

Steven L. Beshear
Governor

Leonard K. Peters, 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

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

PSC Allows Separate Accounting of Kentucky Power Storm Costs *No decision made on recovery through future rates*

FRANKFORT, Ky. (Dec. 22, 2009) – The Kentucky Public Service Commission (PSC) today allowed Kentucky Power Co. to set up a separate account to track power restoration costs and other expenses associated with recovery from the damage caused by the severe ice storm in January, a wind storm in February and severe thunderstorms in May.

The account, known as a regulatory asset, is a tool that allows unusual or one-time costs to be deferred for a period of time for possible future recovery through rates.

While the establishment of regulatory assets is done in expectation of future cost recovery through rates, it is not a guarantee of recovery. That determination will be made in a future rate case based upon the evidence presented in that proceeding.

Kentucky Power, a subsidiary of American Electric Power Co., is allowed to establish a regulatory asset of \$10.3 million, which is the amount the utility requested.

The regulatory asset includes \$5.6 million in costs connected to the ice storm in late January, \$3.4 million for the wind storm that followed two weeks later and \$1.3 million for the May 8 and May 9 thunderstorms. It does not include any of the costs of the ongoing restoration efforts following last weekend's the snow storm.

In granting the request, the PSC noted that it based its decision on the cumulative costs of all three events, rather than each individual event.

Kentucky Power serves about 176,000 customers in 20 counties in eastern Kentucky.

About 33,000 Kentucky Power customers lost power in the ice storm. The Feb. 11 wind storm knocked out power to about 39,000 of the company's customers. About 21,000 Kentucky Power customers lost power in the May storms.

Kentucky Power is the third Kentucky electric company to seek and receive authority to establish a regulatory asset related to the January ice storm.

-more-

PSC Allows Separate Accounting of Kentucky Power Storm Costs – Page 2

Earlier this year, the PSC authorized Kentucky Utilities Co. (KU) to establish a regulatory asset of \$61.9 million. Louisville Gas & Electric Co. (LG&E) was authorized to establish a regulatory asset of \$45.2 million.

A year ago, LG&E and KU were authorized by the PSC to establish regulatory assets for the restoration expenses associated with Hurricane Ike in September 2008. LG&E was authorized to establish a regulatory asset of \$24.1 million, while KU was allowed to establish a regulatory asset of \$2.56 million.

Duke Energy Kentucky was allowed to establish a regulatory asset of \$4.92 million for costs caused by Hurricane Ike.

Utilities routinely seek separate accounting of costs related to natural disasters that cause significant damage and outages. KU was authorized to establish such an account following the February 2003 ice storm, while LG&E was granted a regulatory asset after the 1974 tornado in Louisville.

Regulatory assets generally are sought by investor-owned utilities, which are not eligible for federal or state disaster assistance. Electric cooperatives which suffer damage from storms that are designated as major disasters typically have almost all of their costs reimbursed by the federal and state governments.

Recovery of regulatory assets generally occurs over a period of several years. Utilities typically seek to recover the assets in conjunction with a request to the PSC for a rate adjustment. The PSC may allow recovery of all or a portion of the storm-related costs, and will determine the time frame for the cost recovery.

Today's order and related documents are available on the PSC Web site, psc.ky.gov. The case number is 2009-00352.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.