

**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 Practices To Establish )	Case No. 2020-00174
Regulatory Assets And Liabilities; (4) Approval Of A )	
Certificate Of Public Convenience And Necessity; )	
And (5) All Other Required Approvals And Relief )	

**APPLICATION**

Kentucky Power Company (“Kentucky Power” or the “Company”) applies to the Public Service Commission of Kentucky (“Commission”) pursuant to KRS 278.180, KRS 278.190, KRS 278.220, 807 KAR 5:001, Section 14, 807 KAR 5:001, Section 15, 807 KAR 5:001, Section 16, 807 KAR 5:011, 807 KAR 5:051, and all other applicable statutes and regulations, for an order granting: (1) approval of a general adjustment of its electric rates; (2) approval of its tariffs and riders; (3) approval of accounting practices to establish a regulatory asset or liability; (4) approval of a Certificate of Public Convenience and Necessity for the Company’s proposed deployment of Advanced Metering Infrastructure (“AMI”) meters; and (5) all other required approvals and relief. In support of this Application, the Company states:

## Application for General Adjustment of Rates

### A. INFORMATION REGARDING THE APPLICANT.

1. **Name and Address:** The Applicant's full name and post office address is: Kentucky Power Company, 1645 Winchester Avenue, Ashland, Kentucky 41101. The Company's electronic mail address is [kentucky\\_regulatory\\_services@aep.com](mailto:kentucky_regulatory_services@aep.com).

2. **Incorporation:** Kentucky Power is a corporation organized on July 21, 1919 under the laws of the Commonwealth of Kentucky. The Company currently is in good standing in Kentucky.<sup>1</sup> Kentucky Power has on file with the Office of the Secretary of State certificates for the following assumed names: "Kentucky Power;" "AEP Kentucky Power;" and "American Electric Power." The required certificates of assumed name are provided in Section II, Exhibit C.

3. **Business:** Kentucky Power Company is a public utility principally engaged in the provision of electricity to Kentucky consumers. The Company generates and purchases electricity that it distributes and sells at retail to approximately 165,000 customers located in all, or portions of, the Counties of Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike, and Rowan. The Company also furnishes electric service at wholesale to the City of Olive Hill and the City of Vanceburg.

4. **Affiliations:** Kentucky Power is a direct, wholly-owned subsidiary of American Electric Power Company, Inc.

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<sup>1</sup> A certified copy of the Company's Articles of Incorporation and all amendments thereto was attached to the Joint Application in *In the Matter Of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149. The Company's June 2, 2020 Certificate of Existence is filed in Section II at Exhibit B of this Application.

5. **Annual Reports:** The Company hereby certifies that its annual reports, including the annual report for the most recent calendar year (2019), are on file with the Commission pursuant to 807 KAR 5:006, Section 4(1) and 807 KAR 5:006, Section 4(2).

6. **Company Property:** The Company's Big Sandy Power Plant consists of a 285 MW gas-fired steam-electric generating unit located at the Big Sandy generating station near Louisa, in Lawrence County, Kentucky. In addition, Kentucky Power owns and operates a fifty percent undivided interest in the coal-fired Mitchell generating station, located approximately ten miles south of Moundsville, West Virginia.<sup>2</sup> Kentucky Power's share of the Mitchell generating station comprises 780 MW. The Company's electric transmission system includes substation capacity of approximately 3,941,000 KVA and approximately 1,326 circuit miles of line, and is interconnected with the systems of neighboring utilities. The Company's electric distribution system includes substation capacity of approximately 1,413,000 KVA and approximately 10,060 circuit miles (including secondary) of above-ground and underground line. Other properties include service buildings, stores buildings, garages, and other structures and equipment.

The net original cost of the property and the cost thereof to the applicant at March 31, 2020<sup>3</sup> was:

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<sup>2</sup> Order, *In the Matter of: Application of Kentucky Power Company for (1) A Certificate of Public Convenience and Necessity Authorizing the Transfer to the Company of an Undivided Fifty Percent Interest in the Mitchell Generating Station and Associated Assets; (2) Approval of the Assumption by Kentucky Power Company of Certain Liabilities in Connection with the Transfer of the Mitchell Generating Station; (3) Declaratory Rulings; (4) Deferral of Costs Incurred in Connection with the Company's Efforts to Meet Federal Clean Air Act Requirements; and (5) All Other Required Approvals and Relief*, Case No. 2012-00578 (Ky. P.S.C. October 7, 2013).

<sup>3</sup>See Section II, Exhibit L for further detail.

**Kentucky Power**  
**Electric Plant in Service and Accumulated Depreciation**  
**At March 31, 2020**

<u><b>Original Cost - Electric Plant in Service</b></u>	
Production Plant	1,226,470,821
Transmission Plant	655,255,905
Distribution Plant	918,740,318
General Plant	55,492,925
Intangible Plant and Other EPIS	47,876,040
<b>Total</b>	<b>2,903,806,009</b>
Less Accumulated Provisions for Depreciation, Depletion and Amortization of Electric Utility Plant	<b>(1,042,447,402)</b>
Net Original Cost	<b>1,861,358,607</b>

7. **Unit Power Agreement:** Kentucky Power is a party to a Unit Power Agreement and is responsible for its contractual share of the costs associated with Rockport Plant Generating Units No. 1 and No. 2 located near Rockport, Indiana. Through the Unit Power Agreement, the Company possesses an additional generating capacity of 393 MW.

B. NOTICES.

8. **Notice of Intent.** Pursuant to 807 KAR 5:001, Section 16(2), Kentucky Power filed its Notice of Intent with the Commission on May 29, 2020. The Notice of Intent was filed at least thirty days prior to the filing of this Application. A copy of the Notice of Intent was mailed and transmitted by e-mail ([rateintervention@ky.gov](mailto:rateintervention@ky.gov)) and United States mail to the Office of the Attorney General, Office of Rate Intervention. A copy of the written notice of intent is provided as Section II, Exhibit H of this Application.

9. **Customer Notices:** The required customer notice was and is being given in compliance with 807 KAR 5:001, Section 17 as follows:

(a) The Customer Notice required by 807 KAR 5:001, Section 17(2) and 807 KAR 5:011, Section 8(2), as modified by the Commission's June 9, 2020 order in these proceedings, will be published once a week for three consecutive weeks in a prominent manner in newspapers of general circulation in Kentucky Power's service area, with the first publication on or before the date this Application is filed with the Commission.<sup>4</sup> Kentucky Power Company on June 22, 2020 filed a request for deviation with respect to the publication of the second and third weekly notices in the Elliot County News and the Licking Valley Courier. Both papers will not publish the week of June 29, 2020. The Company is therefore requesting to publish the second and third weekly notices in those papers approximately one week later than they otherwise would have run.

(b) The Company also is making available on request the full notice required by 807 KAR 5:001, Section 17 and 807 KAR 5:011, Section 8(2). The Customer Notice was first published beginning the week of June 22, 2020. An affidavit verifying the contents of the published notice, that the notice was published, and the dates of publication will be filed in accordance with 807 KAR 5:001, Section 17(3)(b) and 807 KAR 5:011, Section 8(3)(b) within 45 days of the date this Application is submitted to the Commission. The forms of the customer notice required by 807 KAR 5:001, Section 17(2)(b)(3) and 807 KAR 5:011, Section 8(4), as modified by the Commission's June 9, 2020 order in these proceedings, are provided in Section II, Exhibit F of this Application;

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<sup>4</sup> By Order dated June 9, 2020 in this proceeding, the Commission granted Kentucky Power's Application to provide abbreviated newspaper notice of the Company's Application for a rate adjustment in satisfaction of the requirements of 807 KAR 5:001, Section 17(2).

(c) The public postings required by 807 KAR 5:001, Section 17(1)(a) and 807 KAR 5:011, Section 8(1)(a) were posted on or before June 29, 2020 at the following locations:

- (i) Ashland Corporate Office, 1645 Winchester Avenue, Ashland, Kentucky;
- (ii) Cannonsburg (Ashland) Service Center, 12333 Kevin Avenue, Ashland, Kentucky;
- (iii) Hazard Service Center, 1400 E. Main Street, Hazard, Kentucky;  
and
- (iv) Pikeville Service Center, 3249 N. Mayo Trail, Pikeville, Kentucky.

The Company is providing a copy of the Application for public inspection during regular business hours at each of the above locations. The public posting and a copy of the Application will remain available for public inspection in conformity with the requirements of 807 KAR 5:001, Section 17(1)(c) and 807 KAR 5:011, Section 8(1)(c) until the Commission enters a final decision in this matter; and

(d) By posting on its website ([www.kentuckypower.com](http://www.kentuckypower.com)) within five business days of filing this Application the information and hyperlink required by 807 KAR 5:001, Section 17(1)(b) and 807 KAR 5:011, Section 8(1)(b). This information will remain available for public access and inspection in conformity with the requirements of 807 KAR 5:001, Section 17(1)(c) and 807 KAR 5:011, Section 8(1)(c) on Kentucky Power's website until the Commission enters a final decision in this matter.

10. **Notices to the Company:** Pursuant to KRS 278.380, Kentucky Power waives its right for purposes of this proceeding to receive service of the orders of the Commission by mail. The Company supplements and amends its May 29, 2020 Notice of Election To Use Electronic Filing Procedures and requests that electronic copies of all orders, pleadings, and other filings relating to this proceeding be directed to:

- (a) Kentucky Power Company  
[kentucky\\_regulatory\\_services@aep.com](mailto:kentucky_regulatory_services@aep.com)  
[rgradman@aep.com](mailto:rgradman@aep.com)  
[bkwest@aep.com](mailto:bkwest@aep.com)  
[cblend@aep.com](mailto:cblend@aep.com)  
[tswolffram@aep.com](mailto:tswolffram@aep.com)  
[hgarcial@aep.com](mailto:hgarcial@aep.com)
- (b) Stites & Harbison PLLC  
[moverstreet@stites.com](mailto:moverstreet@stites.com)  
[kglass@stites.com](mailto:kglass@stites.com)
- C. THE PROPOSED GENERAL ADJUSTMENT IN EXISTING ELECTRIC RATES AND CHARGES.

11. **Historical Test Year:** The Company's Application for a general adjustment to its existing rates is supported by a twelve-month historical test year period ending March 31, 2020, with certain adjustments for known and measurable changes. 807 KAR 5:001, Section 16(1)(a)(1).

12. **Reasons for the Adjusted Rates:** Kentucky Power's current rates are not fair, just, and reasonable; do not permit the Company to operate successfully, to maintain its financial integrity, to attract capital, or to compensate its investors for the risks assumed; and do not provide the financial resources required to permit Kentucky Power to continue to provide adequate, efficient, and reasonable service throughout its service territory. More specifically, but without limitation, the proposed rates and tariff changes are required:

- (a) To recover annual revenue lost as a result of the decline in the Company's load since February 28, 2017 (the test year used to establish Kentucky Power's current rates).
- (b) To provide an annual return on the Company's incremental rate base.
- (c) To recover increased annual state and federal income tax expenses resulting from the synchronization of the Company's capital cost and structure in the Application with the test period state and federal income tax expense.
- (d) To recover net Federal Energy Regulatory Commission PJM Load-Serving Entity Open Access Transmission Tariff ("OATT") expenses.

(e) To recover adjusted test year fuel and purchase power costs excluded from recovery through the Company's current fuel adjustment clause and not included in the Company's current base rates.

(f) To recover the costs of planned distribution modernization investments, including the Company's proposed AMI deployment.

(g) To recover in full the reasonable expenses Kentucky Power incurs to provide safe and reliable service to its customers.

(h) To maintain the success of the Kentucky Economic Development Surcharge and Home Energy Assistance Program by continuing the Kentucky Economic Development Surcharge, with an equal Company match, and the Home Energy Assistance Program charge, with an equal Company match at their current levels.

13. Kentucky Power proposes to mitigate, in part, the effect of the required increase in its rates and charges as follows:

(a) Kentucky Power will discontinue collection of its Capacity Charge tariff two years early. The tariff otherwise would recover approximately \$6.2 million annually in 2021 and 2022. This proposal is conditioned upon Commission approval of the Company's requested rate increase as filed;

(b) Kentucky Power will utilize a portion of its unprotected excess ADFIT balance to offset all rate increases for the first year that new rates are in effect. If the Commission accepts this proposal, customers will not experience a rate increase until 2022; and

(c) Kentucky Power is proposing a return on equity that is 30 basis points lower than the return supported by Company Witness McKenzie.

14. The proposed rates and charges, even in the absence of the proposed mitigation, are fair, just, and reasonable as required by KRS 278.030(1).

15. **Proposed Tariffs:** The proposed tariffs in a form that complies with 807 KAR 5:011, with an effective date for service rendered on or after December 30, 2020,<sup>5</sup> are filed as Section II, Exhibit D to this Application. 807 KAR 5:001, Section 16(1)(b)(3).

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<sup>5</sup> Kentucky Power files this Application and provides this notice with the expectation the Commission subsequently will suspend pursuant to KRS 278.190 the proposed rates for investigation and in conformity with the stay-out

16. **Proposed Tariff Changes:** The Company's proposed tariff changes, identified in compliance with 807 KAR 5:011, are filed as Section II, Exhibit E to this Application. 807 KAR 5:001, Section 16(1)(b)(4).

17. **Effect of Proposed Adjustments:** As shown on Line 1 of the Summary tab of Section V of the Application, Kentucky Power's test year retail sales revenues total \$532,505,823. The base rates proposed by Kentucky Power are designed to produce an additional \$70,096,743 in annual retail revenues, or an increase of approximately 13.16% above the test year retail sales revenues total of \$532,505,823 shown on Line 1 of the Summary tab of Section V of the Application. (See line 2 of the Summary tab of Section V of the Application). The proposed base rate increase, plus the Company's proposed Grid Modernization Rider increase of \$1,105,046 shown on Line 4 of the Summary tab of Section V of the Application; less the Capacity Charge mitigation of \$6,200,000 shown on Line 3 of the Summary tab of Section V of the Application total to a total proposed revenue amount of \$597,507,612. 807 KAR 5:001, Section 16(4)(d).

(a) The effect of the increase on average or typical electric bills is presented in Section II, Exhibit I. 807 KAR 5:001, Section 16(4)(e).

(b) The analysis showing revenues from present and proposed rates for each customer classification is presented in Section II, Exhibit K. 807 KAR 5:001, Section 16(4)(g).

18. **New and Modified Programs, Policies, and Tariffs.** In connection with this Application, the Company is proposing to implement, without limitation, certain new programs, policies, and tariffs, and to modify existing policies, programs and tariffs by:

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provision approved by the Commission in its January 18, 2018 Order in Case No. 2017-00179. Kentucky Power requests that the Commission conduct its investigation during the suspension period and enter its Order granting the relief requested effective December 30, 2020 (cycle 1 of the January 2021 billing cycle).

- (a) Creating a new Grid Modernization Rider to recover the capital and incremental operation and maintenance expenses associated with projects to modernize the distribution grid or to improve the Company's reliability and resiliency, including the Company's AMI deployment proposed in this case;
- (b) Creating a new Flex Pay tariff (Tariff F.P.) to offer residential customers a voluntary payment program that allows them to prepay their electric service;
- (c) Creating a new Demand Response Service tariff (Rider D.R.S.) to allow customers with the ability to curtail load to take firm service under a standard demand-metered rate schedule;
- (d) Amending the Contract Service - Interruptible Power tariff (C.S.- I.R.P.) to make its language consistent with PJM's Load Management Resource Product - Capacity Performance Demand Response requirement and to remove the special provisions for coal mining customers;
- (e) Closing the existing Net Metering Service tariff to new customers;
- (f) Creating a new Net Metering Service II tariff to provide net metering service to eligible customers consistent with the changes in Kentucky law occasioned by SB 100 in connection with the proposed closure of the Company's current Net Metering Service tariff;
- (g) Amending the Federal Tax Cut tariff to reflect the proposed amortization of portions of the existing unprotected excess ADFIT balance and to explain how the applicable rate will be calculated after 2021;
- (h) Amending the Outdoor Lighting (O.L.) and Street Lighting (S.L.) tariffs to include light-emitting diode ("LED") lighting as a customer option; to provide customers with the option to convert their existing lamps to LEDs; to cease offering High Pressure Sodium, Mercury Vapor, and Metal Halide lamps effective January 1, 2021; and to add a Flexible Lighting provision to the O.L. and S.L. tariffs;
- (i) Adding Electric Vehicle Charging provisions to the Company's Residential Service (R.S.), General Service (G.S.) and Large General Service (L.G.S.) tariffs;
- (j) Closing the Non-Utility Generator tariff to new participants and removing provisions for Commissioning Power Service and Startup Power Service; and
- (k) Updating and revising the Company's terms and conditions of service.

D. COMPLIANCE WITH STATUTORY AND REGULATORY REQUIREMENTS FOR GENERAL RATE ADJUSTMENTS.

The Company provides the following information in further response to the requirements imposed by KRS 278.180, KRS 278.190, KRS 278.2203, KRS 278.2205, 807 KAR 5:001, Section 12, 807 KAR 5:001, Section 16, 807 KAR 5:011, and 807 KAR 5:051:

19. A financial exhibit in the form prescribed by 807 KAR 5:001, Section 12 is filed in Section IV to this Application.

20. A description and quantification of all proposed adjustments, with proper support for any proposed changes as prescribed by 807 KAR 5:001 Section 16(6)(a), is provided in Section V to this Application.

21. The prepared testimony and exhibits of the following witnesses in support of this Application are provided in Section III to this Application:

WITNESS	TOPICS
D. Brett Mattison	Company Organizational Structure and Service Territory; Overview of Case and Company Witnesses; Proposed Rate Increase Mitigation Measures and ROE; and Overview of Customer Service, Economic Development, and Reliability Priorities and Challenges
Cynthia G. Wiseman	Kentucky Power's Investment in Economic Development and Focus on Customer Experience; and Customer Engagement and Education Plan for AMI and Flex Pay Program
Everett G. Phillips	Overview of Kentucky Power Distribution Programs; Annual Distribution Operation and Maintenance ("O&M") Expenses and Capital Investment; Vegetation Management Plan Funding; Kentucky Power's Smart Grid Investments; and Overview of Investments to be Recovered Through the Proposed Grid Modernization Rider
Stephen D. Blankenship	Advanced Metering Infrastructure
Debra L. Osborne	Overview of Kentucky Power Generation Assets; Big Sandy Plant Status; and Generation O&M Expenses

WITNESS	TOPICS
Alex E. Vaughan	Overview of the Relation Between the Company's Base Rates and Its Surcharges and Riders; Rate Design; Tariff Changes; Grid Modernization Rider Revenue Requirement; and Certain Revenue and Operating Expense Adjustments
Brian K. West	Proposed Revenue Requirement; Proposed Year-One Offset to Approved Rates; Grid Modernization Rider Function; Certificate of Public Convenience and Necessity for AMI; Flex Pay Program and Time-of-Day Rates for AMI; Certain Capitalization Adjustments; Certain Revenue and Operating Expense Adjustments; Amortization of Regulatory Assets and Liabilities; and Depreciation
Kimberly K. Kaiser	Employee Compensation Strategy
Lerah M. Scott	Environmental Surcharge Base Revenue Requirement; and Certain Revenue and Operating Expense Adjustments
Scott E. Bishop	Certain Operating Expense Adjustments; and Proposed Changes to Certain Tariffs
Heather M. Whitney	Certain Revenue and Operating Expense Adjustments; Certain Capitalization and Rate Base Adjustments; Rockport Capacity Deferral Amortization; and Grid Modernization Rider Accounting Treatment
Allyson L. Keaton	Calculation of Gross Revenue Conversion Factor; and Tax Effects of Certain Ratemaking Adjustments
Jaclyn N. Cost	Jurisdictional Cost-of-Service Study
Jason M. Stegall	Class Cost-of-Service Study; and Allocation of Requested Increase to Customer Classes
Franz D. Messner	Kentucky Power's Proposed Capital Structure; Cost of Capital for Ratemaking Purposes; and Kentucky Power's Financial Position and Credit Rating
Adrien M. McKenzie	Calculation of a Fair, Just, and Reasonable ROE Range

807 KAR 5:001, Section 16(4)(b).

22. The Company's Cost Allocation Manual is provided in Section II, Exhibit A to the Application. KRS 278.2203; KRS 278.2205.

23. A copy of the statutory notice is provided as Exhibit 1 to this Application. KRS 278.180.

24. The remaining required information provided in support of this Application, and in compliance with the provisions of Chapter 278 of the Kentucky Revised Statutes and the Commission's regulations is provided, or its location in the Application identified, in the Filing Requirements sheets provided in Section II to the Application.

**Application for Approval of Accounting Treatment to Establish  
Regulatory Assets and Liabilities**

25. Kentucky Power's application for a general adjustment of its rates provides for the creation of its Grid Modernization Rider ("Tariff G.M.R.") to recover the costs of projects that will modernize and/or improve the reliability and resiliency of the distribution grid.

26. For Tariff G.M.R. projects, the Company will institute appropriate accounting and cost recording processes to accumulate Tariff G.M.R. revenues and related Tariff G.M.R. project costs. As discussed further in the testimony of Company witnesses provided in Section III to this Application, to avoid any over-recovery or under-recovery as a result of the timing difference between costs incurred for Tariff G.M.R. projects and Tariff G.M.R. revenues, the Company proposes to calculate and record (*i.e.*, defer) the cumulative monthly or other periodic difference between billed Tariff G.M.R. revenues and actual incurred Tariff G.M.R. project costs (plus allowed pre-tax WACC return on Tariff G.M.R. project rate base) as a regulatory asset or regulatory liability. Any resulting over- or under-recovery would be subject to annual reconciliation.

27. Financial Accounting Standards Board Accounting Standards Codification ("FASB Codification" or "ASC") 980-340-25-1 requires utility management to defer and capitalize a current cost (as a regulatory asset) or a current obligation (as a regulatory liability) when in management's judgment the cost is probable of recovery, or the obligation is probable of refund, in future ratemaking proceedings. The FASB ASC Master Glossary defines "probable"

as “the future event or events are likely to occur.” Evidence of probable recovery includes orders from the regulator specifically authorizing deferral of the current cost or current obligation for later review and recovery or refund through rates.

28. The requested order authorizing over/under accounting treatment for annual review and reconciliation through rates would permit Kentucky Power to establish the regulatory assets or liabilities as the case may be.

### **Application for a Certificate of Public Convenience and Necessity**

#### (a) Background

29. Pursuant to KRS 278.020(1) and 807 KRS 5:001, Section 15(2), the Company requests a Certificate of Public Convenience and Necessity (“CPCN”) to replace its existing Automated Meter Reading (“AMR”) meters with Advanced Metering Infrastructure (“AMI”) meters over the four-year period, 2021-2025.

30. The Company currently has 172,233 AMR meters in its service territory, which first were installed in 2005-2006. The Company’s AMR meters have a 10-15 year design life. As the Company’s AMR meters approach or exceed the end of their design life and the instances of AMR meter failures increase, the Company must address the technology employed by its AMR meters, as well as the failure and obsolescence of the meters themselves.

31. The Company’s installed AMR meters are manufactured and supported by a single U.S. manufacturer; the manufacturer is moving away from manufacturing AMR meters. Relying on this single manufacturer to continue to support the Company’s existing AMR infrastructure is neither reasonable nor prudent. Therefore, as discussed further herein and in the testimony of Company’s Witnesses Blankenship and West, the planned replacement of the Company’s existing AMR meters with AMI meters, which have become the industry metering

standard, is the most reasonable and prudent course of action to address the obsolescence and increasing physical failure of the Company's AMR meters.

(b) Statement of Public Convenience and Necessity

32. Kentucky Power increasingly is required to replace and repair its existing AMR meters as they approach and exceed their design life and fail at a growing rate. The replacement meters and parts must be cannibalized from existing retired meters, purchased used from other utilities, or obtained from the single-source manufacturer.

33. The Company's proposed AMI deployment will provide significant benefits to its customers. AMI meters provide comprehensive usage data that allows customers to better monitor and regulate their electric usage. AMI meters also eliminate estimated bills, allow customers to participate in the Company's proposed Flex Pay program, allow the Company to perform service connection and reconnection more quickly to better suit customer needs, and, as currently proposed, eliminate reconnection fees.

34. Further, the Company's proposed AMI deployment will provide significant reliability and operational benefits. Specifically, AMI technology can identify outages more quickly and accurately, identify distribution line transformers that are approaching failure allowing the Company to replace them proactively, and monitor the health of the meters. AMI meters can also support equipment automation, energy efficiency programs, phasing identification, and gathering load information for devices and network systems in order to design future load increases.

35. Given the obsolescence and failure of the Company's existing AMR meters and the significant benefits associated with the Company's proposed AMI deployment, the planned replacement of the Company's existing AMR meters with AMI technology over a four year

period is the most reasonable and prudent course of action to continue to provide safe and reliable service to customers in the Company's service territory.

36. The proposed retirement of the Company's existing AMR meters, and deployment of AMI meters over a four-year period will not result in "an excess of capacity over need." It also will not produce "an excessive investment in relation to productivity or efficiency, ... [nor] an unnecessary multiplicity of physical properties." Finally, the proposed deployment will not result in wasteful duplication.

(c) Permits or Franchises

37. No permits or franchises are required for the proposed AMI meter deployment. 807 KAR 5:001, Section 15(2)(b).

(d) Description of Proposed Location for Construction

38. The proposed AMI deployment will occur throughout the Company's entire service territory. As the Company's proposal is only applicable to the Company's service territory, the proposed AMI deployment will not compete with any other public utilities, corporations, or persons. 807 KAR 5:001, Section 15(2)(c).

(e) Area Map

39. The AMI deployment will occur throughout the Company's entire service area. A map of the Company's service territory throughout which AMI meters will be deployed is included as Exhibit BM-1 to the testimony of Company Witness Mattison. 807 KAR 5:001, Section 15(2)(d)(1).

(f) Plans and Specifications

40. This requirement is not presently applicable. No plans and specifications presently exist as the Company has not selected a vendor for the AMI equipment needed for the

proposed deployment. The vendor will be selected through a competitive bidding process to be conducted after the Commission's approval of the Company's proposed AMI deployment. To the extent required, and as discussed further below, Kentucky Power requests, pursuant to 807 KAR 5:001, Section 22, a deviation from the requirements of 807 KAR 5:001, Section 15(2)(d)(2).

(g) Financing Plans

41. The Company proposes to finance the cost of its proposed AMI deployment, including any incremental O&M expenses, through the Company's proposed Grid Modernization Rider. 807 KAR 5:001, Section 15(2)(e).

(h) Estimated Cost of Operations

42. The total estimated cost of the initial construction for the AMI deployment is approximately \$36,960,260. The estimated annual ongoing costs of operation once deployment is complete is expected to be approximately \$936,282. 807 KAR 5:001, Section 15(2)(f).

**Request For Deviation**

(a) Flex Pay Program

43. 807 KAR 5:006, Section 15(1)(f) requires a utility to mail or otherwise deliver an advance termination notice to customers before terminating their service. The Company is proposing a voluntary program, Flex Pay, that would allow customers to prepay for their electric service. Kentucky Power requests a deviation pursuant to 807 KAR 5:006, Section 28, solely in connection with customers enrolled in its Flex Pay program, from the advance termination requirements of 807 KAR 5:006, Section 15(1)(f). The advance termination requirements of the regulation are inconsistent with a prepay program. Moreover, Flex Pay, is a voluntary program in which customers will receive both more, and more frequent, notices of potential service

termination through their preferred method of electronic communication. Because of these more frequent alternate notifications, the fact that enrollment is voluntary, as well as the nature of any prepay program, good cause exists for granting Kentucky Power a deviation in connection with Flex Pay customers only from the requirements of 807 KAR 5:006, Section 15(1)(f).

44. 807 KAR 5:006, Section 7 specifies the information to be included on a customer's monthly bill. The traditional bill format does not allow for a transactional view of a Flex Pay participant's monthly activity, which is necessary given the multiple transactions that occur on a Flex Pay customer's account each month. Thus, although a Flex Pay customer will receive daily information about their electric usage and costs, some of the information otherwise required to appear on a customer's bill under 807 KAR 5:006, Section 7, specifically taxes and adjustments as identified in Sections 7(1)(a)(8) and (9) of the regulation, would be provided on a daily rather than monthly basis. Further, some of the information required to appear on a customer's monthly bill under 807 KAR 5:006, Section 7, specifically the meter constant, the gross amount of the bill, and the date after which a penalty may apply to the gross amount as identified in Sections (7)(1)(a)(6), (10), and (11) of the regulation, is not applicable to the Flex Pay program and/or will not be included in the customer's monthly bill because of the daily transactions associated with the Flex Pay program. Despite the requested deviations, the Company's proposed Flex Pay customer statement will provide Flex Pay customers with substantially all applicable billing information required by 807 KAR 5:006, Section 7.

45. 807 KAR 5:006, Section 28 authorizes the Commission to grant deviations from the provisions of 807 KAR 5:006 in special cases upon the demonstration of good cause. Authorizing the requested deviations to 807 KAR 5:006, Sections 15(1)(f) and 7, to the extent they are required, permits Kentucky Power to provide customers with the proposed voluntary

prepaid program. Doing so provides customers with additional payment options to suit the individual customer's needs, allows customers to avoid deposits, reconnection fees, and late fees, and gives customers more control over their energy usage and bills. These benefits constitute a special case and good cause for granting the requested variation especially in light of the limited deviations requested herein.

(b) Application for a Certificate of Public Convenience and Necessity

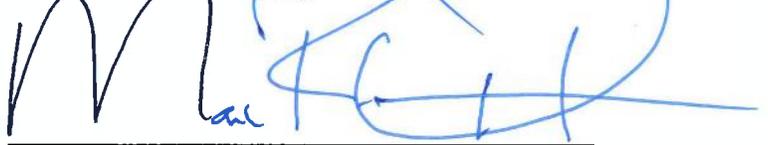
46. 807 KAR 5:001, Section 15(2)(d)(2) requires applicants to provide one copy in portable document format on electronic storage medium and two copies in paper medium of the plans and specifications and drawings of the proposed plant, equipment, and facilities in their applications for certificate of public convenience and necessity. As part of this proceeding, the Company is seeking a certificate of public convenience and necessity for its proposed AMI deployment to replace its existing obsolete AMR meters. The Company has not yet selected a vendor to supply its AMI equipment and thus is unable to provide plans and specifications on the AMI meters it will use in its proposed deployment. The Company plans to select a vendor based on a competitive bidding process conducted after approval of its requested certificate of public convenience and necessity. Doing so will enable Kentucky Power to select an AMI system that meets current industry meter standards while still being flexible enough to accommodate future growth and advancements in technology.

47. The established need for the proposed AMI deployment, in addition to the many customer, reliability, and operational benefits associated with AMI meters, constitutes a special case and good cause for granting the Company's requested deviation from the requirements of 807 KAR 5:001, Section 15(2)(d)(2), to the extent it is required, pursuant to 807 KAR 5:006, Section 28.

WHEREFORE, Kentucky Power Company respectfully requests the Public Service Commission of Kentucky to enter an Order:

1. Approving the requested general adjustment of it rates for electric service;
2. Approving its revised and new tariff sheets submitted as Schedule II, Exhibit D to this Application;
3. Granting accounting treatment authorizing Kentucky Power to defer and create a regulatory asset or liability in connection with the creation of Tariff G.M.R.;
4. Granting a Certificate of Public Convenience and Necessity for the Company's proposed AMI deployment;
5. Granting, to the extent required, deviations from the provisions of 807 KAR 5:006, Section 14(2) and 807 KAR 5:006, Sections 7, 14(2)(a)(1), and 15(1)(f) in connection with Kentucky Power's proposed Flex Pay Tariff and its application for a certificate of public convenience and necessity to deploy AMI; and
6. Granting such further relief to which the Company may be entitled.

Respectfully submitted,



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COUNSEL FOR KENTUCKY POWER  
COMPANY

Exhibit 1

**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 Practices To Establish )	Case No. 2020-00174
Regulatory Assets And Liabilities; (4) Approval Of A )	
Certificate Of Public Convenience And Necessity; )	
And (5) All Other Required Approvals And Relief )	

**STATUTORY NOTICE**

Kentucky Power Company (“Kentucky Power” or the “Company”) informs the Public Service Commission of Kentucky (“Commission”) that it is engaged in business as an electric generation, distribution, and transmission utility. The Company principally provides retail electric service to consumers located in all or part of 20 counties in eastern Kentucky. Kentucky Power also furnishes electric service at wholesale to the City of Vanceburg and the City of Olive Hill.

Pursuant to KRS 278.180 and 807 KAR 5:011, Section 9, and all other applicable provisions, Kentucky Power gives notice to the Commission that on June 29, 2020 it is filing with the Commission: (i) its revised tariff sheets adjusting its base rates and implementing or modifying riders and surcharges effective for service rendered on or after December 30, 2010;<sup>1</sup> and (ii) its Application supporting the proposed new and adjusted base rates, riders, and surcharges. The proposed effective date of the tariffs and rates proposed in the Company’s Application is greater

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<sup>1</sup> Kentucky Power files this Application and provides this notice with the expectation the Commission subsequently will suspend pursuant to KRS 278.190 the proposed rates for investigation and in conformity with the stay-out provision approved by the Commission in its January 18, 2018 Order in Case No. 2017-00179. Kentucky Power requests that the Commission conduct its investigation during the suspension period and enter its Order granting the relief requested effective December 30, 2020 (cycle 1 of the January 2021 billing cycle).

than thirty days from the date of filing. The revised and new tariff sheets, riders, and surcharges are found in Exhibit D to the filing requirements filed in Section II of the Application.

Kentucky Power proposes to adjust its existing base rates, surcharges, riders, and tariffs by substituting the proposed tariff sheets for the corresponding sheets of its existing tariffs.

Kentucky Power is giving notice to the public as required by 807 KAR 5:001, Section 17 807 KAR 5:011, Section 8, and 807 KAR 5:051, as modified by the Commission's June 9, 2020 order in these proceedings, by publishing the Customer Notice once a week for three consecutive weeks in a prominent manner in newspapers of general circulation in Kentucky Power's service area, with the first publication of the notice on or before the date its Application is filed with the Commission.<sup>2</sup> The Company on June 22, 2020 filed a request for deviation with respect to the publication of the second and third weekly notices in the Elliot County News and the Licking Valley Courier. Both papers will not publish the week of June 29, 2020. The Company is therefore requesting to publish the second and third weekly notices in those papers approximately one week later than they otherwise would have run.

Notice also is being given by publicly posting the required Customer Notice at the following locations:

- Ashland Corporate Office: 1645 Winchester Avenue, Ashland, Kentucky;
- Cannonsburg (Ashland) Service Center: 12333 Kevin Avenue, Ashland, Kentucky;
- Hazard Service Center: 1400 E. Main Street, Hazard, Kentucky; and
- Pikeville Service Center: 3249 N. Mayo Trail, Pikeville, Kentucky.

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<sup>2</sup> By Order dated June 9, 2020 in this proceeding, the Commission granted Kentucky Power's Application to provide abbreviated newspaper notice of the Company's Application for a rate adjustment in satisfaction of the requirements of 807 KAR 5:001, Section 17(2).

The public posting and a copy of the Application will remain available for public inspection during regular business hours in conformity with the requirements of 807 KAR 5:001, Section 17(1)(c) and 807 KAR 5:011, Section 8(1)(c) until the Commission enters a final decision in this matter. In addition, within five business days after June 29, 2020, Kentucky Power will post on its website ([www.kentuckypower.com](http://www.kentuckypower.com)) the information and hyperlink required by 807 KAR 5:001, Section 17(1)(b) and 807 KAR 5:011, Section 8(1)(b). This information will remain available on the Company's website for public access and inspection in conformity with the requirements of 807 KAR 5:001, Section 17(1)(c) and 807 KAR 5:011, Section 8(1)(c) until the Commission enters a final decision in this matter.

A proof of compliance with the notice and posting requirements will be filed in accordance with 807 KAR 5:001, Section 17(3) and 807 KAR 5:011, Section 8(3).

Additional information regarding the Company's proposed new and adjusted base rates, riders, and surcharges is contained in the Company's Application filed this same date.

This 29<sup>th</sup> day of June, 2020.

Respectfully submitted,



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COUNSEL FOR KENTUCKY POWER  
COMPANY