



Andy Beshear
Governor

Rebecca W. Goodman
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Kent A. Chandler
Chairman

Mary Pat Regan
Commissioner

Angie Hatton
Vice Chairman

Kentucky Public Service Commission Issues Ruling In Kentucky Power Rate Case

Average monthly residential bill will increase less than 1/3 of initial request

FRANKFORT, Ky. (January 19, 2024) – Today, the Kentucky Public Service Commission issued an Order in the Kentucky Power rate case (2023-00159). Kentucky Power filed an application for approval of an increase in its revenues in July, 2023. The application also included a request for an alternative method for recovering previously incurred costs called securitization. Securitization is a process permitted by a change in Kentucky law in 2023 that reduces the financing costs of previously incurred costs. As discussed below, the PSC approved Kentucky Power’s proposal to perform securitization, subject to conditions, on January 10th.

Kentucky Power’s application also included requests for a distribution system cost tracker, tariff name changes, amendments to bill due dates and a power hedging program, among other items and initially proposed an annual increase in its electric rates of \$93.9 million.

Public comment hearings were held in Catlettsburg, Hazard, Pikeville and virtually, and the evidentiary hearing in the matter was held November 28-30, 2023.

During the pendency of this matter, Kentucky Power and certain parties to the case submitted a non-unanimous settlement that reduced the overall revenue increase to \$74.67 million. The settlement was reached prior to the evidentiary hearing in this case between Kentucky Power and several intervening parties, (Kentucky Industrial Utility Customers, Walmart, Mountain Association, Appalachian Citizens’ Law Center, Kentuckians for the Commonwealth and Kentucky Solar Energy Society). Two other intervenors, the Kentucky Office of the Attorney General and SWVA Kentucky, LLC, did not sign but did not object to the settlement.

Today’s Order reduced the increase agreed upon in the proposed settlement by an additional \$14.63 million. Under the rate originally proposed by Kentucky Power in its application, a typical residential customer’s bill with monthly usage of 1200 kWh would have increased approximately 18.3% over current rates. Under today’s Order, a typical residential customer’s bill will increase 5.66% over current rates.

In making its decision, the Commission found the proposal’s impact on residential customers to be “excessive and disturbing,” in part as evidenced by the comments in the case indicating customers could not afford further rate increases.



As part of today's Order, the PSC approved Kentucky Power's proposal to move the due date of bills back 6 days, from 15 to 21 days, to allow customers more time to pay once their bills are received each month. The PSC's Order denied Kentucky Power's request to begin power hedging programs, which were proposed only because of Kentucky Power's inadequate generation, and the Order also denied a proposal to add a tracker to recover distribution-related expense between rate cases.

The rates approved by today's Order take effect January 16th, 2024.

In a separate Order issued January 10, 2024, the PSC approved Kentucky Power's request to finance approximately \$470 million in costs through securitized bonds pursuant to legislation recently enacted by the Kentucky General Assembly. Based on initial estimates, which are subject to change given prevailing market conditions, securitization will result in at least \$74.4 million in savings over a 20-year period for customers as compared to letting the utility recover those costs through ordinary ratemaking and rates.

Securitization includes a months-long process where the utility sells bonds to pay off utility expenses, with the bonds backed by and paid for by Kentucky Power customers. By reducing the interest rate on these costs and by spreading the expenses out over a longer period, the overall impact on customers is lower than if the utility recovered the costs through rates. This process removes any Kentucky Power shareholder return on the \$470 million of expenses. When the bonds are successfully completed, customers will see a transparent, specified bill line item reflecting the cost to pay the bonds off.

A copy of the orders, complete case filings and additional information can be found at <https://psc.ky.gov/Case/ViewCaseFilings/2023-00159>.

###

