COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.	)	
	)	
COMPLAINANT	)	
	)	CASE NO.
V.	)	2018-00035
	)	
KENTUCKY POWER COMPANY	)	
	)	
DEFENDANT	)	

ORDER

On December 21, 2017, Kentucky Industrial Utility Customers, Inc. ("KIUC") filed a formal complaint against Kentucky Power Company ("Kentucky Power") and three other investor-owned utilities alleging that their rates are no longer fair, just, and reasonable due to the reduction in the maximum federal corporate tax rate from 35 percent to 21 percent as set forth in the Tax Cuts and Jobs Act ("TCJA"). Upon review of the complaint, which was docketed as Case No. 2017-00477,[1] the Commission found that it established a prima facie case and each of the named defendants was ordered to satisfy or answer the complaint.[2] The Commission subsequently determined that KIUC's complaint against Kentucky Power should be investigated in a separate case, and the instant case was

[1] Case No. 2017-00477, *Kentucky Industrial Utility Customers, Inc. v. Kentucky Utilities Company, Louisville Gas and Electric Company, Kentucky Power Company, and Duke Energy Kentucky, Inc.* (filed Dec. 21, 2017).

[2] *Id.* (Ky. PSC Dec. 27, 2017).

established for that purpose.[3] In opening this separate case, the Commission noted that a substantial portion of the impacts of the tax rate reduction had already been incorporated into Kentucky Power's rates as approved on January 18, 2018,[4] but other aspects of the tax rate reduction remain to be determined and reflected in rates.[5]

The only intervenor, in this case, is the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention ("Attorney General"). The Commission established a procedural schedule providing for discovery, the filing of testimony, and an opportunity to request either a hearing or that the case be submitted for a decision on the record.

On April 27, 2018, Kentucky Power filed a non-unanimous Settlement Agreement ("Settlement") between itself and KIUC, along with supporting testimony and a motion requesting the Commission to approve the Settlement. The Settlement, attached hereto as Appendix A, notes that the Commission's January 18, 2018 Order in Kentucky Power's rate case, Case No. 2017-00179, approved new rates that reflect the impacts of the tax rate reduction on tax expense, leaving only the issue of the impact on accumulated deferred federal income ("ADIT") to be addressed in this complaint case. With respect to ADIT, the Settlement sets forth the following major provisions:

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

[4] Case No. 2017-00179, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) An Oder 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,* (Ky. PSC Jan.18, 2018).

[5] *Id.* at 2.

- Kentucky Power has an estimated retail excess ADIT of $175,273,905 for its generation and distribution functions, with $82,226,674 estimated to be excess protected deferred ADIT and $93,046,231 estimated to be unprotected deferred ADIT.

- The estimated allocations of ADIT between protected and unprotected are preliminary and will not be known until the fourth quarter of 2018 when Kentucky Power files its corporate tax return.

- Kentucky Power's excess ADIT for its transmission function has been included in its revised open access transmission tariff ("OATT") annual revenue requirement filed at the Federal Energy Regulatory Commission and will be reflected in retail rates through the annual purchase power adjustment factor under Tariff P.P.A.

- Excess protected deferred ADIT will be amortized over the remaining life of the assets using the Average Rate Assumption method ("ARAM") prescribed by the TCJA.

- Excess unprotected deferred ADIT will be amortized over 18 years beginning January 1, 2018.

- Beginning July 1, 2018, customer bills will include a credit to reflect the amortization of the excess ADIT as provided for under Kentucky Power's new Federal Tax Cut Tariff ("Tariff FTC") as attached to the Settlement.

- Tariff FTC, which will become effective for service billed on and after July 1, 2018, and remain in effect until new rates are effective in Kentucky Power's next base rate case, provides for a billing line item on a per-kilowatt-hour basis for 2018, 2019, and 2020.

- Under Tariff FTC, the Annual Total Rate Credit, defined as the total of the annual protected ADIT and one-eighteenth of the unprotected ADIT, will be allocated between residential and non-residential rate classes based on the two classes' percentage of Kentucky Power's total revenue for the 12 months ended March 31, 2018.

- The per-kilowatt hour ("kWh") rate credit will be calculated for residential and non-residential classes by dividing each class's share of the Annual Total Rate Credit by that class's kWh usage for the 12 months ended March 31, 2018. For 2018 only, the per kWh rate credit will be calculated by dividing each class's allocated share of the 2018 Annual Total Rate Credit by that class's kilowatt hour usage during six months of July to December 2017.

- For the residential class only, beginning on January 1, 2019, the per kWh rate credit will be shaped seasonally to provide approximately 75 percent of the residential class's total annual ADIT credit during the billing months of January, February, March, and December.

- The amortization of the excess unprotected ADIT will be increased or decreased, as needed, so that the actual amount credited under Tariff FTC equals the Annual Total Rate Credit.

Subsequent to the conclusion of discovery on the Settlement and supporting testimony, the Attorney General filed a notice stating that the record, in this case, is fully developed, that no hearing is necessary, and that the Commission should enter an order expeditiously so that Kentucky Power's customers can begin receiving the benefit of the excess ADIT tax credits. Kentucky Power, however, filed a request that a hearing be scheduled for this case.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that a formal hearing is not necessary in the public interest because the case record contains sufficient evidence to render a decision and no party has objected to the Settlement even though it is not unanimous. For these reasons Kentucky Power's motion to schedule a hearing is denied. The Commission, with respect to the Settlement, is not bound to the terms of a proposed settlement, irrespective of whether it is unanimous or not, and must analyze its terms to determine whether it results in rates that are fair, just, and reasonable.

Here, the Settlement provides that the excess protected ADIT will be amortized over the remaining life of the assets using the ARAM methodology required by the TCJA. The Commission has no discretion to adopt a different methodology and finds that the use of ARAM for the excess protected ADIT is reasonable and should be accepted.

The excess unprotected ADIT is proposed to be amortized over 18 years beginning January 1, 2018, and under the TCJA the Commission is allowed to determine the length of that amortization period. The Settlement supports the 18-year amortization period by citing to the following financial and operating characteristics as being unique to Kentucky Power:

1. its excess unprotected ADIT represents 14.2 percent of total equity;

2. its debt to capitalization ratio is 56.75 percent;

3. its Moody's Investor Service credit rating is Baa2, but its outlook was recently revised from stable to negative due to numerous reasons including the recently enacted TCJA as putting pressure on its credit metrics over the near term;

4. its load and customer base have eroded over the past ten years; and

5. a three-year stay-out period for filing its next base rate case.

The Commission agrees that these characteristics differentiate Kentucky Power from the other regulated investor-owned electric utilities, and they support the use of an 18-year amortization period which will provide meaningful rate reductions to customers while mitigating negative impacts on credit metrics. For these reasons, we will approve the proposed 18-year amortization period for the excess unprotected ADIT.

The Commission also finds reasonable the proposed allocation of the rate credits to be effective for service billed on and after July 1, 2018, as reflected in the proposed tariff attached to the Settlement. For the residential customers only, the rate credits in 2019, and continuing until new base rates become effective, are designed to be higher in the winter heating months of December through March to provide greater benefits during the high-usage winter heating months and lower during the other eight months. For the last six months of 2018, the average bill impact on residential customers will be a decrease of $6.24 per month.

IT IS THEREFORE ORDERED that:

1. The Settlement attached hereto as Appendix A is approved.

2. Kentucky Power's Tariff Sheet for Tariff FTC is approved and the rates set forth therein as set out in Appendix B attached hereto are approved for service billed on and after July 1, 2018.

3. Within 20 days of the date of the Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, its Tariff FTC and the rates set forth therein reflecting that they were approved pursuant to this Order.

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By the Commission

ENTERED

JUN 2 8 2018

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Gwen R. Pinson

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00035 DATED JUN 28 2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Kentucky Industrial Utility Customers, Inc.	)	
	)	
Complainant	)	
	)	
v.	)	Case No. 2018-00035
	)	
Kentucky Power Company	)	
	)	
Defendant	)	

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 December 21, 2017, KIUC filed with the Public Service Commission of Kentucky ("Commission") its Complaint and Petition for the Establishment of a Regulatory Liability to Provide Customers a Rate Reduction Because of Tax Expense Savings ("Complaint").

2. On December 22, 2017, the legislation known as the Tax Cuts and Jobs Act, H.R. 1, Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017) ("Tax Act") was signed into law. The Tax Act reduced the maximum federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018.

3. On December 27, 2017, the Commission issued an order finding that KIUC's Complaint established a *prima facie* case and opened Case No. 2017-00477.

4. The Attorney General of the Commonwealth of Kentucky ("Attorney General") filed a motion to intervene in Case No. 2017-00477. The Attorney General, who is not a party to this agreement, was granted leave to intervene.

5. On January 25, 2018, the Commission issued an order severing Case No. 2017-00477 into three separate, utility-specific complaint proceedings.

6. By separate order entered January 25, 2018, the Commission established Case No. 2018-00035 for the review and adjudication of KIUC's claims against Kentucky Power. In the order establishing the Case No. 2018-00035, the Commission noted that the effects of the Tax Act on the Company's tax expense were addressed in the Commission's January 18, 2018 Order in Case No. 2017-00179, leaving only the effect of the Tax Act on the Company's excess accumulated deferred federal income tax ("ADIT") for adjudication in Case No. 2018-00035.

7. On March 21, 2018, Moody's Investor Service announced that it maintained Kentucky Power's rating at Baa2 but revised the Company's outlook from stable to negative. According to Moody's "[t]he negative outlook reflects the combination of the utility's economically weak service territory, its latest rate case outcome, and recently enacted tax reform policy, which will put pressure on credit metrics over the next twelve to eighteen months."

8. On April 11, 2018, an informal conference was held at the Commission to review the issues presented in this case and to discuss settlement. Representatives of all of the parties to this case, Kentucky Power, KIUC, and the Attorney General, along with Commission Staff attended the informal conference.

9. The Settling Parties execute this Settlement Agreement for purposes of submitting it to the Kentucky Public Service Commission for approval pursuant to KRS 278.040 and KRS 278.260, and for further approval by the Commission of the rate structure and tariffs as described herein.

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

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

AGREEMENT

1. Excess ADIT Totals

The Settling Parties agree that as a result of the change in maximum federal corporate income tax rate Kentucky Power's estimated retail excess ADIT for its generation and distribution functions totals $175,272,905. Of this total, Kentucky Power currently estimates that $82,226,674 is excess "protected" ADIT and $93,046,231 is excess "unprotected" ADIT. The estimated allocations between excess protected and excess unprotected ADIT are preliminary. The final allocations will not be determined until the fourth quarter of 2018 when the Company files its federal corporate income tax return.[1] Excess ADIT amounts relating to the Company's transmission function have been accounted for in revised PJM OATT annual revenue requirements filed at FERC on April 6, 2018 in Docket Nos. EL 17-13, ER17-405, and ER17-406 and will be reflected in the annual purchase power adjustment factor under Tariff P.P.A.

[1] Amounts in the protected and unprotected categories may be revised to align with final accounting values and to avoid any normalization violations.

2. Excess ADIT Amortization

The Company will amortize and credit to customers the retail generation and distribution excess ADIT arising from the Tax Act as follows:

(a) Protected ADIT: The Company will amortize the excess protected ADIT amount over the remaining life of the assets using the Average Rate Assumption Method ("ARAM") prescribed by the Tax Act.

(b) Unprotected ADIT: The Settling Parties agree that a reasonable period for the Company to amortize its excess unprotected ADIT is 18 years. The Company shall be authorized to amortize its excess unprotected ADIT over an 18-year period beginning January 1, 2018. The Settling Parties' conclusion regarding the reasonableness of an 18-year period to amortize Kentucky Power's excess unprotected ADIT is informed by the Company's specific financial and operating characteristics, including, but not limited to, the following:

(a) the amount of Kentucky Power's excess unprotected ADIT as a percentage of Kentucky Power's total equity (14.2 percent);

(b) the percentage of Kentucky Power's total debt as a percentage of total capitalization (56.75 percent);

(c) the Company's Moody's Investor Service credit rating (Baa2);

(d) the recent negative outlook assigned the Company by Moody's; and,

(e) the decrease in Kentucky Power Company's load and customer base over the past ten years.

The 18-year amortization period will help mitigate against potential additional negative impacts of the Tax Act on the Company's credit metrics during the three-year base rate case stay out agreed to in Case No. 2017-00179 and thereafter, while still providing meaningful rate relief to customers.

3. Tax Cut Tariff

The Company will credit the excess ADIT to customers on bills beginning July 1, 2018 through the new Federal Tax Cut Tariff (Tariff FTC). A copy of Tariff FTC is attached as **EXHIBIT 1** to this Settlement Agreement. Tariff FTC shall remain in effect until rates are effective in the Company's next base rate case. The amounts credited to customers through Tariff FTC will be displayed as a billing line item. Tariff FTC shall operate as follows:

(a) Tariff FTC provides a per-kilowatt hour rate credit for 2018, 2019, and 2020. The rate credit is designed to credit Kentucky Power's customers over each twelve -month period an amount equal to the sum of the excess protected ADIT (calculated in accordance with ARAM) for the corresponding twelve-month period and the excess unprotected ADIT amortized over a period of 18 years beginning January 1, 2018 (collectively the Annual Total Rate Credit).

(b) Tariff FTC provides for separate per-kilowatt hour rate credits for residential and non-residential customer classes. To develop the class specific rate credits, the Annual Total Rate Credit is allocated between residential and non-residential customer classes based on the two classes' percentages of the Company's total revenue for the twelve-month period ended March 31, 2018. The per-kilowatt hour rate credit is calculated for residential and non-residential customer classes by dividing each class' share of Annual Total Rate Credit by that customer class' kilowatt hours usage for the twelve-month period ended March 31, 2018. The derivation of the estimated per-kilowatt hour credit rate under the Tax Cut Tariff is illustrated on **EXHIBIT 2** to this Settlement Agreement.

(c) To the extent that the actual annual amount credited through Tariff FTC varies from the Annual Total Rate Credit Amount, the amortization of the excess unprotected ADIT will be increased or decreased which will ensure that the annual amount of excess protected ADIT required to be amortized in accordance with ARAM is credited to customers to avoid a normalization violation. The actual remaining unamortized excess unprotected ADIT balance will be reflected in the calculation of rates proposed by Kentucky Power in its next base rate case.

(d) The per-kilowatt hour credit rate under the Tax Cut Tariff for 2018 will be effective for service billed on or after July 1, 2018. The per-kilowatt hour credit rates for 2018 only are calculated by dividing the residential and non-residential classes apportioned shares of the Total Rate Credit for 2018 for the twelve months ended December 31, 2018 by the 2017 July to December actual kilowatt hour usage for the residential and non-residential customer classes respectively.

(e) For the residential customer classes only, and beginning on January 1, 2019, the per-kilowatt hour credit rate will be shaped seasonally such that approximately seventy-five percent of the residential annual excess ADIT credit amount will be credited to customers during the billing months of January, February, March, and December. The intent of this provision is to provide the maximum benefit to residential customers during the high-usage winter heating season. The derivation of the seasonal, estimated per-kilowatt hour residential credit rate under the Tax Cut Tariff is provided on **EXHIBIT 2** to this Settlement Agreement.

4. Filing Of Settlement Agreement With The Commission And Request For Approval

Following the execution of this Settlement Agreement, Kentucky Power and the Settling Parties shall file this Settlement Agreement with the Commission along with a joint request to the Commission for consideration and approval of this Settlement Agreement so that Kentucky Power may begin crediting customers under the Tax Cut Tariff beginning on July 1, 2018.

5. 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.

6. Failure Of Commission To Approve Settlement Agreement

This Settlement Agreement, in conjunction with the Commission's January 18, 2018 Order in Case No. 2017-00179, as amended by the Commission's final order in the pending rehearing in Case 2017-00179, as finally determined upon appeal if any, shall resolve all issues regarding the effect of the Tax Act on the Company's federal income tax expense and excess ADIT as reflected in the Company's rates. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. Counterparts

This Settlement Agreement may be executed in multiple counterparts.

16. 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: ______________________

Its: COUNSEL

KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.

By: Michael L. Kurtz

Its: Attorney

EXHIBIT 1

FEDERAL TAX CUT TARIFF
(F.T.C.)

APPLICABLE.

To Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D.2, G.S., S.G.S.-T.O.D., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., I.G.S., C.S.- I.R.P., M.W., O.L., and S.L..

RATE.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2018-00035 and the Stipulation and Settlement Agreement dated _________ as filed and approved by the Commission, Kentucky Power Company is to credit to retail ratepayers the approved annual amount of excess accumulated deferred federal income taxes (ADIT) beginning July1, 2018 and continue to do so until the Company's base rates are re-set in a future base rate proceeding.

2. The Annual Total Rate Credit Amount (AC) was calculated as follows:

   AC = the sum of ($1/18^{th}$ of estimated retail Generation and Distribution related Unprotected Excess ADIT) + calendar year estimated retail Generation and Distribution related ARAM of Protected Excess ADIT

3. The allocation of the actual Annual Tax Credit Amount between residential and all other customers shall be based upon their respective contribution to total retail revenues, according to the following formula:

$$\text{Residential Allocation RA(y)} = AC(y) \times \frac{\text{KY Residential Retail Revenue RR}}{\text{KY Retail Revenue R}}$$

$$\text{All Other Allocation OA(y)} = AC(y) \times \frac{\text{KY All Other Classes Retail Revenue OR}}{\text{KY Retail Revenue R}}$$

Where:
(y) = the credit year;
RR = $236,006,728;
OR = $316,554,577; and
R = $552,561,305.

4. The Residential Allocation and All Other Allocation shall be credited to customers on a kWh basis as follows:

	Residential ($/kWh)	All Other ($/kWh)
July – December 2018	$0.004803	$0.003188
January – March and December 2019	$0.003593	$0.001604
April – November 2019	$0.001000	$0.001604
January – March and December 2020*	$0.003686	$0.001635
April – November 2020*	$0.001000	$0.001635

* And continuing thereafter for the applicable months until the Company's rates are changed as part of a base rate proceeding, but not to exceed a period longer than 18 years total from January 1, 2018.

DATE EFFECTIVE: Service Rendered On And After July 1, 2018

ISSUED BY: Ranie K Wohnhas

TITLE: Managing Director Regulatory/Finance

By Authority Of An Order By The Public Service Commission

In Case No. 2018-00035 Dated XXXX

EXHIBIT 2

Case No. 2018-00035
Exhibit 2

Total KY Retail Unprotected G&D Excess ADIT	$ (93,046,231)						
Applicable GRCF	1.34482						
Revenue Credit	$ (125,130,480)						
18 Year Amortization of Unprotected	$ (6,951,693)						
			2018		2019		2020
KY Retail G&D Protected ARAM		$	(2,420,293)	$	(2,512,545)	$	(2,662,693)
			1.34482		1.34482		1.34482
Revenue Credit		$	(3,254,859)	$	(3,378,922)	$	(3,580,845)
Annual Revenue Credit		$	(10,206,553)	$	(10,330,615)	$	(10,532,538)

	Current Revenue
Residential Class	$ 236,006,728
All Other	$ 316,554,577
Total	$ 552,561,305

	Annual kWh	Tax Credit Allocation	Tax Credit Allocation	Tax Credit Allocation
Residential Class	2,005,106,410	$ (4,359,363)	$ (4,412,352)	$ (4,498,596)
All Other	3,690,272,791	$ (5,847,190)	$ (5,918,264)	$ (6,033,942)
Total	5,695,379,201	$ (10,206,553)	$ (10,330,615)	$ (10,532,538)

	Jul - Dec kWh	Over 6 Months Surcredit Rates $/kWh	Annual Surcredit Rates $/kWh	Annual Surcredit Rates $/kWh
Residential Class kWh	907,686,624	(0.004803)	(0.002201)	(0.002244)
All Other kWh	1,834,203,478	(0.003188)	(0.001604)	(0.001635)
Total				

		2019 Seasonal Collection	2019 Seasonal Rate
Residential Class kWh - Winter (Dec-Mar)	928,363,965	(3,335,609)	$ (0.003593)
Residential Class kWh - All Other (Apr-Nov)	1,076,742,445	(1,076,742)	$ (0.001000)
	2,005,106,410	$ (4,412,352)	$ (0.002201)

		2020 Seasonal Collection	2020 Seasonal Rate
Residential Class kWh - Winter (Dec-Mar)	928,363,965	(3,421,853)	$ (0.003686)
Residential Class kWh - All Other (Apr-Nov)	1,076,742,445	(1,076,742)	$ (0.001000)
	2,005,106,410	$ (4,498,596)	$ (0.002244)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00035 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.

FEDERAL TAX CUT TARIFF
Tariff F.T.C.

July – December 2018 Charge Per kWh		
Residential	$	.004803
All Other	$	.003188
January – March and December 2019 Per kWh		
Residential	$	0.003593
All Other	$	0.001604
April – November 2019 Per kWh		
Residential	$	0.001000
All Other	$	0.001604
January – March and December 2020 Per kWh		
Residential	$	0.003686
All Other	$	0.001635
April – November 2020Per kWh		
Residential	$	0.001000
All Other	$	0.001635

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