

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 ) Case No. 2014-00396  
Environmental Compliance Plan; (3) An Order )  
Approving Its Tariffs and Riders; and (4) An Order )  
Granting All Other Required Approvals and Relief )

**NERC COMPLIANCE AND CYBERSECURITY DEFERRAL REPORT**

Kentucky Power submits the following annual report pursuant to the Commission's June 22, 2015 Order in Case No. 2014-00396:

Paragraph 14(c) of the Settlement Agreement in Case No. 2014-00396, as approved by the Commission, provides:

Kentucky Power agrees beginning on or before March 31, 2016, and each March 31<sup>st</sup> 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.

During calendar year 2018, the Company continued to incur incremental costs for work orders (projects) to comply with NERC compliance or cybersecurity requirements established subsequent to the Commission's Order in Case No. 2014-00396. These projects are:

- W/O SITC056001 - NERC-CIP v5 Upgrade - Program Management team costs for upgrades to systems and processes to enable readiness for the new v5 NERC CIP standards. (Closed 2017)
- W/O SITC151801- ECMP Agile Team - ECMP (End Point Configuration Management) costs needed to support NERC CIP v5 Upgrade Program. (Closed 2017)

- W/O SITC152301 – Security Configuration Agile Team - Implementation of new tool “iDefender” to enable compliance with new NERC CIP v5 Configuration Management requirements. (Closed 2017)
- W/O SITC151901 – Firewall Management Tool Team - Implementation of new tool “Tufin” to enable compliance with new NERC CIP v5 Firewall Management requirements. (Closed 2017)
- W/O SITC151701 – ARCS Agile Team – ARCS (AEP’s Risk & Compliance Solution) updates needed to support new NERC CIP v5 requirements. (Closed 2017)
- W/O SITC152401 – ServiceNow Agile Team – ServiceNow updates needed to support new NERC CIP v5 requirements. (Closed 2017)
- W/O SITC152101 – IAM Agile Team – IAM (Identity & Access Management) updates needed to support new NERC CIP v5 requirements. (Closed 2017)
- W/O SITC156201 – IT Active Directory – Implementation of a new active directory domain to support new NERC CIP v5 requirements. (Closed 2017)
- W/O SITCB44601 – Physical Access Control – Implementation of new Physical Access Control System for NERC CIP v5 requirements. (Closed 2018)
- W/O SITCA40401 – Physical Access Management – Implementation of a new system for physical access management for NERC CIP v5 requirements. (Closed 2017)
- W/O SITCA55601 – PAM Cost for EACMS – Additional costs needed for implementation of a new system for physical access management (PAM) for NERC CIP v5 requirements surrounding EACMS (Electronic Access Control and Monitoring Systems). (Closed 2017)
- W/O SITCB45901 – Lenel OnGuard Upgrade – Implementation of new Physical Access Control System (Lenel OnGuard) for NERC CIP v5 requirements. (Closed 2017)
- W/O SITCQ16201 – Cyber – Intrusion Detection (Cisco Enhancements) - This initiative will increase the capabilities of Cisco tools for cyber security and resolve issues with proxies which is how users route to the Internet. (Closed 2018)
- W/O SITCQ26001 – Cyber – Cisco Security Enterprise License Agreement – Upgrade the existing 5-year Enterprise License Agreement (ELA) from version 4 to

version 5. (Open)

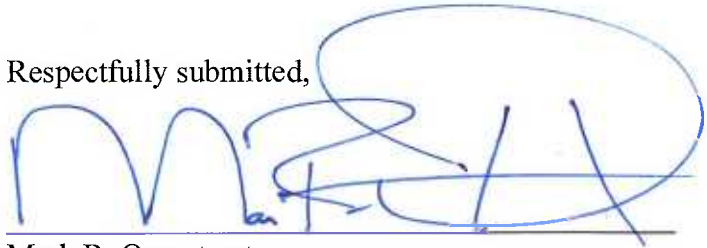
- W/O SITCQ04501 – Cyber – Access Control Enhancements - This project is part of the 2017 Cyber Security Investment to enhance existing enterprise cyber security capabilities and implement security tools to meet emerging needs. This initiative will remediate audit findings and address access management system pain points identified during in-flight projects. (Open)
- W/O SITCQ16001 – Cyber – McAfee Health and Expansion - This initiative will upgrade all current existing products in the CORP ePO, McAfee ePolicy Orchestrator, infrastructure to expand capabilities; upgrade the Supervisory Control and Data Acquisition, SCADA, ePO infrastructure; and separate SCADA, Commercial Operations, and NERC-CIP, North American Electric Reliability Corporation Critical Infrastructure Protection assets into the SCADA ePO infrastructure, and all other assets into the CORP infrastructure. This project will also remediate any security gaps identified in endpoint configurations. (Open)
- W/O SITCQ05301 – Cyber – Vulnerability Management Tools - This project is part of the 2017 Cyber Security Investment to enhance existing enterprise cyber security capabilities and implement security tools to meet emerging needs. This initiative will deploy new software and scanners to increase the capabilities of the vulnerability management program. (Closed 2018)
- W/O SITCQ05001 – Cyber – Security Tools for Testing and Assessment – This project is part of the 2017 Cyber Security Investment to enhance existing enterprise cyber security capabilities and implement security tools to meet emerging needs. This initiative will provide new security tools for testing and assessments; augment hardware testing capabilities; and equip the cyber team with tools to conduct effective penetration testing for new software/hardware. (Closed 2018)

The Company completed work and closed out fifteen of the 18 projects listed above over the course of 2017 and 2018. Three projects remain open.

In Case No. 2017-00179, Kentucky Power sought and received Commission approval to amortize and recover over five years the deferred costs related to the NERC Compliance and Cybersecurity projects booked between the Commission's June 22, 2015 Order in Case No. 2014-00396 and February 28, 2017, the end of the test year in Case No. 2017-00179. The total deferred costs authorized for recovery in Case No. 2017-00179 was \$71,374.

The total deferred depreciation expense (\$76,777)<sup>1</sup> and carrying charge (\$37,655)<sup>2</sup> amounts incurred between the end of the test year in Case No. 2017-00179 (February 28, 2017) and the end of calendar year 2018 is \$114,432. The support for the deferred depreciation expense calculation is shown on EXHIBIT NERC-1 attached to this report. The support for the calculation of the deferred carrying charge is show on EXHIBIT NERC-2. No operation and maintenance expense was incurred related to these projects.

Respectfully submitted,



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<sup>1</sup> See "Total" line of column (R) ("Previous Months Retail Share of Accumulated Depreciation") of EXHIBIT NERC 1.

<sup>2</sup> See "Total CC" column of EXHIBIT NERC 2.