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NEWS RELEASE

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PSC Issues Order in Kentucky Power's Request for Mitchell Generating Station Environmental Compliance Projects

FRANKFORT, Ky. (July 16, 2021)—The Public Service Commission (Commission/PSC) issued an Order today approving a request from Kentucky Power for construction projects to comply with federal Coal Combustion Residual (CCR) rules at the company's Mitchell Generating Station (Mitchell) located in West Virginia. Absent the CCR construction project, Mitchell would have to cease operations in late 2023, thereby subjecting Kentucky Power to price risk and volatility in purchasing replacement capacity and energy.

The Commission denied Kentucky Power's request for a certificate to construct projects related to federal Effluent Limitations Guidelines (ELGs), which have a compliance deadline of December 31, 2028, because the company failed to provide evidence the projects are needed or are a reasonable, cost-effective alternative.

Kentucky statutes authorize a utility to recover costs to comply with federal Clean Air Act standards and federal, state, or local environmental regulations that apply to coal combustion wastes and by-products from coal-fired power plants.

On Feb. 8, 2021, Kentucky Power submitted an application seeking PSC approval of its environmental compliance plans and Certificates of Public Convenience and Necessity (CPCN) for the CCR and ELG compliance projects. Kentucky Power owns a 50 percent undivided interest in the Mitchell plant with Wheeling Power Company, another American Electric Power (AEP) affiliate. Wheeling Power filed a similar CPCN and environmental compliance plan with the West Virginia Public Service Commission. The West Virginia commission has not yet ruled on Wheeling Power's application.

Kentucky Power's application contained two scenarios, Case 1, and an alternative Case 2. Case 1 sought cost recovery for the company's proposed compliance plans for both the CCR and ELG rules. Case 2 contained the company's analysis of compliance with only the CCR rule, in which case, without the ELG retrofits, the Mitchell plant would retire in 2028, requiring Kentucky Power to obtain replacement capacity at that time. Kentucky Power proposed Case 1, arguing it was the more cost-effective option based in part on the company's assumptions regarding the costs of resources necessary to replace capacity in 2028.

As a standard of review in CPCN cases, the Commission requires the applicant to demonstrate a thorough review of all reasonable reviews has been conducted. Based on the evidence provided in the

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case, the Commission found the company over-stated the costs of replacement energy and capacity. Additionally, Kentucky Power did not account for potential future environmental compliance costs that could add to costs to keep Mitchell in operation beyond 2028.

Through the environmental surcharge mechanism, the company is authorized to recover, through a customer surcharge, certain approved environmental compliance costs that exceed the amount recovered in base rates. Kentucky Power is to provide the Commission with documentation of the costs of the approved project.

Intervenors in the case are the Attorney General of the Commonwealth of Kentucky; Kentucky Industrial Utility Customers, Inc.; and Sierra Club.

Records in this case are available at psc.ky.gov. The case number is 2021-00004.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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