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 TO THE EXTRAORDINARY EXPENSES INCURRED BY KENTUCKY POWER COMPANY IN CONNECTION WITH THE MAJOR JANUARY 2026 STORM EVENT	))))))))	CASE NO. 2026-00101

ORDER

On April 17, 2026, 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 occurring on January 25, 2026 (Winter Storm Fern)[1] in its service area. Kentucky Power requested to defer an estimated $2,380,191 in incremental O&M expenses of $3,693,141 in total restoration costs.[2] No party sought to intervene in this proceeding. On May 26, 2026, Kentucky Power responded timely to one set of requests for information on this issue.[3] This case is submitted for a decision based on the written record.

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[1] Application at 1.

[2] Application, Exhibit 2 Excel Document, Summary Tab.

[3] Kentucky Power's Response to Staff's First Request for Information (Staff's First Request) (filed May 8, 2026).

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:

> The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services.[4]

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.[5] Additionally, the Commission has established a requirement that utilities seek

[4] 18 C.F.R. § 367.1823(b).

[5] 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.

Commission approval before recording regulatory assets,[6] and requirements regarding the timing for applications seeking such approval.[7]

<u>REQUEST FOR REGULATORY ASSET</u>

In support of the request to establish a regulatory asset for O&M costs related to storms, Kentucky Power stated it uses the major event day (MED) standards to determine whether to request regulatory asset treatment.[8] The MED threshold under Institute of Electrical and Electronics Engineers (IEEE) Standard 1366 for 2026 is at least 4,309,131 customer minutes of interruption (CMI).[9] Kentucky Power stated the total CMI associated with Winter Storm Fern was 4,614,589,[10] meaning that Winter Storm Fern meets IEEE's major event day threshold. Further, as a result of Winter Storm Fern, Kentucky Power stated that, at the peak of the event, 4,970 customers were without service.[11] Kentucky Power also provided total restoration costs and incremental O&M expenses for the storm shown in the table below with a comparison to storm damage expense included in base rates.

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[6] 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), Order at 9.

[7] Case No. 2016-00180, Dec. 12, 2016 Order at 5.

[8] Application, paragraph 4.

[9] Application, paragraph 15.

[10] Application, paragraph 18.

[11] Application, paragraph 17.

Winter Storm Fern

	Total Costs	Incremental O&M Expense	O&M Amount Included in Base Rates[1]	% Amount Included in Base Rates
Distribution	$ 3,693,141	$ 2,380,191	$ 2,000,000	119.01%

[1] Approved in Case No. 2025-00257

Beginning on January 25, 2026, Kentucky Power's service territory experienced freezing rain and snow as Winter Storm Fern swept through its service territory, which resulted in damage to 15 transformers, 25 sets of cross arms, 22 poles, and 207 spans of conductor.[12] Kentucky Power stated that restoration efforts were hindered due to hazardous road conditions and additional outages resulting from persistent inclement weather in the days that followed, but stated all power was restored by 2:25 p.m. on Wednesday, January 28, 2026.[13] Kentucky Power stated that approximately 925 internal and contract employees assisted in restoration efforts.[14] Kentucky Power's base rates include $2,000,000 in storm-related O&M expenses, approved in Case No. 2025-00257.[15] Kentucky Power stated this amount was for non-major event storms.[16]

Kentucky Power asserted that the incremental O&M costs were extraordinary and sufficiently significant to satisfy the standard to establish a regulatory asset.[17]

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[12] Kentucky Power's Response to Staff's First Request, Item 4.

[13] Application, paragraph 24.

[14] Application, paragraph 22.

[15] Case No. 2025-00257, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates For Electric Service; (2) Approval of Tariffs And Riders; (3) Approval of Certain Regulatory and Accounting Treatments; and (4) all Other Required Approvals and Relief* (Ky. PSC Feb. 28, 2026), final Order at 89.

[16] Application, paragraph 36.

[17] Application, paragraph 49.

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, represent O&M expenses that are extraordinary, nonrecurring, and could not have been reasonably anticipated or included in Kentucky Power's planning. Accordingly, the Commission finds that Kentucky Power should 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 Winter Storm Fern. However, the Commission finds that Kentucky Power should only be authorized to defer the amount of jurisdictional incremental storm-related O&M expense to the extent it exceeds the $2.0 million embedded in Kentucky Power's base rates.

In Case No. 2025-00257, the Commission approved a $2.0 million increase in Kentucky Power's storm damage reserve embedded in base rates that was included in the proposed settlement agreement.[18] The settlement agreement specifically stated that "Kentucky Power will increase the level of major and non-major storm expense (Storm Expense) included in base rates from $0 to $2.0 million."[19] The Commission finds the $2.0 million included in base rates is not only to be used for non-major storms as asserted by Kentucky Power.

[18] Case No. 2025-00257, Feb. 28, 2026 final Order at 89.

[19] Case No. 2025-00257, Settlement Agreement (filed Jan 9, 2026), Wolffram Testimony, Exhibit TSW-S1, page 7, Item viii.

In the past, for storms during the fourth quarter, the Commission allowed utilities to record a regulatory asset subject to providing immediate notice to the Commission of the establishment of the regulatory asset and filing an application for approval within 90 days of the storm event.[20] This sentiment was adopted in Kentucky Power's recent requests for regulatory assets pertaining to storm damage expenses to allow Kentucky Power to record expenses for storms occurring in any quarter of the fiscal year as a deferred asset for accounting purposes only, subject to Kentucky Power providing the Commission with notice of such within five days of the establishment of the regulatory asset and subject to Kentucky Power filing an application within 90 days of the occurrence of the storm seeking Commission approval for such authority.[21] As such, the Commission finds that Kentucky Power should continue using the same filing timeline for quarterly reports as it does for year-end reports.

In this instance, the Commission finds that Kentucky Power has provided sufficient evidence that the storm damage expense from Winter Storm Fern is an extraordinary, nonrecurring expense that could not have been reasonably anticipated or included in Kentucky Power's planning.

IT IS THEREFORE ORDERED that:

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

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[20] Case No. 2016-00180, Nov. 3, 2016 Order at 5.

[21] 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* (Ky. PSC Mar. 31, 2025), Order at 8.

2. Kentucky Power is authorized to defer only the amount of incremental actual costs of extraordinary O&M expenses to the extent it exceeds the $2.0 million embedded in its base rates.

3. The regulatory asset accounts established in this case are for accounting purposes only and are not a final approval of the individual expenses for ratemaking purposes.

4. The amount, if any, of the regulatory assets herein that is to be amortized and included in rates shall be determined in Kentucky Power's next base rate case. Kentucky Power shall maintain records, to provide in a subsequent rate case application in sufficient detail to provide justification of all recorded expenses within the regulatory asset as prudent and necessary.

5. Kentucky Power is allowed to record expenses for storms occurring in any quarter of the fiscal year as a regulatory asset for accounting purposes only, subject to Kentucky Power providing the Commission with notice within five days of the establishment of the regulatory asset and subject to Kentucky Power filing an application within 90 days of the occurrence of the storm seeking Commission approval for such authority.

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

Entered on this 21st day of July, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Linda C. Bridwell, PE
Executive Director

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