

**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)	Case No. 2020-00368
Kentucky Power Company In Connection With)	
Three 2020 Major Storm Events)	

APPLICATION

Kentucky Power Company (“Kentucky Power” or the “Company”) applies to the Public Service Commission of Kentucky (“Commission”) pursuant to KRS 278.030, KRS 278.040, and KRS 278.220 for an Order permitting the Company to accumulate and defer for review and recovery in its next base rate proceeding before the Commission those extraordinary and incremental net operation and maintenance costs incurred by Kentucky Power in connection with three 2020 “Major Event Day” storms in Kentucky Power’s service territory. In support of this Application, the Company states:

Applicant

1. Kentucky Power is an electric utility organized as a corporation under the laws of the Commonwealth of Kentucky in 1919.¹ The Company’s post office address is 1645 Winchester Avenue, Ashland, Kentucky 41101. The Company’s electronic mail address is kentucky_regulatory_services@aep.com.

¹ A certified copy of the Company’s Articles of Incorporation and all amendments thereto was attached to the Joint Application in *In the Matter Of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149. The Company’s November 6, 2020 Certificate of Existence is attached as **EXHIBIT 1**.

2. Kentucky Power is 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.

3. Kentucky Power is a wholly-owned subsidiary of American Electric Power Company, Inc. (“AEP”).

Kentucky Power’s Transmission and Distribution Facilities

4. As of September 30, 2020, Kentucky Power owned approximately 1,272 circuit miles of transmission lines. Kentucky Power’s transmission system is designed and constructed to meet heavy loading criteria. The transmission system comprises approximately 2,265 metal structures and 4,442 wooden structures.

5. The Company also owns approximately 10,051 circuit miles of distribution lines as of September 30, 2020. Of these, approximately 185 circuit miles are underground. Kentucky Power’s distribution system is designed and constructed to meet medium loading criteria. The distribution system also includes approximately 172,300 overhead service drops.

6. Kentucky Power’s service territory includes some of the most rugged and difficult topography in the Commonwealth. Its distribution and lower voltage transmission facilities in particular cross mountainous and heavily-wooded terrain.

The 2020 “Major Event Day” Storms

7. Under IEEE Standard 1366, a Major Event is one that exceeds reasonable design or operational limits of the electric power system. IEEE Standard 1366 statistically defines a

“Major Event Day” as any day in which the system’s System Average Interruption Duration Index (“SAIDI”) exceeds the threshold value of T_{med} . The T_{med} threshold value in turn is calculated at the end of each reporting period (typically a single calendar year) using data from the previous five years. It is calculated by taking the average of the natural logarithm of each daily SAIDI during the previous five year period. The standard deviation of the five-year data set is then determined and the threshold value of T_{med} is set at 2.5 standard deviations. Any day in the subsequent reporting period that exceeds T_{med} is classified as a Major Event Day. The 2020 T_{med} threshold is 4,073,245 customer minutes of interruption (“CMI”).

8. On January 11, 2020, April 8-9, 2020, and April 12, 2020, Kentucky Power’s service territory experienced storms involving Major Event Days as defined by IEEE Standard 1366.

A. The January 11, 2020 High Wind Storm.²

9. Strong winds, and winds associated with intense rain showers immediately along a cold front, damaged structures, downed trees, and caused power outages all across eastern Kentucky on January 11, 2020. The first bout of winds and damage occurred from approximately 11:00 a.m. through late afternoon as gusty winds developed ahead of a strong low pressure system, with gusts peaking as high as 56 miles per hour (“mph”). A second episode of winds and damage occurred between roughly 9 pm and midnight as a line of showers and the cold front moved through eastern Kentucky, with wind gusts peaking at 58 mph.

10. The rain and high winds caused significant damage to Kentucky Power’s system, knocking down trees and utility poles, damaging pole mounted transformers, and causing power outages for thousands of Kentucky Power customers. Earlier day heavy rainfall also led to a large

² See generally http://www.weather.gov/jkl/20200111_wind (last accessed Sept. 28, 2020).

mudslide along U.S. Highway 421 near Hyden, in Leslie County, which caused large trees and rocks to fall into and block the road.³ At the height of the outages, there were 227 active outage cases affecting 4,240 Kentucky Power customers. There were 4,489,632 CMI associated with the January 11, 2020 wind storm.

11. There were a total of 253 outages (Ashland district 104 outages, Hazard district 66 outages, and Pikeville district 83 outages) experienced on Kentucky Power’s distribution system as a result of this storm. Nearly all outages were caused by the high winds and mudslides near the Company’s distribution facilities. Kentucky Power repaired and replaced 27 poles, 5 cross arms, 8 distribution transformers, and approximately 158 spans of conductor as a result of the storm.

12. In response to the weather forecasts calling for high winds, the Company began mobilizing restoration crews beginning the morning of January 11, 2020. A total of 134 Kentucky Power employees, 103 contract line employees, 112 contract right-of-way employees, and 24 contract flaggers worked to restore service following the January 11, 2020 wind storm. The restoration efforts concluded at approximately 8:40 p.m. on January 13, 2020.

13. The total distribution actual-to-date costs to restore service following the January 11, 2020 wind storm totaled \$1,038,054.⁴ The operation and maintenance (“O&M”) expenses associated with the January 11, 2020 wind storm restoration effort were \$786,318.⁵ But for the January 11, 2020 wind storm, \$647,126⁶ of these O&M expenses would not have been incurred.⁷ There were no transmission outages related to this storm. The summary calculation of the incremental O&M expense is provided in **EXHIBIT 2**.

³ *Id.*

⁴ See **EXHIBIT 3, TOTAL COST**, at col. (“A+B+C+D Total Cost to Restore”), row 93 (total restoration costs).

⁵ *Id.* at col. C, row 93. The slight differences between certain values in Exhibit 3 and the table in paragraph 15 are the result of rounding.

⁶ *Id.*, **INCREMENTAL COST** at col. C, row 93.

⁷ The jurisdictional portion of these incremental expenses totaled \$646,479. See **EXHIBIT 2**.

14. By this application, Kentucky Power seeks authority to accumulate and defer for consideration in its next base rate case that portion of the incremental O&M expenses that (in conjunction with the incremental O&M expenses incurred in connection with the April 8-9, 2020 and April 12, 2020 Major Event storms) exceed the storm-related O&M expense in Kentucky Power’s base rates.

15. Kentucky Power recorded its total O&M expenses of \$786,318⁸ for the January 11, 2020 wind storm repair and restoration efforts in the following FERC accounts:

DMS20KK01 KY/ME/Wind Storm 01/11/2020		
Account Number		Expenditure
1840040	Undist Labor Fringe Benefit Clr	\$17,985
1840041	Undist Incentive Frg Ben Clr	\$3,142
5880000	Miscellaneous Distribution Exp	\$929
5930000	Maintenance of Overhead Lines	\$763,968
9310005	Int on Regulated Fin Leases	\$294
		\$786,318
<p><i>Note 1 – Accounts 1840040 and 1840041 are fringe loading strictly to O&M accounts. Per FERC guidance, fringe benefit O&M costs are not to be loaded directly to O&M accounts in which labor transactions are classified.</i></p> <p><i>Note 2 – Account 9310005 is Fleet costs related to the Company’s leased vehicles.</i></p>		

B. The April 8-9, 2020 Thunderstorms.⁹

16. Beginning the afternoon of April 8, 2020, and continuing into the morning on April 9, 2020, severe thunderstorms producing high winds up to 46 mph and hail passed through Kentucky Power’s service territory.¹⁰ The storms damaged structures, downed trees, and caused power outages throughout Kentucky Power’s service territory.

⁸ See **EXHIBIT 3, TOTAL COST**, at col. C, row 93 (total restoration costs).

⁹ See generally https://www.weather.gov/jkl/20200408_dualroundsseverestorms.

¹⁰ *Id.*

17. The thunderstorm and high winds caused significant damage to Kentucky Power's system, knocking down trees and utility poles, damaging pole mounted transformers, and causing power outages for thousands of Kentucky Power customers. At the height of the outages, there were 118 active outage cases affecting 6,616 Kentucky Power customers. There were 5,206,342 CMI associated with the April 8-9, 2020 thunderstorms.

18. There were a total of 208 outages (Ashland district 134 outages, Hazard district 39 outages, and Pikeville district 35 outages) experienced on Kentucky Power's distribution system as a result of this storm. There were also a total of 4 forced transmission line outages in the Ashland, Pikeville, and Hazard districts. Nearly all outages were caused by the high winds and hail near the Company's distribution facilities and high winds causing structure and conductor damage to the Company's transmission facilities. Kentucky Power repaired and replaced 17 poles, 2 cross arms, 5 distribution transformers, and approximately 84 spans of conductor on its distribution system and 3 structures, 2 cross arms, multiple damaged insulators and multiple spans of conductor on its transmission system as a result of the storm.

19. In response to the weather forecasts calling for high winds, the Company began mobilizing restoration crews beginning the evening of April 8, 2020. A total of 125 Kentucky Power employees, 122 contract line employees, 104 contract right-of-way employees, and 28 contract flaggers worked to restore service following the April 8-9 thunderstorms. Additionally, a total of 22 Kentucky Power transmission employees and 4 forestry crews worked to repair damaged transmission facilities. The restoration efforts concluded at approximately 9:30 p.m. on April 10, 2020.

20. The actual-to-date distribution costs to restore service following the April 8-9, 2020 thunderstorms totaled \$666,335.¹¹ The actual-to-date transmission costs totaled \$260,645.¹² The total actual costs to restore service thus totaled \$926,980.¹³ The distribution O&M expenses associated with the April 8-9, 2020 wind storm restoration effort were \$480,184.¹⁴ The transmission O&M expenses totaled \$158,094.¹⁵ The total O&M costs to restore service thus totaled \$638,278.¹⁶ But for the April 8-9, 2020 thunderstorms, \$478,203 (\$339,116¹⁷ and \$139,087¹⁸ for distribution and transmission respectively) of these O&M expenses would not have been incurred.¹⁹ The calculation of these amounts is provided in **EXHIBIT 2**.

21. By this application, Kentucky Power seeks authority to accumulate and defer for consideration in its next base rate case that portion of the incremental O&M expenses that (in conjunction with the incremental O&M expenses incurred in connection with the January 11, 2020 and April 12, 2020 Major Event storms) exceed the storm-related O&M expense in Kentucky Power's base rates.

22. Kentucky Power recorded its total O&M expenses of \$638,278²⁰ for the April 8-9, 2020 thunderstorms repair and restoration efforts in the following FERC accounts:

¹¹ See **EXHIBIT 4, TOTAL COST**, at col. ("A+B+C+D Total Cost to Restore"), row 95 (total restoration costs).

¹² See **EXHIBIT 5, TOTAL COST**, at col. ("A+B+C+D Total Cost to Restore"), row 93 (total restoration costs).

¹³ $666,335 + 260,645 = \$926,980$.

¹⁴ See **EXHIBIT 4, TOTAL COST**, at col. C, row 95. The slight differences between certain values in Exhibit 4 and the 1st table in paragraph 22 are the result of rounding.

¹⁵ See **EXHIBIT 5, TOTAL COST**, at col. C, row 93.

¹⁶ $\$480,184 + \$158,094 = \$638,278$.

¹⁷ See **EXHIBIT 4, INCREMENTAL COST**, at col. C, row 95

¹⁸ See **EXHIBIT 5, INCREMENTAL COST**, at col. C, row 93.

¹⁹ The jurisdictional portion of these incremental expenses totaled \$474,856. See **EXHIBIT 2**.

²⁰ See **EXHIBIT 4, TOTAL COST**, at col. C, row 95 (total restoration costs) plus **EXHIBIT 5, TOTAL COST**, at col. C, row 93 (total restoration costs).

DMS20KK03 KY/ME/Thunderstorm 04/09/2020		
Account Number		Expenditure
1840040	Undist Labor Fringe Benfit Clr	\$20,328
1840041	Undist Incentive Frg Ben Clr	(\$6,154)
5930000	Maintenance of Overhead Lines	\$465,222
5950000	Maint of Lne Trnf,Rglators&Dvi	\$572
9310005	Int on Regulated Fin Leases	\$216
		\$480,184
<p><i>Note 1 – Accounts 1840040 and 1840041 are fringe loading strictly to O&M accounts. Per FERC guidance, fringe benefit O&M costs are not to be loaded directly to O&M accounts in which labor transactions are classified.</i></p> <p><i>Note 2 – Account 9310005 is Fleet costs related to the Company's leased vehicles.</i></p>		

KEPCS2001 KPCo Storm - Transmission 04/09/2020		
Account Number		Expenditure
5710000	Maintenance of Overhead Lines	\$157,297
9310005	Int on Regulated Fin Leases	\$797
		\$158,094
<p><i>Note 1 – Account 9310005 is Fleet costs related to the Company's leased vehicles.</i></p>		

C. The April 12, 2020 Straight-Line Wind Storm.²¹

23. A strong storm system with straight-line winds moved through eastern Kentucky and Kentucky Power's service territory beginning around 9 p.m. on Easter Sunday, April 12, 2020.²² The storm produced winds of more than 40 mph and gusted as high as 79 mph near Dorton, Kentucky.²³ The high winds caused extensive damage within the Company's service territory,

²¹ See generally https://www.weather.gov/jkl/20200412_nontstormwind.

²² *Id.*

²³ *Id.*

downing trees and power lines, damaging buildings, and causing several roadways to be blocked into the morning of April 13, 2020.²⁴ The storm also caused widespread power outages in the Company's Ashland, Hazard, and Pikeville districts. At the height of the outages, there were 807 active outage cases affecting 62,449 Kentucky Power customers. Due to the continuous high winds and new outages occurring, a total of 79,980 customers' service went out and was restored in response to this event. There were 170,811,915 CMI associated with the April 12, 2020 wind storm.

24. There were a total of 1,098 outages (Ashland district 74 outages, Hazard district 620 outages, and Pikeville district 404 outages) experienced on Kentucky Power's distribution system as a result of this storm. There were also a total of 14 forced transmission line outages the in Ashland, Pikeville, and Hazard districts. Nearly all outages were caused by the high winds near the Company's distribution facilities and high winds causing structure and conductor damage to the Company's transmission facilities. Kentucky Power repaired and replaced 305 poles, 604 cross arms, 169 distribution transformers, and approximately 1,128 spans of conductor (for a distance of approximately 172,993 feet of conductor) on its distribution system, and 7 structures, 3 cross arms, and multiples spans of conductor on its transmission system as a result of the storm. The Company further removed an in line switch damaged by the storm and had to relocate a 1 mile line section of the Hazard-Leslie 69 kV circuit.

25. Kentucky Power personnel immediately responded to the event, assessed and isolated damaged equipment, and began restoration efforts to restore customers in a safe and timely manner; however, new outages continued to occur due to the high winds. Kentucky Power initiated its Incident Command System at 9:30 a.m., Monday, April 13, 2020. The storm damage

²⁴ *Id.*

was so extensive that outside resources were brought in to assist in restoration efforts. A total of 232 Kentucky Power employees, 275 employees from Kentucky Power affiliates, 677 contract line employees, 538 contract right-of-way employees, and 94 contract flaggers worked to restore service following the April 12, 2020 storm. Additionally, a total of 22 Kentucky Power transmission line employees, multiple support roles (including Construction Management, Transmission Line Engineering, Financial Controls, Right of Way, and Supply Chain), 91 contract employees, and multiple road construction, aerial inspection, and traffic control contract crew were used to support restoration efforts. All but 134 Kentucky Power Company customers were restored by 10:00 p.m., Sunday, April 19, 2020, and all customers were restored by 5:50 p.m., Monday, April 20, 2020.

26. The actual-to-date distribution costs to restore service following the April 12, 2020 wind storm totaled \$15,185,740.²⁵ The actual-to-date transmission costs to restore service totaled \$2,999,277.²⁶ The total actual costs to restore service totaled \$18,185,017.²⁷ The distribution O&M expenses associated with the April 12, 2020 wind storm restoration effort were \$10,642,399.²⁸ The transmission O&M expenses totaled \$88,629.²⁹ The total O&M costs to restore service thus totaled \$10,731,028.³⁰ But for the April 12, 2020 wind storm, \$9,912,587 (\$9,886,609³¹ and \$25,978³² for distribution and transmission respectively) of these O&M

²⁵ See **EXHIBIT 6, TOTAL COST**, at col. (“A+B+C+D Total Cost to Restore”), row 158 (total restoration costs).

²⁶ See **EXHIBIT 7, TOTAL COST**, at col. (“A+B+C+D Total Cost to Restore”), row 93 (total restoration costs).

²⁷ $\$15,185,740 + \$2,999,277 = \$18,185,017$.

²⁸ See **EXHIBIT 6, TOTAL COST**, at col. C, row 158.

²⁹ See **EXHIBIT 7, TOTAL COST**, at col. C, row 93. The slight differences between certain values in Exhibit 7 and the 2nd table in paragraph 28 are the result of rounding.

³⁰ $\$10,642,399 + \$88,629 = \$10,731,028$.

³¹ See **EXHIBIT 6, INCREMENTAL COST**, at col. C, row 158.

³² See **EXHIBIT 7, INCREMENTAL COST**, at col. C, row 93.

expenses would not have been incurred.³³ The summary calculation of the incremental O&M expense is provided in EXHIBIT 2.

27. By this application, Kentucky Power seeks authority to accumulate and defer for consideration in its next base rate case that portion of the incremental O&M expenses that (in conjunction with the incremental O&M expenses incurred in connection with the January 11, 2020 and April 8-9, 2020 Major Event storms) exceed the storm-related O&M expense in Kentucky Power's base rates.

28. Kentucky Power recorded its total O&M expenses of \$10,731,028³⁴ for the April 12, 2020 wind storm repair and restoration efforts in the following FERC accounts:

DMS20KK04 KY/ME/ Wind Storm 04/12/2020		
Account Number		Expenditure
1840040	Undist Labor Fringe Benfit Clr	\$106,465
1840041	Undist Incentive Frg Ben Clr	(\$22,379)
5830000	Overhead Line Expenses	\$882
5880000	Miscellaneous Distribution Exp	\$35,785
5930000	Maintenance of Overhead Lines	\$10,515,597
5940000	Maint of Underground Lines	\$104
9310005	Int on Regulated Fin Leases	\$4,155
9350002	Maint of Structures - Leased	\$1,323
9350013	Maint of Cmmncation Eq-Unall	\$466
		\$10,642,399
<p><i>Note 1 – Accounts 1840040 and 1840041 are fringe loading strictly to O&M accounts. Per FERC guidance, fringe benefit O&M costs are not to be loaded directly to O&M accounts in which labor transactions are classified.</i></p> <p><i>Note 2 – Account 9310005 is Fleet costs related to the Company's leased vehicles.</i></p>		

³³ The jurisdictional portion of these incremental expenses totaled \$9,843,199. See EXHIBIT 2.

³⁴ See EXHIBIT 6, TOTAL COST, at col. C, row 158 (total restoration costs) plus EXHIBIT 7, INCREMENTAL COST, at col. C, row 93 (total restoration costs).

KEPCS2002 KPCo Storm - Transmission 04/12/2020		
Account Number		Expenditure
5710000	Maintenance of Overhead Lines	\$86,846
9310005	Int on Regulated Fin Leases	\$1,782
		\$88,628
<i>Note 1 – Account 9310005 is Fleet costs related to the Company's leased vehicles.</i>		

The Amount to be Accumulated and Deferred

29. The total jurisdictional incremental O&M costs associated with the three 2020 Major Event storms that would not have been incurred but for the storms was \$10,964,534.³⁵ Kentucky Power has expensed these amounts in its 2020 interim financial statements. The Company's 2020 books have not been closed and its year-end 2020 financial statements have not been issued. Subject to Commission approval in this case, Kentucky Power proposes to defer for purposes of its yet to be issued year-end 2020 financial statement the total jurisdictional incremental O&M expenses associated with the three 2020 Major Event storms.

30. Kentucky Power recorded its total actual-to-date O&M expenses for the repair and restoration efforts associated with its three 2020 Major Event storms in the following FERC accounts:

³⁵ See **EXHIBIT 2**, at col. H, row 21.

Total 2020 Storms		
Account Number		Expenditure
1840040	Undist Labor Fringe Benfit Clr	\$144,778
1840041	Undist Incentive Frg Ben Clr	(\$25,391)
5710000	Maintenance of Overhead Lines	\$244,142
5830000	Overhead Line Expenses	\$882
5880000	Miscellaneous Distribution Exp	\$36,715
5930000	Maintenance of Overhead Lines	\$11,744,787
5940000	Maint of Underground Lines	\$104
5950000	Maint of Lne Trnf,Rglators&Dvi	\$572
9310005	Int on Regulated Fin Leases	\$7,244
9350002	Maint of Structures - Leased	\$1,323
9350013	Maint of Cmmncation Eq-Unall	\$466
		\$12,155,623

Note 1 – Accounts 1840040 and 1840041 are fringe loading strictly to O&M accounts. Per FERC guidance, fringe benefit O&M costs are not to be loaded directly to O&M accounts in which labor transactions are classified.
Note 2 – Account 9310005 is Fleet costs related to the Company's leased vehicles.

31. Kentucky Power's base rates contain O&M major storm-related expenses totaling \$1,498,582.³⁶

32. Kentucky Power seeks authorization from the Commission to accumulate and defer for review and recovery in Kentucky Power's next base rate proceeding the net actual costs (total incremental storm-related O&M expenses less the amount of storm-related O&M expenses currently in its base rates) of extraordinary O&M expenses incurred to repair damaged facilities and restore service to customers following the January 11, 2020 wind storm, the April 8-9, 2020 thunderstorms, and the April 12, 2020 straight-line wind storm. The amount to be established as a regulatory asset in Account No. 182 is \$9,465,952.³⁷

³⁶ See *id.* at col. H, row 23.

³⁷ See *id.* at col. H, row 24.

Basis for the Requested Accounting Treatment

33. Financial Accounting Standards Board Accounting Standards Codification 980-340-25-1 (“FASB ASC 980-340-25-1”) provides for the creation under prescribed circumstances of a regulatory asset. FASB ASC 980-340-25-1 states:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. ***An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:***

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from the inclusion of that cost in the allowable costs for ratemaking purposes.
- b. Based on the available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator’s intent clearly be to permit recovery of the previously incurred cost. A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.³⁸

34. Traditionally, the Commission has exercised its discretion to approve a regulatory asset upon demonstration that the expenses to be deferred fall into one of four categories:

- (1) an extraordinary nonrecurring expenses 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 nonrecurring expense that over time will result in a savings that fully offsets the costs.³⁹

35. The Commission has exercised its discretion in the past to approve a regulatory asset capitalizing major storm-related costs, to the extent such costs exceed the amount of storm-

³⁸ (Emphasis supplied).

³⁹ *In The Matter Of: The 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*, Case No. 2008-00436 at 4 (Ky. P.S.C. December 23, 2012).

related costs contained in base rates, under the first category identified above. The Commission has approved regulatory assets for such costs that it has found to be extraordinary⁴⁰ and “sufficiently significant.”⁴¹ These determinations in turn involve consideration of the collective magnitude of the storm expenses,⁴² in relation to the amount of storm-related costs built into the utility’s base rates,⁴³ and the effect a refusal to authorize a deferral would have on the utility’s current year financial results.⁴⁴

36. The incremental Major Event storm-related expenses for which the Company seeks deferral of a total of \$9,465,952, an amount more than 6 times the \$1,498,582 in O&M major storm-related expenses included in Kentucky Power’s base rates.

37. Based upon Commission precedent, Kentucky Power seeks Commission approval to create a regulatory asset in connection with its yet to be issued 2020 year-end financial statements deferring the \$9,465,952 in incremental Major Storm-related expenses. Approval of the Company’s request to create a regulatory asset would increase its 2020 return on equity from 4.78% (twelve-month rolling return on equity based on operating earnings as of October 31, 2020) to an estimated 5.96%.

38. In accordance with FASB ASC 980-340-25-1 and Commission precedent, Kentucky Power requests that the Commission exercise its authority under KRS 278.220 to prescribe the manner in which the Company keeps its accounts by entering an order permitting

⁴⁰ *In The Matter Of: Application Of Kentucky Power Company For An Order Approving Accounting Practices To Establish Regulatory Assets And Liabilities Related To Extraordinary Expenses Incurred By Kentucky Power Company In Connection With Three Major Storm Events In 2009*, Case No. 2009-00352 (Ky. P.S.C. Dec. 22, 2009) (“2009 Storm Case”).

⁴¹ *In The Matter Of: Application Of Kentucky Utilities Company For An Order Approving The Establishment Of A Regulatory Asset*, Case No. 2008-00457, Order at 5 (Ky. P.S.C. Dec. 22, 2008) (“2008 KU Storm Case”).

⁴² *2009 Storm Case*, Order at 3 (“Kentucky Power’s damage and service restoration costs related to the cumulative effects of the 2009 Storms are clearly extraordinary in nature based on their absolute magnitude and the amount of storm damage expense built into Kentucky Power’s base rates.”).

⁴³ *Id.*

⁴⁴ *2008 KU Storm Case*, Order at 5-6.

Kentucky Power to accumulate and defer for review and recovery in its next base rate proceeding its extraordinary and nonrecurring expenses incurred by the Company in repairing damage and restoring service in connection with the three Major Event storms. If the requested relief is granted, Kentucky Power will record the regulatory asset in FERC Account No. 182.

39. Finally, in order to ensure the accuracy of Kentucky Power's yet to be issued year-end 2020 accounting books and financial statements, which are expected to close January 8, 2021, the Company respectfully requests that the Commission issue a decision regarding this Application by January 5, 2021. The April 12, 2020 storm restoration efforts required extensive use of 20 different mutual assistance contractors from nine states. Delays in receiving invoices from such contractors, and the need to reconcile discrepancies involving labor hours, equipment costs, meals, and contract language, along with material changes in allocations between capital, retirement, and O&M prevented the Company from filing this application at an earlier date.

Exhibits

40. The following exhibits are incorporated in this application:
- a. The Company's November 6, 2020 Certificate of Existence [**EXHIBIT 1**];
 - b. Summary calculation of costs associated with the January 11, 2020 wind storm, April 8-9, 2020 thunderstorms, and April 12, 2020 straight-line wind storm [**EXHIBIT 2**];
 - c. Detailed description of costs associated with January 11, 2020 wind storm [**EXHIBIT 3**];
 - d. Detailed description of distribution costs associated with April 8-9, 2020 thunderstorms [**EXHIBIT 4**];

- e. Detailed description of transmission costs associated with April 8-9, 2020 thunderstorms [EXHIBIT 5]
- f. Detailed description of distribution costs associated with April 12, 2020 straight-line wind storm [EXHIBIT 6];and
- g. Detailed description of transmission costs associated with April 12, 2020 straight-line wind storm [EXHIBIT 7].

Wherefore Kentucky Power Company respectfully requests the Commission enter an Order:

1. Authorizing Kentucky Power Company in accordance with FASB ASC 980-340-25-1 and Commission precedent to accumulate and defer for review and recovery in the Company's next base rate proceeding the amount of \$9,465,952 in incremental and extraordinary O&M expenses incurred by the Company in repairing damage and restoring service in connection with the three 2020 Major Event storms;
2. Authorizing Kentucky Power to record the deferred amount as a regulatory asset to be recorded in FERC Account No. 182; and
3. Granting Kentucky Power all additional relief to which it may be entitled.

This 13th day of November, 2020.

Respectfully submitted,



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Commonwealth of Kentucky
Michael G. Adams, Secretary of State

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Certificate of Existence

Authentication number: 238091

Visit <https://web.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Michael G. Adams, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

KENTUCKY POWER COMPANY

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is July 21, 1919 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 6th day of November, 2020, in the 229th year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
238091/0028317