

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2023-00159 DATED JAN 10 2024

**FORM OF ISSUANCE ADVICE LETTER**

**TO: Kentucky Public Service Commission**

**SUBJECT: Issuance Advice Letter for Securitized Bonds, Case No. 2023-00159**

**DATE:**

Kentucky Power Company (Kentucky Power or the Applicant) is providing this filing pursuant to the Financing Order adopted in Case No. 2023-00159 (the Financing Order).

This Issuance Advice Letter is submitted no later than 5:00 p.m. Eastern Time of the first (1st) business day after the Pricing Date of this series of securitized bonds.

Any capitalized terms not defined in this Issuance Advice Letter have the meanings ascribed to them in the Financing Order, including Appendices.

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Kentucky Power provides the information set forth below pursuant to the Financing Order.

## **PURPOSE OF THIS ISSUANCE ADVICE LETTER**

This Issuance Advice Letter provides the following information for the Commission to consider in deciding whether to allow the proposed transaction involving issuance of proposed securitized bonds (the Securitized Bonds) to proceed to closing, or to issue a Disapproval Order in accordance with the Financing Order:

- (a) identification of the limited purpose financing subsidiary / issuer (the BondCo);
- (b) total amount of Securitized Costs and Financing Costs proposed to be financed by the Securitized Bonds;
- (c) actual terms and structure of the Securitized Bonds; initial securitized surcharges for existing and future retail electric customers in connection with the Securitized Bonds;
- (d) market conditions under which the Securitized Bonds were priced; and
- (e) confirmation of compliance with issuance procedures and standards with respect to the Securitized Bonds.

## **FINANCING COSTS BEING SECURITIZED**

The total amount of Securitized Costs and Financing Costs proposed to be financed by the Securitized Bonds is \$\_\_\_\_\_.

## **COMPLIANCE WITH FINANCING ORDER PROCEDURES AND STANDARDS**

The Financing Order requires compliance with procedures and standards set forth in the Act, including (without limitation) the following Statutory Requirements:

1. As of the Pricing Time, the transaction is expected to provide quantifiable NPV benefits to customers as compared to recovery of the components of Securitized Costs that would have been incurred absent issuance of the Securitized Bonds (See Attachment 2, Schedule 2-D);
2. The Securitized Bonds will be issued in one or more series comprised of one or more tranches having legal final maturities not exceeding thirty (30) years from the date of issuance of such series (see Actual Terms of Issuance and Attachment 2, Schedule 2-A); and
3. As of the date of the Financing Order, the structuring and pricing of the Securitized Bonds was reasonably expected to result in the lowest securitized surcharges consistent with market conditions at the Pricing Time under the terms of the Financing Order (see Attachment 4, Schedules 4-A through 4-E).

In addition, the Financing Order provides that the Commission's approval is conditioned upon specified conditions being met, including (without limitation) the following:

1. The structuring, marketing and pricing of the Securitized Bonds must in fact achieve the lowest securitized surcharges consistent with (i) prevailing market

conditions at the time of pricing, and (ii) the terms of the Act and the Financing Order (the Lowest Cost Objective).

2. A designated representative of the Commission selected from Commission Staff (the Designated Representative) and the Financial Advisor must participate in all decisions concerning structuring, marketing, and pricing of the Securitized Bonds.
3. After the pricing of Securitized Bonds, the Applicant, the bookrunning underwriter(s), and the Financial Advisor must each deliver to the Commission an independent certificate, without material qualifications, confirming that the structuring, marketing, and pricing of the securitized bonds achieved the Lowest Cost Objective.
4. The Applicant must establish a deferral account with respect to Securitized Bonds (Securitized Bond Deferral Account) for excess revenues received by Kentucky Power over actual incremental ongoing costs.
5. To ensure that the Lowest Cost Objective is achieved, the Financial Advisor and counsel to the Commission Staff must review and approve the proposed forms of all Basic Transaction Documents.
6. The Commission is authorized to appoint, as well as remove and replace, at least one of the BondCo's independent managers.
7. As servicer under the Securitized Property Servicing Agreement and as administrator under the Administration Agreement, the Applicant must be held to a simple negligence standard. The Applicant, as servicer or as administrator, must indemnify customers for any loss, including any loss resulting from higher compensation payable to a successor servicer or a successor administrator, that results from the Applicant's breach of the Securitized Property Servicing Agreement or the Administration Agreement.
8. The Applicant must be liable in connection with any failure of representation or warranty in connection with, or any breach of, the Securitized Property Purchase and Sale Agreement, the Securitized Property Servicing Agreement, or the Administration Agreement. As seller, as servicer, or as administrator, the Applicant must be required to indemnify customers for any loss that results from the Applicant's failure of representation or warranty in connection with, or breach of, the Securitized Property Purchase and Sale Agreement, the Securitized Property Servicing Agreement, or the Administration Agreement.
9. The Commission is authorized to declare an event of default (Servicer Default) under the Securitized Property Servicing Agreement, and the Commission must be authorized to declare an Event of Default under the Administration Agreement.

10. The Commission must be named as a third-party beneficiary, for the benefit of ratepayers, of each Basic Transaction Document, and the Commission must be authorized to enforce the provisions of each Basic Transaction Document for the benefit of ratepayers.
11. The economic benefit of any servicer interest earnings on actual or estimated securitized surcharge collections prior to remittance of those collections to the indenture trustee and the collection account must automatically be credited to the benefit of customers without the need for any further Commission action.
12. The BondCo must be structured as a series trust so that the BondCo will not be an asset-backed issuer and its Securitized Bonds will not be asset-backed securities for purposes of United States Securities and Exchange Commission (SEC) Regulation AB and are corporate securities.<sup>1</sup> Descriptions of the Securitized Bonds as corporate bonds must be presented prominently and clearly in plain English in marketing documents for the Securitized Bonds.
13. Marketing documents for Securitized Bonds must describe the structural features in plain English which were expected to result in credit rating agencies assigning top credit rating, such as “Aaa/AAA” or similar ratings to the Securitized Bonds.
14. Underwriters of the Securitized Bonds must be required to certify, without material qualification, that any indicative rates submitted to the Applicant, the Financial Advisor, and the Designated Representative of the Commission in preparation for launch of the transaction reflect the independent view of each submitting firm and that other firms have not been consulted about or informed of such indicative rates.
15. A competitive process must be used for selecting underwriters, underwriters’ counsel, Kentucky Power’s counsel and other significant transaction participants whose fees will be paid from Securitized Bond proceeds or from the securitized surcharge unless the Commission’s Designated Representative, advised by the Financial Advisor, determines that a competitive process should not be used in selecting particular transaction participants to achieve the best value for customers and the Lowest Cost Objective.
16. Prior to issuance of the Securitized Bonds, the Applicant must provide a 20-year forecast of revenues by revenue classes as defined in the securitized surcharge Rider such that it may be used by the Applicant to calculate a forecast of the residential and non-residential components of the securitized surcharge over the scheduled term that the Securitized Bonds are expected to be outstanding.

The Applicant certifies that all Statutory Requirements and, apart from condition 3 (which the Applicant anticipates will be met prior to issuance of the Bonds), all other procedures and conditions listed above have been met. Specifically, as set forth in the letter attached as Attachment 5, the Applicant confirms and certifies that condition 1 above (that the

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<sup>1</sup> See <https://www.sec.gov/divisions/corpfin/cf-noaction/2007/mpef091907-1101.htm>.

structuring, marketing and pricing of the Securitized Bonds must in fact achieve the lowest securitized surcharges consistent with (i) prevailing market conditions at the Pricing Time, and (ii) the terms of the Act and the Financing Order (the Lowest Cost Objective)) has been met.

Unless the Commission issues a Disapproval Order as provided in the Financing Order, the proposed final terms as described below will become effective and the Securitized Bonds will be issued on \_\_\_\_\_, 202\_.

**PROPOSED FINAL TERMS OF ISSUANCE**

The purchaser and owner of the Securitized Property from Kentucky Power (and issuer of the Securitized Bonds) is a newly established finance subsidiary of Kentucky Power (referred to in the Financing Order as BondCo). The finance subsidiary’s name is \_\_\_\_\_. The finance subsidiary was formed on [date] pursuant to the laws of the State of [\_\_\_\_\_].

Securitized Bond Issuer;	[Name of <b>BondCo</b> ]
Kentucky Power’s Securitizable Balance;	
Upfront Financing Costs’	
Principal Amount of Securitized Bonds:	
Securitized Bond Series Name;	
Indenture Trustee	
Securities Intermediary	
Preliminary Bond Ratings:	1. Agency: Name / and to be assigned rating 2. Agency: Name / and to be assigned rating (if appropriate) 3. Agency: Name / and to be assigned rating (if appropriate)
Effective Annual Weighted Average Interest Rate of the Securitized Bonds:	[ ] %
Scheduled Final Maturity of the Securitized Bonds:	[ ] years
Weighted Average Life of the Securitized Bonds:	[ ] years
Amortization Schedule:	See Attachment 2, Schedule 2-A
Scheduled Final Payment Dates:	See Attachment 2, Schedule 2-A
Legal Final Maturity Dates:	See Attachment 2, Schedule 2-A
Payments of Principal and Interest to Investors:	Semiannually Beginning [month]/ [day], 20[ ]
Initial Annual Servicing Fee as a Percent of Original Securitized Bond Principal Amount:	0.05%



Tranche	Scheduled Final Payment Date [month]/[day]/202[ ]_	Expected Weighted Average Life (Years)	Coupon Rate (%)	Yield (%)	Spread above corresponding U.S. Treasury Curve G-Spread (Basis Points)
A-1					
A-2					

**PROPOSED INITIAL SECURITIZED SURCHARGE**

Table I below shows the current assumptions for each of the variables used in the calculation of the initial securitized surcharges.

<b>Table I Input Values for Initial Securitized Surcharge</b>	
Applicable period:	from [month]/ [day] /[year] to _ [month]/ [day] /[year]
Forecasted Revenues from residential customers for the applicable period:	\$ _____
Forecasted Revenues from non-residential retail electric customers for the applicable period	\$
Securitized Bond scheduled debt service for the applicable period:	\$
Percent of billed amounts expected to be uncollectible:	%
Forecasted % of billed amounts expected to be paid in the applicable period	%
Forecasted retail kWh/kW sales billed and collected for the applicable period:	\$
Forecasted annual ongoing financing costs (Excluding Securitized Bond principal and interest):	\$
Initial Securitized Bond outstanding balance	\$
Target Securitized Bond outstanding balance as of [month]/ [day] /[year]:	\$
Total PBR for applicable period:	\$

For the Allocation of the PBR among Revenue Classes: See Attachment 3.

Based on the foregoing, the initial securitized surcharges calculated for retail customers are as follows:

<b>TABLE II</b>	
<b>Retail Customer Securitized Surcharge</b>	
<b>Revenue Class</b>	<b>Initial Securitized Surcharge</b>
Residential Customers	
Non-Residential Retail Electric Customers	

**PROPOSED EFFECTIVE DATE**

In accordance with the Financing Order, unless the Commission issues a Disapproval Order, the securitized surcharge shall automatically be effective upon the Applicant’s receipt of payment in the amount of \$\_\_\_\_\_ from [**BondCo**], following Applicant’s execution and delivery to [**BondCo**] of the Bill of Sale transferring Applicant’s rights and interests under the Financing Order and other rights and interests that will become Securitized Property upon transfer to [**BondCo**] as described in the Financing Order.

**NOTICE**

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Applicant’s corporate headquarters.

**SUBMITTED BY AUTHORIZED OFFICER**

The undersigned is an officer of Applicant and authorized to provide this Issuance Advice Letter on behalf of Applicant.

Respectfully submitted,

KENTUCKY POWER COMPANY

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: Chief Financial Officer

**ATTACHMENT 1: ESTIMATED UP-FRONT FINANCING COSTS<sup>2</sup>**

<b>Up-Front Financing Costs</b>	
BondCo Setup Costs	\$
Miscellaneous Administrative Costs	
Legal Fees (Kentucky Power, Issuer/BondCo, and Underwriter – List by each counsel used and amount paid from Securitized Bond proceeds)	\$
Counsel to [ ]	\$
Counsel to [ ]	\$
Counsel to [ ]	\$
Kentucky Power’s Advisor’s Fee	
Indenture Trustee’s and Indenture Trustee Counsel’s Fees and Expenses	\$
Accountant’s Fees (List each accountant if more than one)	\$
	\$
Negotiated Underwriters’ Fees ( % of Principal Amount)	\$
Rating Agency Fees (List each Agency and fee)	
[Agency 1]	\$
[Agency 2, if appropriate]	\$
[Agency 3, if appropriate]	\$
SEC Registration Fee	\$
Commission’s Financial Advisor Fees & Expenses	\$
Commission’s Counsel Fees & Expenses	\$
Original Issue Discount (if any)	\$
Cost of Other Credit Enhancements (if any)	\$
Rounding/Contingency	\$
<b>Total Estimated Up-Front Financing Costs</b>	<b>\$</b>

<sup>2</sup> Differences that result from the estimated up-front financing costs securitized being less than the actual up-front costs incurred will be resolved as described in the Financing Order.

## ATTACHMENT 2: ANNUAL COSTS

### Schedule 2-A Securitized Bond Revenue Annual Requirement Information

SERIES, [       ] TRANCHE [       ]				
Payment Date [month]/ [day] /[year]	Scheduled Principal Balance <sup>3</sup> \$	Scheduled Interest Payment \$	Scheduled Principal Payment \$	Total Scheduled Payment \$
			=	

SERIES, [       ] TRANCHE [       ]				
Payment Date [month]/ [day] /[year]	Scheduled Principal Balance <sup>4</sup> \$	Scheduled Interest Payment \$	Scheduled Principal Payment \$	Total Scheduled Payment \$

<sup>3</sup> Immediately before this Payment Date.

<sup>4</sup> Immediately before this Payment Date.

**Schedule 2-B Estimated Annual Ongoing Costs**

<b>Estimated Annual Ongoing Financing Costs</b>		
	<b>FIRST PAYMENT PERIOD (\$)<sup>5</sup></b>	<b>SECOND PAYMENT PERIOD</b>
Servicing Fee paid to Kentucky Power (0.05% of Initial Principal Amount)		
Administration Fee		
Accountant's Fee		
Legal Fees/Expenses for Kentucky Power's/Issuer's Counsel		
Indenture Trustee's and Indenture Trustee's Counsel's Fees and Expenses		
Independent Manager's Fees		
Rating Agency Surveillance Fees (list each Agency)		
[Agency 1]		
[Agency 2, if appropriate]		
[Agency 3, If appropriate]		
Printing/Edgarizing Fees		
Miscellaneous		
<b>Total Estimated Ongoing Financing Costs (Kentucky Power as Servicer) (0.05% of Initial Principal Amount)</b>		
If Third Party (Not affiliated with Kentucky Power) is Servicer (0.60% of the Initial Principal Amount)		
<b>Total Estimated Ongoing Financing Costs (with Third Party as Servicer)</b>		

<sup>5</sup> The first payment period represents payment for approximately [ ] months. The Financing Order requires the Applicant to establish a Securitized Bond Deferral Account to track the Applicant's actual out of pocket incremental ongoing financing costs for the purpose of granting revenue credits against other rates imposed by the Applicant on retail customers.

**Schedule 2-C  
Calculation of Securitized Surcharges**

<b>Year</b>	<b>Scheduled Securitized Bond Payments<sup>6</sup> (\$)</b>	<b>Scheduled Ongoing Financing Costs<sup>7</sup> (\$)</b>	<b>Present Value of Scheduled Securitized Surcharges<sup>8</sup> (\$)</b>
1 <sup>9</sup>	\$	\$	\$
2	\$	\$	\$
3	\$	\$	\$
4	\$	\$	\$
5	\$	\$	\$
6	\$	\$	\$
7	\$	\$	\$
8	\$	\$	\$
9	\$	\$	\$
10	\$	\$	\$
11	\$	\$	\$
12	\$	\$	\$
13	\$	\$	\$
14	\$	\$	\$
15	\$	\$	\$
16	\$	\$	\$
17	\$	\$	\$
18	\$	\$	\$
19	\$	\$	\$
20	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<sup>6</sup> From Attachment 2, Schedule 2-A.

<sup>7</sup> From Attachment 2, Schedule 2-B.

<sup>8</sup> The discount rate used is the pre-tax weighted average cost of capital currently in effect for Kentucky Power.

<sup>9</sup> Year 1 will include the first two payment periods, which might be longer than 12 months.

**Schedule 2-D**

**Compliance with KRS 278.672 And 278.676**

Demonstration of quantifiable Net Present Value (NPV) benefits to customers that are

- a) greater than would be achieved absent the issuance of Securitized Bonds and
- b) as compared to collection of the Securizable Balance through alternative means of financing, determined using an economic analysis to account for the time value of money:<sup>10</sup>

	Alternative Means of Financing \$ Millions	Securitized Bond Financing <sup>11</sup> \$ Millions	Savings/(Cost) of Securitized Bond Financing \$ Millions
NPV	\$	\$	\$

<sup>10</sup> The methodology to calculate net present value savings to ratepayers should make the following assumptions regarding the conventional recovery (i.e., no securitized bond financing) revenue requirements and securitized bond revenue requirements respectively, in addition to any assumptions that would be necessitated by applicable legislation: (i) conventional Big Sandy regulatory asset periodic revenue requirements are levelized and recovered over 17 years except it is assumed there will be a 50 basis point (0.50%) rate increase to the pre-tax WACC every 3 ½ years beginning 3 ½ years from when the securitized bonds would otherwise be issued; (ii) the remaining regulatory assets in the conventional case will be amortized in equal periodic amounts over a 7-year period similar to conventional utility asset book depreciation such that the total periodic revenue requirement (asset amortization plus pre-tax WACC return) will decrease each period over the 7-year recovery term, and assuming the same rate case timing and changes as in the conventional Big Sandy treatment described above, and (iii) the discount rate for all revenue cash flows for both the conventional recovery and the securitized bond financing will be Kentucky Power's current (at the time of securitized bond issuance) pre-tax weighted average cost of capital.

<sup>11</sup> From Attachment 2, Schedule 2-C.

**ATTACHMENT 3: INITIAL ALLOCATION OF COSTS TO REVENUE CLASSES**

(1)	(2)	(3)	(4)	(5)
REVENUE Class	Allocation <sup>12</sup> (%)	Periodic Billing Requirement (\$)	Forecasted Billing Determinants	Total Securitized Surcharge (\$)
Residential Customers	%	\$		\$
Non- Residential Retail Electric Customers	%	\$		\$
Total	100%	\$		\$

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<sup>12</sup> Determined in accordance with the methodology set forth in the Financing Order and the Securitized Surcharge Rider.



## **ATTACHMENT 4: INFORMATION CONCERNING STRUCTURING, MARKETING AND MARKET CONDITIONS AT PRICING TIME**

### **Schedule 4-A**

#### **Specific Steps Taken to Ensure Lowest Cost Objective Was Achieved**

Please describe whether the following steps were taken by Kentucky Power with respect to the structuring, marketing and pricing of the Securitized Bonds to achieve the Lowest Cost Objective? If not, please explain why not.

- Developed and implemented a competitive selection process for the structuring advisor, underwriters, legal counsel, accounting or analytical services.
- Selected transaction participants, including lead underwriters and comanagers, through a competitive process, to determine that they have relevant value-added experience and execution capability, that they are aligned with the Applicant's and the Commission's objectives and do not have conflicts of interest.
- Developed a budget for legal expenses and for each counsel and transaction participant recommended by Kentucky Power. Monitored and controlled expenses to minimize legal expenses.
- Solicited and chose a diverse group of underwriters including underwriters with international and mid-tier expertise to attract a wide variety of potential investors to negotiate with, including underwriters not previously engaged by Kentucky Power or any affiliates.
- Included credit enhancement in the form of the true-up mechanism, as required by the Act and the Financing Order.
- Developed rating agency presentations and worked actively upon issuance of the Financing Order to engage proactively with the rating agencies in order to achieve Aaa/AAA ratings or equivalent from [name of each rating agency].
- Structured the Securitized Bonds to appeal to the broader and deeper corporate bond market than for asset-backed securities and marketed the bonds as high-quality corporate securities.
- Developed and implemented a marketing plan designed to encourage each of the underwriters to aggressively market the Securitized Bonds to a broad base of prospective investors, including investors who have not previously purchased this type of security.
- Developed all Securitized Bond transaction documents, marketing materials (prospectus, term sheet, etc), and legal opinions in a plain English manner conforming to SEC disclosure requirements.
- Registered the Securitized Bonds under the Securities and Exchange Act of 1933 to allow a broad public marketing of the Securitized Bonds and facilitate greater

competition for the Securitized Bonds upon initial offering and greater liquidity in the after market.

- Developed the Registration Statement containing plain English disclosures to communicate the superior credit features of the Securitized Bonds and distinguish the Securitized Bonds from asset-backed securities or more complex securities that may adversely affect the credit spread / pricing of the Securitized Bonds.
- Requested a written marketing plan from each lead bookrunning underwriter with sufficient detail to evaluate the underwriter's proposed approach to marketing and achieving the Lowest Cost Objective.
- Developed marketing materials and educated each underwriter's salesforce to ensure that investors can easily understand that the Securitized Bonds are not asset backed securities but are of the highest corporate credit quality.
- Reviewed all underwriter salesforce presentation materials to ensure the proper positioning of the Bonds to investors consistent with the terms of the Financing Order and Lowest Cost Objective.
- Arranged issuance of rating agency pre-sale reports during the marketing period.
- Allowed [# of days] time for potential investors to review the preliminary prospectus and other marketing documents and to ask questions regarding the transaction.
- Attended in person and telephonic pre-pricing investor meetings throughout 2024, including attending and actively meeting with investors at the [identify investor conferences, if any] in a well-coordinated fashion with representatives of Commission Staff and the Financial Advisor.
- During the period that the Securitized Bonds were marketed, held [#\_] market update discussions with the underwriting team, the Commission's Designated Representative and the Financial Advisor to develop recommendations for pricing.
- Had multiple conversations with all the members of the underwriting team during the marketing phase in which the Applicant stressed the requirements of the Financing Order.
- Conducted in person and telephonic roadshows with over [\_\_\_\_\_] investors in [\_\_\_\_\_] cities.
- Provided other potential investors with access to an internet roadshow for viewing at investors' convenience. The internet roadshow was view by [#] of distinct potential investors.
- Negotiated with underwriters to bring the Securitized Bond offering to market given the existing market conditions at the time of pricing, consistent with the guidelines

outlined within the Financing Order. The key variables impacting the final structure of the transaction are listed below in Schedule 4-B.

- Worked with the Commission to develop Securitized Bond allocations, underwriter compensation and preliminary price guidance designed to achieve the Lowest Cost Objective.
- Priced the Securitized Bonds as soon as reasonably possible, consistent with standards and procedures set forth in this Financing Order and proceeded diligently to bring the Securitized Bonds to market and achieve the Lowest Cost Objective.
- [ADD ANY ADDITIONAL STEPS TAKEN]

#### **Schedule 4-B- General Market Conditions Post Financing Order**

[Provide the following information in a concise narrative form. Applicant may include any other information that Applicant believes the Commission should consider in determining whether the proposed pricing achieved the Lowest Cost Objective. Designated Commission Staff or the Financial Advisor may supplement this request for additional independently verifiable information from the Applicant or other transaction participants after the Financing Order is issued but no later than 10 days prior to when the initial draft Issuance Advice Letter would be submitted to them for review if this date is known.

Describe fundamental (macro-economic) and technical (supply and demand) market conditions for high quality (i.e., AAA) bonds from January 10, 2024 to the time the decision was made to offer the Bonds for sale and then the subsequent day of pricing. Describe also the credit spread environment for high quality bonds during these periods. In particular, discuss the specific market conditions that affected the pricing spread of the Securitized Bonds, such as:

- Show in graphical format, with underlying data provided in a table, for the U.S. Treasury Securities yield curve from June 1, 2016 to present.
- Show in graphical format, with underlying data provided in a table, current and daily observations of option adjusted spread of the ICE BofA AAA and BBB index (BAMLC0A1CAA and BAMLC0A4CBBB available from the St. Louis Federal Reserve) from January 10, 2024 through the day of pricing.
- Were there any new offerings of taxable corporate bonds with similar average life/maturity as the Securitized Bonds in the market at the day of pricing or within one week prior to the day of pricing? Were there any other competing issues with similar ratings and weighted average life?

Describe how the selected participants ensured broad distribution to investors who are most likely to value the safety and security of the Securitized Bonds and willingness to market the Securitized Bonds in a manner consistent with the superior credit quality and uniqueness of the Securitized Bonds.

Describe the marketing plan and how it was developed to meet the Lowest Cost

Objective. In particular, address the following issues:

- Were the Bonds marketed as corporate securities?
- What type of investors were targeted and why?
- Were “buy and hold” corporate bond investors targeted?
- Were international investors targeted?
- Were owners of individual retirement accounts and 401(k) accounts targeted?

Attach screenshots of all announcements or descriptions on electronic media like Bloomberg relating to this Bond issuance. Identify the specific page(s) on which the announcement occurred (e.g., Bloomberg’s corporate page (NIM 3) or other).

Describe how the initial estimated pricing spreads for each tranche (Price Talk) was determined and communicated to the market.

Describe the indications of interest and the order book at each stage of the marketing and pricing.

- If there was an oversubscription, was there a repricing? How much oversubscription (if any) was there for each tranche?
- If yes, did demand materially drop after repricing? What was the amount of remaining over / undersubscription? Was there a subsequent repricing? If not, why not?

Did any large investor order place demands or conditions to those orders that negatively affected the pricing?

List all orders by type of buyer (corporate or ABS) and by individual or institution and, if an institution, by type of institution (money manager, insurance company, hedge fund etc) and buy and hold versus total return and whether foreign or domestic.

Did the underwriter offer to or underwrite any bonds of any tranche?

Attach screenshots of all Price Talk announcements or descriptions on electronic media like Bloomberg relating to this Bond issuance.

**Schedule 4-C: Proposed Pricing Compared to Taxable Corporate Debt Securities**

For each tranche of the Securitized Bonds, in the below table describe the proposed pricing as an option adjusted spread to interpolated U.S. Treasuries i.e., g-spread. Compare each tranche’s g-spread to the g-spread of other taxable corporate bonds issued or being traded in the secondary market at the time of pricing with a similar weighted average life or maturity.

Provide at least 3 comparable pricings for each tranche:

- Include only recent institutional trades of \$250,000 or more done on the Pricing Date or if not available, within no more than 7 days of the day of the Pricing Date, that are within 2 years of the WAL of the tranche.
- Include JNJ and MSFT bonds and other high quality taxable corporate bonds with either a Aaa rating from Moody’s or AAA rating from S&P.
- Include taxable utility first mortgage bonds with at least an A rating.

**Remaining 2- to 20-Year Weighted Average Lives,  
Secondary Market Trades (\$250,000 or more) between  
Institutional Investors as Reported to FINRA**

<b>[Add Rows as Necessary]</b>	<b>Issuer with CUSIP #</b>	<b>Ticker</b>	<b>Ratings Moody’s/ S&amp;P</b>	<b>WAL Remaining (Years)</b>	<b>Coupon (%)</b>	<b>Trade Date</b>	<b>Trade Size (\$000)</b>	<b>Price (\$)</b>	<b>Spread to Interpolated UST – G-Spread (Basis Points)</b>	<b>Yield (%)</b>
<b>Securitized Bonds Tranche</b>										
<b>High Quality Corporate (Rated Aaa/AAA)</b>										
<b>Other Corporate (with at least one AAA or equivalent by one agency)</b>										

[Add Rows as Necessary]	Issuer with CUSIP #	Ticker	Ratings Moody's/S&P	WAL Remaining (Years)	Coupon (%)	Trade Date	Trade Size (\$000)	Price (\$)	Spread to Interpolated UST – G-Spread (Basis Points)	Yield (%)
Utility First Mortgage Bonds A - rated or better										

**Schedule 4-D Proposed Pricing Compared to Other SEC Registered Long-Term Taxable Ratepayer-Backed Bonds with an Expected Final Maturity of approximately 20 years by Offering and Tranche from 2016 to Present  
By Deal - Comparison of Weighted Average Pricing Spreads for Each New Issue Offering (All Tranches) 2016-Present:**

Initial Offering Date	Issue (Ticker, CUSIP and Name of Issuer)	Total Principal (\$ millions)	Expected Term Weighted Average Life of Deal All Tranches (Years)	Weighted Average Spread to Interpolated UST G-Spread (bps)

**By Tranche: Comparison New Issue Pricing g-spreads to U.S. Treasuries By  
 Comparabe Tranche to Other Taxable Ratepayer-Backed Bonds Tranches with  
 Similar Weighted Average Lives 2016-Present**

Initial Offering Date	Issue (Ticker, CUSIP and Issuer Name)	Tranche Principal Amount At Time Of New Issue (\$ millions)	Expected Term Weighted Average Life Tranches (Years)	Spread to Interpolated UST G-Spread (bps)

**Attachment 5**  
**Kentucky Power Company Certificate**  
**Confirming Financing Order Condition Met**

[\_\_\_\_\_] , 2024

Kentucky Public Service  
Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Saber Partners, LLC  
260 Madison Avenue  
8th Floor  
New York, NY 10005  
Attn: Joseph S. Fichera  
Chief Executive Officer

Re: Kentucky Power Company, [Name of Bonds]

Ladies and Gentlemen;

Subject to stated conditions, Kentucky Revised Statutes sections 278.670 through 678.696 and 65.114 authorize the Kentucky Public Service Commission (the "Commission") to issue financing orders approving the issuance of securitized bonds. In Case No. 2023-0015, the Commission issued its financing order dated January [10], 2024 (the "Financing Order"). The Financing Order authorizes Kentucky Power Company (the "Applicant") to issue one or more series of securitized bonds ("Bonds") and to participate in certain related transactions as specified in the Financing Order through a wholly-owned subsidiary of the Applicant, subsequently identified as [Name of BondCo] (the "BondCo").

The Bonds were priced [with respect to Tranche A-1 at [ : ] [ ].M. New York time, and with respect to Tranche A-2 at [ : ] [ ].M New York time,] on [\_\_\_\_\_] , 2024 (the "Pricing Time") when [\_\_\_\_\_] and [\_\_\_\_\_] (acting for themselves and as representatives of a syndicate of underwriters) agreed to purchase the Bonds in accordance with the terms of the Underwriting Agreement dated [\_\_\_\_\_] , 2024.

The Financing Order states: "To ensure that benefits are realized, the securitized bond transaction must conform to the structure ordered by the Commission as described in detail below, and an Issuance Advice Letter must be provided to the Commission no later than one (1) business day after pricing of the securitized bonds that . . . (g) attaches a certificate from the Applicant confirming that the structuring, marketing and pricing of



the securitized bonds in fact resulted in the lowest securitized surcharges consistent with (i) prevailing market conditions at the time of pricing the securitized bonds, and (ii) the terms of the Act and the Financing Order (the Lowest Cost Objective).”

On the date of this letter, in connection with \$[ ] aggregate principal amount of the BondCo's [Name of Bonds] (the "Bonds"), the Applicant is filing at the Commission an issuance advice letter (the "Issuance Advice Letter") to which this letter is to be attached as Attachment 5.

Therefore, in connection with the Bonds, we hereby certify to you as follows:

1. Given the terms of the Financing Order, the schedule of principal amounts set forth in the Issuance Advice Letter, market conditions at the Pricing Time, and applicable securities laws, and based on the Applicant's experience, the work performed in structuring, marketing and pricing the Bonds, and on market conditions and other information reasonably available to officers, agents and employees of the Applicant, the structuring, marketing and pricing of the Bonds resulted in the lowest securitized surcharges consistent with market conditions and the terms of the Financing Order for each tranche of the Bonds.
2. On [ ], 2024, a decision was made by the Applicant and the Commission's Designated Representative and financial advisor to proceed with marketing the Bonds as a negotiated sale through a syndicate of selected underwriters. Based on information reasonably available to us as of that date, and given the terms of the Financing Order, the schedule of principal amounts set forth in the Issuance Advice Letter and applicable securities laws, (a) competitive sales are not customary in the market in which securities such as the Bonds typically are marketed, nor are competitive sales generally considered to be the most effective manner in which to market highly structured securities such as the Bonds; and (b) the BondCo could not have expected to achieve lower securitized surcharges for any or all tranches of the Bonds through a competitive bidding process than it obtained through the negotiated sale of all the Bonds to the syndicate of underwriters jointly selected by the Applicant and the Commission's designated representative.
3. Given the terms of the Financing Order, market conditions at the Pricing Time and the schedule of principal amounts set forth in the Issuance Advice Letter, the amount of compensation payable to the underwriters from proceeds of the Bonds was necessary to achieve the lowest securitized surcharges for each tranche of Bonds, and the amount of compensation payable to the underwriters and funded from proceeds of the Bonds have been established at amounts that could not be reduced without increasing overall securitized surcharges.

For purposes of this letter, the following definitions apply:

- (a) "marketing" means all aspects of presenting the Bonds to the public capital markets and offering the Bonds for sale to investors, including but not

limited to targeting particular investors or classes of investors and selecting methods of communicating with investors;

- (b) "securitized surcharges" means securitized surcharges imposed to pay the annualized cost, expressed as a percentage, of principal, interest and the cost of external credit enhancement, if any, attributable to that tranche;
- (c) the "structure" of the Bonds means the structure reflected in the Preliminary Prospectus filed with the United States Securities and Exchange Commission on [\_\_\_\_\_], 2024, including the transaction documents described and/or contemplated therein; and
- (d) the "lowest securitized surcharges" means (i) the lowest securitized surcharges in respect of the Bonds as a whole, and (ii) the lowest securitized surcharges in respect of each tranche of Bonds.

4. Consequently, the Applicant confirms and certifies that the Bonds in fact resulted in the Lowest Cost Objective.

The Applicant authorizes this letter to be included as Attachment 5 to the Issuance Advice Letter.

The undersigned is an officer of the Applicant and is authorized to provide this letter on behalf of the Applicant. This letter is being delivered to assist the Commission and Saber in meeting your obligations under the Financing Order, and we shall be fully accountable for all matters set forth in this letter. Without our written permission, this letter may not be used by or relied upon by any other person or entity.

Respectfully submitted,

Chief Financial Officer  
Kentucky Power Company