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August 15, 2023

FILED VIA ELECTRONIC TARIFF FILING SYSTEM

Linda C. Bridwell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: **Kentucky Power Company's Third Revised Tariff Sheet 35-2 (Tariff P.P.A.) and Third Revised Tariff Sheet 38-1 (Tariff D.R.)**

Dear Ms. Bridwell:

Tariff P.P.A. (Purchase Power Adjustment)

Kentucky Power Company files redline and annotated versions P.S.C. KY. NO. 12 3rd Revised Tariff Sheet 35-2 to reflect the updated Tariff P.P.A. (Purchase Power Adjustment) rates. The revised tariff sheet is being filed in conformity with the Commission's January 13, 2021 order in Case No. 2020-00174. The new rates implement the provisions of the Commission's January 18, 2018 Order in Case No. 2017-00179 and January 13, 2021 Order in Case No. 2020-00174.

KPCo_PPA_2023_Annual_Update also is being uploaded with the tariff sheet. It includes the calculations supporting the new Tariff P.P.A. rates.

With this filing, Kentucky Power is updating its Tariff P.P.A. rate calculation in two ways. First, the rate calculation is updated to better capture actual costs incurred and to be collected in order to reflect a more accurate over/under collection or credit going forward. Second, Kentucky Power also updates the rate calculation to reflect its proposals in its most recent base rate case, Case No. 2023-00159.

The Company's updates to the over/under calculation are demonstrated in KPCo_PPA_2023_Annual_Update on the "PPA Form 1.0" tab in lines 12, 13, and 14.[1]

[1] The Company notes that Lines 1, 2, and 3 are subject to change if the Commission approves the Company's request in Case No. 2023-00159 to discontinue tracking of 100% of PJM LSE OATT costs through Tariff P.P.A. upon implementation of new base rates. The Company notes that Line 8 also is subject to change if the Commission approves the Company's request to securitize the Decommissioning Rider regulatory asset. If the Company's

Lines 12 and 13 currently do not accurately capture what the P.P.A. over/under recovery should be. This formula issue has the effect of allowing the under-recovery balance to grow each month. The Company proposes to correct this issue as part of this Tariff P.P.A. update filing through the elimination of Line 12 and a revision to Line 13. This update will reflect a more accurate over/under collection or credit going forward.

Next, the Company proposes as part of its application in Case No. 2023-00159 to securitize the Tariff P.P.A under-recovery regulatory asset balance existing as of June 30, 2023. If the Company's request to securitize the Tariff P.P.A. under-recovery regulatory asset is approved, then that under-recovery will not be collected through Tariff P.P.A and will instead be securitized and collected through the proposed Securitization Financing Rider ("S.F.R."). Updated Line 13 therefore reflects these proposals by zeroing out the balance of the June 30, 2023 under-recovery that would instead be collected through Tariff S.F.R.

The Company offers to meet with Commission Staff via an informal conference to provide further explanation regarding these updates if it would be helpful.

<u>Tariff D.R. (Decommissioning Rider)</u>

The Company also is filing P.S.C. KY. NO. 12 3rd Revised Tariff Sheet 38-1 to reflect the updated Tariff D.R. (Decommissioning Rider) rates. The updated rates are being filed in accordance with the Commission's October 7, 2013 Order in Case No. 2012-00578, its June 22, 2015 Order in Case No. 2014-00396, and its January 13, 2021 Order in Case No. 2020-00174.

Support for the updated Tariff D.R. rates may be found in the following files that are being uploaded with the revised tariff sheet: BSDR_2023_Annual_Update; BSDR_2023_Support_1_Components_Update; BSDR_2023_Support_2_O_M_COR_ARO; and BSDR_Support_3_Rev_Update.

The revised Tariff P.P.A. rates and Tariff D.R. rates are effective for service rendered on and after September 28, 2023.

The revised tariff sheets and supporting files also are being filed in Case No. 2020-00174 (Post-Case Files).

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request to securitize the Decommissioning Rider regulatory asset is approved, then those amounts will not be collected through Tariff P.P.A and will instead be securitized and collected through the proposed Securitization Financing Rider ("S.F.R.").

Please do not hesitate to contact me if you have any questions.

Very truly yours,

STITES & HARBISON PLLC

Katie M. Glass

KMG

TARIFF P.P.A. (Cont'd)
(Purchase Power Adjustment)

RATES.

Tariff Class	$/kWh	$/kW
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D.	$0.00558	--
S.G.S.-T.O.D.	$0.00454	--
M.G.S.-T.O.D.	$0.00454	--
G.S.	$0.00454	--
L.G.S., L.G.S.-T.O.D.	$0.00016	$1.24
L.G.S.-L.M.-T.O.D.	$0.00417	--
I.G.S. and C.S.-I.R.P.	$0.00016	$1.63
M.W.	$0.00312	--
O.L.	$0.00074	--
S.L.	$0.00074	--

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The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D, IGS, and CS-I.R.P. tariff classes.

The Purchase Power Adjustment factors shall be modified annually using the following formula:

The Purchase Power Adjustment factors shall be determined as follows:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total}) + PPA(D) \times (CP_{Class} / CP_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{PPA(D) \times (CP_{Class} / CP_{Total})}{BD_{Class}}$$

(Cont'd on Sheet No. 35-3)

DATE OF ISSUE: August 15, 2023
DATE EFFECTIVE: Service Rendered On And After September 28, 2023
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of an Order of the Public Service Commission
In Case No. XXXX-XXXXX Dated XXXX XX, XXXX

TARIFF P.P.A. (Cont'd)
(Purchase Power Adjustment)

RATES.

Tariff Class	$/kWh	$/kW
R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., and R.S.-T.O.D. 2, R.S.D.	$0.00558~~353~~	--
S.G.S.-T.O.D.	$0.00454~~288~~	--
M.G.S.-T.O.D.	$0.00454~~288~~	--
G.S.	$0.00454~~288~~	--
L.G.S., L.G.S.-T.O.D.	$0.00016~~14~~	$1.24~~0.82~~
L.G.S.-L.M.-T.O.D.	$0.00417~~265~~	--
I.G.S. and C.S.-I.R.P.	$0.00016~~14~~	$1.63~~1.04~~
M.W.	$0.00312~~199~~	--
O.L.	$0.00074~~51~~	--
S.L.	$0.00074~~51~~	--

The kWh factor as calculated above will be applied to all billing kilowatt-hours for those tariff classes listed above. The kW factor as calculated above will be applied to all on-peak and minimum billing demand kW for the LGS, LGS-T.O.D,IGS, and CS-I.R.P. tariff classes.

The Purchase Power Adjustment factors shall be modified annually using the following formula:

The Purchase Power Adjustment factors shall be determined as follows:

For all tariff classes without demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total}) + PPA(D) \times (CP_{Class} / CP_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = 0$$

For all tariff classes with demand billing:

$$\text{kWh Factor} = \frac{PPA(E) \times (BE_{Class} / BE_{Total})}{BE_{Class}}$$

$$\text{kW Factor} = \frac{PPA(D) \times (CP_{Class} / CP_{Total})}{BD_{Class}}$$

(Cont'd on Sheet No. 35-3)

DATE OF ISSUE: ~~December 13, 2022~~August 15, 2023
DATE EFFECTIVE: Service Rendered On And After ~~December 9, 2022~~September 28, 2023
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of an Order of the Public Service Commission
In Case No. ~~2022~~XXXX-XXXXX~~00416~~ Dated ~~December 8, 2022~~XXXX XX, XXXX

DECOMMISSIONING RIDER
(D.R.)

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., C.S. Coal, M.W., O.L., and S.L..

RATE.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2012-00578 and the Stipulation and Settlement Agreement dated July 2, 2013 as filed and approved by the Commission, Kentucky Power Company is to recover from retail ratepayers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2 and other site-related retirement costs that will not continue in use on a levelized basis, including a weighted average cost of capital (WACC) as set in the Company's most recent Rate Case carrying cost over a 25 year period beginning with the date rates became effective in Case No. 2014-00396. The term "Retirement Costs" are defined as and shall include the net book value, materials and supplies that cannot be used economically at other plants owned by Kentucky Power, and removal costs and salvage credits, net of related ADIT. Related ADIT shall include the tax benefits from tax abandonment losses.

   The applicable rates for service rendered on and after September 28, 2022 to be applied to the revenues described in paragraph 5 of this tariff are:

Residential Adjustment Factor	=	$\frac{\$11,376,752}{\$258,104,643}$	=	4.4078%	T TR
All Other Classes Adjustment Factor	=	$\frac{\$15,284,420}{\$174,291,657}$	=	8.7695%	TI T

2. The allocation of the actual revenue requirement (ARR) between residential and all other customers shall be based upon their respective contribution to total retail revenues for the most recent twelve month period, ending June 30 according to the following formula:

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

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

Where:
(y) = the expense year;

(b) = Most recent available twelve month period ended June 30.

(Cont'd on Sheet No. 38-2)

DATE OF ISSUE: August 15, 2023
DATE EFFECTIVE: Service Rendered On And After September 28, 2023
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of an Order of the Public Service Commission
In Case No. XXXX-XXXXX Dated XXXX XX, XXXX

KENTUCKY POWER COMPANY

P.S.C. KY. NO. 12 3rd ~~2nd~~ REVISED SHEET NO. 38-1
CANCELLING P.S.C. KY. NO. 12 2nd ~~1st~~ REVISED SHEET NO. 38-1

DECOMMISSIONING RIDER
(D.R.)

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., C.S. Coal, M.W., O.L., and S.L..

RATE.

1. Pursuant to the final order of the Kentucky Public Service Commission in Case No. 2012-00578 and the Stipulation and Settlement Agreement dated July 2, 2013 as filed and approved by the Commission, Kentucky Power Company is to recover from retail ratepayers the coal-related retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2 and other site-related retirement costs that will not continue in use on a levelized basis, including a weighted average cost of capital (WACC) as set in the Company's most recent Rate Case carrying cost over a 25 year period beginning with the date rates became effective in Case No. 2014-00396. The term "Retirement Costs" are defined as and shall include the net book value, materials and supplies that cannot be used economically at other plants owned by Kentucky Power, and removal costs and salvage credits, net of related ADIT. Related ADIT shall include the tax benefits from tax abandonment losses.

   The applicable rates for service rendered on and after September 28, 2022 to be applied to the revenues described in paragraph 5 of this tariff are:

Residential Adjustment Factor	=	$~~12,203,475~~11,376,752 / $258,104,643~~260,106,760~~	=	4.40786~~6917~~%
All Other Classes Adjustment Factor	=	$15,284,420~~14,511,306~~ / $174,291,657~~183,145,514~~	=	8.76957~~7.9234~~%

2. The allocation of the actual revenue requirement (ARR) between residential and all other customers shall be based upon their respective contribution to total retail revenues for the most recent twelve month period, ending June 30 according to the following formula:

Residential Allocation RA(y) = ARR(y) x KY Residential Retail Revenue RR(b) / KY Retail Revenue R(b)

All Other Allocation OA(y) = ARR(y) x KY All Other Classes Retail Revenue OR(b) / KY Retail Revenue R(b)

Where:

(y) = the expense year;

(b) = Most recent available twelve month period ended June 30.

(Cont'd on Sheet No. 38-2)

DATE OF ISSUE: August 15~~12~~, 2023~~2~~
DATE EFFECTIVE: Service Rendered On And After September 28, 2023~~2~~
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority of an Order of the Public Service Commission
In Case No. XXXX-XXXXX Dated XXXX XX, XXXX