

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)	CASE NO.
ESTABLISH A REGULATORY ASSET RELATED)	2026-00067
TO THE EXTRAORDINARY EXPENSES)	
INCURRED BY KENTUCKY POWER COMPANY)	
IN CONNECTION WITH THE DECEMBER 2025)	
MAJOR STORM EVENT)	

ORDER

On March 18, 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 December 18, 2025, and December 19, 2025 (December 2025 Storm),¹ in its service area. Kentucky Power requested to defer an estimated \$1,425,286 in incremental O&M expenses of the \$2,370,655 total restoration costs.² No party sought to intervene in this proceeding. On April 15, 2026, Kentucky Power responded to one set of requests for information on this issue.³ There have been three public comments submitted by Kentucky Power’s ratepayers; all of which objected to Kentucky Power’s proposed deferral of the

¹ Application at 1.

² Application, Exhibit 2, Summary Tab at Line 40.

³ Kentucky Power’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed Apr. 15, 2026).

incremental O&M expenses arising from the December 2025 Storm.⁴ 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. 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

⁴ View Public Comments for: 2026-00067

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.

a requirement that utilities seek Commission approval before recording regulatory assets,⁶ and requirements regarding the timing for applications seeking such approval.⁷

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 December 18 and 19, 2025.⁸ Kentucky Power asserted that the storm meets the standard for a major event day under Institute of Electrical and Electronics Engineers (IEEE) Standard 1366, which, for 2025, is at least 4,467,511 Customer Minutes of Interruption (CMI).⁹

Kentucky Power provided preliminary damage reports and customer outage information for the storm.¹⁰ 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.¹¹

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 at 2.

⁹ Application at 5.

¹⁰ Application at 6-7.

¹¹ Application, Exhibit 2.

December 2025 Storm

	Total Costs	Incremental O&M Expense	O&M Amount Included in Base Rates ¹	% Amount Included in Base Rates
Distribution	\$ 2,370,655	\$ 1,425,286	\$ 1,012,476	140.77%

¹ Approved in Case No. 2023-00159

Kentucky Power explained that, on December 18 and December 19, 2025, Kentucky Power’s service area experienced severe thunderstorms that resulted in extensive damage and widespread power outages affecting all three of Kentucky Power’s districts.¹² The storms caused damage to 3 arresters, 61 cutouts, 225 insulators, 26 poles, 35 sets of cross arms, 22 transformers, 33 splices, 304 spans of conductor, 4,584 wires, and resulted in 16,432 customer outages with a total CMI of 9,926,898.¹³ Kentucky Power asserted that restoration efforts lasted approximately four days and resulted in total costs of \$2,370,655, of which \$1,425,286 was incremental O&M expense.¹⁴ Kentucky Power further asserted that approximately 546 internal and contract employees from Kentucky and Ohio assisted in restoration efforts.¹⁵

Kentucky Power’s base rates include approximately \$1,101,000 in storm-related O&M expenses, comprised of \$1,012,476 and \$88,524 for distribution and transmission-related expenses, respectively.¹⁶ Kentucky Power stated that the year-to-date storm damage O&M expenses, inclusive of the December 2025 Storm is \$12,679,434.

¹² Application at 6.

¹³ Kentucky Power’s Response to Staff’s First Request, Item 4.

¹⁴ Application, Exhibit 2, Summary Tab at Line 40.

¹⁵ Application at 7.

¹⁶ Application at 9-10.

Kentucky Power asserted that the incremental O&M costs were extraordinary and sufficiently significant to satisfy the standard to establish a regulatory asset.¹⁷ 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 is denied.¹⁸

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 the December 2025 Storm.

In Case No. 2023-00159, Kentucky Power's last base rate case during the period of time in which these costs were incurred, 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

¹⁷ Application at 12.

¹⁸ Application at 12.

\$0.1 million.¹⁹ Although the reduction was approved, the Commission expressed concerns specifically stating:

[T]hat interpretation [that a utility is entitled to a regulatory asset simply because an expense significantly exceeds 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 ultimately result in customers paying more due to carrying charges and potentially increased expenses.²⁰

In part to address this concern, 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.”²¹ In the present case, Kentucky Power provided documentation of its cost mitigation efforts and contractor selection process.²²

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

¹⁹ 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.

²⁰ Case No. 2023-00159, Jan. 19, 2024 Order at 34

²¹ Case No. 2023-00159, Jan. 19, 2024 Order at 35.

²² Application at 7-9.

days of the storm event.²³ This sentiment was adapted 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.²⁴ 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 damages from the December 2025 Storm are an extraordinary, nonrecurring expense that could not have been reasonably anticipated or included in its 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.

2. 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.

²³ Case No. 2016-00180, Nov. 3, 2016 Order at 5.

²⁴ 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

3. The amount, if any, of the regulatory asset 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, and provide the same in its rate case application, in sufficient detail to provide justification of all recorded expenses within the regulatory asset as prudent and necessary.

4. 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.

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

Entered on this 19th day of May, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

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