

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

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.

The annual purchase power adjustment factor will be computed using the following formula:

1. Annual Purchase Power Net Costs (PPANC)

$$PPANC = N + CSIRP + OATT + RKP + RP - BPP$$

Where:

BPP = The annual amount of purchase power costs included in base rates, \$74,080,543.

- a. N = The annual cost of power purchased by the Company through new Purchase Power Agreements. All new purchase power agreements shall be approved by the Commission to the extent required by KRS 278.300.
- b. CSIRP = The net annual cost of any credits provided to customers under Tariff C.S.-I.R.P. for interruptible service.
- c. OATT = 80% The net annual PJM load-serving entity Open Access Transmission Tariff Charges above or below the \$74,038,517 included in BPP, less the transmission return difference pursuant to the Commission approved Settlement agreement in Case No. 2017-00179.
- d. RKP = Rockport related items includable in Tariff PPA pursuant to the Commission approved Settlement agreement in Case No. 2017-00179:
 - a. Increase in Rockport collection resulting from reduction in base rate deferral;
 - b. Rockport deferral amount to be recovered;
 - c. Rockport fixed cost savings; and
 - d. Rockport offset estimate and true-up.
 - e. Final (over)/under recovery associated with tariff CC following its expiration
- e. RP = The costs of fuel related to substitute generation less the cost of fuel which would have been used in plants suffering forced generation or transmission outages.

(Cont'd on Sheet No. 35-2)



DATE OF ISSUE: February 7, 2018

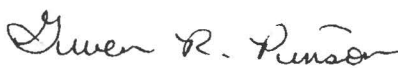
DATE EFFECTIVE: Service Rendered On And After January 19, 2018

ISSUED BY: /s/ Ranie K. Wohnhas

TITLE: Managing Director, Regulatory & Finance

By Authority Of an Order of the Public Service Commission

In Case No. 2017-00179 Dated January 18, 2018

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| KENTUCKY PUBLIC SERVICE COMMISSION |
| Gwen R. Pinson Executive Director |
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| EFFECTIVE 1/19/2018 PURSUANT TO 807 KAR 5:011 SECTION 9 (1) |