

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
POWER COMPANY FOR AN ORDER	)	
APPROVING ACCOUNTING PRACTICES TO	)	
ESTABLISH A REGULATORY ASSET RELATED	)	CASE NO.
TO THE EXTRAORDINARY EXPENSES	)	2025-00291
INCURRED BY KENTUCKY POWER COMPANY	)	
IN CONNECTION WITH SEVERAL SEVERE	)	
STORMS FROM FEBRUARY THROUGH MAY	)	
2025	)	

ORDER

On September 5, 2025, Kentucky Power Company (Kentucky Power) filed an application pursuant to KRS 278.030, KRS 278.040, and KRS 278.220 requesting authorization to establish a regulatory asset for Kentucky Power's net operation and maintenance (O&M) expenses arising from severe weather that occurred in February through May 2025. Kentucky Power requested to defer approximately \$2.0 million in incremental O&M costs of the \$3.6 million total restoration costs.¹ Kentucky Power requested that the Commission enter an order on or before October 31, 2025, due to the magnitude of the storm costs and the significant cumulative effect of the costs on Kentucky Power's financial statements, prepared in accordance with generally accepted accounting principles (GAAP).² An informal conference in this matter was held on

¹ Application (filed Sept. 5, 2025), Exhibit 2.

² Application at 5, Item 15.

September 30, 2025.³ No party sought to intervene in this proceeding. Based upon the record and Kentucky Power's request, this case is submitted for a decision based on the written record.

LEGAL STANDARD

KRS 278.220 provides that the Commission may establish a uniform system of accounts (USoA) for utilities and in Kentucky Power's case, that the system of accounts shall conform as nearly as practicable to the system adopted or approved by the Federal Energy Regulatory Commission (FERC). The FERC USoA provides for regulatory assets, or the capitalization of costs that would otherwise be expensed but for the actions of a rate regulator. It must be probable that the utility will recover approximately equal revenue through the inclusion of these costs for ratemaking purposes, with the intent to recover the previously incurred cost not a similar future cost. The Commission has established parameters for expenses that qualify for regulatory asset treatment; the Commission has approved regulatory assets where a utility has incurred (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.⁴ Additionally, the Commission has established a requirement that utilities

³ Informal Conference Memo and Sign In Sheet (filed Oct. 21, 2025).

⁴ Case No. 2008-00436, *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008), Order at 3–4.

seek Commission approval before recording regulatory assets,⁵ and requirements regarding the timing for applications seeking such approval.⁶

REQUEST FOR REGULATORY ASSET

In support of the request to establish a regulatory asset for O&M costs related to storms, Kentucky Power asserted that it incurred extraordinary O&M costs to restore service after severe weather on February 11, March 31, April 3, May 1, and May 20, 2025. Kentucky Power asserted that, while the individual storms do not meet the standard for a major event day under IEEE Standard 1366, which, for 2025, is at least 4,467,511 customer minutes of interruption (CMI), the storms resulted in Kentucky Power incurring significant, extraordinary, and non-recurring charges to restore service to customers.⁷

Kentucky Power provided preliminary damage reports and customer outage information for each of the storms as shown in the table below.⁸ Kentucky Power also provided total restoration costs and incremental O&M expenses for each storm.⁹

Storm Date	Preliminary Damage Reports					Total Customer Minutes of Interruption	Number of Internal and Contract Employees	Total Cost	Incremental Cost
	Poles	Cross Arms	Transformers	Conductors	Customer Outages				
February 11	10	14	6	59	1,680	585,397	715	\$ 801,892	\$ 445,646
March 31	11	18	4	72	4,994	2,468,584	318	1,647,685	954,885
April 3	15	7	7	117	1,825	1,681,808	443	758,547	409,711
May 1	11	4	6	52	2,412	1,328,633	148	170,301	77,261
May 20	9	2	4	79	1,266	652,852	235	224,590	132,111
Total	56	45	27	379	12,177	6,717,274	1,859	\$ 3,603,015	\$ 2,019,614

⁵ Case No. 2016-00180, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the Two 2015 Major Storm Events* (Ky. PSC Nov. 3, 2016), final Order at 9.

⁶ Case No. 2016-00180, (Ky. PSC Dec. 12, 2016), Order at 5.

⁷ Application at 3, Item 7.

⁸ Application at 6–11, Items 19–58.

⁹ Application, Exhibit 2.

Kentucky Power's base rates include \$1,101,000 in storm-related O&M expenses.¹⁰ Kentucky Power argued that the Commission evaluates whether to authorize a regulatory asset for storm costs based upon the magnitude of the expense as compared to storm-related costs in the utility's rate base and the effect on the utility's current year financial results if the regulatory asset was denied.¹¹

Kentucky Power also argued the Commission's decision in its first regulatory asset request this year, Case No. 2025-00031,¹² to only authorize a regulatory asset for an incremental amount over the amount in Kentucky Power's base rates meant all storm damage costs were incremental and that the costs incurred from severe storms, but not collected through base rates, were materially impacting Kentucky Power's financial condition.¹³ Kentucky Power stated that if it had been permitted to defer the entirety of the costs, a large portion of the costs sought to be deferred in this application would have been recovered through base rates, and there would have been a lesser effect on its financial condition.¹⁴

Additionally, in Case No. 2025-00031, the Commission expressed concerns about how Kentucky Power will ensure that the costs are reasonable and prudently incurred.¹⁵ The Commission found that, in any future regulatory assets, Kentucky Power should

¹⁰ Application at 3, Item 8.

¹¹ Application at 17–18, Item 80.

¹² See Case No. 2025-00031, *Electronic Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the January 5, 2025 and February 15, 2025 Major Event Storms*.

¹³ Application at 5, Item 12.

¹⁴ Application at 5, Item 13.

¹⁵ Case No. 2025-00031, (Ky. PSC Mar. 31, 2025), final Order at 7.

identify and explain its efforts to keep costs and expenses to a minimum, and that such costs were reasonably and prudently incurred.¹⁶ Additionally, in any future Kentucky Power applications seeking a regulatory asset related to storm damages, the Commission found that Kentucky Power should provide an explanation for how it chooses contractors during storm events.¹⁷

Kentucky Power provided explanations for cost mitigation efforts including using Storm Outage Prediction Models to predict the amount of resources to complete repairs and restore service.¹⁸ Kentucky Power also utilizes the Incident Command System (ICS), a standardized, on-scene, all-hazard incident management tool that allows responders to manage both small and large emergencies, if needed, but stated it did not use the ICS for any of the storms discussed in this case.¹⁹ Kentucky Power is a member of several Regional Mutual Assistance Groups (RMAGs), which provide access to additional personnel and equipment to aid in restoring service.²⁰ When RMAG assistance is required, the Edison Electric Institute (EEI) provides guidelines for the cost of the responding company's additional resources.²¹ Kentucky Power employees are given a roster of assistance personnel to ensure the provided amount is accurate and to collect information for tracking assignments. The tracking enables Kentucky Power to analyze labor assignments and ensure the assistance is being properly allocated in needed

¹⁶ Case No. 2025-00031, (Ky. PSC Mar. 31, 2025), final Order, ordering paragraph 6.

¹⁷ Case No. 2025-00031, (Ky. PSC Mar. 31, 2025), final Order, ordering paragraph 7.

¹⁸ Application at 12, Items 60–61.

¹⁹ Application at 14, Items 69–71.

²⁰ Application at 12, Item 63.

²¹ Application at 13, Item 65.

locations.²² Kentucky Power also stated the EEI governing principles and systematic tracking approach described above helps to ensure that storm restoration costs are reasonable and prudently incurred.²³

DISCUSSION AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power's request for authorization to establish regulatory assets for the repair and restoration of storm-related damages, including the costs to repair the damaged assets, do not represent expenses that are extraordinary and nonrecurring. Accordingly, the Commission finds that Kentucky Power request to be authorized to establish, for accounting purposes only, a regulatory asset based on the jurisdictional incremental costs of extraordinary O&M expenses incurred by Kentucky Power as a result of the storms is denied.

In Case No. 2023-00159, Kentucky Power's last base rate case, the Commission approved Kentucky Power's proposal to reduce the level of total distribution major and non-major storm project expense in the test year from \$7.3 million to approximately \$1.0 million and maintain the actual test-year level of transmission major and non-major storm project expense of \$0.1 million.²⁴ The Commission expressed concerns specifically stating:

[t]hat interpretation [that a utility is entitled to a regulatory asset simply because an expense significantly exceeds

²² Application at 13, Item 66.

²³ Application at 13, Item 67.

²⁴ Case No. 2023-00159, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of its Rates for Electric Service; (2) Approval of Tariff and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) A Securitization Financing Order; and (5) All other Required Approvals and Relief* (Ky. PSC Jan. 19, 2024), Order at 33.

amounts included in base rates] of when a regulatory asset should be permitted would allow a utility to create de facto true-ups with carrying charges by setting an expense low in base rates and receiving a regulatory asset each year for the difference as Kentucky Power has done with storm damage expense in each of the last four years. Such de facto true-ups would reduce incentives for utilities to monitor costs and would likely ultimately result in customers paying more due to carrying charges and potentially increased expenses.²⁵

Finally, in that case, the Commission noted it “will examine each application for a regulatory asset thoroughly to ensure that the costs are reasonable and prudently incurred, regardless of the amount, and will not find that an expense is extraordinary simply because it exceeds the test-year amount.”²⁶

In the present case, Kentucky Power explained that there are no set monetary thresholds to determine whether or not Kentucky Power will seek a regulatory asset for storm damages, and the company evaluates each weather event independently.²⁷ In this instance, Kentucky Power has not provided sufficient evidence that the storm damages are an extraordinary, nonrecurring expense that could not have reasonably been anticipated or included in its base rate planning. The storms discussed in the application appear to be storms that could have been included in Kentucky Power’s base rate planning. The request in this case was contemplated by the Commission when it expressed its concerns in Case No. 2023-00159.

²⁵ Case No. 2023-00159, (Ky. PSC Jan. 19, 2024), Order at 34.

²⁶ Case No. 2023-00159, (Ky. PSC Jan. 19, 2024), Order at 35.

²⁷ Kentucky Power’s Response to Commission Staff’s First Request for Information (filed Oct. 1, 2025), Item 5.

Kentucky Power's argument that a large portion of the costs sought to be deferred in this application would have been recovered through base rates, but for Case No. 2025-00031, is not compelling, as the amount Kentucky Power proposed to defer in this case exceeds the level of total distribution major and non-major storm project expense. The Commission also notes that Kentucky Power in its last rate case proposed to reduce the level of total distribution major and non-major storm project expense in the test year, despite storm damage costs continuing to increase.

IT IS THEREFORE ORDERED that:

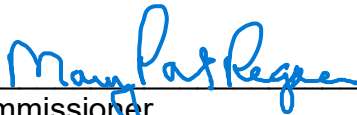
1. Kentucky Power's request to establish a regulatory asset for the incremental actual costs of extraordinary O&M expenses related to the storms as described in its application is denied.

2. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


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