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 AND LIABILITIES; AND (5) AN ORDER GRANTING ALL OTHER REQUIRED APPROVALS AND RELIEF

CASE NO.
2017-00179

ORDER

This matter arises on Kentucky Power Company’s (“Kentucky Power”) and Kentucky Industrial Utility Customers, Inc.’s (“KIUC”) respective requests for rehearing of the January 18, 2018 Order that approved a general rate adjustment. In two Orders entered February 27, 2018, the Commission, among other things, granted Kentucky Power’s request for rehearing on the methodology for calculating the tax expense adjustment and the Tariff Purchased Power Adjustment (“P.P.A.”) Forced Outage Expense, and granted KIUC’s request for rehearing on the impact of the Tax Cuts and Jobs Act (“TCJA”) on the Unit Power Agreement for Rockport (Indiana) Plant Generating Units No. 1 and No. 2 (“Rockport UPA”). In response to a concern raised by Kentucky Power regarding KIUC’s request for rehearing, the Commission also agreed to take additional evidence regarding the TCJA impact to the PJM Interconnection, LLC (“PJM”) Transmission Owner Revenue Credit received by Kentucky Power. The Attorney
General, by and through the Office of Rate Intervention ("Attorney General"), was the only intervenor in the underlying proceeding who participated in the rehearing procedural events, which included opportunities to engage in discovery, file testimony, and request either a hearing or that the case be submitted for a decision based on the record.¹

Kentucky Power responded to two rounds of discovery. Kentucky Power and KIUC tendered a non-unanimous settlement agreement ("Settlement") and supporting testimony on April 27, 2018. The Settlement, which is attached as Appendix A to this Order, reflects the agreement of Kentucky Power and KIUC on all issues raised on rehearing. On May 25, 2018, the Attorney General filed comments regarding the Settlement and requested that this matter be submitted for a decision based upon the existing evidentiary record. Also on May 25, 2018, Kentucky Power and KIUC filed respective requests to schedule a hearing on all pending issues. As discussed below, the Commission finds that a formal hearing is not in the public interest because the case record contains sufficient evidence to render a decision, and therefore denies Kentucky Power's and KIUC's motions to schedule a hearing. This matter now stands submitted for a decision based on the existing evidentiary record.

DISCUSSION

Calculation of Kentucky Power's Federal Income Tax Expense Savings

In its January 18, 2018 Order, the Commission reduced Kentucky Power's revenue requirement in the amount of $13,943,890 to reflect a reduction in federal corporate

¹ Intervenors, Kentucky League of Cities, Kentucky Commercial Utility Customers, Inc., Kentucky School Boards Association, Wal-Mart Stores East, LP, Sam's East, Inc., and Kentucky Cable Telecommunications Association did not file response to Kentucky Power's or KIUC's rehearing requests, and did not participate in the rehearing procedural events.
income tax rate from 35 percent to 21 percent pursuant to the TCJA. In its rehearing request and testimony filed in support of that request, Kentucky Power asserted that the Commission erred in the methodology used to calculate the TCJA adjustment, and, as a result, Kentucky Power's revenue requirement was understated by $765,030. Kentucky Power did not dispute the importance of flowing back to its ratepayers the benefits from a reduction in the federal corporate income tax rate. Instead, Kentucky Power argued that the Commission should apply the same methodology in adjusting Kentucky Power's federal income tax expense that Kentucky Power applied for calculating its federal income tax expense in its historic test year in order for the benefits to be accurately applied.

In the Settlement, Kentucky Power and KIUC agreed that Kentucky Power's calculation of federal income tax expense that reflects the effect of the TCJA on Kentucky Power's current federal income tax expense should be approved. Under the terms of the Settlement, Kentucky Power's annual revenue requirement would increase by $765,030. This adjustment increases the annual revenue requirement increase from $12,348,630 that was approved in the January 18, 2018 Order to an annual revenue requirement increase of $13,113,660.

In his comments on the Settlement, the Attorney General disagrees with the Settlement provision that increases Kentucky Power's base rates by $765,030. The Attorney General argues that Kentucky Power customers cannot afford a rate increase. The Attorney General points to Kentucky Power's response to the Attorney General's Rehearing Supplemental Data Request, Item 2(c), which stated that, if the non-unanimous Settlement was approved, the average residential customer's rates would increase by $0.29 per month. The Attorney General further argues that the Commission's
original calculation is reasonable, and, therefore, the Settlement provision adjusting the federal income tax expense savings should be rejected.

**Tariff P.P.A. Forced Outage Expense**

In its rehearing request, Kentucky Power asserted that the Commission improperly excluded Tariff P.P.A. Forced Outage Expense from the base-rate revenue requirement, which removed unrecovered expenses from the cost of service. Kentucky Power argued that the base-rate revenue requirement should be increased by $1,158,285 to recover forced outage expense not otherwise recovered in base rates. In the February 27, 2018 Order granting rehearing, the Commission clarified that the forced outage expense from generator-forced outages currently recovered through the P.P.A. was unaffected by the January 18, 2018 Order, which excluded only the proposed amounts excluded from the fuel adjustment clause ("FAC") through the Purchased Power Limitation. In a related issue, Kentucky Power further asserted that the test-year amount of forced outage expense was removed from the Base Rate Tariff P.P.A. Expense through Adjustment W9, which synchronized Tariff P.P.A expenses and revenues. The Base Rate Tariff P.P.A. Expense is the amount to which actual expense is compared in calculating the annual P.P.A. adjustment factor. However, as the Commission noted in the February 27, 2018 Order, Adjustment W9 actually increased test-year expenses by $372,542.

In the Settlement, Kentucky Power and KIUC agreed to withdraw Kentucky Power’s claim to add $1,158,285 to the test-year Forced Outage Expense to base rates, predicated upon the Commission’s confirmation that Forced Outage Expense recoverable through Tariff P.P.A. was unaffected by the January 18, 2018 Order. Kentucky Power and KIUC further agreed to update Kentucky Power’s Base Rate Tariff
P.P.A. Expense by $372,542 to account for the miscalculation in the synchronization of test-year Tariff P.P.A. expenses and revenues.

In his comments on the Settlement, the Attorney General supported the Settlement provision withdrawing Kentucky Power’s claim to add $1,158,285 in test-year Forced Outage Expense to base rates. The Attorney General stated that the Settlement term that increases the Base Rate Tariff P.P.A. Expense by $372,542 benefits ratepayers, and therefore he supports this Settlement provision.

Rockport UPA and PJM Transmission Owner Revenue Credit

In its rehearing request, KIUC sought to reduce Kentucky Power’s base-rate revenue requirement by $1.31 million to reflect decreases in the federal corporate income tax expense associated with the Rockport UPA. KIUC argued that the Rockport UPA formula rate included recovery of federal corporate income tax expense, and thus should be adjusted to reflect the actual tax expense at 21 percent under the TCJA, rather than the previous federal corporate income tax rate of 35 percent. KIUC argued that the same ratemaking principle for reducing the federal income tax expense in Kentucky Power’s base rates should be applied to the Rockport UPA tax expense, which was not adjusted to reflect the impact of the lower federal corporate income tax rate.

Kentucky Power opposed granting rehearing on the Rockport UPA tax expense. Kentucky Power argued that a counterparty to the Rockport UPA bears the actual tax expense, and thus rehearing on this matter is outside the scope of investigating the reasonableness of Kentucky Power’s own tax expenses. Kentucky Power further argued that, if an adjustment was made to the Rockport UPA tax expense, then it would be arbitrary, unjust, and unreasonable if the Commission did not evaluate all measurable
impacts on Kentucky Power’s cost of service that resulted from the reduced tax rate. In particular, Kentucky Power argued that the PJM Transmission Owner Revenue Credit, which is embedded in base rates, should be adjusted. According to Kentucky Power, an adjustment to the PJM Transmission Owner Revenue Credit would result in a $4,670,302 increase in base rates. The effect of the TCJA on both the Rockport UPA tax expense and the PJM Transmission Owner Revenue Credit would result in a $3,360,907 net increase in base rates.

In the Settlement, Kentucky Power and KIUC agreed that KIUC would withdraw its request for rehearing regarding the effect of the TCJA on Kentucky Power’s Rockport UPA expense. Kentucky Power and KIUC further agreed that Kentucky Power would withdraw its claims regarding the effect of the TCJA on the PJM Transmission Owner Revenue Credit embedded in base rates.

In his comments on the Settlement, the Attorney General supported the provision of the non-unanimous Settlement that withdrew both KIUC’s request for rehearing on the effect of the TCJA on the Rockport UPA and Kentucky Power’s claim regarding the PJM Transmission Owner Revenue Credit. The Attorney General questioned whether the PJM Transmission Owner Revenue Credit was properly before the Commission because the issue was raised in Kentucky Power’s response to KIUC’s request for rehearing and not in Kentucky Power’s own motion for rehearing. Nonetheless, the Attorney General supported this Settlement provision given that Kentucky Power withdrew its request for a $3,360,907 net increase in base rates.
Allocation

In the Settlement, Kentucky Power and KIUC agreed that the $765,030 increase to Kentucky Power's annual revenue requirement should be allocated among customer classes in the same manner provided for in Exhibit 1 to the previous non-unanimous settlement agreement filed on November 22, 2017.

In his comments on the Settlement, the Attorney General did not address a proposed allocation for the $765,030 increase. As noted above, the Attorney General expressed his opposition to the proposed $765,030 increase.

FINDINGS

Settlement Agreement

The Commission is not bound to the terms of a proposed settlement, and, especially where there is a non-unanimous settlement, the proffer of a settlement does not shift the burden of proof to an intervenor who is not a party to the settlement.2 Here, Kentucky Power is the applicant and it has the burden of proof. The Attorney General, although opposing the Settlement provision regarding the federal tax expense adjustment, otherwise supported the Settlement provisions regarding the Tariff P.P.A. Forced Outage Expense, Rockport UPA, and PJM Transmission Owner Revenue Credit. The Attorney General also, despite his objection to the federal tax expense adjustment, stated that the case on rehearing could be submitted on the record without an evidentiary hearing.3 None of the other intervenors filed comments on the Settlement or requested a hearing.

3 See, Attorney General's Final Comments on Rehearing (filed May 25, 2018) at 3.
Based upon a review of all the provisions in the Settlement, Kentucky Power's testimony in support of rehearing and in support of the Settlement, the Attorney General's comments, an examination of the entire record, and being otherwise sufficiently advised, the Commission finds that the provisions of the Settlement are supported by substantial evidence, in the public interest and should be approved, subject to the modifications discussed below. Our approval of the Settlement, as modified, is based solely on its reasonableness and does not constitute precedent on any issue, except as specifically provided for in this Order.

Calculation of Kentucky Power's Federal Income Tax Expense Savings

Based upon the case record and being otherwise sufficiently advised, the Commission finds that the calculation utilized in the January 18, 2018 Order for determining Kentucky Power's TCJA tax expense savings did not fully account for all impacts of the tax rate reduction in Kentucky Power's test-year cost of service. The Commission further finds that Kentucky Power satisfied its burden of proof that the TCJA tax expense adjustment contained in the January 18, 2018 Order was incorrect, resulting in the revenue requirement being understated. Thus, Kentucky Power's proposed $765,030 adjustment to increase its annual revenue requirement should be accepted.

The Attorney General concludes that the proposed adjustment should be denied based upon affordability to ratepayers. While the Commission recognizes the financial difficulties faced by many of Kentucky Power's customers, Kentucky Power has the right to charge rates that recover all reasonable expenses, including the proper calculation of tax expenses. As a result of this $765,030 revenue requirement increase, the average bill impact on residential customers is an increase of $0.34 per month. In an Order issued
today in Case No. 2018-00035, the Commission approved a bill credit that refunds excess deferred federal income taxes to ratepayers. For 2018, the net average bill impact on residential customers from the two Orders will decrease monthly bills by $5.90.

The Attorney General also concludes that the tax expense calculation contained in the January 18, 2018 Order is reasonable. KRS 278.030(1) provides that a utility may "collect and receive fair, just and reasonable rates for the services rendered." In his response to Kentucky Power's rehearing request, the Attorney General quoted case law that, in interpreting the fair, just, and reasonable standard stated, "it is the result reached rather than the method employed which is control." Based upon the evidence of record, the discrepancy between the TCJA tax expense adjustment in the January 18, 2018 Order and the TCJA tax expense adjustment proposed by Kentucky Power on rehearing and in the Settlement was not the result of a different methodology. Rather, an inadvertent error resulted in a miscalculation of the tax expense adjustment. The Commission finds that it would be unreasonable to fail to correct an inadvertent error that overstated the impact of the TCJA tax expense adjustment on Kentucky Power's revenue requirement. The Commission further finds that an increase in base-rate revenues of $765,030 will result in fair, just, and reasonable electric rates for Kentucky Power and its ratepayers.

4 Case No. 2018-00035, Kentucky Industrial Utility Customers, Inc. V. Kentucky Power Company (Ky. PSC June 29, 2018).

Tariff P.P.A. Forced Outage Expense

The Commission finds that the non-unanimous Settlement provision proposed by Kentucky Power and KIUC to withdraw Kentucky Power's request to increase base rates by $1,158,285 and to increase the Base Rate Tariff P.P.A. Expense by $372,542 is reasonable. The Commission notes that the Attorney General supports this Settlement provision as reasonable. As discussed in the Attorney General's comments on the Settlement, increasing the Base Rate Tariff P.P.A. Expense by $372,542 benefits ratepayers because it offsets the amount recovered by Tariff P.P.A. Rider when new rates are set in October 2018.

Rockport UPA and PJM Transmission Owner Revenue Credit

The Commission finds that the non-unanimous Settlement provision proposed by Kentucky Power and KIUC to withdraw their respective claims regarding the impact of the TCJA on the Rockport UPA and PJM Transmission Owner Revenue Credit is reasonable. The Commission notes that the Attorney General supports this Settlement provision as reasonable.

Allocation of Increase

The Commission finds that the non-unanimous Settlement provision proposed by Kentucky Power and KIUC to allocate the $765,030 base rate increase, based on the TCJA tax expense adjustment, to each customer class in accordance with the allocation methodology set forth in a previous non-unanimous settlement agreement filed on November 22, 2017, is unreasonable. The Attorney General was silent on the issue of allocation of any base-rate increase.
In the January 18, 2018 Order, the Commission modified the November 22, 2017, settlement allocation by allocating the reduction of Kentucky Power’s revenue increase to the energy charges of customer classes for which revenue increases were proposed. For this reason, the Commission finds that the allocation of the $765,030 increase should be based on the revenue allocation of the rates set forth in the Commission’s January 18, 2018 Order.

IT IS THEREFORE ORDERED that:

1. Kentucky Power’s request for a hearing is denied.
2. KIUC’s request for a hearing is denied.
3. The provisions in the Settlement, as set forth in Appendix A to this Order, are approved subject to the modification of the Settlement provision 1(c) regarding the allocation of the increase to Kentucky Power’s revenue requirement as set forth in this Order.
4. The Order of January 18, 2018, as modified by our February 27, 2018 Order, is amended to reflect the modifications discussed in this Order.
5. The rates and charges for Kentucky Power, as set forth in Appendix C to this Order, are the fair, just, and reasonable rates for Kentucky and these rates are approved for service rendered on and after the date of entry of this Order.
6. All other provisions of the Commission’s January 18, 2018 Order, as modified by the February 27, 2018 Order, shall remain in full force and effect.
7. Within 20 days of the date of entry of this Order, Kentucky Power shall file with this Commission, using the Commission’s electronic Tariff Filing System, revised
tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

8. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
JUN 28 2018
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

[Signature]
Executive Director

Case No. 2017-00179
APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JUN 28 2018
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

SETTLEMENT AGREEMENT

This Settlement Agreement, is made and entered into this 25th day of April, 2018, by and among Kentucky Power Company ("Kentucky Power" or "Company") and Kentucky Industrial Utility Customers, Inc. ("KIUC") (collectively Kentucky Power and KIUC are "Settling Parties").

RECITALS

1. On June 28, 2017 Kentucky Power filed an application pursuant to KRS 278.190, KRS 278.183, and the rules and regulations of the Public Service Commission of Kentucky ("Commission"), seeking an annual increase in retail electric rates and charges, seeking approval of its 2017 Environmental Compliance Plan, an order approving accounting practices to establish regulatory assets or liabilities, and further seeking authority to implement or amend certain tariffs ("Application"). Kentucky Power updated the Application on August 7, 2017 to reflect the impact of refinancing activities on the Application.

2. KIUC, Kentucky School Boards Association ("KSBA"); Kentucky League of Cities ("KLC"); the Attorney General of the Commonwealth of Kentucky ("Attorney General");
Kentucky Commercial Utility Customers, Inc. ("KCUC"); Wal-Mart Stores East, LP and Sam’s East, Inc. ("Wal-Mart"); and Kentucky Cable Telecommunications Association ("KCTA") filed motions for full intervention in Case No. 2017-00179. The Commission granted the intervention motions.

3. On November 22, 2017, Kentucky Power filed a non-unanimous settlement agreement with KIUC, KSBA, KLC, Wal-Mart, and KCTA ("November 22 Settlement Agreement") with the Commission. Kentucky Power filed an updated and amended agreement with the Commission on November 30, 2017. The Attorney General and KCUC were not parties to the November 22 Settlement Agreement.

4. An evidentiary hearing was held from December 6 through December 8, 2017 at the Commission to present evidence relating to Kentucky Power’s Application and the amended November 22 Settlement Agreement.

5. On January 18, 2018, the Commission issued an order in this case establishing rates for the Company ("January 18, 2018 Order"). The January 18, 2018 Order included an adjustment to the Company’s revenue requirement to address the tax expense savings resulting from the reduction in the federal corporate income tax rate from 35 to 21 percent in the Tax Cuts and Jobs Act ("Tax Act").

6. On February 7, 2018, Kentucky Power filed a Motion for Partial Rehearing seeking rehearing on portions of the January 18, 2018 Order relating to (1) the calculation of the change in the tax expense relating to the Tax Act; (2) the treatment of certain of the Company’s proposed changes to Tariff P.P.A.; (3) the recovery of the Rockport Deferral Regulatory Asset; and (4) the Company’s accounts receivable financing ("Kentucky Power’s Motion for Rehearing").
7. Also on February 7, 2018, KIUC filed a Motion for Rehearing seeking a further reduction in the Company’s revenue requirement to address the effect of the Tax Act on the Company’s expense under the Rockport Unit Power Agreement ("KIUC’s Motion for Rehearing"). No other party sought rehearing.

8. On February 12, 2018, KIUC filed a response to Kentucky Power’s Motion for Rehearing. It its response, KIUC asserted that Kentucky Power’s proposed tax expense savings calculation was more consistent with the Company’s rate case filing and that the Company’s test year Forced Outage Expense should be included in base rates.

9. On February 14, 2018, Kentucky Power filed a response to KIUC’s Motion for Rehearing arguing that the Commission should not address the effect of the Tax Act on third parties, but that if it does, it must look at all of the effects including that the Tax Act would reduce the Company’s transmission owner revenue credit included in base rates. The Attorney General filed a response to both KIUC’s Motion for Rehearing and Kentucky Power’s Motion for Rehearing.

10. On February 27, 2018, the Commission issued orders on rehearing narrowing the remaining issues. The Commission granted KIUC’s Motion for Rehearing and granted in part and denied in part Kentucky Power’s Motion for Rehearing. As a result of the Commission’s February 27, 2018 orders, the remaining issues from Kentucky Motion for Rehearing are (1) the calculation of tax expense savings arising from the Tax Act and (2) the proper amount of Forced Outage Expense to be included base rates.

11. On April 17, 2018, a telephonic informal settlement conference was held among all of the parties to this case.
12. The Settling Parties execute this Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for approval pursuant to KRS 278.190 and KRS 278.183 and for further approval by the Commission of the rate increase, rate structure, and tariffs as described herein.

13. This Settlement Agreement provides for fair, just, and reasonable rates.

NOW, THEREFORE, for and in consideration of the mutual promises set forth above, and the agreements and covenants set forth herein, Kentucky Power and the Settling Parties hereby agree as follows:

**AGREEMENT**

1. Kentucky Power’s Motion for Rehearing

   Kentucky Power and KIUC agree as follows with regard to the remaining issues in Kentucky Power’s Motion for Rehearing:

   (a) Kentucky Power’s calculation of tax expense savings arising from the Tax Act shall be approved. This will increase the Company’s base rate adjustment by $765,030;

   (b) Kentucky Power and KIUC acknowledge the Commission’s statement in its February 27, 2018 Order on rehearing that the Commission’s January 18, 2018 Order in this matter did not reverse “any prior decision to allow recovery of Forced Outage Expense through the P.P.A. Forced Outage Expense currently recovered through the P.P.A. is unaffected by the January 18, 2018 Order.”¹ As a result of the Commission’s confirmation in its February 27, 2018 Order on Kentucky Power’s Motion for Rehearing, Kentucky Power withdraws its claim to add $1,158,285 in test-year Forced Outage Expense to base rates. Kentucky Power shall update its Base Rate Tariff P.P.A. Expense (the amount to which actual expense will be compared in

¹ Commission Order on Rehearing at 4 (Ky. P.S.C. February 27, 2018).
calculating the annual purchase power adjustment factor) to $74,453,085 to account for a miscalculation in the synchronization of test-year Tariff PPA expenses and revenues; and

(c) Increases to the Company’s revenue requirement arising from Kentucky Power’s Motion for Rehearing will be allocated among customer classes in the same manner set forth in the “Settlement Base Rate Increase” Column (Column a) of Exhibit 1 to the November 22 Settlement Agreement.

2. KIUC’s Motion for Rehearing

Kentucky Power and KIUC agree as follows with regard to the remaining issues in KIUC’s Motion for Rehearing:

(a) KIUC withdraws its Motion for Rehearing regarding the effect of the Tax Act on the Company’s Rockport UPA expense; and

(b) Kentucky Power withdraws its claims regarding the effect of Tax Act on other third-party expenses and revenues including the effects of the Tax Act on the Company’s transmission owner revenue credit embedded in base rates.

3. Good Faith And Best Efforts To Seek Approval

(a) This Settlement Agreement is subject to approval by the Public Service Commission.

(b) Kentucky Power and the Settling Parties shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be approved in its entirety and without modification and that the rates and charges set forth herein be implemented.

(c) For purposes of any hearing, the Settling Parties and Kentucky Power waive all cross-examination of the other Settling Parties’ witnesses except for purposes of supporting this Settlement Agreement unless the Commission disapproves this Settlement Agreement. Each of the Settling Parties further stipulates that the filings made in this case be admitted into the record.
(d) The Settling Parties further agree to support the reasonableness of this Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission’s adoption or enforcement of this Settlement Agreement.

(e) No party to this Settlement Agreement shall challenge any Order of the Commission approving the Settlement Agreement in its entirety and without modification.

4. Failure Of Commission To Approve Settlement Agreement

If the Commission does not accept and approve this Settlement Agreement in its entirety, then any adversely affected party may withdraw from the Stipulation within the statutory periods provided for rehearing and appeal of the Commission’s order by (1) giving notice of withdrawal to all other parties and (2) timely filing for rehearing or appeal. Upon the latter of (1) the expiration of the statutory periods provided for rehearing and appeal of the Commission’s order and (2) the conclusion of all rehearings and appeals, all parties that have not withdrawn will continue to be bound by the terms of the Stipulation as modified by the Commission’s order.

5. Continuing Commission Jurisdiction

This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

6. Effect of Settlement Agreement

This Settlement Agreement shall inure to the benefit of, and be binding upon, the parties to this Settlement Agreement, their successors, and assigns.

7. Complete Agreement

This Settlement Agreement constitutes the complete agreement and understanding among the parties to this Settlement Agreement, and any and all oral statements, representations, or agreements. Any and all such oral statements, representations, or agreements made prior hereto
or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

8. **Independent Analysis**

   The terms of this Settlement Agreement are based upon the independent analysis of the parties to this Settlement Agreement, are the product of compromise and negotiation, and reflect a fair, just, and reasonable resolution of the issues herein. Notwithstanding anything contained in this Settlement Agreement, Kentucky Power and the Settling Parties recognize and agree that the effects, if any, of any future events upon the income of Kentucky Power are unknown and this Settlement Agreement shall be implemented as written.

9. **Settlement Agreement And Negotiations Are Not An Admission**

   (a) This Settlement Agreement shall not be deemed to constitute an admission by any party to this Settlement Agreement that any computation, formula, allegation, assertion, or contention made by any other party in these proceedings is true or valid. Nothing in this Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of the Settling Parties.

   (b) Neither the terms of this Settlement Agreement nor any statements made or matters raised during the settlement negotiations shall be admissible in any proceeding, or binding on any of the parties to this Settlement Agreement, or be construed against any of the parties to this Settlement Agreement, except that in the event of litigation or proceedings involving the approval, implementation or enforcement of this Agreement, the terms of this Settlement Agreement shall be admissible. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.
10. **Consultation With Counsel**

   The parties to this Settlement Agreement warrant that they have informed, advised, and consulted with their respective counsel with regard to the contents and significance of this Settlement Agreement and are relying upon such advice in entering into this agreement.

11. **Authority To Bind**

   Each of the signatories to this Settlement Agreement hereby warrant they are authorized to sign this agreement upon behalf of, and bind, their respective parties.

12. **Construction Of Agreement**

   This Settlement Agreement is a product of negotiation among all parties to this Settlement Agreement, and no provision of this Settlement Agreement shall be construed in favor of or against any party hereto. This Settlement Agreement is submitted for purposes of this case only and is not to be deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kentucky Power or any other utility.

13. **Counterparts**

   This Settlement Agreement may be executed in multiple counterparts.

14. **Future Rate Proceedings**

   Nothing in this Settlement Agreement shall preclude, prevent, or prejudice any party to this Settlement Agreement from raising any argument or issue, or challenging any adjustment, in any future rate proceeding of Kentucky Power.

   IN WITNESS WHEREOF, this Settlement Agreement has been agreed to as of this 25th day of April 2018.
KENTUCKY POWER COMPANY

By: [Signature]

Its: Counsel
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

By: [Signature]

Its: Attorney
VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director, Regulatory & Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Ranie K. Wohnhas

Commonwealth of Kentucky )
County of Boyd )
Case No. 2017-00179

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this 27th day of April, 2018.

Trisha M. Young Blum
Notary Public

My Commission Expires 3-18-19
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Average Bill

1300 kWh
APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00179 DATED JUN 28 2018

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

TARIFF R.S.
RESIDENTIAL SERVICE

Service Charge per month $ 14.00
Energy Charge per kWh $ .09684
Storage Water Heating Provision - Per kWh $ .06086
Load Management Water Heating Provision - Per kWh $ .06086

Home Energy Assistance Program Charge
Per meter per month $ .30

TARIFF R.S.-L.M.-T.O.D.
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME-OF-DAY

Service Charge per month $ 16.00
Energy Charge per kWh:
  All kWh used during on-peak billing period $ .14378
  All kWh used during off-peak billing period $ .06086
Separate Metering Provision Per Month $ 3.75

Home Energy Assistance Program Charge
Per meter per month $ .30

TARIFF R.S.-T.O.D.
RESIDENTIAL SERVICE TIME-OF-DAY

Service Charge per month $ 16.00
Energy Charge per kWh:
  All kWh used during on-peak billing period $ .14424
  All kWh used during off-peak billing period $ .06086

Home Energy Assistance Program Charge
Per meter per month $ .30

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## EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-DAY 2

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge (per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge per month</td>
<td>$16.00</td>
</tr>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>All kWh used during summer on-peak billing period</td>
<td>$0.17879</td>
</tr>
<tr>
<td>All kWh used during winter on-peak billing period</td>
<td>$0.15382</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$0.08115</td>
</tr>
</tbody>
</table>

#### Home Energy Assistance Program Charge
- Per meter per month: $0.30

## RESIDENTIAL DEMAND-METERED ELECTRIC SERVICE

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge (per kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge per month</td>
<td>$17.50</td>
</tr>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>All kWh used during on-peak billing period</td>
<td>$0.09764</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$0.07048</td>
</tr>
<tr>
<td>Demand Charge per kW</td>
<td>$4.02</td>
</tr>
</tbody>
</table>

#### Home Energy Assistance Program Charge
- Per meter per month: $0.30

## GENERAL SERVICE

#### Secondary Service:
- Service Charge per month: $22.50
- Energy Charge per kWh:
  - Phase 1
    - First 4,450 kWh per month: $0.10217
    - Over 4,450 kWh per month: $0.10207
  - Phase 2
    - First 4,450 kWh per month: $0.09826
    - Over 4,450 kWh per month: $0.09817

#### Demand Charge per kW greater than 10 kW:
- Phase 1: $4.00
- Phase 2: $6.00

#### Primary Service:
- Service Charge per month: $75.00
- Energy Charge per kWh:
  - First 4,450 kWh per month: $0.08636
  - Over 4,450 kWh per month: $0.08666
- Demand Charge per kW greater than 10 kW: $7.18
### Sub-transmission Service:

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$364.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>First 4,450 kWh per month</td>
<td>$0.07822</td>
</tr>
<tr>
<td>Over 4,450 kWh per month</td>
<td>$0.07855</td>
</tr>
<tr>
<td>Demand Charge per kW greater than 10 kW</td>
<td>$5.74</td>
</tr>
</tbody>
</table>

### TARIFF G.S.

#### GENERAL SERVICE

#### RECREATIONAL LIGHTING SERVICE PROVISION

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$22.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh</td>
<td>$0.09992</td>
</tr>
</tbody>
</table>

### TARIFF G.S.

#### GENERAL SERVICE

#### LOAD MANAGEMENT TIME-OF-DAY PROVISION

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$22.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>All kWh used during on-peak billing period</td>
<td>$0.14494</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$0.06086</td>
</tr>
</tbody>
</table>

### TARIFF G.S.

#### GENERAL SERVICE

#### OPTIONAL UNMETERED SERVICE PROVISION

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$14.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>Phase 1</td>
<td></td>
</tr>
<tr>
<td>First 4,450 kWh per month</td>
<td>$0.10217</td>
</tr>
<tr>
<td>Over 4,450 kWh per month</td>
<td>$0.10207</td>
</tr>
<tr>
<td>Phase 2</td>
<td></td>
</tr>
<tr>
<td>First 4,450 kWh per month</td>
<td>$0.09826</td>
</tr>
<tr>
<td>Over 4,450 kWh per month</td>
<td>$0.09817</td>
</tr>
</tbody>
</table>

### TARIFF S.G.S.-T.O.D.

#### SMALL GENERAL SERVICE TIME-OF-DAY

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$22.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>All kWh used during summer on-peak billing period</td>
<td>$0.17112</td>
</tr>
<tr>
<td>All kWh used during winter on-peak billing period</td>
<td>$0.14438</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$0.07545</td>
</tr>
</tbody>
</table>
**TARIFF M.G.S.-T.O.D.**
**MEDIUM GENERAL SERVICE TIME-OF-DAY**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 22.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
<td></td>
</tr>
<tr>
<td>All kWh used during on-peak billing period</td>
<td>$ .16762</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$ .06086</td>
</tr>
</tbody>
</table>

**TARIFF L.G.S.**
**LARGE GENERAL SERVICE**

**Secondary Service Voltage:**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 85.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh</td>
<td>$ .07727</td>
</tr>
<tr>
<td>Demand Charge per kW</td>
<td>$ 7.97</td>
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</tbody>
</table>

**Primary Service Voltage:**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 127.50</th>
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</thead>
<tbody>
<tr>
<td>Energy Charge per kWh</td>
<td>$ .06727</td>
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<tr>
<td>Demand Charge per kW</td>
<td>$ 7.18</td>
</tr>
</tbody>
</table>

**Sub-transmission Service Voltage:**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 660.00</th>
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</thead>
<tbody>
<tr>
<td>Energy Charge per kWh</td>
<td>$ .05127</td>
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<tr>
<td>Demand Charge per kW</td>
<td>$ 5.74</td>
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</table>

**Transmission Service Voltage:**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 660.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh</td>
<td>$ .05013</td>
</tr>
<tr>
<td>Demand Charge per kW</td>
<td>$ 5.60</td>
</tr>
</tbody>
</table>

**All Service Voltages:**

| Excess Reactive Charge per KVA | $ 3.46 |

**TARIFF L.G.S.**
**LARGE GENERAL SERVICE**
**LOAD MANAGEMENT TIME-OF-DAY PROVISION**

<table>
<thead>
<tr>
<th>Service Charge per month</th>
<th>$ 85.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Charge per kWh:</td>
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</tr>
<tr>
<td>All kWh used during on-peak billing period</td>
<td>$ .14085</td>
</tr>
<tr>
<td>All kWh used during off-peak billing period</td>
<td>$ .06097</td>
</tr>
</tbody>
</table>
## TARIFF L.G.S. – T.O.D.
### LARGE GENERAL SERVICE TIME-OF-DAY

**Secondary Service Voltage:**
- Service Charge per month: $85.00
- Energy Charge:
  - On-Peak Energy Charge per kWh: $0.09690
  - Off-Peak Energy Charge per kWh: $0.04140
- Demand Charge per kW: $10.87

**Primary Service Voltage:**
- Service Charge per month: $127.50
- Energy Charge:
  - On-Peak Energy Charge per kWh: $0.09319
  - Off-Peak Energy Charge per kWh: $0.04019
- Demand Charge per kW: $7.84

**Sub-transmission Service Voltage:**
- Service Charge per month: $660.00
- Energy Charge:
  - On-Peak Energy Charge per kWh: $0.09195
  - Off-Peak Energy Charge per kWh: $0.03978
- Demand Charge per kW: $1.52

**Transmission Service Voltage:**
- Service Charge per month: $660.00
- Energy Charge:
  - On-Peak Energy Charge per kWh: $0.09068
  - Off-Peak Energy Charge per kWh: $0.03936
- Demand Charge per kW: $1.49

**All Service Voltages:**
- Excess Reactive Charge per KVA: $3.46

### TARIFF I.G.S.
#### INDUSTRIAL GENERAL SERVICE

**Secondary Service Voltage:**
- Service Charge per month: $276.00
- Energy Charge per kWh: $0.02934
- Demand Charge per kW:
  - Of Monthly On-Peak Billing Demand: $24.13
  - Of Monthly Off-Peak Billing Demand: $1.60

**Primary Service Voltage:**
- Service Charge per month: $276.00
Energy Charge per kWh $ .02819
Demand Charge per kW
Of Monthly On-Peak Billing Demand $ 20.57
Of Monthly Off-Peak Billing Demand $ 1.55

Sub-transmission Service Voltage:
Service Charge per month $ 794.00
Energy Charge per kWh $ .02770
Demand Charge per kW
Of Monthly On-Peak Billing Demand $ 13.69
Of Monthly Off-Peak Billing Demand $ 1.51

Transmission Service Voltage:
Service Charge per month $1,353.00
Energy Charge per kWh $ .02731
Demand Charge per kW
Of Monthly On-Peak Billing Demand $ 13.26
Of Monthly Off-Peak Billing Demand $ 1.49

All Service Voltages:
Reactive demand charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the kW of monthly metered demand is $.69 per KVAR.

Minimum Demand Charge
The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates per kW:

Secondary $ 25.83
Primary $ 22.21
Sub-transmission $ 15.30
Transmission $ 14.86

TARIFF M.W.
MUNICIPAL WATERWORKS

Service Charge per month $ 22.90
Energy Charge - All kWh per kWh $ .09141

Subject to a minimum monthly charge equal to the sum of the service charge plus $8.89 per kW as determined from customer’s total connected load.
## OVERHEAD LIGHTING SERVICE

<table>
<thead>
<tr>
<th>High-Pressure Sodium per Lamp:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Watts (9,500 Lumens)</td>
<td>$ 8.51</td>
</tr>
<tr>
<td>150 Watts (16,000 Lumens)</td>
<td>$ 9.31</td>
</tr>
<tr>
<td>200 Watts (22,000 Lumens)</td>
<td>$ 10.90</td>
</tr>
<tr>
<td>250 Watts (28,000 Lumens)</td>
<td>$ 15.04</td>
</tr>
<tr>
<td>400 Watts (50,000 Lumens)</td>
<td>$ 16.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mercury Vapor per Lamp:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>175 Watts (7,000 Lumens)</td>
<td>$ 9.04</td>
</tr>
<tr>
<td>400 Watts (20,000 Lumens)</td>
<td>$ 14.64</td>
</tr>
</tbody>
</table>

## POST-TOP LIGHTING SERVICE

<table>
<thead>
<tr>
<th>High-Pressure Sodium per Lamp:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>100 Watts (9,500 Lumens)</td>
<td>$ 14.05</td>
</tr>
<tr>
<td>150 Watts (16,000 Lumens)</td>
<td>$ 23.30</td>
</tr>
<tr>
<td>100 Watts Shoe Box (9,500 Lumens)</td>
<td>$ 29.50</td>
</tr>
<tr>
<td>250 Watts Shoe Box (28,000 Lumens)</td>
<td>$ 24.99</td>
</tr>
<tr>
<td>400 Watts Shoe Box (50,000 Lumens)</td>
<td>$ 36.16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mercury Vapor per Lamp:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>175 Watts (7,000 Lumens)</td>
<td>$ 10.59</td>
</tr>
</tbody>
</table>

## FLOOD LIGHTING SERVICE

<table>
<thead>
<tr>
<th>High-Pressure Sodium per Lamp:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>200 Watts (22,000 Lumens)</td>
<td>$ 13.10</td>
</tr>
<tr>
<td>400 Watts (50,000 Lumens)</td>
<td>$ 17.06</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metal Halide</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>250 Watts (20,500 Lumens)</td>
<td>$ 15.27</td>
</tr>
<tr>
<td>400 Watts (36,000 Lumens)</td>
<td>$ 18.39</td>
</tr>
<tr>
<td>1,000 Watts (110,000 Lumens)</td>
<td>$ 30.94</td>
</tr>
<tr>
<td>250 Watts Mongoose (19,000 Lumens)</td>
<td>$ 20.57</td>
</tr>
<tr>
<td>400 Watts Mongoose (40,000 Lumens)</td>
<td>$ 23.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Month:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood Pole</td>
<td>$ 3.40</td>
</tr>
<tr>
<td>Overhead Wire Span not over 150 Feet</td>
<td>$ 2.00</td>
</tr>
<tr>
<td>Underground Wire Lateral not over 50 Feet</td>
<td>$ 7.40</td>
</tr>
</tbody>
</table>

Per Lamp plus $0.02725 x kWh in Sheet No. 14-3 in Company's tariff
TARIFF S.L.
STREET LIGHTING

Rate per Lamp:
Overhead Service on Existing Distribution Poles
High-Pressure Sodium
100 Watts (9,500 Lumens) $ 7.03
150 Watts (16,000 Lumens) $ 7.55
200 Watts (22,000 Lumens) $ 8.95
400 Watts (50,000 Lumens) $ 11.71

Service on New Wood Distribution Poles
High-Pressure Sodium
100 Watts (9,500 Lumens) $ 10.80
150 Watts (16,000 Lumens) $ 11.55
200 Watts (22,000 Lumens) $ 12.95
400 Watts (50,000 Lumens) $ 16.61

Service on New Metal or Concrete Poles
High-Pressure Sodium
100 Watts (9,500 Lumens) $ 27.45
150 Watts (16,000 Lumens) $ 28.15
200 Watts (22,000 Lumens) $ 26.70
400 Watts (50,000 Lumens) $ 27.11

Per Lamp plus $0.02725 x kWh in Sheet No. 15-2 in Company's tariff

TARIFF C.A.T.V.
CABLE TELEVISION POLE ATTACHMENT

Charge for attachments
On a two-user pole $ 10.82
On a three-user pole $ 6.71

TARIFF COGEN/SPP I
COGENERATION AND/OR SMALL POWER PRODUCTION
100 kW OR LESS

Monthly Metering Charges:
Single Phase:
Standard Measurement $ 9.25
Time-of-Day Measurement $ 9.85

Polyphase:
Standard Measurement $ 12.10

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Appendix C
Case No. 2017-00179
Time-of-Day Measurement $ 12.40

Energy Credit per kWh:
  Standard Meter – All kWh $ 0.03240
  Time-of-Day Meter:
    On-Peak kWh $ 0.03860
    Off-Peak kWh $ 0.02790

Capacity Credit:
  Standard Meter per kW $ 3.11
  Time-of-Day Meter per kW $ 7.47

TARIFF COGEN/SPP II
COGENERATION AND/OR SMALL POWER PRODUCTION
OVER 100 kW

Metering Charges:
  Single Phase:
    Standard Measurement $ 9.25
    Time-of-Day Measurement $ 9.85
  Polyphase:
    Standard Measurement $ 12.10
    Time-of-Day Measurement $ 12.40

Energy Credit per kWh:
  Standard Meter – All kWh $ 0.03240
  Time-of-Day Meter:
    On-Peak kWh $ 0.03860
    Off-Peak kWh $ 0.02790

Capacity Credit:
  Standard Meter per kW $ 3.11
  Time-of-Day Meter per kW $ 7.47

TARIFF K.E.D.S.
KENTUCKY ECONOMIC DEVELOPMENT SURCHARGE

Per month per account:
  Residential $ 0.00
  All Other $ 1.00
TARIFF C.C.
CAPACITY CHARGE

Energy Charge per kWh:
Service Tariff
I.G.S. $ .000749
All Other $ .001435

RIDER R.P.O.
RENEWABLE POWER OPTION RIDER
OPTION A

Solar RECs:
Block Purchase per 100 kWh per month $ 1.00
All Usage Purchase per kWh consumed $ .01000

Wind RECs:
Block Purchase per 100 kWh per month $ 1.00
All Usage per kWh consumed $ .01000

Hydro & Other RECs:
Block Purchase per 100 kWh per month $ .30
All Usage per kWh consumed $ .00300

RIDER A.F.S.
ALTERNATE FEED SERVICE RIDER

Monthly Rate for Annual Test of Transfer Switch/Control Module $ 14.67
Monthly Capacity Reservation Demand Charge per kW $ 6.29
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Hurt, Deckard & May  
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M. Todd Osterloh  
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333 West Vine Street  
Suite 1400  
Lexington, KENTUCKY  40507

*Denotes Served by Email  
Service List for Case 2017-00179