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) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets Or Liabilities; And (5) An Order Granting All Other Required Approvals And Relief	)	Case No. 2017-00179

Kentucky Power Company's Notice Of Filing Of
"PJM Capacity Discussion For Delivery Year 2025/2026" and
Supporting Calculations For Allocating PJM Interconnection LLC Costs
Using 12-Coincident-Peak Methodology

Kentucky Power Company files its "PJM Capacity Discussion For Delivery Year 2025/2026." The filing is being made in accordance with paragraph 19 of the January 18, 2018 Order of the Public Service Commission of Kentucky in this case.

Kentucky Power Company also files KPCO_2024_12CP_Allocation_Analysis ("Allocation Analysis") with the Public Service Commission of Kentucky in conformity with ordering paragraph 20 of the Commission's January 18, 2018 order.

The Allocation Analysis provides the supporting calculations used to derive Kentucky Power's 5.619 percent allocated share of PJM LSE OATT charges using a 12-coincident-peak methodology. Kentucky Power's allocated share is derived by first calculating the average of Kentucky Power's coincident peak load for each of the twelve months for the period November 2022 through October 2023 (924.367 MW). This average is then divided by the average of the sum of the coincident peaks (16,451.169 MW) for each of the six AEP-East operating companies

(Ohio Power Company, Indiana Michigan Power Company, Wheeling Power Company, Appalachian Power Company, Kentucky Power Company, and Kingsport Power Company) to calculate Kentucky Power's allocated share (924.367 MW ÷ 16,451.169 MW = 5.619 percent).

The AEP-East operating companies utilize the 12-CP methodology for cost allocation of PJM LSE OATT charges to the operating companies to decrease annual volatility and potential rate shock. The PJM zonal 1-CP can occur (and has) in both summer and winter months which can cause large shifts in year-to-year cost allocation depending on whether or not an operating company is winter or summer peaking. The 12-CP methodology creates a less volatile cost allocation.

Respectfully submitted,

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COUNSEL FOR KENTUCKY POWER COMPANY

PJM Capacity Presentation Delivery Year 2025/2026 Base Residual Auction (BRA)

May 2024

1 Key Decision

- **Decisions/Discussion Points for Delivery Year (DY) 2025/2026**
  (June 1, 2025 – May 31, 2026)

<u>Decision:</u> Elect Fixed Resource Requirement (FRR) Option or fully participate in RPM (Reliability Pricing Model)

- FRR termination deadline: May 17, 2024
- FRR plan submission deadline: June 17, 2024

FR R or RPM Election

- **Financial Settlement Non-performance Charge Risk**
  - Non-performance charge rate: $2,199/MWh
  - *New to 25/26: Annual stop-loss based on 1.5 times Base Residual Clearing Price; previously 1.5 times Net CONE*
    - *Perspective: 24/25: RTO Net CONE, $278 MW-Day; BRA clearing price, $29*
  - Hourly Non-Performance charge remains the same:
    - Example: 1,300 MW with 1 hour of non-performance is $2.9 million (1,300 x $2,199 x by 1 hour)
- **Physical Settlement Non-performance Charge Risk (available only to FRR entities – no change due to PJM Capacity reforms)**
- **FRR allows the netting of resources**
  - Requires the election of physical settlement option
  - Over performance from one unit can offset underperformance from others
- **FRR allows sale of length into RPM**
  - Requires a 3% capacity hold back before selling into RPM
- **FRR optimizes the value of the Power Coordination Agreement (PCA)**
  - Enhances the value of the PCA because members length act as a hedge for underperformance from other members due to the diversity of resources
- **Recommendation:**
  - OPCOs elect FRR for DY 2025/2026

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