And Relief*, Case No. 2004-00178 (Ky. P.S.C. Filed May 30, 2014).

[2] Order, *In the Matter of: The Application of Kentucky Power Company For: (1) A Certificate of Public Convenience And Necessity Authorizing The Transfer To the Company Of A Fifty Percent Undivided Interest In The Mitchell Generating Station And Associated Assets; (2) Approval Of The Assumption By Kentucky Power Company Of Certain Liabilities In Connection With The Transfer Of The Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred In Connection With The Company's Efforts To Meet Federal Clean Air Act And Related Requirements; And (5) For All Other Required Approvals And Relief* (Ky. P.S.C. October 7, 2013)

Association ("KSBA"), through the Company's demand-side management program, the funding for the program was provided by Kentucky Power and the participating school districts.

2. On April 30, 2015 Kentucky Power, Kentucky Industrial Utility Customers, Inc., and Kentucky School Board Association entered into a Settlement Agreement in Case No. 2014-00396.[3] Paragraph 12 of the Settlement Agreement provides in part:

> Kentucky Power shall file an application to amend Tariff D.S.M. to expand its current School Energy Manager Program by an amount not to exceed $200,000 per year for two years to (1) fund up to an additional six school energy managers as part of the expansion of the School Energy Manager Program to the Company's entire service territory; and (2) to the extent funds are available, to fund school energy efficiency projects.

3. In conformity with the April 30, 2015 Settlement Agreement in Case No. 2014-00396, and the testimony of Ranie K. Wohnhas in support thereof, the additional $200,000 funding for the modified program is to be provided through the Company's Tariff D.S.M. No Kentucky Power shareholder funds will be provided for the six additional school energy manager positions.

4. The Company's application in Case No. 2014-00396, and its motion to approve the April 30, 2015 Settlement Agreement in that case, currently are pending before the Commission. The Company does not anticipate a decision from the Commission with respect to the application or motion prior to the second half of June 2015.

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[3] *In the Matter of: Application Of Kentucky Power Company For: (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; And (4) An Order Granting All Other Required Approvals And Relief*, Case No. 2014-00396 Ky. P.S.C. Filed December 23, 2014).

5. Because the local school board budgeting cycle reflects a July 1 to June 30 fiscal year, and in light of the request by the KSBA to implement the program beginning July 1, 2015, Kentucky Power is filing this application to modify its existing program prior to the Commission decision.

6. This application is not contingent on the Commission's approval of the Settlement Agreement in Case No. 2014-00396.

7. By this application the Company is seeking all required authorizations to modify its existing school energy manager program in accordance with the April 30, 2015 Settlement Agreement in Case No. 2014-00396 to expand the program to all counties in the Company's service territory.

APPLICANT

8. Kentucky Power was organized in 1919 under the laws of the Commonwealth of Kentucky.[4] The Company's mailing address is 101A Enterprise Drive, P.O. Box 5190, Frankfort, Kentucky 40602-5190. 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 170,000 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

[4] 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 June 2, 2015 Certificate of Existence is attached as **EXHIBIT 1**.

municipalities in Kentucky for resale. Kentucky Power is a utility as that term is defined at KRS 278.010. [807 KAR 5:005, Section 14].

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

NON-PARTY ENTITY

10. The KSBA is a Kentucky non-profit corporation with offices located at 260 Democrat Drive, Frankfort, Kentucky. The KSBA's purpose includes enhancing school board leadership in maximizing student achievement through superior support and services. Each of the school districts eligible to participate in the School Energy Manager Program proposed in this application is a member of KSBA.

11. The KSBA currently provides Kentucky school districts with facility services including the School Energy Managers Project and the Local Facilities Planning service. The KSBA School Energy Managers Project aids school districts in complying with statutory and board-initiated energy management requirements, coordinates and conducts training for school energy managers, supports school districts in tracking and consolidating energy use data, and assists school districts in developing and implementing school energy policies.

12. The KSBA administers the existing eight-school district School Energy Manager Program approved by the Commission's July 25, 2104 Order in Case No. 2014-00178. The plan was established in accordance with the July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578, which was approved as modified by the Commission's October 7, 2013 Order.

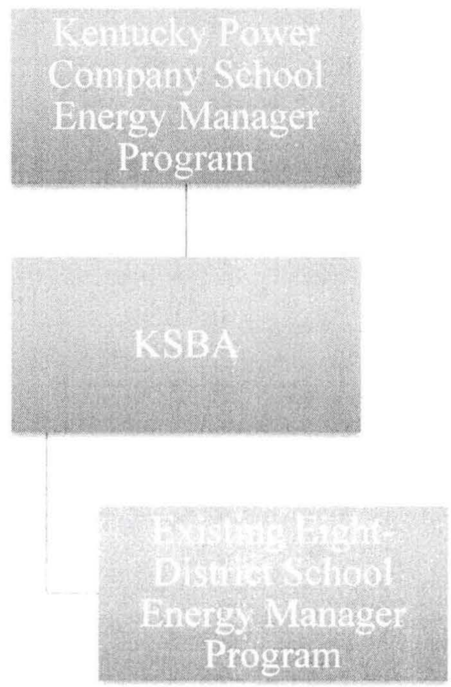
The Kentucky Power School Energy Manager Program

1. The Existing School Energy Manager Program.

13. In accordance with the Commission's October 7, 2013 Order in Case No. 2012-00578, Kentucky Power currently is providing shareholder funding for its existing School Energy Manager Program. The existing program is limited to Lawrence County, Kentucky and the six Kentucky counties contiguous to Lawrence County: Martin, Johnson, Morgan, Elliot, Carter, and Boyd. There are eight school districts[5] in Kentucky Power's service territory in Lawrence and its contiguous Kentucky counties.

14. The existing School Energy Manager Program is a commercial DSM program and provides funds to KSBA for energy management services to the school districts eligible to participate in the program. The program assists the eligible districts in implementing energy management measures that but for the program would not be implemented, or would not be implemented as early as they are under the program, to improve energy efficiency through behavioral changes, and to better utilize automation measures. The organizational structure of the existing program is as follows:

[5] The following school districts lie within Lawrence and contiguous counties in Kentucky: the Lawrence County Public Schools, Martin County Public Schools, Johnson County Public Schools, Paintsville Independent School District, Morgan County Public Schools, Elliot Public Schools, Carter County Public Schools, Boyd County Public Schools, Ashland Independent School District, Fairview Independent School District. There are no K-12 public schools located in Kentucky Power's service territory in Morgan and Elliot counties, and thus no schools in those counties are eligible to participate in the School Energy Manager Program.



15. The existing eight-county School Energy Manager Program currently employs a single manager for Johnson, Lawrence, and Martin County school districts and the Paintsville Independent school district. In addition, a second manager is working with the Carter County school district.

16. Under the terms of the July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578, as modified by the Commission's October 7, 2013 Order, Kentucky Power's shareholder funding commitment is for two years. Kentucky Power's shareholder contributed $75,000 to fund for the existing eight-county School Energy Manager Program for 2014-2015 fiscal year, and will contribute $50,000 in funding for the 2015-2016 fiscal year.[6] The remaining funding is provided by the participating school districts.

[6] A portion of the funding reimburses KSBA for its associated overhead costs.

17. No funds generated by the Company's DSM commercial surcharge were used to fund the existing School Energy Manager Program during the 2014-2015 fiscal year.

18. The existing eight-district School Energy Manager program will be evaluated following the 2015-2016 fiscal year. Based upon that evaluation, the Company's existing eight district School Energy Manager subprogram may, with Commission approval, be continued, modified, discontinued, or combined with the expanded School Energy Manager subprogram described below.

2. Proposed Modifications To The Existing Program.

19. The April 30, 2015 Settlement Agreement in Case No. 2014-00396 provides for the expansion of the existing Kentucky Power DSM-based School Energy Manager Program to those school districts currently not eligible to participate in the existing. The additional funding, which will be generated through the Company's DSM-surcharge, will be used to provide school energy manager services to all schools affected by KRS 160.325 in the Company's 20-county service territory.

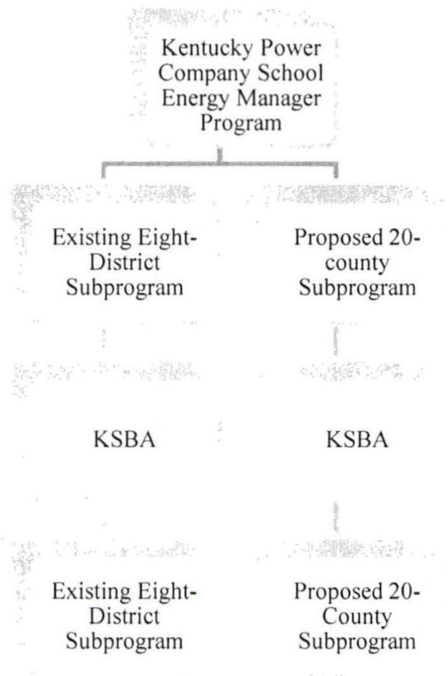
20. The following 15 school districts in the 13 counties not currently participating in the Company's existing School Energy Manager Program operate one or more schools in Kentucky Power's service territory: Breathitt County, Floyd County, Greenup County, Hazard Independent, Jackson Independent, Jenkins Independent, Knott County, Leslie County, Letcher County, Magoffin County, Perry County, Pike County, Pikeville Independent, Raceland Independent, and Russell Independent.

21. Up to an additional six school energy managers will be retained by the school districts in Kentucky Power's service territory. Kentucky Power will provide up to $200,000 annually in DSM-generated funds to KSBA, which will manage the program, to reimburse KSBA for its associated overhead to fund up to 50% of the cost of each school energy manager position. The school energy managers in the school districts in the 13 counties eligible to participate in the expanded program, like the existing eight-district program, will be employees of the individual school districts and not Kentucky Power or the Kentucky School Boards Association.

22. To the extent that the $200,000 in annual DSM-generated funds is not required for the six school energy manager positions, the funds may be expended for energy efficiency programs for school districts affected by KRS 160.325 in Kentucky Power's 20-county service territory.

23. Because the proposed expanded School Energy Manager program will have a different funding source (DSM commercial surcharge funds) and will be operated and evaluated on a different schedule than the existing eight-district program, Kentucky Power proposes to modify its existing program as follows: the existing eight-district School Energy Manager Program will be "demoted" to a subprogram within the Company's School Energy Manager Program. In addition, a second subprogram, to be funded through the Company's DSM Commercial surcharge in accordance with the proposed April 30, 2015 Settlement Agreement in Case No. 2014-00396, will be created to provide school energy manager program services to all schools affected by KRS 160.325 in the Company's service territory. These two subprograms will be funded, administered, and operated by Kentucky Power and KSBA as separate and

independent School Energy Manager subprograms. The organizational structure of the Company's School Energy Manager Program if this application is approved would be:



24. If the Company's application in this case is approved, and the two subprograms established, the existing eight-district subprogram will continue to be funded through the 2015-2016 school district fiscal year solely through Kentucky Power shareholder funds, along with participating school district funds.

25. If the application is approved and the expanded school energy manager subprogram is established, the expanded school energy manager subprogram will be funded with DSM Commercial surcharge funds, along with funds provided by participating school districts, for a two-year period.

26. The Kentucky School Boards Association will manage the expanded School Energy Manager subprogram in accordance with an Energy Manager Program Agreement

between Kentucky Power and KSBA. A copy of the form Energy Manager Program Agreement for the expanded program is attached as **EXHIBIT 2.** As part of its obligations under the Energy Manager Program Agreement, KSBA will provide Kentucky Power with semi-annual reports regarding the operation of the School Energy Manager Program and energy savings achieved through the program, including all supporting documentation.

27. The expanded Kentucky Power School Energy Manager subprogram will be reviewed by Kentucky Power annually, or at such intervals as the Commission directs. Based upon the evaluation, the Company's expanded School Energy Manager subprogram may, with Commission approval, be continued, modified, or discontinued.

FUNDING AND BUDGET FOR THE KENTUCKY POWER
SCHOOL ENERGY MANAGER PROGRAM

28. Kentucky Power will continue to meet its shareholder funding obligations through the 2015-2016 school fiscal year for the existing eight-district school energy manager subprogram. At the end of the 2015-2016 school fiscal year, the existing eight-district program will be evaluated as set forth above.

29. Funding for the expanded school energy manager subprogram will be secured through an increase in the Company's DSM commercial surcharge sufficient to recover an additional $200,000, plus lost revenues, annually for the initial two-year term of the subprogram.

30. The proposed funding budget for contributions by KSBA and Kentucky Power is attached as **EXHIBIT 3**.

Need For The Requested Approvals

31. KRS 278.285(1) provides that the Commission may "determine the reasonableness of demand-side management plans proposed by any utility under its jurisdiction." In addition to seeking to recover the costs associated with the expanded School Energy Manager subprogram, as well as lost revenues, during its initial two-year term, Kentucky Power also is seeking pursuant to KRS 278.285(1) a Commission finding that the School Energy Manager Program is reasonable and an Order approving the program for its initial two-year term. The Company's estimate of energy savings from implementation of the School Energy Manager Program is detailed in **Exhibit 4**.

32. The Company is not seeking the required additional funding with this application. If the expanded program is approved the Company will seek the required funding through its August 2015 annual filing.

33. Further, the Company is seeking a declaratory ruling pursuant to 807 KAR 5:001, Section 19 that its proposed expanded School Energy Manager subprogram complies with and fulfills the Company's obligations under paragraph 15 of the April 30, 2015 Settlement Agreement in Case No. 2014-00396. A copy of the Settlement Agreement is attached as **Exhibit 5**.

Exhibits

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

Communications

35. The Applicant respectfully requests that communications in this matter be addressed to:

Mark R. Overstreet
moverstreet@stites.com

Kentucky Power Company
kentucky_regulatory_services@aep.com

ON BEHALF OF KENTUCKY POWER

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

1. Approving the Company's expanded School Energy Manager program and finding it is reasonable; and

2. An Order declaring that the Company's expanded school Energy Manager subprogram complies with the terms of, and fulfills the Company's obligations under, paragraph 15 of the Settlement Agreement in Case No. 2014-00396.

Respectfully submitted,

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477
Facsimile: (502) 223-4387
moverstreet@stites.com

COUNSEL FOR:
KENTUCKY POWER COMPANY

VERIFICATION

I, Ranie K. Wohnhas, Managing Director, Regulatory and Finance, Kentucky Power Company, after being duly sworn, state that the facts contained in the foregoing Application are true and accurate to the best of my knowledge.

Ranie K. Wohnhas

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
) Case No. 2014-00178
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K Wohnhas, this the 11th day of June 2015.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 2017

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served as indicated below upon:

Matthew R. Malone
William H. May, III
Hurt, Crosbie & May PLLC
127 West Main Street
Lexington, Kentucky 40507
mmalone@hcm-law.com
bmay@hcm-law.com

Jennifer Black Hans
Angela Goad
Lawrence W. Cook
Kentucky Attorney General's Office
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204
jennifer.hans@ag.ky.gov
angela.goad@ag.ky.gov
larry.cook@ag.ky.gov

on this the 17th day of June, 2015.

Mark R. Overstreet

LIST OF EXHIBITS

EXHIBIT 1: The June 2, 2015 Kentucky Power "Certificate of Existence" issued by the Secretary of State of the Commonwealth of Kentucky.

EXHIBIT 2: The form of the Energy Manager Program Agreement between Kentucky Power and Kentucky School Boards Association.

EXHIBIT 3: The proposed funding budget for contributions by KSBA and Kentucky Power.

EXHIBIT 4: Estimated energy and demand savings as a result of the Kentucky Power School Energy Manager Program.

EXHIBIT 5: April 30, 2015 Settlement Agreement among Kentucky Power Company, Kentucky Industrial Utility Customers, Inc. and Kentucky School Boards Association in *In the Matter of: Application Of Kentucky Power Company For: (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; And (4) An Order Granting All Other Required Approvals And Relief*, Case No. 2014-00396

Exhibit 1

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: 164372
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 2nd day of June, 2015, in the 224th year of the Commonwealth.

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
164372/0028317

Exhibit 2

ENERGY MANAGEMENT PROGRAM AGREEMENT

This Energy Management Program Agreement ("Agreement") dated ___________, 2015 (the "Effective Date") is entered into by and among **Kentucky Power Company**, and **the Kentucky School Boards Association**, a Kentucky non-profit corporation ("KSBA"). Kentucky Power Company is referred to as the "Company."

RECITALS

WHEREAS,the Settlement Agreement in Kentucky Public Service Commission ("KPSC") Case No. 2014 -00396 (the "Settlement) among Kentucky Power, KSBA, and Kentucky Industrial Utility Customers, Inc. provided that the Company would propose an expansion of its existing school energy manager demand-side management program to fund energy-management programs for schools in its service terrritory affected by KRS 160.325 and not eligible to participate in its current school energy manger program (the "Program");

WHEREAS, pursuant to the Settlement, on June __, 2015 the Company submitted an application to the KPSC for the review and approval of the Program ("Kentucky Power 2015-1 DSM Case");

WHEREAS, the KPSC having entered an order approving the Program (the "KPSC Order");

WHEREAS, as stated in the Application, the KSBA will manage and operate the Program;

WHEREAS, as stated in the KPSC Order, the Company will provide specified amounts of funding, to be generated by the Company's demand-side management surcharge, for the Program;

WHEREAS, the Company and KSBA desire to state the terms and conditions under which the KSBA will manage the Program.

WHEREAS, the KPSC Order states that KSBA will provide the Company with specific information as discussed in Section 5 of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein, the Company and KSBA hereby agree as follows:

1. **Incorporation of the KPSC Order**. A copy of the KPSC Order approving the Program is attached hereto as EXHIBIT 1and incorporated by reference solely for the purpose of describing the Program.

2. **Term**. The term of this Agreement shall begin July 1, 2015 or the on the Effective Date as determined by the KPSC Order approval and expire on September 30, 2017.

3. **Funding**. The Company shall provide funding for the Program to KSBA in two (2) one-year periods ("Program Years"). The first Program Year begins July 1, 2015 and ends on June 30, 2016. The second Program Year begins July 1, 2016 and ends on June 30, 2017. In each of the two (2) Program Years, Company shall provide funding for the Program in the amount of $200,000.00 each Program Year to be generated by the Company's demand-side management surcharge. The Company shall deliver such funding to KSBA by wire transfer to a bank account designated in writing by KSBA or by check to an addressee designated in writing by KSBA. KSBA shall use funding provided by the Company under this Agreement solely for the purposes of managing and operating the Program as more fully described in KPSC Order approving the Company's application in the Kentucky Power 2015 DSM-1 Case.

4. **Invoicing.** KSBA shall send an invoice to be received by Company by the beginning of the program funding cycle start date (July 1, 2015, and July 1, 2016). Each invoice shall include a reference to the Energy Management Program. The invoice shall contain the following:

    a. program operating period beginning and end dates
    b. description of services provided
    c. total funding amount requested

    Invoices should be prepared and directed to:

    Kentucky Power Company
    Attn: E. J. Clayton, Mgr. EE & Consumer Programs
    12333 Kevin Avenue
    Ashland, KY 41102

5. **Operation and Management**. KSBA shall manage and operate the Program as described in the proceedings before the KPSC. The goals of the Program shall be as stated in those proceedings and as more particularly described in the aforesaid KPSC Order. The KSBA will manage the Program consistent with good operating practices and will strive to maximize the achievement of goals set out for the Program.

6. **Annual Reports**. Within 45 days of the last day (June 30) of each of the two (2) Program Years, KSBA shall deliver to KPC reports describing the following information for the then concluding Program Year (July 1 to June 30) in reasonable detail ("Annual Reports"):

    a. district funding;

b. initiatives implemented (direct, install, and behavioral) per school district with corresponding utility account numbers;
c. Energy Utilization Indices;
d. consumption reduction;
e. preceding and current year peak demand and annual energy usage as compated to the twelve month period beginning July 1, 2014; and
f. associated energy and demand savings compared to the metrics set out in the Joint Application in Case No. 2013-00067; and
g. A list of energy conservation measures by facility and school district, dates implemented, and corresponding electric account, as requested by Kentucky Power or its designated agent responsible for performing Evalution, Measurement, and Verification (EMV) of program cost effectiveness, demand reduction, and energy savings. KSBA shall deliver Annual Reports to the Company at the following address:

Kentucky Power Company
Attn: E. J. Clayton, Mgr. EE and Consumer Programs
12333 Kevin Avenue
Ashland, KY 41102

For purposes of clarification, the Company and KSBA agree that Annual Reports provided Kentucky Power shall contain the above described information regarding the Program with respect to school facilities served by Kentucky Power. Reports will be submitted to the KPSC by Kentucky Power Company.

7. **Relationship of Parties**. This Agreement does not establish a partnership or joint venture between the Company and KSBA. KSBA will not operate the Program as the Company' contractor. The Company does not have or assert any authority over KSBA's operation or management of the Program. All determinations regarding the operation and management of the Program shall be made by KSBA. The actions of KSBA are to achieve the program goals as described in the KPSC proceedings and as more particularly described in the aforesaid KPSC Order. The Company maintains responsibility to review the outcomes achieved by the KSBA in relation to the defined program objectives and reporting provided by KSBA.

8. **Notices**. All notices and communications respecting this Agreement shall be in writing, delivered by nationally recognized overnight courier, Certified Mail – Return Receipt Requested, or personal delivery, and shall be addressed as follows (which address either party may change upon five (5) days prior notice to the other party):

To Company:
Kentucky Power Company
Attn: E.J. Clayton, Mgr. EE and
Consumer Programs
12333 Kevin Ave.
Ashland, KY 41102

To KSBA:
KY School Board Association
Attn: Ron Willhite
260 Democrat Drive
Frankfort, KY 40601

9. **Miscellaneous**. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky, without regard to its principles of conflicts of laws. The headings of sections and other parts of this Agreement are for convenience only and do not define, limit, or construe the contents thereof. Except for the Company and KSBA, there are no intended third party beneficiaries of this Agreement and none may rely on this Agreement in making a claim against any party to this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date.

Kentucky Power Company

By: ______________________________

Title: ____________________________

Kentucky School Boards Association

By: ______________________________

Title: ____________________________

Exhibit 3

Program Budget

Kentucky Power Company and Kentucky School Board Association (KSBA) will provide funding support for energy managers. A summary of program expense includes;

Time Period	Total Cost per Year	KPC Funding	School District Match	KSBA Overheads
7/1/2015 - 6/30/2016	$ 365,000	$ 200,000	$165,000	$35,000
7/1/2016 - 6/30/2017	$ 365,000	$ 200,000	$165,000	$35,000
Total	$ 730,000	$ 400,000	$330,000	$70,000

Exhibit 4

Impact Savings

The Kentucky School Board Association (KSBA) has provided a summary of the average energy and demand savings for school districts located within the Kentucky Power Service area. The estimated impact savings from the program are summarized below:

Year[1]	Summer Peak Demand (KW) Reduction	Winter Peak Demand (KW) Reduction	Incremental Energy (kWH) Reduction
2015 -2016	0.0	193.8	1,131,870
2016 -2017	338.3	422.9	2,469,530
Total	**338.3**	**616.7**	**3,601,400**

1) The implementation schedule begins on July 1st and ends June 30th. Program start is July 1st, 2015 and end is June 30, 2017.

1 KRS 160.325 is available online at: http://www.lrc.ky.gov/krs/160-00/325.pdf

Exhibit 5

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Application of Kentucky Power Company for: (1) A General Adjustment of Its Rates for Electric Service; (2) An Order Approving Its 2014 Environmental Compliance Plan; (3) An Order Approving Its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief	))))))	Case No. 2014-00396

SETTLEMENT AGREEMENT

This Settlement Agreement, made and entered into this 30th day of April, 2015, by and among Kentucky Power Company ("Kentucky Power"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); and Kentucky School Boards Association ("KSBA") (collectively Kentucky Power, KSBA, and KIUC are "Signatory Parties").

W I T N E S S E T H:

WHEREAS, on December 23, 2014 Kentucky Power filed an application pursuant to KRS 278.190, KRS 278.183, and the rules and regulations of the Public Service Commission of Kentucky, seeking an annual increase in retail electric rates and charges totaling $69,977,002, seeking approval of its 2014 Environmental Compliance Plan, and further seeking authority to implement or amend certain tariffs; and

WHEREAS, KIUC and KSBA filed motions for full intervention in P.S.C. Case No. 2014-00396. The Commission granted the intervention motions. Collectively the KIUC and KSBA are referred to in this Settlement Agreement as the "Settling Intervenors;"

WHEREAS, the Attorney General, Commonwealth of Kentucky filed a motion to intervene. The Attorney General, who is not a party to this agreement, also was granted leave to intervene; and

WHEREAS, Wal-Mart Stores East, LP and Sam's East, Inc. ("Wal-Mart") filed a motion to intervene and were granted full intervention. Although not a signatory to this agreement, Wal-Mart has indicated it intends to file a statement in the record indicating that it has no objection to the Settlement Agreement, and that it is unaware of any reason the Commission should not adopt and approve this Agreement in its entirety;

WHEREAS, certain of the Settling Intervenors, Wal-Mart, and the Attorney General in P.S.C. Case No. 2014-00396 filed written testimony raising issues regarding Kentucky Power's Rate Application;

WHEREAS, Kentucky Power, the Attorney General, Wal-Mart, and the Settling Intervenors have had a full opportunity for discovery, including the filing of written data requests and responses;

WHEREAS, Kentucky Power offered the Settling Intervenors, Wal-Mart, and the Attorney General, along with Commission Staff, the opportunity to meet and review the issues presented by Kentucky Power's application in this proceeding and for purposes of settlement;

WHEREAS, by Order dated August 31, 2014, the Commission initiated Case No. 2014-00225 to review of the operation of Kentucky Power's fuel adjustment clause during the period November 1, 2013 through April 30, 2014. KIUC and the Attorney General were granted leave to intervene in Case No. 2014-00225, took discovery, filed testimony, and participated fully in Case No. 2014-00225;

WHEREAS, the Commission on January 22, 2015 entered its Order in Case No. 2014-00225;

WHEREAS, Kentucky Power (Civil Action No. 15-CI-00168), the Attorney General (Civil Action No. 15-CI-00180), and KIUC (Civil Action No. 15-CI-00190) filed appeals to the

Franklin Circuit Court challenging aspects of the Commission's January 22, 2015 Order in Case No. 2014-00225. In addition, KIUC and the Attorney General each filed counterclaims in Kentucky Power's appeal (Civil Action No. 15-CI-00168) raising in that action the issues raised in their separate appeals. Further, the Attorney General also filed a cross-claim in the KIUC appeal (Civil Action No. 15-CI-00168) raising the issues raised in its original appeal;

WHEREAS, there currently is pending before the Commission Case No. 2014-00450. Commission Case No. 2014-00450 is a two-year review of the operation of the Company's fuel adjustment clause, and includes the six-month period at issue in Commission Case No. 2014-00225;

WHEREAS, the Signatory Parties have reviewed the issues raised in P.S.C. Case No. 2014-00396, and the Signatory Parties have reached a settlement of the case, including the issues raised therein;

WHEREAS, Kentucky Power and KIUC are desirous of resolving the issues raised in their appeals of the Commission's January 22, 2015 Order in Case No. 2014-00225, as well as the matters before the Commission in Case No. 2014-00450, in connection with the resolution of this case;

WHEREAS, although not a signatory to this agreement, the Attorney General has indicated he is willing to resolve his appeal of the January 22, 2015 Order of the Commission in Case No. 2014-00225 in accordance with the agreement reached herein by KIUC and Kentucky Power to resolve their appeals of that Order;

WHEREAS, the Signatory Parties execute this Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for approval pursuant to KRS 278.190

and KRS 278.183, and for further approval by the Commission of the rate increase, rate structure and tariffs as described herein; and

WHEREAS, the Signatory Parties believe that this Settlement Agreement provides for fair, just and reasonable rates,

NOW, THEREFORE, for and in consideration of the mutual premises set forth above, and the agreements and covenants set forth herein, Kentucky Power and the Settling Intervenors hereby agree as follows:

1. General Rate Change.

Effective for service rendered on or after June 30, 2015 (the first day of the July 2015 billing cycle) Kentucky Power shall implement a rate adjustment sufficient to generate additional annual retail revenues of $45.4 million based on the September 30, 2014 test year used by Kentucky Power in the Rate Application. The $45.4 million rate adjustment represents the net effect of the decrease in base rates described below and the establishment or modification of Tariff B.S.1.O.R., Tariff B.S.R.R., Tariff E.S., and the Economic Development Surcharge ("K.E.D.S.")

(a) The new base retail rates to be effective June 30, 2015 result in a decrease of $23.0 million in the amount to be recovered through base rates as illustrated on **EXHIBIT 1** to this Settlement Agreement. The $23.0 million decrease in base retail rates was allocated across all tariff classes.

(b) Kentucky Power agrees to design rates and tariffs, including the addition or modification of Tariff B.S.1.O.R., Tariff B.S.R.R., K.E.D.S., and Tariff E.S, that will generate an additional $45.4 million in retail rates, as illustrated on **EXHIBIT 1** to this Settlement

Agreement, based on the September 30, 2014 test year used by Kentucky Power in the Rate Application.

(i) As part of the Commission's consideration of the reasonableness of this Settlement Agreement, the tariffs designed in accordance with this subparagraph shall be filed with the Commission and served on counsel for all parties to this case no later than April 30, 2015.

(ii) Within ten days of the entry of the Commission's Order approving without modification this Settlement Agreement and the rates and thereunder, Kentucky Power shall file with the Commission signed copies of the tariffs in conformity with 807 KAR 5:011.

(c) Except as provided in Paragraph 8(f), the new base retail rates reflecting the $23.0 million decrease in base retail rates shall remain in effect until the Commission's Order modifying the Company's base retail rates in Kentucky Power's next base rate case. The rates established in Tariff B.S.1.O.R., Tariff B.S.R.R., and Tariff E.S, as further described below, shall be modified from time to time in accordance with the provisions of those tariffs.

2. Rate of Return On Equity For Certain Purposes.

Kentucky Power shall be authorized a 10.25% return on equity that will be utilized in Tariff E.S., Tariff B.S.R.R., Tariff B.S.1.O.R., for purposes of determining the Weighted Average Cost of Capital ("WACC"), and accounting for the allowance for funds used during construction ("AFUDC").

3. Capitalization and Gross Revenue Conversion Factor.

Kentucky Power shall utilize a WACC of 7.34% and a gross revenue conversion factor ("GRCF") of 1.616424. The calculation of the WACC reflects no short term debt. This WACC and GRCF shall remain constant until such time as the Commission sets base rates in the

Company's next base rate case proceeding. The calculations of the WACC and GRCF are shown on **EXHIBITS 2 AND 3**, respectively.

4. Kentucky Power's Tariff E.S.

Kentucky Power's 2014 Environmental Compliance Plan is approved. The annual baseline level for environmental cost recovery under the tariff shall be $34,902,677, and the monthly baseline amounts shall be as set forth in **EXHIBIT 4** to this Settlement Agreement. In accordance with paragraph 6 of the July 2, 2013 Stipulation and Settlement Agreement in Case No. 2012-00578, as approved by the Commission's October 7, 2013 Order, all costs associated with Mitchell Units 1 and 2 Flue Gas Desulfurization equipment have been excluded from base rates and the environmental baseline level and shall be recovered exclusively through Tariff E.S. Except as modified herein, Tariff E.S. is approved as filed.

5. Kentucky Power's Tariff S.S.C.

Tariff S.S.C. is approved as filed with the Company's application in this case, effective the first billing cycle of July, 2015 with the following modifications:

(a) Effective for service rendered in the first billing cycle of July 2015 (beginning June 30, 2015), any over or under difference between each month's actual off-system sales margins and the monthly baseline shall be shared between the customers and Kentucky Power on a 75% (customer)/25% (Kentucky Power) basis.

(b) Effective for service rendered in the first billing cycle of July 2015 (beginning June 30, 2015), the sharing of off-system sales margins shall be calculated using an annual baseline of $15,136,000. Tariff S.S.C., as conformed to reflect the modifications described herein is attached as **EXHIBIT 5** and shall be approved. The monthly amounts shall be as set forth in **EXHIBIT 5** of this Settlement Agreement. The monthly off-system sales margin baseline amounts include and monthly actual off-system sales margins shall be calculated utilizing the methodology for allocating no load costs described in Paragraph 11 of this Agreement.

(c) Consistent with the practice prior to the suspension of the sharing of system sales margins effective January 1, 2014, the Tariff S.S.C. credit (charge) applicable to customers' bills in any month shall be calculated using the actual off-system sales margins for the calendar month two months prior to the billing month. For purposes of clarity, the off-system sales margins for the July 2015 and August 2015 billing cycles shall be calculated using the May 2015 and the June 2015 actual off-system sales margins, respectively.

6. Tariff B.S.R.R.

(a) The Company's Big Sandy Retirement Rider ("Tariff B.S.R.R.") as set forth in **EXHIBIT 6** to this Settlement Agreement shall be approved.

(b) The initial B.S.R.R. revenue requirement shall not include any estimated Big Sandy Retirement Costs. The calculation of the initial B.S.R.R. revenue requirement is set forth in **EXHIBIT** 7 to this Settlement Agreement.

(c) Subject to review by the Commission as set forth below, the B.S.R.R. rate shall be modified annually effective cycle 1 of the October billing cycle of each year.

(d) Actual retirement related costs incurred subsequent to June 30, 2015 shall be deferred and added as they are incurred to the unamortized B.S.R.R. regulatory asset. The calculation of the pre-tax carrying charge on the unamortized balance of the B.S.R.R. regulatory asset will be determined net of related B.S.R.R. Accumulated Deferred Incomes Taxes ("ADIT"). The monthly B.S.R.R. revenues that exceed the current month pre-tax WACC carrying charges on the unamortized balance of the B.S.R.R. regulatory asset (including both the unamortized B.S.R.R. costs initially included in the B.S.R.R. revenue requirement and the post-

June 30, 2015 actual retirement-related costs subsequently deferred) will be used to reduce the unamortized B.S.R.R. costs to be recovered. The pre-tax WACC rate initially used to develop the pre-tax WACC carrying charges shall be as set forth in **EXHIBIT 2**; the pre-tax WACC rate used to develop the pre-tax WACC carrying charges shall be re-established in each of the Company's base rate cases. The calculation of the B.S.R.R. revenue requirement, and corresponding rate as shown on **EXHIBIT 6**, will be performed in a manner to recover all actual B.S.R.R. incurred costs including related pre-tax WACC carrying charges on the unamortized B.S.R.R. balance over the remaining life of the 25-year amortization period (2040).

(e) The Company shall file for review by the Commission no later than August 15 of each year the amount of actual Big Sandy Retirement Costs, including the pre-tax WACC carrying charge, incurred between July 1 of the prior year and June 30 of the current year, and supporting documentation. A copy of the annual filing shall be served on counsel for all parties to this proceeding. The Company's annual filing shall also provide the June 30 current year unamortized balance of the B.S.R.R. regulatory asset and the corresponding rate as shown on **EXHIBIT 6**. The annual B.S.R.R. filings will reflect revised B.S.R.R. rates to recover the unamortized B.S.R.R. costs, including the pre-tax WACC carrying charges, over the remaining life of the 25-year amortization period (2040). The amended B.S.R.R. rate shall become effective cycle 1 of the October billing cycle of each year, subject to any adjustments made by the Commission.

(f) If required at the conclusion of the final year of the 25-year collection period to recover completely any remaining unamortized balance of the B.S.R.R. regulatory asset, to recover all actual retirement costs in the final year of the 25 year collection period, and to true-up any over or under-recovery, a final one-year B.S.R.R. rate shall be established.

7. Tariff B.S.1.O.R.

The Company's Tariff B.S.1.O.R. attached as **EXHIBIT 8** shall be approved.

8. Distribution System Reliability –Vegetation Management.

Effective July 1, 2015, Kentucky Power's existing Distribution Vegetation Management Plan (approved by the Commission's June 29, 2010 Order in Case No. 2009-00459) shall be modified as described below, and the Company shall make the following expenditures for Distribution Vegetation Management with respect to distribution system reliability:

(a) Kentucky Power agrees to implement Scenario 2 as described at pages 25-26 of the direct testimony of Company Witness Everett G. Phillips in this case, as further modified as described in the Company's response to KPSC 3-7 and to align the expenditures to match the increased revenues to be provided beginning approximately July 1, 2015 as a result of the Commission's Order approving this Settlement Agreement. The effect of the alignment of the increased revenues with increased expenditures is to shift the expenditures six months into the future from that illustrated in the Company's response to KPSC 3-7. The Company projects it will be on a five-year maintenance cycle beginning July 1, 2019. Beginning July 2015 Kentucky Power shall make operation and maintenance expenditures for distribution system vegetation management in the sums shown on **EXHIBIT 9** to this Settlement Agreement. The mileage targets for the three phases (2010 Unanimous Settlement Agreement, Interim Clear, and Maintenance (5-years growth)) are shown on **EXHIBIT 10**.

(b) In calculating the allocations set forth in **EXHIBIT 1** to this Settlement Agreement, $10,655,900 of the increase in revenue requirements that is associated with the increased reliability spending described in this paragraph 8 of this Settlement Agreement was allocated solely to tariff classes with primary and secondary service offerings.

(c) On or before September 30, 2015, and each September 30 thereafter, Kentucky Power shall file with the Commission a reliability work plan outlining the planned Distribution Vegetation Management expenditures for the following calendar year. The work plan shall identify on a circuit-by-circuit basis the Distribution Vegetation Management work to be performed during the relevant calendar year and the projected operation and maintenance expenditures during the relevant period to carry out the planned work.

(d) On April 1, 2016, and each April 1 thereafter, Kentucky Power shall file with the Commission the following reports concerning system reliability and the expenditure of the funds described in subparagraphs (a) and (b) of this paragraph:

(i) the Kentucky Power Customer Average Interruption Duration Index for the reporting period;

(ii) the Kentucky Power System Average Interruption Frequency Index for the reporting period;

(iii) the Kentucky Power System Average Interruption Duration Index for the reporting period;

(iv) a description on a circuit-by-circuit basis of the Distribution Vegetation Management work performed by Kentucky Power during the reporting period;

(v) a description on a circuit-by-circuit basis of the operation and maintenance expenditures for Distribution Vegetation Management performed by Kentucky Power during the reporting period; and

(vi) any unanticipated problems or further information useful to the Commission's review of the report. In the event Kentucky Power is unable to complete a material portion of the planned work on a circuit during a reporting period, Kentucky Power shall provide an explanation for its inability to do so.

(e) Kentucky Power shall use reasonable and prudent efforts to adhere to and carry out any work plan filed in connection with this subparagraph.

(i) Kentucky Power may alter its proposed spending as detailed in its annual September 30 filing upon discovery of a more pressing need for Distribution Vegetation Management expenditures relating to system reliability purposes. Kentucky Power shall notify the Commission in writing within 30 days of any material deviation from the work plans filed in connection with this subparagraph.

(ii) In the event that the Company's expenditures in any Vegetation Management Year are either greater than or less than the $27,661,060 included in annual base rates, the annual shortfall or excess shall be added to or removed, respectively, from the scheduled future expenditures. To reflect the commencement of additional funding effective June 30, 2015, the Vegetation Management Year shall be July 1 through June 30. If the cumulative Company annual expenditures during any single Vegetation Management Year are less than the $27,661,060 included in annual base rates, the Company shall defer on its books any such shortfall as a regulatory liability. This deferral is a one-way balancing account. Such regulatory liability deferrals shall continue to be recorded on the Company's books until the Commission sets base rates in the Company's next base rate case. If Kentucky Power has underspent during the four Vegetation Management Year periods ending June 30, 2019 the $27,661,060 of annual vegetation management costs on a cumulative basis (4 x $27,661,060 or $110,640,240) at the time the Commission sets base rates in the Company's next base rate case after June 30, 2019, the amount underspent will either be refunded to customers or used to reduce the revenue requirement in that case. Alternatively, if Kentucky Power has overspent the $27,661,060 of annual vegetation management costs on a cumulative basis, the Company will not be entitled to seek recovery of such costs in a future base rate proceeding. The Company's expected vegetation management expenditures are shown on **EXHIBIT 9**.

(f) Beginning cycle 1 of the July 2019 billing cycle, which is the approximate date the Company anticipates commencing the five-year maintenance cycle, and until the Company's base rates are established in the first base rate case after June 30, 2019, the Company shall reduce the base retail rates for those tariff classes with primary and secondary service offerings by $11,780,408. The reductions shall be allocated solely to tariff classes with primary and secondary service offerings, and in the same fashion as the $10,655,900 increase in revenue requirements to fund the Distribution Vegetation Management Program described in this paragraph 8 was allocated, as shown on **EXHIBIT 9**. Kentucky Power agrees to the make the tariff filings required to implement the rate reduction described in this subparagraph (f), and further shall include in its tariff the provision shown on page 2 of **EXHIBIT 9** recognizing the reduction.

(g) A copy of any report or notice filed with the Commission under this paragraph 8 shall concurrently be served upon counsel for all parties to this proceeding.

9. Depreciation And Amortization of Deferred Costs.

(a) Kentucky Power shall continue to include in the calculation of its annual distribution depreciation expense the depreciation rates currently approved by the Commission in, and utilized by Kentucky Power since, its 1991 rate case (P.S.C. Case No. 91-066.) The Company shall include in the calculation of its annual depreciation expense the Company's proposed depreciation rates for transmission and general plant. The Company shall include in the calculation of its annual generation depreciation expense the Company's proposed depreciation rates for generation, except as modified with respect to Mitchell Production Plant Account No. 311 (Structures & Improvements), 312 (Boiler Plant Equipment), 312 (Boiler Plant Equipment (SCR Catalyst), 314 (Turbogenerator Units), 315 (Accessory Electrical Equipment), and 316 (Miscellaneous Power Plant Equipment) in Exhibit LK-16 of the testimony of KIUC Witness Lane Kollen. A complete schedule of the depreciation rates to be approved by the Commission for use by Kentucky Power in calculating its annual depreciation expense is set forth in **EXHIBIT 11.**

(b) Kentucky Power shall recover and amortize the $12,146,000 in deferred costs associated with the 2012 storms, as approved by the Commission in its January 7, 2013 Order in Case No. 2012-00445. The deferred costs shall be amortized over a five year period at an annual amount of $2,429,200.

(c) Kentucky Power shall amortize the $4,657,731 jurisdictional balance of Accumulated Deferred State Income Tax ("ADSIT") related to the acquisition of the Mitchell Plant. The Company shall amortize the ADSIT balance over a three year period at an annual amount of $1,552,577.

10. Economic Development Surcharge.

(a) The Company shall collect from all customers an economic development surcharge of $0.15 per meter per month. All economic development surcharge funds collected by Kentucky Power shall be matched dollar-for-dollar by Kentucky Power from shareholder funds. The proceeds of the economic development surcharge and the Kentucky Power's shareholder contribution shall be used by Kentucky Power for economic development projects, including the training of local economic development officials, in the Company's service territory. The economic development surcharge, and the matching shareholder contribution, shall remain in effect until changed by order of the Commission.

(b) The Company shall modify its tariffs to provide for the collection of the \$0.15 per meter per month economic development surcharge.

(c) Kentucky Power shall file on or before March 31, 2016, and each March 31st thereafter, a report with the Commission describing: (i) the amount collected through the Economic Development Surcharge; and (ii) the matching amount contributed by Kentucky Power from shareholder funds. The annual report to be filed by the Company shall also describe the amount, recipients, and purposes of its expenditure of the funds collected through the Economic Development Surcharge and shareholder contribution.

(d) Kentucky Power shall serve a copy of the annual report to be filed with the Commission in accordance with subparagraph (c) on counsel for all parties to this proceeding.

11. No Load Cost Allocation.

Upon the Order of Commission in Case No. 2014-00396 approving this Settlement Agreement without modification becoming final and non-appealable, and there having been no modification to this Settlement Agreement as a result of any rehearing or appeal:

(a) The Company shall withdraw and dismiss with prejudice its pending appeal before the Franklin Circuit Court in Civil Action No. 15-CI-00168 of the Commission's January 22, 2015 order in Case No. 2014-00225;

(b) KIUC shall withdraw and dismiss with prejudice its pending appeal before the Franklin Circuit Court in Civil Action Nos. 15-CI-168 (counterclaim) and 15-CI-190 of the Commission's January 22, 2015 order in Case No. 2014-00225. By separate agreement embodying the terms of this paragraph 11, the Attorney General, who is not a signatory to this

Settlement Agreement, KIUC, and Kentucky Power have agreed the Attorney General shall withdraw and dismiss with prejudice his appeal in Civil Action Nos. 2015-CI-168 (counterclaim) 2015-CI-180 (original appeal by Attorney General), and 2015-CI-00190 (cross-claim by Attorney General) in consideration of the Company withdrawing and dismissing its appeal in Civil Action No. 2015-CI-168 in accordance with this paragraph 11;

(c) The Company shall not recover any Mitchell no load costs incurred during the period from January 1, 2014 through May 31, 2015 (the "Overlap Period"). Those Mitchell no load costs already recovered by the Company during the Overlap Period shall be refunded without interest consistent with the terms of the Commission's January 22, 2015 Order in Case No. 2014-00225. The Signatory Parties agree the refund of Mitchell no loads costs required by the Commission's January 22, 2015 Order in Case No. 2012-00225 resolves all issues relating to the recovery through the fuel adjustment clause of the Company's no load costs in Case No. 2014-00450, and any subsequent fuel adjustment clause review proceedings reviewing the Company's recovery of fuel costs during the Overlap Period.

(d) KIUC shall withdraw the joint testimony of Lane Kollen filed in Case No. 2014-00450 on behalf of the Attorney General and KIUC.

(e) Following the end of the Overlap Period, the Company shall allocate fuel costs to off system sales utilizing supply curves for each of the Company's units and any purchases. The Company will then assign the highest dollar per Megawatt-hour incremental variable costs of all of these resources to off system sales down to the applicable minimum of the units on an hourly basis. This method will continue until fuel and/or purchase costs have been allocated to all off system sales. All other fuel and purchase power costs, including no load fuel costs, will remain with internal load. In the event that the sum of the unit minimums exceeds

Kentucky Power's internal load, the sum of all of the units remaining costs, excluding the no load costs, is computed on a \$/MWh basis, and this cost is assigned to the MWhs of any remaining off-system sales.

(f) The Company shall inform the Commission of proposed prospective changes in the allocation of fuel costs to Kentucky retail customers prior to implementing the change. Any such change shall remain subject to Commission review and approval pursuant to 807 KAR 5:056.

12. Biomass Energy Rider.

(a) The Company's Biomass Energy Rider ("Tariff B.E.R.") shall be revised as set forth in **Exhibit 12**. Under the revised Tariff B.E.R., total charges to be recovered shall include an energy charge and a demand charge. The energy charge shall be determined by the metered energy output of the generating facility at the annual average PJM AEP Zone Locational Marginal Price ("LMP"). The demand charge shall be calculated by subtracting the energy charge from the total annual charges. For residential customers, the total charges under Tariff B.E.R. (energy and demand) shall continue to be based on residential energy use recorded at customer meters. For non-residential customers, the residual energy value (total energy charge less the energy charge for residential customers) will be allocated based on energy. The residual demand costs (total demand costs less the demand cost for residential customers) will be allocated among the non-residential customers based on a percentage of non-fuel revenues.

(b) This Settlement Agreement and the revision to Tariff B.E.R. shall in no way affect: (i) the validity of the Commission's October 10, 2013 Order in Case No. 2013-0144 approving the ecoPower Renewable Energy Purchase Agreement; (ii) Kentucky Power's right under KRS 278.271 to full cost recovery with respect to the ecoPower Renewable Energy

Purchase Agreement; or (iii) the current appeal by KIUC of the Commission's October 10, 2013 Order.

13. PJM Cost Deferral.

(a) In the event the Company's calendar year return on equity falls below 10.00%, calculated as a thirteen month average on a per books basis, the Company will be authorized to defer for future recovery through creation of a regulatory asset that portion, if any, of PJM costs incurred during that calendar year in excess of the amount of PJM costs included in base rates ($74,856,675) so as to increase the Company's return on equity for the calendar year to no more than 10.00%.

(b) The PJM costs to be deferred for future recovery through this mechanism are those categories of charges and credits identified on page 15 of the direct testimony of Company Witness Vaughan, and any new PJM LSE charges or credits that may arise and be billed to the Company per the PJM tariffs. A copy of page 15 of the direct testimony of Company Witness Vaughan is attached as **EXHIBIT 13**. Subject to Commission review and approval, the Company shall be authorized to recover and amortize the Incremental PJM Costs over five years and begin recovery of the Incremental PJM Costs beginning when the Commission sets base rates in the Company's next base rate case.

(c) The Company agrees that it shall not book a carrying charge or earn a return on any amounts deferred pursuant to this Paragraph 13, including during any deferral or amortization periods.

(d) Kentucky Power agrees beginning on or before March 31, 2016, and each March 31st thereafter, it shall make an informational filing with the Commission quantifying and describing the amounts deferred in accordance with this paragraph 13. A copy of this annual informational filing shall be served by Kentucky Power upon counsel for all parties to this proceeding.

14. NERC Compliance and Cybersecurity Deferral.

(a) The Company shall track and defer for future review by the Commission and recovery by the Company any post-June 30, 2015 incremental costs incurred by the Company in complying with new NERC compliance or cybersecurity requirements.

(b) The NERC compliance and cybersecurity costs to be deferred for future recovery through this mechanism are those categories of costs identified on pages 28 and 29 of the direct testimony of Company Witness Wohnhas. A copy of pages 28 and 29 of the direct testimony of Company Witness Wohnhas is attached as **EXHIBIT 14.** The Company shall recover and amortize these costs, subject to Commission review and approval, over five years and begin recovery of the costs when the Commission sets base rates in the Company's next base rate case.

(c) Kentucky Power agrees beginning on or before March 31, 2016, and each March 31st thereafter, it shall make an informational filing with the Commission quantifying and describing the amounts deferred in accordance with this paragraph 14. A copy of this annual informational filing shall be served by Kentucky Power upon counsel for all parties to this proceeding.

15. School Energy Manager Program.

(a) Kentucky Power shall file an application to amend Tariff D.S.M. to expand its current School Energy Manager Program by an amount not to exceed $200,000 per year for two years to (1) fund up to an additional six school energy managers as part of the expansion of the School Energy Manager Program to the Company's entire service territory; and

(2) to the extent funds are available, to fund school energy efficiency projects. In order for the school districts to properly budget for the upcoming school years, the Company will request an order on the Company's application by June 30, 2015.

(b) Beginning on or before March 31, 2016, and each March 31st thereafter, Kentucky Power agrees to make an informational filing with the Commission describing the manner in which the additional funds described in subparagraph (a) were expended. KSBA agrees to cooperate with the Company by providing the information required to make the annual report. A copy of this annual informational filing shall be served by Kentucky Power upon counsel for all parties to this proceeding.

16. Tariff K-12 School.

(a) The Company shall establish a new pilot Tariff K-12 School as set forth in **EXHIBIT 15**. Tariff K-12 School shall be available for general service to K-12 schools subject to KRS 160.325 with normal maximum demands greater than 100 kW. Tariff K-12 School shall reflect rates for customers taking service under the tariff designed to produce annually in the aggregate $500,000 less from Tariff K-12 School customers than would be produced under the new L.G.S. rates to be established under this Settlement Agreement from customers eligible to take service under Tariff K-12 School. The aggregate total revenues to be produced by Tariff K-12 School, Tariff M.G.S., and Tariff L.G.S. shall be equal to the revenues that would be produced in the aggregate by the new rates in the absence of Tariff K-12 School.

(b) Service under Tariff K-12 School shall be optional. Tariff K-12 shall remain in effect until a final order is issued in the Company's next general base rate case, at which time this Tariff will be reviewed using the then available load research data to evaluate its continuance thereafter.

(c) Tariff K-12 School attached as **EXHIBIT 15** is approved.

17. Tariff C.S. – I.R.P.

The Company agrees that it will amend Tariff C.S.-I.R.P., if necessary, to be consistent with the revised PJM criteria in the event PJM revises its criteria governing what interruptible load qualifies as capacity for the purpose of the Company's FRR obligation.

18. New Tariff I.G.S.

The Company's new Industrial General Service Tariff ("Tariff I.G.S.") as set forth in **EXHIBIT 16** to this Settlement Agreement shall be approved.

19. Modifications To Kentucky Power's Rate Tariffs.

In addition to the rate and tariff changes described and agreed to above, Kentucky Power and the Settling Intervenors agree that the following tariffs shall be modified or implemented as described below:

(a) The Customer charge for the Residential Class ("Tariff R.S.") shall be increased to $14.00 per month instead of the $16.00 per month proposed by the Company in its filing in this case.

(b) Tariff Q.P.; Tariff C.I.P.-T.O.D.; Rider E.C.S., Emergency Curtailable Service – Capacity and Energy; Rider E.P.C.S., Energy Curtailable Service Rider; and Tariff R.T.P. shall be removed from the Company's filed tariffs.

(c) Tariff C.C. shall be amended to reflect an updated charge and to incorporate an annual true up mechanism as described in the direct testimony of Company Witness Rogness.

(d) Tariff C.S.-I.R.P. shall be amended to incorporate a new credit rate and to expand the total contract capacity authorized under this tariff as described in the direct testimony of Company Witness Rogness.

(e) Tariff A.T.R. shall be amended to allow a temporary extension of the asset transfer rider to allow the Company to recover the full amount of the authorized revenue requirement as described in the direct testimony of Company Witness Rogness.

(f) Tariff P.P.A. shall be amended to amend the monthly rate formula to include a variable to allow the Company to recover the cost of power purchased unrelated to forced generation or transmission outages that are calculated in accordance with the Company's peaking unit equivalent methodology as described in the direct testimony of Company Witness Rogness. Kentucky Power agrees the costs recovered through Tariff P.P.A. shall be subject to periodic review and approval by the Commission.

(g) The Terms and Conditions shall be amended to reflect changes to the Company's schedule of special or non-recurring charges as described in the direct testimony of Company Witness Rogness.

20. Non-Rate Tariff Changes.

Kentucky Power and the Intervenors agree that the non-rate terms of the following tariffs may be modified or implemented as described in the direct testimony of Company Witness Rogness:

Tariff Modified or Implemented

Terms and Conditions of Service
R.S.
R.S.-L.M.-T.O.D.
R.S.-T.O.D.
R.S.-T.O.D.2

Tariff Modified or Implemented

S.G.S.

S.G.S.-T.O.D.

M.G.S.

C.A.T.V.

O.L.

COGEN/SPP I

COGEN/SPP II

T.S.

N.U.G.

N.M.S.

MGS TOD

MW

SL

AFS

GPO

LGS

LGS TOD

DSM

Kentucky Power and the Intervenors also agree that the incidental, non-rate text changes identified on Exhibit JAR-9 shall be implemented.

21. Filing Of Settlement Agreement With The Commission And Request For Approval.

Following the execution of this Settlement Agreement, Kentucky Power and the Settling Intervenors shall file this Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Settlement Agreement so that Kentucky Power may begin billing under the approved adjusted rates for service rendered on or after the first billing cycle of July, 2015 (June 30, 2015).

22. Good Faith And Best Efforts To Seek Approval.

(a) This Settlement Agreement is subject to approval by the Public Service Commission.

(b) Kentucky Power and the Settling Intervenors shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be approved in its entirety and without modification, and that the rates and charges set forth herein be implemented.

(c) Kentucky Power and the Settling Intervenors filed testimony in this case. Kentucky Power also filed testimony in support of the Settlement Agreement. For purposes of any hearing, the Settling Intervenors and Kentucky Power waive all cross-examination of the other Signatory Parties' witnesses except for purposes of supporting this Settlement Agreement, unless the Commission disapproves this Settlement Agreement, and each further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

(d) The Signatory Parties further agree to support the reasonableness of this Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of this Settlement Agreement.

(e) No party to this Settlement Agreement shall challenge any Order of the Commission approving the Settlement Agreement in its entirety and without modification.

23. Failure Of Commission To Approve Settlement Agreement.

If the Commission does not accept and approve this Settlement Agreement in its entirety and without modification, and absent agreement to the modification by the party affected thereby, this Settlement Agreement shall be void and withdrawn by Kentucky Power and the Settling Intervenors from further consideration by the Commission and none of the parties to this Settlement Agreement shall be bound by any of the provisions herein.

24. Continuing Commission Jurisdiction.

This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

25. Effect of Settlement Agreement.

This Settlement Agreement shall inure to the benefit of and be binding upon the parties to this Settlement Agreement, their successors and assigns.

26. Complete Agreement.

This Settlement Agreement constitutes the complete agreement and understanding among the parties to this Settlement Agreement, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

27. Independent Analysis.

The terms of this Settlement Agreement are based upon the independent analysis of the parties to this Settlement Agreement, are the product of compromise and negotiation, and reflect a fair, just and reasonable resolution of the issues herein. Notwithstanding anything contained in this Settlement Agreement, Kentucky Power and the Settling Intervenors recognize and agree that the effects, if any, of any future events upon the operating income of Kentucky Power are unknown and this Settlement Agreement shall be implemented as written.

28. Settlement Agreement And Negotiations Are Not An Admission.

(a) This Settlement Agreement shall not be deemed to constitute an admission by any party to this Settlement Agreement that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid. Nothing in this Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of the Signatory Parties.

(b) Neither the terms of this Settlement Agreement nor any statements made or matters raised during the settlement negotiations shall be admissible in any proceeding, or binding on any of the parties to this Settlement Agreement, or be construed against any of the parties to this Settlement Agreement, **except that** in the event of litigation or proceedings involving the approval, implementation or enforcement of this Agreement, the terms of this Settlement Agreement shall be admissible. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

29. Consultation With Counsel.

The parties to this Settlement Agreement warrant that they have informed, advised, and consulted with their respective counsel with regard to the contents and significance of this Settlement Agreement and are relying upon such advice in entering into this agreement.

30. Authority To Bind.

Each of the signatories to this Settlement Agreement hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

31. Construction Of Agreement.

This Settlement Agreement is a product of negotiation among all parties to this Settlement Agreement, and no provision of this Settlement Agreement shall be construed in favor of or against any party hereto. This Settlement Agreement is submitted for purposes of this case only and is not to be deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility.

32. Counterparts.

This Settlement Agreement may be executed in multiple counterparts.

33. Future Rate Proceedings.

Nothing in this Settlement Agreement shall preclude, prevent or prejudice any party to this Settlement Agreement from raising any argument or issue, or challenge any adjustment, in any future rate proceeding of Kentucky Power.

IN WITNESS WHEREOF, this Settlement Agreement has been agreed to as of this 30th day of April 2015.

KENTUCKY POWER COMPANY

By: ______________________
MARK R. OVERSTREET

Its: Attorney

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: Michael L. Kurtz

Michael L. Kurtz

Its: Attorney

KENTUCKY SCHOOL BOARDS
ASSOCIATION

By: Matthew M. Cone

Its: Attorney on behalf of KSBA

CASE NO. 2014-00396 SETTLEMENT AGREEMENT EXHIBITS

1. Allocation of $23.0 million base rate decrease and $45.4 million increase in annual retail revenues.
2. Calculation of Weighted Average Cost of Capital
3. Calculation of Gross Revenue Conversion Factor
4. Calculation of Monthly Base Amount of Environmental Costs
5. Revised Tariff S.S.C.
6. Revised Tariff B.S.R.R.
7. Calculation of Initial B.S.R.R. Revenue Requirement
8. Tariff B.S.1.O.R.
9. Schedule of Annual Vegetation Management Expenses
10. Vegetation Management Mileage Targets
11. Schedule of Depreciation Rates
12. Revised Tariff B.E.R.
13. Page 15 of the direct testimony of Company Witness Vaughan
14. Pages 28-29 of the direct testimony of Company Witness Wohnhas
15. Tariff K-12 School
16. Tariff I.G.S.

Exhibit 1

Tariff	Number of Customers	Current Revenue	Settlement Base Revenue	Settlement Rider Revenue	Settlement Total Revenue	Net Settlement Increase	Settlement ROR %	% Increase
Residential	138,300	$230,140,567	$224,394,156	$28,515,690	$252,909,845	$22,769,279	4.25%	9.89%
SGS	23,823	$19,611,846	$18,711,833	$2,634,305	$21,346,138	$1,734,293	13.31%	8.84%
MGS	7,297	$59,677,592	$57,105,498	$7,857,059	$64,962,557	$5,284,965	14.15%	8.86%
Schools	183	$13,648,403	$12,598,231	$1,749,853	$14,348,085	$699,681	10.64% *	5.13%
LGS	673	$56,921,244	$54,650,948	$7,309,445	$61,960,394	$5,039,150		8.85%
IGS	88	$171,550,109	$161,500,720	$19,197,129	$180,697,850	$9,147,741	7.70%	5.33%
OL	**	$7,256,320	$6,905,967	$920,785	$7,826,752	$570,432	10.44%	7.86%
SL	56	$1,422,709	$1,357,690	$178,894	$1,536,584	$113,876	15.57%	8.00%
MW	11	$364,284	$348,257	$45,354	$393,612	$29,328	12.99%	8.05%
Total	170,431	$560,593,073	$537,573,301	$68,408,515	$605,981,816	$45,388,743	6.96%	8.10%

* Schools part of LGS class in cost-of-service study, separate rate of return is not available

** Customers included in count for tariff of main (non-lighting) account

EXHIBIT 2

KENTUCKY POWER COMPANY
COST OF CAPITAL
TEST YEAR ENDED 9/30/2014

Line No. (1)	Description (2)	Reapportioned Kentucky Jurisdictional Capital (3)	Percentage of Total (4)	Annual Cost Percentage Rate (5)	Weighted Average Cost Percent (6) = (4) X (5)	Gross-Up Factor (7)	Pre-Tax Weighted Average Cost Percent (8) = (6) X (7)
1	Long Term Debt	$585,086,099	51.51%	5.41%	2.79%	1.004977	2.8039%
2	Short Term Debt	0	0.00%	0.25%	0.00%	1.004977	0.0000%
3	Accounts Receivable Financing	51,835,808	4.56%	1.07%	0.05%	1.004977	0.0502%
4	Common Equity	498,888,221	43.93%	10.25%	4.50%	1.616424	7.2739%
5	Total	$1,135,810,128	100.00%		7.34%		10.1280%

EXHIBIT 3

Kentucky Power Company
Computation of the Gross Revenue
Conversion Factor
Test Year Twelve Ended 9/30/2014

Line No. (1)	Description (2)		Percent of Incremental Gross Revenues (3)
1	Operating Revenues		100.00%
2	Less: Uncollectible Accounts Expense		0.30%
3	KPSC Maintenance Fee		0.20%
4	Income Before Income Taxes		99.50%
5	Less: State Income Taxes (L4 X 5.7348%)	5.7348%	5.71%
6	Income Before Federal Income Taxes		93.80%
6b	Section 199 Deduction		2.56%
6c	Taxable Income for Federal Income Taxes		91.24%
7	Less: Federal Income Taxes (L6c X 35.00%)	35.00%	31.93%
8	Operating Income Percentage (L6 - L7)		61.86%
9	Gross Revenue Conversion Factor (100% / L8)		**1.616424**

Exhibit 4

Kentucky Power Company
Calculation of Monthly Base Amount of Environmental Costs
October 1, 2013 to September 30, 2014

Ln No (1)	Month / Year (2)	Monthly Environmental Costs (3)	Adjustment for Pool Termination (4)	Adjustment to Remove Big Sandy (5) #	Leaves only Test Year Rockport Expenses and Gains on Allowances (6) # (3) + (4) + (5)	Include Mitchell Non-FGD (7) #	Rockport Additional Test Year Expenses for O & M, Depreciation, and Return (8) #	Adjusted Environmental Base (9)
1	October 2013	$2,588,033	-$884,674	-$1,672,931	$30,428	$2,814,767	$137,763	$2,982,958
2	November 2013	$2,574,766	-$873,779	-$1,686,320	$14,667	$2,814,767	$65,935	$2,895,369
3	December 2013	$3,956,730	-$921,717	-$3,000,383	$34,630	$2,814,767	$27,591	$2,876,988
4	January 2014	$2,819,234	$0	-$2,789,805	$29,429	$2,586,944	$29,919	$2,646,292
5	February 2014	$2,727,758	$0	-$2,688,504	$39,254	$2,553,628	$31,777	$2,624,660
6	March 2014	$2,361,529	$0	-$2,321,728	$39,801	$2,625,235	$71,957	$2,736,994
7	April 2014	$2,844,327	$0	-$2,804,712	$39,615	$2,672,378	$83,860	$2,795,854
8	May 2014	$2,450,433	$0	-$2,409,658	$40,775	$2,655,200	$86,233	$2,782,209
9	June 2014	$2,788,301	$0	-$2,749,455	$38,846	$2,619,496	$64,756	$2,723,098
10	July 2014	$2,675,318	$0	-$2,638,192	$37,126	$3,343,224	$36,490	$3,416,840
11	August 2014	$2,796,292	$0	-$2,758,034	$38,258	$3,113,126	$33,058	$3,184,443
12	September 2014	$2,146,708	$0	-$2,108,067	$38,641	$3,163,668	$34,665	$3,236,974
	Total	$32,729,430	$2,680,170	$29,627,789	$421,471	$33,777,201	$704,005	$34,902,677

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

APPLICABLE.

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

RATE.

~~In accordance with the Stipulation and Settlement Agreement approved as modified by the Commission by its Order dated October 7, 2013 in Case No. 2012-00578, the System Sales Adjustment Factor will be fixed and maintained at 0.0000 mills/kWh until new base rates are first established by Commission after the effective date of this tariff without regard to the calculation of the Monthly System Sales Adjustment Factor under paragraphs 1 through 6 below.~~ D | D

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

   System Sales Adjustment Factor (A) = (.6 *.75* [Tm - Tb])/Sm T

   In the above formulas "T" is Kentucky Power Company's (KPCo) monthly net revenues from system sales in the current (m) and base (b) periods, and "S" is the KWH sales in the current (m) period, all defined below.

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

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

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

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

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

(Cont'd on Sheet No. 19-2)

DATE OF ISSUE: December 23, 2014

DATE EFFECTIVE: Service Rendered On And After January 22, 2015

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of Order By The Public Service Commission

In Case No. 2014-00396 Dated XXXXXXXX

TARIFF S. S. C. (Cont'd.)
(System Sales Clause)

3. The base monthly net revenues from system sales are as follows:

Billing Month	System Sales (Total Company Basis)		
January	~~$ 528,886~~	*1,651,585*	I
February	~~335,167~~	*1,413,908*	I
March	~~1,530,489~~	*1,372,664*	R
April	~~1,371,521~~	*1,219,883*	R
May	~~1,307,472~~	*1,238,911*	R
June	~~767,124~~	*1,171,190*	I
July	~~616,234~~	*1,399,696*	I
August	~~2,136,652~~	*1,019,614*	R
September	~~1,850,577~~	*1,099,550*	R
October	~~1,739,665~~	*1,151,741*	R
November	~~1,538,455~~	*1,188,760*	R
December	~~1,568,121~~	*1,136,496*	R
	~~$15,290,363~~	*$15,136,000*	

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

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

6. The monthly System Sales Clause shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.

7. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

DATE OF ISSUE: December 23, 2014

DATE EFFECTIVE: Service Rendered On And After January 22, 2015

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of Order By The Public Service Commission

In Case No. 2014-00396 Dated XXXXXXXX

KENTUCKY POWER COMPANY **P.S.C. KY. NO. 10 ORIGINAL SHEET NO. 38-1**
CANCELLING P.S.C. KY. NO. 10 _________ SHEET NO. 38-1

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

APPLICABLE.

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

RATE.

1. *Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2012-00578 and the Stipulation and Settlement Agreement dated July 2, 2013 as filed and approved by the Commission, Kentucky Power Company is to recover from retail ratepayers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2 and other site-related retirement costs that will not continue in use on a levelized basis, including a weighted average cost of capital (WACC) carrying cost over a 25 year period beginning when new base rates are set for the Company that include Mitchell Units 1 and 2. The term "Retirement Costs" as used in this agreement are defined as and shall include the net book value, materials and supplies that cannot be used economically at other plants owned by Kentucky Power, and removal costs and salvage credits, net of related ADIT. Related ADIT shall include the tax benefits from tax abandonment losses.*

2. *The allocation of the actual revenue requirement (ARR) between residential and all other customers shall be based upon their respective contribution to total retail revenues for the most recent twelve month period, ending June 30 according to the following formula:*

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

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

Where:
(y) = the expense year;

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

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

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

Where:

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

Residential Retail Revenue RR(b) = Annual Retail Revenue for all KY residential classes for the year (b).

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

DATE OF ISSUE: December 23, 2014

DATE EFFECTIVE: Service Rendered On And After January 23, 2015

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of Order By The Public Service Commission

In Case No. 2014-00396 Dated XXXXXXXX

KENTUCKY POWER COMPANY **P.S.C. KY. NO. 10 ORIGINAL SHEET NO. 38-2**
CANCELLING P.S.C. KY. NO. 10 ________ SHEET NO. 38-2

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

RATE. (Cont'd)

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

All Other Classes B.S.R.R. Adjustment Factor	=	*Net Annual All Other Allocation NOA (y)* / *All Other Classes Non-Fuel Retail Revenue ONR(b)*
Where:		
Net Annual All Other Allocation NOA(y)	=	*Annual All Other Allocation OA(y), net of Over/(Under) Recovery Adjustment;*
All Other Classes Non-Fuel Retail Revenue ONR(b)	=	*Annual Non-Fuel Retail Revenue for all classes other than residential for the year (b).*

5. *The annual Big Sandy Retirement Rider adjustments shall be filed with the Commission no later than August 15th of each year before it is scheduled to go into effect on Cycle 1 of the October billing cycle, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.*

6. *Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS61.870 to 61.884.*

DATE OF ISSUE: December 23, 2014

DATE EFFECTIVE: Service Rendered On And After January 23, 2015

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of Order By The Public Service Commission

In Case No. 2014-00396 Dated XXXXXXXX.

Monthly WACC Calculation

Exhibit 7

WACC	10.1280%
Monthly	0.8440%
Monthly Payment	1,413,412

Recovery of Estimated June 30, 2015 Reg Asset Balance

Year	Additions	Carrying Charges	Levelized Payment	Calculated Change in RA	Estimated June 30, 2015 Reg Asset Balance	ADIT on RA	ADIT Balance	Balance of Components Subject to WACC
					$207,727,914		($72,704,770)	$135,023,144
1		$13,574,166	$16,960,949	($3,386,783)	$204,341,131	$1,185,374	($71,519,396)	$132,821,735
2		$13,344,355	$16,960,949	($3,616,593)	$200,724,538	$1,265,808	($70,253,588)	$130,470,949
3		$13,098,951	$16,960,949	($3,861,998)	$196,862,540	$1,351,699	($68,901,889)	$127,960,651
4		$12,836,895	$16,960,949	($4,124,054)	$192,738,486	$1,443,419	($67,458,470)	$125,280,016
5		$12,557,056	$16,960,949	($4,403,892)	$188,334,594	$1,541,362	($65,917,108)	$122,417,486
6		$12,258,230	$16,960,949	($4,702,719)	$183,631,875	$1,645,952	($64,271,156)	$119,360,719
7		$11,939,126	$16,960,949	($5,021,822)	$178,610,052	$1,757,638	($62,513,518)	$116,096,534
8		$11,598,370	$16,960,949	($5,362,579)	$173,247,474	$1,876,903	($60,636,616)	$112,610,858
9		$11,234,491	$16,960,949	($5,726,457)	$167,521,016	$2,004,260	($58,632,356)	$108,888,661
10		$10,845,922	$16,960,949	($6,115,027)	$161,405,990	$2,140,259	($56,492,096)	$104,913,893
11		$10,430,986	$16,960,949	($6,529,963)	$154,876,027	$2,285,487	($54,206,609)	$100,669,417
12		$9,987,894	$16,960,949	($6,973,054)	$147,902,973	$2,440,569	($51,766,040)	$96,136,932
13		$9,514,737	$16,960,949	($7,446,212)	$140,456,761	$2,606,174	($49,159,866)	$91,296,895
14		$9,009,473	$16,960,949	($7,951,475)	$132,505,286	$2,783,016	($46,376,850)	$86,128,436
15		$8,469,925	$16,960,949	($8,491,024)	$124,014,263	$2,971,858	($43,404,992)	$80,609,271
16		$7,893,766	$16,960,949	($9,067,183)	$114,947,080	$3,173,514	($40,231,478)	$74,715,602
17		$7,278,511	$16,960,949	($9,682,438)	$105,264,642	$3,388,853	($36,842,625)	$68,422,017
18		$6,621,508	$16,960,949	($10,339,441)	$94,925,201	$3,618,804	($33,223,820)	$61,701,381
19		$5,919,924	$16,960,949	($11,041,025)	$83,884,176	$3,864,359	($29,359,462)	$54,524,714
20		$5,170,734	$16,960,949	($11,790,215)	$72,093,961	$4,126,575	($25,232,886)	$46,861,075
21		$4,370,707	$16,960,949	($12,590,242)	$59,503,719	$4,406,585	($20,826,302)	$38,677,418
22		$3,516,395	$16,960,949	($13,444,554)	$46,059,166	$4,705,594	($16,120,708)	$29,938,458
23		$2,604,113	$16,960,949	($14,356,836)	$31,702,330	$5,024,893	($11,095,815)	$20,606,514
24		$1,629,928	$16,960,949	($15,331,021)	$16,371,309	$5,365,857	($5,729,958)	$10,641,351
25		$589,640	$16,960,949	($16,371,309)	($0)	$5,729,958	($0)	($0)
Total		$216,295,801	$424,023,715	($207,727,914)		$72,704,770		

KENTUCKY POWER COMPANY **P.S.C. KY. NO. 10 ORIGINAL SHEET NO. 39-1**
CANCELLING P.S.C. KY. NO. 10 _________ SHEET NO. 39-1

BIG SANDY UNIT 1 OPERATION RIDER
(B.S.1.O.R.)

APPLICABLE.

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

RATES.

Tariff Class	*$/kWh*	*$/kW*
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and Experimental R.S.-T.O.D. 2	*$0.00330*	--
S.G.S. and S.G.S.-T.O.D.	*$0.00272*	--
M.G.S.	*$0.00141*	*$0.34*
M.G.S. Recreational Lighting, M.G.S.-L.M.-T.O.D., and M.G.S.-T.O.D.	*$0.00283*	--
L.G.S. and L.G.S.-T.O.D.and K-12 School	*$0.00139*	*$0.45*
L.G.S.-L.M.-T.O.D.	*$0.00276*	--
I.G.S. and C.S.-I.R.P.	*$0.00139*	*$0.55*
M.W.	*$0.00248*	--
O.L.	*$0.00147*	--
S.L.	*$0.00147*	--

Tariff BS1OR includes all non-fuel operating expenses related to Big Sandy Unit 1 not otherwise included in Tariff S.S.C. or Tariff FAC. Tariff BS1OR shall also include a return on and of Big Sandy Unit 1 gas conversion capital when placed in service.

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the MGS, LGS and IGS tariff classes.

The Big Sandy Unit 1 Operation Rider factors shall be modified annually to collect the approved annual level of Kentucky retail jurisdictional Big Sandy Unit 1 revenue requirement and any prior review period (over)/under recovery.

The Big Sandy Unit 1 Operation Rider factors shall be determined as follows:
For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{BS1E \times (BE_{Class}/BE_{Total}) + BS1D \times (CP_{Class}/CP_{Total})}{BE_{Class}}$$

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

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{BS1E \times (BE_{Class}/BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{BS1D \times (CP_{Class}/CP_{Total})}{BD_{Class}}$$

(Cont'd on Sheet No.39-2)

DATE OF ISSUE: December 23, 2014

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In Case No. 2014-00396 Dated XXXXXXXX

BIG SANDY UNIT 1 OPERATION RIDER (CONT'D)
(B.S.1.O.R)

RATES. (Cont'd)

Where:

1. *"BS1D" is the actual annual retail Big Sandy Unit 1 demand-related costs, plus any prior review period (over)/under recovery.*
2. *"BS1E" is the actual annual retail Big Sandy Unit 1 energy-related costs, plus any prior review period (over)/under recovery.*
3. *"BE_{Class}" is the historic annual retail jurisdictional billing kWh for each tariff class for the current year.*
4. *"BD_{Class}" is the historic annual retail jurisdictional billing kW for each applicable tariff class for the current year.*
5. *"CP_{Class}" is the coincident peak demand for each tariff class estimated as follows:*

Tariff Class	*BE_{Class}*	*CP/kWh Ratio*	*CP_{Class}*
(1)	*(2)*	*(3)*	*(4)=(2)x(3)*
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and Experimental R.S.-T.O.D.		*0.0236060%*	
S.G.S and S.G.S.-T.O.D.		*0.0163937%*	
M.G.S.		*0.0177002%*	
M.G.S. Recreational Lighting, M.G.S.-L.M.-T.O.D., and M.G.S.-T.O.D.		*0.0177002%*	
L.G.S.and L.G.S.-T.O.D.and K-12 School		*0.0169381%*	
L.G.S.-L.M.-T.O.D.		*0.0169381%*	
I.G.S. and C.S.-I.R.P		*0.0130626%*	
M.W.		*0.0134057%*	
O.L.		*0.0009431%*	
S.L.		*0.0009890%*	
	BE_{Total}		*CP_{Total}*

6. *"BE_{Total}" is the sum of the BE_{Class} for all tariff classes.*
7. *"CP_{Total}" is the sum of the CP_{Class} for all tariff classes.*

The factors as computed above are calculated to allow the recovery of Uncollectible Accounts Expense of 0.3% and the KPSC Maintenance Fee of 0.1952% and other similar revenue based taxes or assessments occasioned by the Big Sandy Unit 1 Operation Rider revenues.

The annual Big Sandy Unit 1 Operation Rider factors shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all necessary supporting data to justify the amount of the adjustments, which shall include data and information as may be required by the Commission.

Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.

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In Case No. 2014-00396 Dated XXXXXXXX

Revision to Table 10 - Phillips Direct Testimony, Page 30

	Scenario Cost Comparison for 4 Year Cycle				Scenario 2 on 5 yr Cycle	Scenario 2 on 5 yr Cycle Revised on 04202015
Year	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 5 Revised
2010	$8,950,346	$8,950,346	$8,950,346	$8,950,346	$8,950,346	$8,950,346
2011	$17,261,128	$17,261,128	$17,261,128	$17,261,128	$17,261,128	$17,261,128
2012	$17,029,248	$17,029,248	$17,029,248	$17,029,248	$17,029,248	$17,029,248
2013	$17,466,579	$17,466,579	$17,466,579	$17,466,579	$17,466,579	$17,466,579
2014	$17,237,965	$17,237,965	$17,237,965	$17,237,965	$17,237,965	$17,237,965
2015	$17,237,965	$27,661,060	$28,467,336	$40,801,455	$27,661,060	$22,327,777
2016	$17,237,965	$27,664,598	$28,182,662	$41,125,000	$27,664,598	$27,664,598
2017	$17,237,965	$27,661,949	$34,371,345	$29,775,649	$27,661,949	$27,661,949
2018	$17,237,965	$27,664,089	$40,459,059	$21,456,386	$27,664,089	$27,664,089
2019	$38,462,690	$20,251,822	$40,054,468	$20,251,822	$16,201,457	$21,534,740
2020	$38,078,063	$20,049,303	$39,653,924	$20,049,303	$16,039,443	$16,039,443
2021	$37,697,283	$19,848,810	$27,696,470	$19,848,810	$15,879,048	$15,879,048
2022	$37,320,310	$19,650,322	$19,650,322	$19,650,322	$15,720,258	$15,720,258
2023	$19,453,819	$19,453,819	$19,453,819	$19,453,819	$15,563,055	$15,563,055
Totals	**$317,909,291**	**$287,851,038**	**$355,934,672**	**$310,357,832**	**$268,000,223**	**$268,000,223**

Annual Level included in Settlement Base Rates	**$27,661,060**
Average Yearly Level beginning July 2019	**$15,880,652**
Base Rate Reduction Beginning July 2019	**$11,780,408**

Class Allocation of Base Rate Reduction *

	Voltage		
Class	Secondary	Primary	Total
Residential	$8,168,487		$8,168,487
SGS	$376,607		$376,607
MGS	$1,213,717	$15,540	$1,229,257
LGS and K-12 Schools	$1,280,582	$184,399	$1,464,981
IGS	$44,413	$451,811	$496,224
OL	$31,131		$31,131
SL	$6,668		$6,668
MW	$7,053		$7,053
Total	$11,128,658	$651,750	$11,780,408

* Allocation of Vegetation Management Costs As-Filed

Addition to Terms and Conditions of Service – Sheet No. 2-11

20. **DISTRIBUTION SYSTEM RELIABILITY – VEGETATION MANAGEMENT ADJUSTMENT**

Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2014-00396 and the Settlement Agreement dated April __, 2015 as filed and approved by the Commission, Kentucky Power shall reduce the base retail rates for those tariff classes with primary and secondary service offerings by an aggregate amount equal to $11,780,408 beginning July 1, 2019 when the Company commences the five-year maintenance cycle. The reduced base rates shall be designed using the tariff class allocation as shown in Exhibit 9 to that Settlement Agreement and the test year billing units as filed by the Company in Case No. 2014-00396 to produce $11,780,408 less revenue annually. The $11,780,408 reduction is the difference between the $27,661,060 built into base rates and the $15,880,652 average on-going annual spending after the interim clearance program period is complete.

Exhibit 10

Table 11: Scenario 5 (Mileage Required for 5 Year Cycle)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Yr 1 Miles	463					371				[illegible]				
Yr 2 Miles		932					771				[illegible]			
Yr 3 Miles			891					788				[illegible]		
Yr 4 Miles				826					812				[illegible]	
Yr 5 Miles					1008					370				[illegible]
Yr 6 Miles						987								
Yr 7 Miles							986							
Yr 8 Miles								986						
Yr 9 Miles									986					
Program Miles	463	932	891	826	1008	1728	1757	1774	1798	1983	1613	1613	1613	1613

Task 1 - # Miles (Unanimous Settlement Agreement)

Task 2 - # Miles Interim Clear at Maintained Cost (4 - 5 to 5 1/2 yrs growth)

Task 3 - # Miles at Maintained Cost (5 yrs growth)

EXHIBIT NO. 11

KENTUCKY POWER COMPANY
DEPRECIATION RATES
FROM THE SETTLEMENT AGREEMENT IN CASE NO. 2014-00396

Acct. No.	Account Title	DEPRECIATION RATES
STEAM PRODUCTION PLANT		
BIG SANDY PLANT (a)		
311	Structures & Improvements	3.78%
312	Boiler Plant Equipment	3.78%
312	Boiler Plant Equip SCR Catalyst	4.78%
314	Turbogenerator Units	3.78%
315	Accessory Electrical Equipment	3.78%
316	Misc. Power Plant Equip.	3.78%
MITCHELL PLANT - (b)		
311	Structures & Improvements	2.66%
312	Boiler Plant Equipment	3.05%
312	Boiler Plant Equip SCR Catalyst	12.50%
314	Turbogenerator Units	1.76%
315	Accessory Electrical Equipment	1.56%
316	Misc. Power Plant Equip.	2.72%
TRANSMISSION PLANT (a)		
350.1	Land Rights	1.44%
352	Structures & Improvements	2.08%
353	Station Equipment	2.15%
354	Towers & Fixtures	2.61%
355	Poles & Fixtures	3.95%
356	OH Conductor & Devices	2.91%
357	Underground Conduit	2.99%
358	Underground Conductor & Devices	2.62%
DISTRIBUTION PLANT (c)		
360.1	Land Rights	3.52%
361	Structures & Improvements	3.52%
362	Station Equipment	3.52%
364	Poles, Towers, & Fixtures	3.52%
365	Overhead Conductor & Devices	3.52%
366	Underground Conduit	3.52%
367	Underground Conductor	3.52%
368	Line Transformers	3.52%
369	Services	3.52%
370	Meters	3.52%
371	Installations on Custs. Prem.	3.52%
373	Street Lighting & Signal Sys.	3.52%
GENERAL PLANT (a)		
389.1	Land Rights	1.59%
390	Structures & Improvements	3.97%
391	Office Furniture & Equipment	3.20%
392	Transportation Equipment	3.52%
393	Stores Equipment	4.15%
394	Tools Shop & Garage Equipment	4.20%
395	Laboratory Equipment	5.76%
396	Power Operated Equipment	5.43%
397	Communication Equipment	5.88%
398	Miscellaneous Equipment	6.73%

Notes:

(a) As per the Settlement Agreement in Case No. 2014-00396, the Company's recommended depreciation rates are to be used for Big Sandy Plant, Transmission and General Plant.

(b) Mitchell Plant depreciation rates are based on the Company's calculation as modified by KIUC witness Kollen.

(c) Distribution Plant depreciation remain unchanged from the Kentucky Power 1991 case (Case No. 91-066).

TARIFF B.E.R.
(Biomass Energy Rider)

APPLICABLE.

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

RATE.

1. When energy is generated and sold to the Company from the ecopower biomass facility, an additional monthly charge shall be assessed. The allocation of the revenue requirement between residential and all other customers shall be based upon their respective contribution to total retail kWh sales during the most recently available 12 month period, according to the following formula:

   Residential Allocation RA(m) = [R*P(m)] * [RS(b) / S(b)]

   All Other Allocation OA(m) = [R*P(m)] * [OS(b) / S(b)]

   Where:
   (m) = the expense month;
   (b) = the most recently available calendar twelve month period.

   In the above formulas "R" is the rate for the current calendar year approved by this commission in the REPA between ecopower and Kentucky Power Company, "P" is the amount of kWh purchased by Kentucky Power in the current (m) period, and "S" is the kWh sales, all defined below.

2. Rate (R) shall be the dollar per MWh as defined in the REPA between ecopower and Kentucky Power Company, including any applicable escalation factor as defined in the REPA.

3. Produced energy (P) shall be the MWh produced and sold to Kentucky Power Company.

4. Sales (S) shall be all KWh sold, excluding intersystem sales. Utility used energy shall not be excluded in the determination of sales (S). Residential Sales (RS) shall be all kWh sold to the residential class. All Other Sales (OS) shall be all kWh sold to all other classes, where (OS) = (S) - (RS).

5. The residential biomass adjustment factor (RBAF) shall be calculated to the nearest 0.0001 mil per kilowatt-hour, as set forth below.

   Residential Biomass Adjustment Factor (RBAF) = RA(m) / RS(m)

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TARIFF B.E.R.
(Biomass Energy Rider)

RATE. (Cont'd)

6. The commercial and industrial biomass adjustment factor applicable to all non-residential tariffs shall consist of two separate rate components: an energy charge per kilowatt-hour (CIBEAF) and a non-energy charge expressed as a percentage of non-fuel revenues (CIBNAF), as set forth below.

$$CIBEAF = OA(m) * \frac{LMP(b)}{R} / OS(m)$$

$$CIBNAF = OA(m) * \frac{R - LMP(b)}{R} / NFR(m)$$

Where:

(m) = the expense month;
(b) = the most recently available calendar twelve month period.

In the above formulas "R" is the rate for the current calendar year approved by this commission in the REPA between ecopower and Kentucky Power Company, "LMP" is the annual average LMP for the most recently available calendar year (b), "NFR" is the non-fuel revenue for all non-residential classes in the current (m) period, and "OS" is the kWh sales, all defined either above or below.

7. Locational Marginal Price (LMP) shall be the average day-ahead location marginal price for the AEP load zone as published by PJM Interconnection, LLC for the most recently available calendar twelve month period;

8. Non-Fuel Revenue (NFR) shall be non-fuel retail revenue for all classes other than residential for the expense month (m).

9. Any over/under recovery will be reflected in the monthly filing for the second billing month following the month the cost is incurred.

10. The monthly biomass energy rider shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustment, which shall include data, and information as may be required by the Commission.

11. Copies of all documents required to be filed with the Commission shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS61.870 to 61.884.

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RESERVED FOR FUTURE USE

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IV. PJM RIDER

Q. WHAT DOES THE COMPANY PROPOSE TO INCLUDE IN THE PJM RIDER?

A. The Company is proposing to include various PJM Open Access Transmission Tariff (OATT), energy, ancillary and administrative service charges and credits that it incurs from its participation as a load serving entity (LSE) and generation resource owner in the organized wholesale power markets of the PJM RTO.

Q. WHAT SPECIFIC PJM CHARGE AND CREDIT ITEMS IS THE COMPANY PROPOSING TO INCLUDE IN THE PJM RIDER?

A. The Company is proposing to include all of its PJM LSE charges and credits which are currently made up of but not limited to the following items: congestion, Financial Transmission Rights (FTRs), meter corrections, operating reserve, inadvertent energy, economic load response, synchronous condensing, reactive service, black start service, regulation, synchronized reserve, day ahead scheduling reserve, peak hour PJM capacity availability charges, market defaults and administrative services. PJM LSE marginal loss charges and the marginal loss over collection credits will not be included since they are included in the Company's fuel clause.

The Company is also proposing to include the following PJM LSE transmission items: network integration transmission service (NITS) charges, transmission owner scheduling system control and dispatch service (TO) charges, regional transmission expansion plan (RTEP) charges, point-to-point (PTP) transmission service credits, RTO start-up cost recovery charges and expansion cost recovery (ECRC) charges. In addition to the above, the Company also proposes to include any new PJM LSE charges or credits that may arise and be billed to the Company per the PJM tariffs.

EXHIBIT 14
PAGE 1 OF 2

to AEP and the excellent work it has been doing for not only its companies, but for the entire utility network across the country.

Q. WHY IS THE NCCR NECESSARY?

A. As detailed in the testimony of Company Witness Stogran, NERC continues to revise existing reliability standards and issue new reliability standards, and a similar or increased level of activity in the future would be difficult to continue to absorb and recover only through base rates. Cybersecurity needs also continue to grow as new threats emerge and new vulnerabilities are identified. The NCCR provides a mechanism for Kentucky Power to recover compliance costs for cybersecurity in a timely fashion.

Q. WHAT WILL BE RECOVERED THROUGH THE NCCR?

A. The NCCR initially would be established at zero as a placeholder. Going forward, the NCCR is intended to recover capital related costs and O&M compliance costs associated with items such as information technology infrastructure, physical security, workforce training, supervisory control and data acquisition (SCADA) systems, smart grid security systems, internal and external audits, external reporting, and recordkeeping. For example, program costs to perform vulnerability assessments due to a specific identified threat could be a type of cost proposed for inclusion in the NCCR. The Company would ensure that only NERC-related capital and O&M costs are recovered through this mechanism.

AEP is at the forefront of industry efforts to plan and prepare for these types of NERC compliance and cybersecurity obligations. Kentucky Power intends to continue planning and preparing for future compliance and cybersecurity obligations, but unforeseen increases in compliance costs cannot simply be absorbed within existing budgets. If new NERC compliance and cybersecurity costs materialize, Kentucky Power will propose to the Commission, in a rider application, recovery of these identified costs through the NCCR. Company witness Rogness discusses the mechanics of how the NCCR will recover the costs associated with these compliance activities in the event that recovery is pursued.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

TARIFF K-12 SCHOOL
(Public School)

AVAILABILITY OF SERVICE.

Available for general service to K-12 School customers subject to KRS 160.325 with normal maximum demands greater than 100 KW but not more than 1,000 KW.

RATE.

	Service Voltage			
	Secondary	*Primary*	*Subtransmission*	*Transmission*
Tariff Code				
Service Charge per Month	*$ 85.00*	*$ 127.50*	*$ 628.50*	*$ 628.50*
Demand Charge per KW	*$ 4.67*	*$ 4.53*	*$ 4.48*	*$ 4.41*
Excess Reactive Charge per KVA	*$ 3.46*	*$ 3.46*	*$ 3.46*	*$ 3.46*
Energy Charge per KWH	*7.692¢*	*6.535¢*	*4.517¢*	*4.425¢*

MINIMUM CHARGE.

Bills computed under the above rate are subject to a monthly minimum charge comprised of the sum of the service charge and the minimum demand charge. The minimum demand charge is the product of the demand charge per KW and the monthly billing demand.

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 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 through 22-13 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.

ASSET TRANSFER RIDER.

Bills computed according to the rates set forth herein will be increased or decreased by an Asset Transfer Adjustment Factor based on a percent of revenue in compliance with the Asset Transfer Rider contained in Sheet No. 36-1 through 36-2 of this Tariff Schedule. The Asset Transfer Adjustment Factor will be applied to bills until such time as the pro rata amount (computed on a 365-day annual basis) authorized to be recovered via Tariff A.T.R. in the Stipulation and Settlement Agreement, approved as modified by the Commission by its order dated October 7, 2013 in Case No. 2012-00578, has been recovered.

(Cont'd. On Sheet No. 9-10)

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TARIFF K-12 SCHOOL (Cont'd)
(Public School)

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.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KW values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

(1) *Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.*

(2) *Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.*

MONTHLY BILLING DEMAND.

Billing demand in KW shall be taken each month as the highest 15-minute integrated peak in kilowatts as registered during the month by a 15-minute integrating demand meter or indicator, or at the Company's option as the highest registration of a thermal type demand meter or indicator. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity or (b) the customer's highest previously established monthly billing demand during the past 11 months.

DETERMINATION OF EXCESS KILOVOLT-AMPERE (KVA) DEMAND.

The maximun KVA demand shall be determined by the use of a multiplier equal to the reciprocal of the average power factor recorded during the billing month, leading or lagging, applied to the metered demand. The excess KVA demand, if any, shall be the amount by which the maximum KVA demand established during the billing period exceeds 115% of the kilowatts of metered demand.

(Cont'd on Sheet No. 9-12)

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TARIFF K-12 SCHOOL (Cont'd)
(Public School)

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 1 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. 29-1 through 29-5 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.

HOME ENERGY ASSISTANCE PROGRAM (HEAP) CHARGE.

Applicable to all residential customers. Bills computed according to the rates set forth herein shall be increased by a HEAP charge of 15¢ per meter per month and shall be shown on the residential customers bill as a separate line item. The Home Energy Assistance Program charge will be applied to all residential electric bills rendered during the billing cycles commencing July 2010 and continue until otherwise directed by the Public Service Commission.

(Cont'd on Sheet No. 9-11)

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TARIFF K-12 SCHOOL (Cont'd)
(Public School)

TERM OF CONTRACT.

Contracts under this tariff will be made for customers requiring a normal maximum monthly demand between 500 KW and 1,000 KW and be made for an initial period of not less than 1 (one) year and shall remain in effect thereafter until either party shall give at least 6 months written notice to the other of the intention to terminate the contract. The Company reserves the right to require initial contracts or periods greater than 1 (one) year. For customers with demands less than 500 KW, a contract may, at the Company's option, be required.

Where new Company facilities are required, the Company reserves the right to require initial contracts for periods greater than one year for all customers served under this tariff.

A new initial contract period will not be required for existing customers who change their contract requirements after the original initial period unless new or additional facilities are required.

CONTRACT CAPACITY.

The Customer shall set forth the amount of capacity contracted for (the "contract capacity") in an amount up to 1,000 KW. Contracts will be made in multiples of 25 KW. The Company is not required to supply capacity in excess of such contract capacity except with express written consent of the Company.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's 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 100 KW nor more than 1,000 KW. The Company shall not be obligated to supply demands in excess of the contract capacity. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billings periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

This tariff is available for resale service to mining and industrial customers who furnish service to customer-owned camps or villages where living quarters are rented to employees and where the customer purchases power at a single point for both his power and camp requirements.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP I or II or by special agreement with the Company.

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TARIFF I.G.S.
(Industrial General Service)

AVAILABILITY OF SERVICE.

Available for commercial and industrial customers with contract demands of at least 1,000 KW. Customers shall contract for a definite amount of electrical capacity in kilowatts, which shall be sufficient to meet normal maximum requirements.

RATE.

			Service Voltage	
	Secondary	Primary	Subtransmission	Transmission
Tariff Code	356	358/370	359/371	360/372
Service Charge per month	$ 276.00	$ 276.00	$ 794.00	$ 1,353.00
Demand Charge per KW				
Of monthly on-peak billing demand	$ 18.23	$ 15.21	$ 10.02	$ 9.75
Of monthly off-peak billing demand	$ 1.10	$ 1.07	$ 1.05	$ 1.04
Energy Charge per KWH	3.357¢	3.241¢	3.205¢	3.167¢

Reactive Demand Charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the KW of monthly metered demand .... $0.69/ KVAR

For the purpose of this tariff. the on-peak billing period is defined as 7:00 AM to 9:00 PM for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 PM to 7:00 AM for all weekdays and all hours of Saturday and Sunday.

MINIMUM DEMAND CHARGE.

The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates:

Secondary	Primary	Subtransmission	Transmission
$19.59/KW	$16.53 /KW	$11.32/KW	$11.03/KW

The minimum billing demand shall be the greater of 60% of the contract capacity set forth on the contract for electric service or 60% of the highest billing demand. on-peak or off-peak, recorded during the previous eleven months.

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the Service Charge plus the Minimum Demand Charge.

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.

(Cont'd on Sheet No. 10-2)

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In Case No. 2014-00396 Dated XXXXXXXX

TARIFF I.G.S.
(Industrial General Service)

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 22-13 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.

ASSET TRANSFER RIDER.

Bills computed according to the rates set forth herein will be increased or decreased by an Asset Transfer Adjustment Factor based on a percent of revenue in compliance with the Asset Transfer Rider contained in Sheet No. 36-1 through 36-2 of this Tariff Schedule. The Asset Transfer Adjustment Factor will be applied to bills until such time as the pro rata amount (computed on a 365-day annual basis) authorized to be recovered via Tariff A.T.R. in the Stipulation and Settlement Agreement, approved as modified by the Commission by its order dated October 7, 2013 in Case No. 2012-00578, has been recovered.

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 1 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 1 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 29-5 of the 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.

(Cont'd on Sheet No. 10-3)

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TERM OF CONTRACT.

Contracts under this tariff will be made for an initial period of not less than two years and shall remain in effect thereafter until either party shall give at least 12 months' written notice to the other of the intention to terminate the contract. The Company reserves the right to require initial contracts for periods greater than two years.

A new initial contract period will not be required for existing customers who change their contract requirements after the original initial period unless new or additional facilities are required.

CONTRACT CAPACITY

The Customer shall set forth the amount of capacity contracted for ("the contract capacity") in an amount equal to or greater than 1,000 KW in multiples of 100 KW. The Company is not required to supply capacity in excess of such contract capacity except with express written consent of the Company.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

This tariff is available for resale service to mining and industrial Customers who furnish service to Customer-owned camps or villages where living quarters are rented to employees and where the Customer purchases power at a single point for both the power and camp requirements.

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. The Company shall not be obligated to supply demands in excess of that contracted capacity. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

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.

Customer 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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TARIFF I.G.S.
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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.

HOME ENERGY ASSISTANCE PROGRAM (HEAP) CHARGE.

Applicable to all residential customers. Bills computed according to the rates set forth herein shall be increased by a HEAP charge of 15¢ per meter per month and shall be shown on the residential customers bill as a separate line item. The Home Energy Assistance Program charge will be applied to all residential electric bills rendered during the billing cycles commencing July 2010 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.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KVA values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

(1) Measurements taken at the low-side of a Customer-owned transformer will be multiplied by 1.01.
(2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

MONTHLY BILLING DEMAND.

The monthly on-peak and off-peak billing demands in KW shall be taken each month as the highest single 15-minute integrated peak in KW as registered by a demand meter during the on-peak and off-peak billing periods, respectively.

The reactive demand in KVARs shall be taken each month as the highest single 15-minute integrated peak in KVARs as registered during the month by a demand meter or indicator.

(Cont'd on Sheet No. 10-4)

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