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NEWS RELEASE

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PSC Orders Kentucky Power to Return \$5.17 Million to Customers

Refund is due to overcollection for power market costs

FRANKFORT, Ky. (Sept. 20, 2019) – The Kentucky Public Service Commission (PSC) has ordered Kentucky Power Co. to return a total of about \$5.17 million to customers that it collected in excess of its actual costs of participation in a regional power market.

In an order issued today, the PSC directed Kentucky Power to issue a credit to customers for the next 11 months to return the overcollected amount. A typical residential customer will receive a credit of about \$1.53 per month, with the amount varying depending on individual usage.

Kentucky Power last month informed the PSC that, for the 12 months ending June 30, 2019, it had collected about \$5.17 million more than its actual cost of market participation. The company explained that the difference was the result of a one-time adjustment made by the Federal Energy Regulatory Commission to the cost calculations used in the regional power market in which Kentucky Power is a participant.

Regional power markets are designed to function in a way that provides electricity to customers at a cost that reflects supply and demand, with the lowest-cost power available being provided to customers.

Participation in the power market, known as the PJM Interconnection, involves complex transactions that reflect not only the costs of generating, selling and buying electric power, but also the cost of transmitting it under various conditions of supply and demand on the electric grid. Those costs are reflected in the amount Kentucky Power charges its customers.

A baseline amount is included in customer base rates, with either an additional charge or credit – adjusted annually - to reflect costs above or below the baseline amount. In this instance, the last annual adjustment was set higher than the actual costs proved to be.

When it informed the PSC of the excess revenue, Kentucky Power argued against refunding it to customers, saying it should be retained to partially offset anticipated future increases in power market costs.

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The PSC rejected that argument, saying in today's order that Kentucky Power had provided no evidence to support the argument that costs would increase as it claimed they would. Instead, the excess revenue should be returned to customers, the PSC said.

The refunds, in form of a bill credit, are to begin November 1 and continue through September of 2020. At that time, the charge to customers for the cost of market participation will be recalculated.

Today's order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2019-00349.

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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