

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

Electronic Emergency Docket Related	)	Case No.
To The Novel Coronavirus COVID-19	)	2020-00085

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**KENTUCKY POWER COMPANY’S NOTICE OF ACCOUNTING ENTRIES TO BE  
MADE AND OTHER STEPS TO BE TAKEN IN FURTHERANCE OF THE  
COMMISSION’S SEPTEMBER 21, 2020 ORDER**

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Kentucky Power Company (“Kentucky Power” or the “Company”) respectfully informs the Public Service Commission of Kentucky (“Commission”) of the Company’s intention to track and defer foregone late payment fees in conformity with ASC 980-605-25 and the Commission’s September 21, 2020 Order (the “Order”) in this proceeding.<sup>1</sup>

**Introduction**

1. Kentucky Power is an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity to Kentucky consumers. The Company serves approximately 165,000 retail customers in the following 20 counties of eastern Kentucky: Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike, and Rowan. The Company also furnishes electric service at wholesale to the City of Olive Hill and the City of Vanceburg.

2. Kentucky Power is a Kentucky corporation originally incorporated in 1919, in good standing, and a public utility as that term is defined in KRS 278.010(3), and, therefore, is subject to the Commission’s jurisdiction.

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<sup>1</sup>Order, *In the Matter of: Electronic Emergency Docket Related To The Novel Coronavirus COVID-19*, Case No. 2020-00085 (Ky. P.S.C. September 21, 2020).

3. Kentucky Power's business address is 1645 Winchester Avenue, Ashland, Kentucky 41101.

4. The Company swiftly took action on March 13, 2020 in response to the COVID-19 pandemic to ensure service continuity for its customers and mitigate the social spread of the virus by suspending disconnections for nonpayment. These actions were supplemented by the Commission's March 16, 2020 Order that, *inter alia*, suspended the imposition by utilities of late payment fees.

5. On September 21, 2020, the Commission issued its Order that, among other things, lifted its moratorium on disconnections for nonpayment, subject to certain criteria intended to assist customers with arrearages while balancing other considerations. The Commission's Order directs utilities to take a number of different measures to continue to assist residential customers, including, but not limited to, establishment of default payment plans for no less than six months in length, continued suspension of residential late payment fees through the end of the year, and delaying disconnection processes.<sup>2</sup> In addition, the Order permits the resumption of late payment fees for non-residential customers and encourages utility flexibility in payment plan offerings.<sup>3</sup>

6. The Order also provided with respect to late payment fees that:

the Commission finds good cause to continue its moratorium on the assessment of late payment charges for residential customers only until December 31, 2020. Even though utilities will be unable to assess late fees on bills rendered for service through the end of this year, they should continue to track the "lost revenue" they would have otherwise collected from late fees.<sup>4</sup>

7. Through October 30, 2020, Kentucky Power has foregone \$1,875,587.52 in

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<sup>2</sup> Order at 6-8.

<sup>3</sup> *Id.* at 8.

<sup>4</sup> *Id.* at 6-7.

residential late fee revenue. The Company forecasts it will forego an additional \$606,510.85 in residential late payment fees from October 31, 2020 through December 31, 2020, when the moratorium on the imposition of late payment fees is scheduled to expire.

8. Through October 30, 2020, the Company, in accordance with the Commission's March 16, 2020 Order, did not impose \$1,350,464.75 in late payment fees otherwise due from the Company's commercial and industrial customers.

9. The total late fee revenue deficiency as of December 31, 2020 is estimated to be \$3,832,563.12. The amount is calculated by adding the total actual foregone residential late fees through October 30, 2020 of \$1,875,587.52, plus estimated foregone residential late fees for the period October 31, 2020 through December 31, 2020 of \$606,510.85, plus actual foregone commercial and industrial late fees of \$1,350,464.75 through October 30, 2020. This estimated total will be adjusted with the actual foregone residential late fees for the period October 31, 2020 through December 31, 2020 when the actual values are known. The Company will seasonably report to the Commission the total calendar year 2020 revenue deficiency related to the foregone residential, commercial, and industrial late fees following the close of the Company's 2020 books.

10. In accordance with the Order, Kentucky Power intends to track the amount of the revenue deficiency associated with foregone late payment fees by making the following accounting entries:

(a) The Company will debit Regulatory Asset and credit Revenue in the amount of the foregone late fee revenues to create the COVID-19 Foregone Late Fee regulatory asset; and

(b) pursuant to ASC 980-605-25, the Company will immediately provision the COVID-19 Foregone Late Fee regulatory asset by debiting Revenue and crediting a Contra Regulatory Asset since the standard for revenue recognition under GAAP has not yet been met.

11. ASC 980-605-25 establishes alternative revenue recognition requirements and provides for the Company's planned accounting treatment of foregone revenues in response to the Commission's September 21, 2020 Order and "broad external factors." The COVID-19 pandemic, the ensuing economic dislocations and disruptions, and the Commission's March 16, 2020 and September 21, 2020 Orders constitute the "broad external factors" encompassed by Type A alternative revenue programs under ASC 980-605-25.

12. In a future regulatory proceeding, the Company will seek approval to recover the COVID-19 Forgone Late Fee regulatory asset from customers. Upon the satisfaction of the three conditions for recognition of alternative revenue established by ASC 980-605-25-4 and listed below, the Company will reverse the Contra Regulatory Asset and recognize the foregone late fee revenues.

Once the specific events permitting billing of the additional revenues under Type A...programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

- a. The program is established by an order of the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
- b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.<sup>5</sup>

13. The Company respectfully requests the Commission confirm that the Order authorizes the Company to make the above described accounting entries in connection with its tracking of foregone late payment fees.

14. The Company respectfully requests the requested confirmations (or statement of

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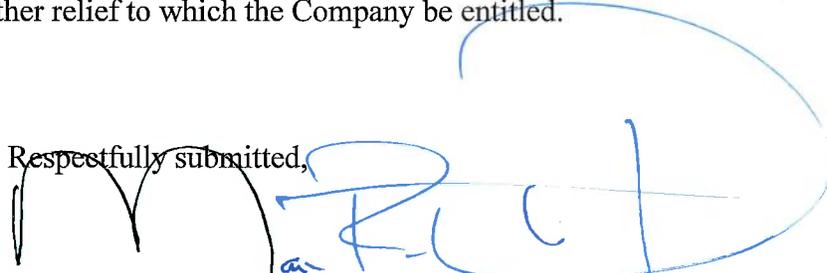
<sup>5</sup> ASC 980-605-25-4

inability to provide the requested confirmations) by December 11, 2020. In the event the Commission declines to provide the requested confirmation, the Company will need to make other regulatory filings to seek all necessary authorizations to establish a regulatory asset in the amount of the foregone 2020 late payment fees that were not collected due to the Commission's orders in this proceeding.

**WHEREFORE**, for the reasons stated herein, Kentucky Power Company respectfully requests the Commission enter an order:

- (a) Confirming the Company's ability to make the accounting entries described in paragraph 10 above;
- (b) Granting such further relief to which the Company be entitled.

Respectfully submitted,



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COUNSEL FOR KENTUCKY POWER COMPANY