

TARIFF E.S.
(Environmental Surcharge)

APPLICABLE.

To Tariffs R.S., R.S.-L.M.-T.O.D., R.S.-T.O.D., Experimental R.S.-T.O.D. 2, S.G.S., S.G.S.-T.O.D., M.G.S., M.G.S.-T.O.D., L.G.S., L.G.S.-T.O.D., Pilot K-12 School, I.G.S., C.S.- I.R.P., M.W., O.L., and S.L.

RATE.

The environmental surcharge shall provide for monthly adjustments based on a percent of revenues, equal to the difference between the environmental compliance costs in the base period as provided in Paragraph 2 below and in the current period as provided in Paragraph 3 below.

The retail share of the revenue requirement will be allocated between residential and non-residential retail customers based upon their respective total revenues during the previous calendar year. The Environmental Surcharge will be implemented as a percentage of total revenues for the residential class and as a percentage of non-fuel revenues for all other customers.

I. Monthly Environmental Surcharge Gross Revenue Requirement, E(m)


Where:	E(m)	=	CRR - BRR
	CRR	=	Current Period Revenue Requirement for the Expense Month.
	BRR	=	Base Period Revenue Requirement.

(Continued on Sheet 29-2)



DATE OF ISSUE: July 10, 2015


DATE EFFECTIVE: Service Rendered On And After June 22, 2015

ISSUED BY: JOHN A. ROGNESS III 

TITLE: Director Regulatory Services

By Authority Of an Order of the Public Service Commission

In Case No. 2014-00396 Dated June 22, 2015

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE 6/22/2015 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

2. Base Period Revenue Requirement, BRR

BRR = The Following Monthly Amounts:

<u>Billing Month</u>	<u>Base Net Environmental Costs</u>
JANUARY	\$ 2,646,292
FEBRUARY	2,624,660
MARCH	2,736,994
APRIL	2,795,854
MAY	2,782,209
JUNE	2,723,098
JULY	3,416,840
AUGUST	3,184,443
SEPTEMBER	3,236,974
OCTOBER	2,982,958
NOVEMBER	2,895,369
DECEMBER	<u>\$ 2,876,988</u>
	<u>\$ 34,902,677</u>

CANCELLED
 JAN 15 2015
 PUBLIC SERVICE COMMISSION

In accordance with the Stipulation and Settlement Agreement approved by the Commission by its Order dated October 7, 2013 in Case No. 2012-00578, the Mitchell FGD and all related associated costs are not included in base rates or the Base Revenue Requirement but will be included in the Current Period Revenue Requirement. The Mitchell FGD will be excluded from Base Rates at least until June 30, 2020.

3. Current Period Revenue Requirement, CRR

$$CRR = [((RB_{KP(c)}) (ROR_{KP(c)}) / 12) + OE_{KP(c)} + [((RB_{IM(c)}) (ROR_{IM(c)}) / 12) + OE_{IM(c)}] (.15) - AS]$$


Where:

- $RB_{KP(c)}$ = Environmental Compliance Rate Base for Mitchell.
- $ROR_{KP(c)}$ = Annual Rate of Return on Mitchell Rate Base;
Annual Rate divided by 12 to restate to a Monthly Rate of Return.

(Cont'd on Sheet 29-3)

DATE OF ISSUE July 10, 2015

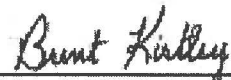
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KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE 6/22/2015 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

$OE_{KP(C)}$	=	Monthly Pollution Control Operating Expenses for Mitchell.
$RB_{IM(C)}$	=	Environmental Compliance Rate Base for Rockport.
$ROR_{IM(C)}$	=	Annual Rate of Return on Rockport Rate Base; Annual Rate divided by 12 to restate to a Monthly Rate of Return.
$OE_{IM(C)}$	=	Monthly Pollution Control Operating Expenses for Rockport.
AS	=	Net proceeds from the sale of Title IV and CSAPR SO ₂ emission allowances, ERCs, and NOx emission allowances, reflected in the month of receipt.

“KP(C)” identifies components from Mitchell Units – Current Period, and “IM(C)” identifies components from the Indiana Michigan Power Company’s Rockport Units – Current Period.

The Rate Base for both Kentucky Power and Rockport should reflect the current costs associated with the 1997 Plan, the 2003 Plan, the 2005 Plan, the 2007 Plan and the 2014 Plan. The Rate Base for Kentucky Power should also include a cash working capital allowance based on the 1/8 formula approach, due to the inclusion of Kentucky Power’s accounts receivable financing in the capital structure and weighted average cost of capital. The Operating Expenses for both Kentucky Power and Rockport should reflect the current operating expenses associated with the 1997 Plan, the 2003 Plan, the 2005 Plan, the 2007 Plan, and the 2015 Plan.

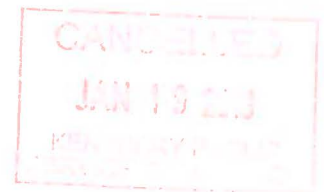
The Rate of Return for Kentucky Power is 10.25% rate of return on equity as authorized by the Commission in its Order Dated June 22, 2015 in Case No. 2014-00396.

The Rate of Return for Rockport should reflect the requirements of the Rockport Unit Power Agreement.

Net Proceeds from the sale of emission allowances and ERCs that reflect net gains will be a reduction to the Current Period Revenue Requirement, while net losses will be an increase.


The Current Period Revenue Requirement will reflect the balances and expenses as of the Expense Month of the filing.

(Cont'd on Sheet No. 29-4)



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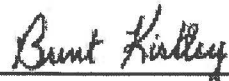
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KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE 6/22/2015
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

4. Revenue Allocation

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

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

Where:

(m) = the expense month
 (b) = most recent calendar year revenues



5. Environmental Surcharge Factor

$$\text{Residential Monthly Environmental Surcharge Factor} = \frac{\text{Net KY Retail E(m)} * \text{RA(m)}}{\text{KY RR(m)}}$$

$$\text{All Other Monthly Environmental Surcharge Factor} = \frac{\text{Net KY Retail E(m)} * \text{AO(m)}}{\text{KY OR(m) - KY OF(m)}}$$

Where:

Net KY Retail E(m) = Monthly E(m) allocated to Kentucky Retail Customers, net of Over/ (Under) Recovery Adjustment; Allocation based on Percentage of Kentucky Retail Revenues to Total Company Revenues in the Expense Month.

(For purposes of this formula, Total Company Revenues do not include Non -Physical Revenues.)

RR(m) = Average Kentucky Residential Retail Revenues for the ~~Expense Month~~ Preceding Twelve Month Period

OR(m) = Average Kentucky All Other Classes Retail Revenues for the ~~Expense Month~~ Preceding Twelve Month Period

OF(m) = Average Kentucky All Other Classes Fuel Revenues for the ~~Expense Month~~ Preceding Twelve Month Period

(Cont'd on Sheet No. 29-5)

DATE OF ISSUE: October 18, 2016

DATE EFFECTIVE: Bills Rendered On And After October 27, 2016

ISSUED BY: JOHN A. ROGNESS III

TITLE: Director Regulatory Services

By Authority Of an Order of the Public Service Commission

In Case No. 2016-00109 Dated September 28, 2016

KENTUCKY PUBLIC SERVICE COMMISSION
Talina R. Mathews EXECUTIVE DIRECTOR <i>Talina R. Mathews</i>
EFFECTIVE 10/27/2016 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

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TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

6. Environmental costs "E" shall be the Company's costs of compliance with the Clean Air Act and those environmental requirements that apply to coal combustion wastes and by-products, as follows:

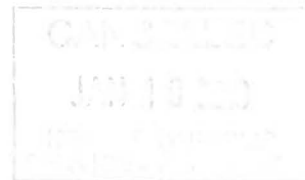
Total Company:

- return on Title IV and CASPR SO₂ allowance inventory
- over/under recovery balances between the actual costs incurred less the amount collected through the environmental surcharge
- costs associated with any Commission's consultant approved by the Commission
- costs associated with the consumption of Title IV and CSAPR SO₂ allowances
- costs associated with the consumption of NO_x allowances
- return on NO_x allowance inventory
- costs associated with maintaining approved pollution control equipment including material and contract labor (excluding plant labor)
- Costs associated with consumables used in conjunction with approved environmental projects.

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(Cont'd on Sheet No. 29-6)



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In Case No. 2014-00396 Dated June 22, 2015

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE 6/22/2015 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

The Company's share of costs associated with the following environmental equipment at the Rockport Plant:

- Continuous Emissions Monitors
- Air Emission Fees
- Costs Associated with the Rockport Unit Power Agreement
- Activated Carbon Injection
- Mercury Monitoring
- Precipitator Modifications
- Dry Sorbent Injection
- Coal Combustion Waste Landfill
- Low NOx burners, over Fire Air Landfill

The Company's share of costs associated with the following environmental equipment at the Mitchell Plant:

- Mitchell Unit Nos 1 and 2 Water Injection, Low NO_x burners, Low NO_x burner Modification, SCR, FGD, Landfill, Coal Blending Facilities and SO₂ Mitigation
- Mitchell Plant Common CEMS, Replace Burner Barrier Valves and Gypsum Material Handling Facilities
- Air Emission Fees
- Precipitator Modifications and Upgrades
- Coal Combustion Waste Landfill
- Bottom Ash and Fly Ash Handling
- Mercury Monitoring (MATS)
- Dry Fly Ash Handling Conversion



(Cont'd on Sheet No. 29-7)

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In Case No. 2014-00396 Dated June 22, 2015

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR TARIFF BRANCH
EFFECTIVE 6/22/2015 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

TARIFF E.S. (Cont'd)
(Environmental Surcharge)

RATE (Cont'd)

- 7. The monthly environmental surcharge shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all necessary supporting data to justify the amount of the adjustments which shall include data and information as may be required by the Commission.

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CANCELLED
JUN 15 2015
KENTUCKY POWER COMPANY

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