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PSC Issues Order in Kentucky Power Rate Case No. 2025-00257

Settlement modified to lower increase for ratepayers

FRANKFORT, Ky. (February 28, 2026) – The Kentucky Public Service Commission (PSC) issued its Final Order in the Kentucky Power Rate Case today modifying a settlement reached between some parties to the case.

Under the PSC's Final Order, the average residential customer using 1,208 kWh per month will see an average monthly energy bill increase of \$10.76 in the first year, resulting in an average bill of \$194.13, up from an average bill from base rates of \$183.37. This represents an increase of approximately 5.87% percent for the first year, and there will be an additional 0.76% increase after the first year.

The reason for the slight rate increase after the first year is a provision that allows Kentucky Power to use certain deferred tax liabilities to reduce rates. This mechanism, called a DTL Rider, will use those credits to reduce customer bills in the first year rather than in the future as under traditional ratemaking.

In the company's original application, residential customers would have seen an average monthly energy bill increase of \$27.30, resulting in an average bill of \$210.67, up from an average bill from base rates of \$183.37. This would have represented an increase of approximately 14.62% percent.

Since the company has a large number of customers with high usage in some months, the PSC approved a new two-tiered rate design for residential customers. It is designed to levelize bills and alleviate some of the high costs paid by customers with the highest usage. The higher usage customers will pay a higher basic customer charge (\$38 rather than \$24) but all customers pay a lower volumetric rate for every kWh beyond the first 600 kWh used (\$0.156321 per kWh for the first 600 kWh and \$0.117555 for all usage above 600kWh).

The final order also requires Kentucky Power to undergo an independent management audit to review Kentucky Power's operations, decision making processes, and its relationship with its parent company, American Electric Power, with the goal of identifying potential efficiencies that will benefit customers.



“As utility costs in this country continue to outpace inflation, electricity rates have become an issue for every utility in every state in the past few years, but perhaps none more intense than for this particular company, due in large part to a loss of population, about 12,000 fewer residential customers over the past 14 years, and a 38% decrease in industrial power customer consumption in Kentucky Power’s service territory. That has caused the company’s costs to be spread among fewer customers,” said PSC Chair Angie Hatton.

“We heard emotional pleas at our public comment hearings from ratepayers. They are angry and scared of the additional financial hardship caused by any potential increase,” Hatton said. “The PSC must balance the interests of fair rates for all customers with the realities of the cost of providing reliable electric service and issue a decision based on the evidence presented and within the laws that govern rates.”

The Kentucky Attorney General, the Kentucky Industrial Utility Customers (KIUC), SWVA Kentucky, the Appalachian Citizens Law Center, Kentuckians for the Commonwealth, the Kentucky Solar Energy Society, the Mountain Association, and Kentucky Solar Industries Association (KYSIA) intervened in the case.

Although it was not ultimately approved as written, a Settlement Agreement between Kentucky Power, KIUC and KYSEIA was filed into the case record on January 9, 2026. The Settlement Agreement proposed a base rate increase of \$58,730,654, before application of the DTL Rider proposed therein, and a new Generation Rider with a first-year revenue requirement of \$18,669,720, for a total annual revenue requirement increase of \$77,400,374. The PSC reduced the total authorized annual revenue to an increase of \$55,046,220, which represents a \$40,512,028 reduction from the \$95,558,248 sought in Kentucky Power’s original application.

The Commission’s approved rate included a modified Generation Rider that was included in the settlement because the rider may facilitate future savings for customers through potential securitization of costs at a later date.

A copy of the final order and the complete record of the case including the application, public comments, and other case filings are available at <https://psc.ky.gov/Case/ViewCaseFilings/2025-00257>.

Kentucky Power is a jurisdictional electric utility that generates and purchases electricity that it distributes and sells at retail to approximately 162,511 customers located in all, or portions of Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike, and Rowan counties. Kentucky Power’s last adjustment of its electric rates was in Case No. 2023-00159.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

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