



NextGen Kentucky Power

Securitization of Mitchell Plant and Reinvestment in Kentucky

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Senate Natural Resources and Energy

Improving customers' lives with reliable, affordable power





Bill Fehrman, AEP President and Chief Executive Officer

-Joined AEP in August 2024

-Previously served as President and CEO of multiple companies, including Centuri Holdings Inc., Berkshire Hathaway Energy, MidAmerican Energy Company, PacificCorp Energy, and Nebraska Public Power District

Cindy Wiseman, Kentucky Power President and Chief Operating Officer

-Joined AEP in 2008 and Kentucky Power in 2018

-In current role since 2023

-Responsible for all aspects of electric service for Kentucky Power's customers

Alex Vaughan, Managing Director Regulated Pricing, Generation and Fuel Strategies

-Joined AEP in 2007

-Experience includes PJM Settlements, Rate Analysis, Cost of Service

-Responsible for new generation resource applications for all of AEP



Kentucky Power Priorities

- Stabilize and lower customer rates
- Maintain and expand generation capacity to provide affordable power
- Reduce rate volatility from market purchases
- Attract economic development prospects to eastern Kentucky

Legislation Required

- **Securitization**

Reduces overall cost of Mitchell Plant

Frees up capital for investment in Kentucky

- **Resource Adequacy Model**

Encourages investment in Kentucky dispatchable generation





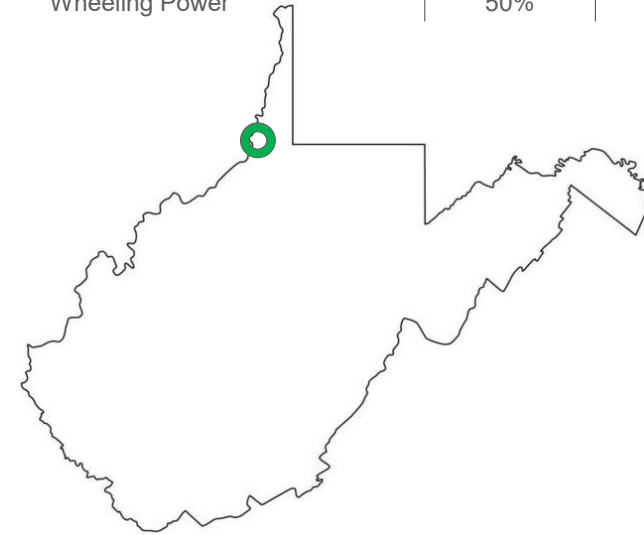
Mitchell Plant

- 1,560MW coal plant in Moundsville, WV
- Co-owned 50/50 by Kentucky Power and Wheeling Power
- Due to differing PSC orders, Wheeling Power was allowed to add Effluent Limitation Guideline equipment; Kentucky Power was not[†]
- Kentucky Power must pay for its share of ELG equipment prior to 2028 or risk not retaining this valuable capacity
- The West Virginia legislature passed securitization in 2023, meaning that West Virginia’s share of Mitchell will be cheaper than Kentucky’s

Mitchell Plant, Moundsville, WV

Ownership

Kentucky Power	50%
Wheeling Power	50%



Capacity

Unit 1 – 1971	800 MW
Unit 2 – 1971	760 MW
Retirement Date	12/31/2040*

• Current estimate

[†] 5/3/22 Order in Case No. 2021-00421; 7/15/21 Order in Case No. 2021-00004



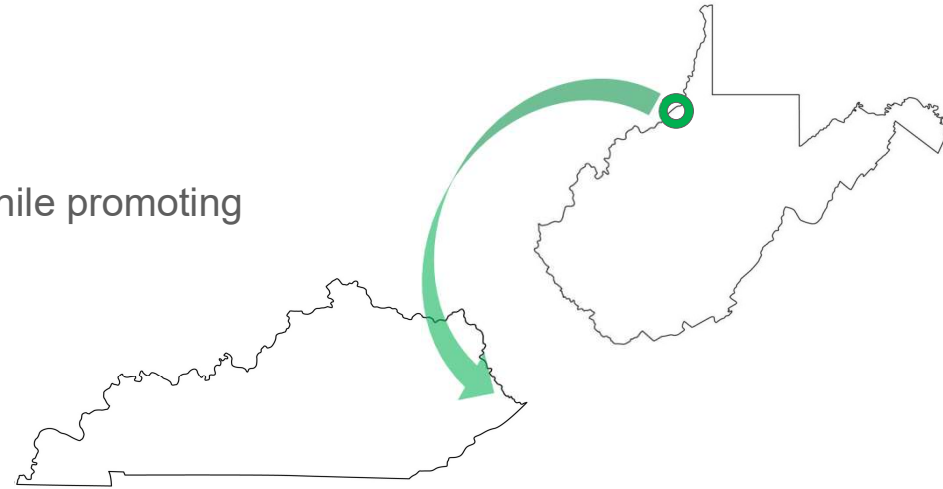
Securitization

What Securitization does:

- Lowers the overall cost of service from the Mitchell Plant
- Increases the overall financial health of Kentucky Power
- Securitization frees up capital to reinvest in Kentucky
- Allows Kentucky Power to expand its generation capacity while promoting affordability

Securitization Does Not

- Close a coal plant
- Increase rates
- Change the Mitchell Plant's retirement timeline





Resource Adequacy Model

- Provides a balanced cost recovery tool
- Subject to frequent and thorough PSC reviews
- Overall cost reduction as compared to base rates
- Encourages investment in the Commonwealth during a time when utilities are competing for investment



Securitization Savings

Current Level of Mitchell Plant Costs in Kentucky Power Rates	
Return On Ratebase	\$ 47,572,924
Depreciation Expense	\$ 30,538,287
Total Return On & Of	\$ 78,111,211
Annual Securitization Bond Payment Estimate	\$ 44,369,053
Annual Reduction in Cost of Service	\$ 33,742,158

Customer Bill Estimates— Securitization Only

Total Rate Reduction { • \$33.7 Million or 6% Annually

Residential Bill Savings { • \$11.50 /month
• Roughly \$138 Annually

Current Rates vs. Mitchell Securitization



Rate Impact of Overall Plan

- Total Impact of Securitization and Generation Addition at various capacity revenue levels

	\$270	\$325	\$695
Total Avg Retail Rate Impact %	-2.5%	-4.8%	-20%
Avg Rate Impact by Class			
Residential	-0.8%	-3.4%	-21%
Commercial	-2.0%	-3.8%	-15%
Industrial	-5.6%	-7.9%	-23%
Avg Residential Monthly Bill Impact	\$ (1.3)	\$ (5.5)	\$ (33)



Conclusion

Our Priorities are the Same as Yours

We are focused on improving customers' lives through affordability and reliability

Positive Customer Impact Reached through Legislation

- Potential for customer savings, even with additional generation
- Steel in the ground provides hedge against future energy/capacity market volatility
- Capacity and energy secured, and optionality for future expansion to meet economic development
- Does not affect timeline of Mitchell plant

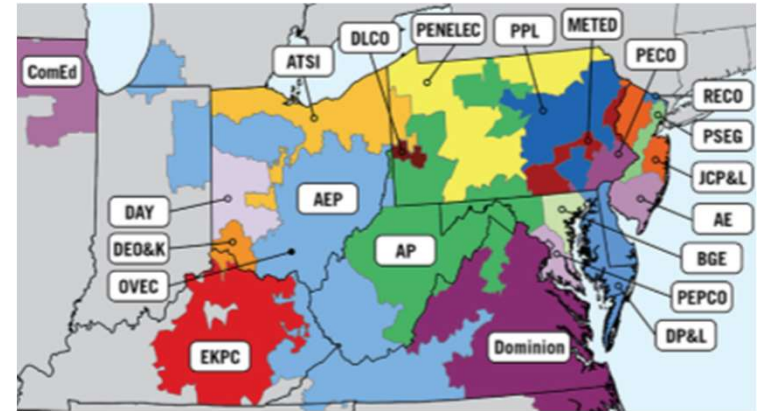


Questions?



Transmission Expense

Kentucky Power is part of the larger AEP transmission zone, which is also part of the PJM RTO



Kentucky Power pays a share of system costs and as a result they receive the following benefits:

1. Access to energy and capacity from their share of the Mitchell plant in WV
2. Increased reliability from being part of a larger grid and power pool (winter storm Elliott)
3. The option to purchase energy from a broad market when it is lower cost than Kentucky Power's cost to generate