

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY FOR (1) A GENERAL)	
ADJUSTMENT OF ITS RATES FOR ELECTRIC)	
SERVICE; (2) APPROVAL OF TARIFFS AND)	
RIDERS; (3) APPROVAL OF ACCOUNTING)	CASE NO.
PRACTICES TO ESTABLISH REGULATORY)	2020-00174
ASSETS AND LIABILITIES; (4) APPROVAL OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY; AND (5) ALL OTHER REQUIRED)	
APPROVALS AND RELIEF)	

ORDER

On August 17, 2022, the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) and Kentucky Industrial Utility Customers (KIUC) (jointly, Attorney General/KIUC) filed a request to schedule an informal conference to “resolve” matters related to Kentucky Power Company’s (Kentucky Power) Rockport Unit Power Agreement (UPA) expense deferral regulatory asset (Rockport Deferral Regulatory Asset), including verification of the specific amount of non-fuel, non-environmental Rockport UPA costs currently recovered in base rates, the amount of Rockport UPA environmental savings, and the amortization and recovery mechanism for the deferred Rockport UPA costs (Rockport Deferral Mechanism).¹ Attorney General/KIUC’s request will be deemed a motion.

¹ Attorney General/KIUC Response and Request for Informal Conference (Attorney General/KIUC’s Request) (filed Aug. 17, 2022) at 4.

On August 22, 2022, Kentucky Power filed a response to Attorney General/KIUC's motion, which also requested an informal conference to address the Rockport Deferral Mechanism and that the Commission establish a procedural schedule for the "prompt resolution" of the Rockport Deferral Mechanism.²

On January 13, 2021, the Commission entered an Order that, among other things, addressed the Rockport Deferral Mechanism. In the January 13, 2021 Order, the Commission explained the background of the Rockport Deferral Mechanism:

In Case No. 2017-00179, Kentucky Power was granted authority to establish a regulatory asset for the difference between the deferral of \$15,000,000 in Rockport UPA expenses, stipulated to be included in base rates until the Rockport UPA expires in 2022, and the declining actual deferral of \$10,000,000 in 2020 and \$5,000,000 in 2021 and 2022. The Order on rehearing [in Case No. 2017-00179] stated that approval was not just for accounting purposes but was to reflect the future rate recovery of the deferred UPA costs. As part of this proceeding, Kentucky Power requested a five-year amortization period and authority to recover the amortization through Tariff PPA. The purpose of the Commission deciding the amortization period at a later date was to allow Kentucky Power's plans regarding the renewal of the Rockport UPA to become more certain. For instance, if Kentucky Power's proposed replacement capacity was more expensive than initially anticipated, a longer amortization period may be more reasonable so as to reduce the rate impact to customers. As demonstrated in the record, Kentucky Power was unable to confirm the amortization amount or the savings once the Rockport UPA terminates.³

Because the Rockport regulatory asset balance and Rockport UPA savings could not be established with certainty, the Commission denied Kentucky Power's request to

² Kentucky Power's Reply to Attorney General/KIUC's Request (filed Aug. 22, 2022) unnumbered at 1.

³ Order (Ky. PSC Jan. 13, 2021) at 64 (citations omitted).

amortize the Rockport Deferral Regulatory Asset as premature. The Commission further stated that:

[T]he Commission will defer the determination of the appropriate amortization period and recovery mechanism to a subsequent matter the Commission will initiate on its own motion. As part of this subsequent matter, the Commission will also review and clarify items related to provisions of the final Order in Case No. 2017-00179 regarding Kentucky Power's ability to use the savings from the expiration of the Rockport UPA to earn its Commission-approved ROE in calendar year 2023.

In a February 22, 2021 Order, the Commission explained that a new proceeding would be initiated to address the Rockport Deferral Mechanism "once Kentucky Power makes a written filing identifying, by name, the capacity replacement for Rockport UPA and the reasonably anticipated costs."⁴

On August 12, 2022, Kentucky Power filed the information requested in the February 22, 2021 Order, explaining that it would obtain the "initial capacity replacement" for the Rockport UPA under a power coordination bridge agreement between Kentucky Power and American Electric Power Company, Inc. (AEP) operating companies for a period ending May 31, 2024.⁵ Kentucky Power provided the expected amount of capacity required and the capacity price, which is the PJM Interconnection, LLC (PJM) Base Residual Auction Clearing price for the 2022/2023 and 2023/2024 PJM planning years.

Based upon a review of the Attorney General/KIUC's motion, Kentucky Power's response, and the case record, the Commission finds that Attorney General/KIUC's motion should be denied as moot. This is because the Commission initiated a separate

⁴ Order (Ky. PSC Feb. 22, 2021) at 29, ordering paragraph 14.

⁵ Kentucky Power Letter Complying with Ordering Paragraph 14 of the Feb. 21, 2021 Order (filed Aug. 12, 2022) at 2.

proceeding to address the Rockport Deferral Mechanism on September 2, 2022, in accordance with the Commission's findings in the January 13, 2021 and February 22, 2021 Orders previously entered in this case⁶ Further, the Commission speaks through its Orders, not through its Staff, after weighing the evidence of record. For this reason, an informal conference is not the appropriate forum for the parties to "resolve" the Rockport Deferral Regulatory Asset amortization period and recovery mechanism.

IT IS THEREFORE ORDERED that Attorney General/KIUC's motion for an informal conference is denied.

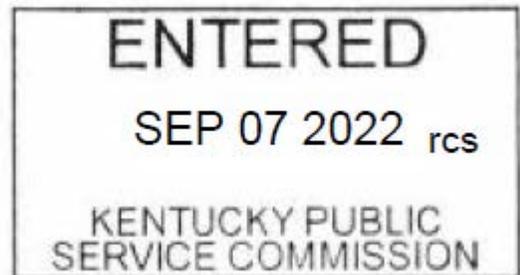
⁶ Case No. 2022-00283, *Electronic Investigation of Kentucky Power Company Rockport Deferral Mechanism* (Ky. PSC Sept. 2, 2022).

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