

# WHAT'S ON MY BILL?

## An explanation of line items on Kentucky Power bills as authorized by the Kentucky Public Service Commission



### **Fuel Adjustment Clause (FAC)**

The FAC is a charge or credit for the actual cost of coal or natural gas used to generate or purchase electricity. Kentucky Power does not make a profit on fuel costs. The Company simply recovers dollar-for-dollar the costs of purchasing fuel to power its plants. The charge or credit varies monthly with the price of fuel.

**Federal Tax Cut (FTC)** – *Pending the Company's issuance of securitized bonds, the FTC mechanism will provide customers with the ADIT benefit related to the non-Decommissioning Rider regulatory assets approved for securitization.* Credits customers monthly due to the reduction in the maximum federal corporate tax rate from 35% to 21% as set forth in the 2017 Tax Cuts and Jobs Act. The excess unprotected accumulated deferred federal income taxes (ADIT) has been fully returned and only the protected ADIT portion remains.

### **Demand-Side Management (DSM)**

Recovers costs of PSC-approved energy efficiency programs. This surcharge varies by customer class. There is currently only one active program (Targeted Energy Efficiency) to aid low-income residential customers. There are no commercial programs currently being offered; however, there is a line item for commercial customers to recover lost revenue from prior year's program costs.

### **Residential Energy Assistance (REA)**

Kentucky Power partners with Community Action Kentucky to administer the Residential Energy Assistance programs to support customers who need assistance paying their energy bills. REA collects \$0.40 per month from each residential customer. Kentucky Power matches, two-to-one, all funds collected from customers. These funds support two programs: HEART (Home Energy Assistance in Reduced Temperatures) and THAW (Temporary Heating Assistance in Winter).

### **Kentucky Economic Development Surcharge (KEDS)**

KEDS collects \$1.00 per month from every commercial and industrial customer account to help fund economic development projects and programs. Kentucky Power matches all funds collected from customers dollar-for-dollar.

**Decommissioning Rider (DR)** - *Collection is temporarily suspended pending securitization. If unable to issue securitization bonds, the Decommissioning Rider will be reinstated. If successful in issuing securitization bonds, will begin recovery through a new billing line item: Securitized Surcharge Rider.*

The Decommissioning Rider recovers all remaining costs and expenses associated with the closure of the Big Sandy Generating Station, Unit 2 and the retirement of coal-related assets from the Big Sandy Generating Station, Unit 1.

### **Environmental Surcharge (ES)**

The Environmental Surcharge recovers specific costs associated with projects necessary to comply with environmental regulations mandated by the Environmental Protection Agency.

**Purchased Power Adjustment (PPA)** - *Collection is temporarily suspended pending securitization for the Rockport deferral component. If unable to issue securitization bonds, collection of the Rockport deferral will be reinstated through the PPA. If successful in issuing securitization bonds, will begin recovery through a new billing line item: Securitized Surcharge Rider.*

The PPA is a charge or credit to recover certain purchase power costs (not recovered through the FAC), credits paid to interruptible customers, and costs associated with a Rockport deferral from the Company's 2017 rate case.

### **Renewable Pricing Option Rider**

This voluntary program allows customers to purchase Renewable Energy Credits instead of fossil-generated energy. Each customer may purchase blocks of solar, wind, hydro, or other renewable energy. One block equals 100 kilowatt hours. Customers also may work out a written agreement with Kentucky Power to receive electricity generated from renewable energy resources direct from the renewable energy provider.