

**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. 2023-00137
Kentucky Power Company In Connection With The)	
March 3, 2023, March 25, 2023 and April 1, 2023)	
Major Event Storms)	

VERIFIED 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 **on or before June 5, 2023** 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 operations and maintenance expenses the Company incurred in connection with the March 3, 2023, March 25, 2023, and April 1, 2023 “Major Event” 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 April 26, 2023 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 163,000 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.

Need For Expedited Relief

4. Kentucky Power respectfully requests that the Commission issue an order on this Application on or before June 5, 2023 so that Kentucky Power has sufficient time to perform the measures necessary to include this regulatory asset, if granted, in Kentucky Power's securitization application to be filed with the Commission this summer. Further, the cumulative magnitude of these storm costs has a significant effect on Kentucky Power's second quarter 2023 financial statements prepared in accordance with generally accepted accounting principles (GAAP), which also is a driver of the Company's request for a ruling on this Application in June 2023.

5. As explained more fully below, on March 3, 2023, March 25, 2023, and April 1, 2023, Kentucky Power's service territory experienced three severe and destructive high wind events. The Company's best estimates at the time of this filing indicate that the total costs associated with the Major Event storms could total approximately \$14 million. The below table provides current estimates for each event:

	March 3, 2023 Storm	March 25, 2023 Storm	April 1, 2023 Storm	Combined
Total Cost	\$5,436,349	\$1,573,935	\$6,971,039	\$13,981,323
Jurisdictional Incremental O&M²	\$3,295,455	\$1,028,326	\$5,643,197	\$9,966,978

6. In most instances, the Commission requires a jurisdictional utility to obtain Commission approval before recording as a regulatory asset on the utility’s books for accounting purposes an expense that qualifies for establishment as a regulatory asset.³

7. On March 23, 2023, Governor Beshear signed Senate Bill 192 (“S.B. 192”) into law. Section 2 of S.B. 192 permits an electric utility to apply to the Commission for a financing order to finance extraordinary or other deferred costs from previous events for regulatory assets existing and with a value calculated on June 30, 2023, as: (a) greater than two hundred million dollars (\$200,000,000) for a single regulatory asset; or (b) having a cumulative total value of greater than two hundred and seventy-five million (\$275,000,000) for multiple regulatory assets. See S.B. 192, Section 2 (1)(a) & (b).

8. Kentucky Power’s receipt of a financing order pursuant to S.B. 192 would allow Kentucky Power to finance all or a portion of the deferred costs through the issuance of securitized bonds, which would benefit all Kentucky Power customers by authorizing Kentucky Power to recover the deferred costs over a longer period of time, and with a lower interest rate than would otherwise be applicable to the recovery of such costs. In order to obtain a financing order pursuant

² Costs would not have been incurred but for the storms. See **Exhibit 2** for a detailed breakdown of each event.

³ See Order, *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*, Case No. 2016-00180, at 1 (Ky. P.S.C. Dec. 12, 2016) (“2016 Storm Order”).

to S.B. 192, Kentucky Power would be required to demonstrate in its application that “the issuance of securitized bonds and the imposition of securitized surcharges are expected to provide quantifiable net present value benefits to customers.” *See* S.B. 192, Section 2 (2)(f).

9. Because S.B. 192 only permits securitization for regulatory assets existing on June 30, 2023, unless the Commission issues an order by June 5, 2023, establishing a regulatory asset for the extraordinary and incremental net operations and maintenance expenses the Company incurred in connection with these Major Event storms, Kentucky Power will be unable as a practical matter to include those costs in a future application for a financing order, thereby depriving customers of substantial cost savings and benefits.

10. Issuance of the order requested in this Application would not bind the Commission to subsequent approval of a financing order for the extraordinary and incremental net operations and maintenance expenses the Company incurred in connection with these Major Event storms. The Commission’s establishment of a regulatory asset by no later than June 5, 2023 would, however, give the Company critical flexibility and the opportunity to *apply* for a financing order pursuant to S.B. 192. It likewise would give the Commission the opportunity to review the costs and the Company’s financing application as described in Section 3 of S.B. 192. *See* S.B. 192, Section 3 (1)(a)(1). Absent a Commission order granting this Application by June 5, 2023, however, the Company would be unable to include these costs in a future financing application under the new legislation, *see* S.B. 192, Section 2 (1), and instead would pursue their recovery in its upcoming base rate case (without access to the new legislation’s securitization option and customer benefits).

11. Finally, in addition to issuance of its annual, audited financial statements, Kentucky Power has an obligation to issue interim financial statements that are complete, accurate, and in

compliance with GAAP Accounting Standards Codification (ASC) 270 – Interim Reporting. ASC 270 – Interim Reporting states that (1) interim financial information is essential to provide investors and others with timely information as to the progress of the entity, (2) each interim period should be viewed primarily as an integral part of an annual period, and (3) arbitrary assignment of costs to an interim period shall not be made. The Company’s second quarter of 2023 ends on June 30, 2023.

Kentucky Power’s Distribution Facilities

12. As of April 12, 2023, Kentucky Power owns approximately 1,263 circuit miles of transmission lines. Kentucky Power’s transmission system is designed and constructed to meet heavy loading criteria. The transmission system comprises approximately 2,314 metal structures and 4,455 wooden structures.

13. The Company also owns approximately 10,069 circuit miles of distribution lines as of January 5, 2023. Of these, approximately 185 circuit miles are underground. Kentucky Power’s distribution system is designed and constructed to meet medium loading criteria.

14. 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.

“Major Event Day” Storms

15. 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 Tmed. The Tmed 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 Tmed is set at 2.5 standard deviations. Any day in the subsequent reporting period that exceeds Tmed is classified as a Major Event Day. The 2023 Tmed threshold is 4,655,631 customer minutes of interruption (“CMI”).

16. On March 3, 2023, March 25, 2023 and April 1, 2023 Kentucky Power’s service territory experienced high wind events involving Major Event Days as defined by IEEE Standard 1366.

17. Each of these events were preceded by heavy rains which resulted in saturated soils throughout the Company’s heavily forested service territory. For reference, the mean precipitation measurement for February in the Company’s service territory since 2020 is 4.36” of precipitation. In February 2023, prior to the first Major Event storm described below, the Company’s service territory recorded a total of 5.14” of precipitation. Before and during the latter two Major Event storms in late March and early April 2023 described below, the Company’s service territory recorded an additional 4.13” of precipitation. Shortly after these rains subsided prior to the Major Event storms described below, cold fronts pushed abnormally strong winds into the region. This combination of saturated soils and frequent wind gusts, particularly in areas of higher elevation, resulted in the toppling of several large, out of rights-of-way trees.

A. The March 3, 2023 High Winds Event

18. Between March 2, 2023 and March 3, 2023, the Jackson, KY area received 0.76” of rainfall.⁴ On March 3, 2023, Kentucky Power’s service territory experienced thunderstorms

⁴ See National Weather Service, NOWData, Jackson Area <https://www.weather.gov/wrh/climate?wfo=jkf> (last accessed April 25, 2023).

and high winds that caused extensive damage and widespread power outages in the Company's Ashland, Hazard, and Pikeville Districts. The National Weather Service reported multiple wind gusts between 40-60 miles per hour ("mph") across the Company's service territory with a peak wind gust of 68 mph recorded near Index, KY.⁵ At the peak of the event, approximately 18,112 customers were without electric service. The CMI for this high wind event was 21,744,501 minutes.

19. The Company initiated its Incident Command System at 12:00 p.m. on Friday March 3, 2023. Additionally, the damage was so extensive that outside resources were brought in to assist with restoration efforts. The Company's preliminary records indicate approximately 741 internal and contract employees participated in the restoration efforts. This includes mutual assistance personnel from six different states (Florida, Ohio, Oklahoma, Tennessee, Virginia, and West Virginia).

20. Preliminary records indicate damage to 36 transformers, 58 broken poles, 64 sets of cross arms, 25 cutouts, and 449 spans of conductor.

21. More than 95% of customers were restored by March 5, 2023. All the Company's customers were restored by 5:51 p.m. on March 6, 2023. Below is an overview of the Company's restoration times by district:

- a. Ashland District – Monday, March 6, 2023 at 4:15 p.m.
 - b. Hazard District – Monday, March 6, 2023 at 5:36 p.m.
 - c. Pikeville District – Monday, March 6, 2023 at 5:51 p.m.
22. The following reflects a summary of the event:

03/03/23 5:00 p.m., approximately 3,234 customers interrupted
03/03/23 9:00 p.m., approximately 18,112 customers interrupted

⁵ <https://www.wpc.ncep.noaa.gov/exper/lsr/lsr.php>

03/04/23 12:00 a.m., approximately 15,707 customers interrupted
03/04/23 7:00 a.m., approximately 16,162 customers interrupted
03/04/23 12:00 p.m., approximately 9,117 customers interrupted
03/04/23 5:00 p.m., approximately 5,284 customers interrupted
03/04/23 10:00 p.m., approximately 2,868 customers interrupted
03/05/23 7:00 a.m., approximately 2,800 customers interrupted
03/05/23 12:00 p.m., approximately 1,783 customers interrupted
03/05/23 5:00 p.m., approximately 761 customers interrupted
03/05/23 10:00 p.m., approximately 212 customers interrupted
03/06/23 7:00 a.m., approximately 754 customers interrupted
03/06/23 12:00 p.m., approximately 301 customers interrupted

B. The March 25, 2023 High Winds Event

23. Between March 24, 2023 and March 25, 2023, the Jackson, KY area received 1.05” of rainfall.⁶ On March 25, 2023, Kentucky Power’s service territory experienced high winds that caused extensive damage and widespread power outages in the Company’s Ashland, Hazard, and Pikeville Districts. The National Weather Service reported multiple wind gusts between 40-55 mph across the Company’s service territory with a peak wind gust of 55 mph recorded near Jackson, KY.⁷ At the peak of the event, approximately 10,027 customers were without electric service. The CMI for this high wind event was 7,970,070 minutes.

24. Damage was so extensive that outside resources (Davis H. Elliott crews) were brought in to assist with restoration efforts. The Company’s preliminary records indicate approximately 375 internal and contract employees participated in the restoration efforts.

25. Preliminary records indicate damage to 6 transformers, 21 broken poles, 33 sets of cross arms, 3 cutouts, and 312 spans of conductor.

⁶ See National Weather Service, NOWData, Jackson Area <https://www.weather.gov/wrh/climate?wfo=jkl> (last accessed April 25, 2023).

⁷ <https://www.wpc.ncep.noaa.gov/exper/lsr/lsr.php>

26. More than 95% of customers were restored by March 26, 2023. All the Company's customers were restored by 3:08 p.m. on March 27, 2023. Below is an overview of the Company's restoration times by district:

- a. Pikeville District – Sunday, March 26, 2023 at 7:06 p.m.
- b. Ashland District – Monday, March 27, 2023 at 1:34 p.m.
- c. Hazard District – Monday, March 27, 2023 at 3:08 p.m.

27. The following reflects a summary of the event:

03/25/23 1:00 p.m., approximately 2,829 customers interrupted
03/25/23 4:00 p.m., approximately 10,027 customers interrupted
03/25/23 7:00 p.m., approximately 8,193 customers interrupted
03/25/23 11:00 p.m., approximately 3,047 customers interrupted
03/26/23 8:00 a.m., approximately 3,324 customers interrupted
03/26/23 12:00 p.m., approximately 1,831 customers interrupted
03/26/23 5:00 p.m., approximately 426 customers interrupted

C. The April 1, 2023 High Winds Event

28. Between March 31, 2023 and April 1, 2023, the Jackson, KY area received 1.78” of rainfall.⁸ On April 1, 2023, Kentucky Power's service territory experienced high winds that caused extensive damage and widespread power outages in the Company's Ashland, Hazard, and Pikeville Districts. The National Weather Service reported multiple wind gusts between 40-70 mph across the Company's service territory with a peak wind gust of 70 mph recorded near Dorton, KY.⁹ At the peak of the event, approximately 10,027 customers were without electric service. The CMI for this high wind event was 32,185,520 minutes.

29. Damage was so extensive that outside resources were brought in to assist with restoration efforts. The Company's preliminary records indicate approximately 908 internal and

⁸ See National Weather Service, NOWData, Jackson Area <https://www.weather.gov/wrh/climate?wfo=jkl> (last accessed April 25, 2023).

⁹ <https://www.wpc.ncep.noaa.gov/exper/lsr/lsr.php>

contract employees participated in the restoration efforts. This includes mutual assistance personnel from ten different states (Alabama, Indiana, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia).

30. Preliminary records indicate damage to 45 transformers, 77 broken poles, 70 sets of cross arms, 52 cutouts, and 538 spans of conductor.

31. More than 95% of customers were restored by April 3, 2023. All the Company's customers were restored by 11:10 a.m. on April 5, 2023. Below is an overview of the Company's restoration times by district:

- a. Ashland District – Monday, April 3, 2023 at 3:35 p.m.
- b. Hazard District – Tuesday, April 4, 2023 at 10:00 p.m.
- c. Pikeville District – Wednesday, April 5, 2023 at 11:10 a.m.

32. The following reflects a summary of the event:

04/01/23 12:00 p.m., approximately 3,738 customers interrupted
04/01/23 4:00 p.m., approximately 21,126 customers interrupted
04/01/23 8:00 p.m., approximately 14,637 customers interrupted
04/02/23 12:00 a.m., approximately 11,460 customers interrupted
04/02/23 4:00 a.m., approximately 11,548 customers interrupted
04/02/23 8:00 a.m., approximately 11,534 customers interrupted
04/02/23 12:00 p.m., approximately 9,276 customers interrupted
04/02/23 4:00 p.m., approximately 7,334 customers interrupted
04/02/23 8:00 p.m., approximately 5,295 customers interrupted
04/03/23 12:00 a.m., approximately 4,567 customers interrupted
04/03/23 4:00 a.m., approximately 4,530 customers interrupted
04/03/23 8:00 a.m., approximately 4,547 customers interrupted
04/03/23 12:00 p.m., approximately 3,632 customers interrupted
04/03/23 4:00 p.m., approximately 3,188 customers interrupted
04/03/23 8:00 p.m., approximately 1,302 customers interrupted
04/04/23 12:00 a.m., approximately 849 customers interrupted
04/04/23 4:00 a.m., approximately 874 customers interrupted
04/04/23 8:00 a.m., approximately 855 customers interrupted
04/04/23 12:00 p.m., approximately 656 customers interrupted
04/04/23 2:00 p.m., approximately 428 customers interrupted

D. Summary of Cumulative Damage

33. The below table provides a preliminary summary of the damage for the Major Event storms:

	March 3, 2023 Storm	March 25, 2023 Storm	April 1, 2023 Storm	Combined
Damaged Transformers	36	6	45	87
Broken Poles	58	21	77	156
Damaged Cross Arms	64	33	70	167
Damaged Cutouts	25	3	52	80
Spans of Conductor Repaired or Replaced	449	312	538	1,299

The Amount to be Accumulated and Deferred

34. 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 storm-related O&M expenses less the amount of storm-related O&M expenses currently in its base rates) of the extraordinary O&M expenses it incurred to repair damaged facilities and restore service to customers following the Major Event storms.

35. Kentucky Power’s base rates contain O&M major storm-related expenses totaling \$1,012,476.¹⁰

36. The total jurisdictional incremental O&M costs associated with the Major Event storms that would not have been incurred but for the storms is still being calculated at the time of this filing. This Application therefore includes the Company’s best current high-level estimates. The Company will update the estimates contained in this Application to the actual amounts when

¹⁰ Retail jurisdictional amount of 1,012,476: (1,013,489 * 0.999 jurisdictional allocation factor).

actual costs are known and will file the actual amounts with the Commission in the docket related to this Application.

37. The estimated total jurisdictional incremental O&M costs associated with the Major Event storms that would not have been incurred but for the storms could be as high as approximately \$10 million.¹¹ Kentucky Power has expensed approximately \$4 million associated with the March 2023 storms in its interim financial statements for the first quarter of 2023. Kentucky Power will expense approximately \$6 million associated with the April 2023 storm in its interim financial statements for the second quarter of 2023. The Company's second quarter 2023 books have not been closed and its second quarter 2023 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 second quarter 2023 financial statement the total jurisdictional incremental O&M expenses associated with the Major Event storms. Kentucky Power's estimate will be developed in accordance with the Company's established accounting policy. Further, the estimate will be subject to disclosure in the Company's quarterly financial statements, in accordance with ASC 275 – Risks and Uncertainties.

38. Subject to Commission approval, estimated total jurisdictional incremental storm-related O&M expenses will be deferred at subsequent interim reporting periods and will be trueed-up to net actual costs (total storm-related O&M expenses less the amount of storm-related O&M expenses currently in its base rates) prior to September 30, 2023. As soon as is practicable after the second and third quarter 2023 financial statements are issued, Kentucky Power will file updates in this docket to provide the Commission with the expenses deferred to the requested regulatory asset. The estimated high-level incremental Major Event storm-related expenses for which the

¹¹ See EXHIBIT 2.

Company seeks authority to defer and establish as a regulatory asset in Account 182.3 could total as high as \$9 million.

Basis for the Requested Accounting Treatment

39. 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.***¹²

40. Similarly, 18 C.F.R. Part 101, app. B § 182.3 permits a utility to record a regulatory-created asset “resulting from the ratemaking actions of [a] regulatory agenc[y]” and provides:

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.***¹³

¹² (Emphasis supplied).

¹³ 18 C.F.R. Part 101, app. B §Section 182.3 (emphasis supplied).

41. 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.¹⁴

42. 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-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 extraordinary¹⁵ and “sufficiently significant.”¹⁶ These determinations in turn involve consideration of the collective magnitude of the storm expenses,¹⁷ in relation to the amount of storm-related costs built into the

¹⁴ *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).

¹⁵ *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”); *In The Matter Of: Application Of Kentucky Power Company For An Order Approving Accounting Practices To Establish A Regulatory Asset Related To Extraordinary Expenses Incurred By Kentucky Power Company In Connection With Three 2020 Major Storm Events*, Case No. 2020-00368 (Ky. P.S.C. Feb. 5, 2021) (“2020 Storm Case”); *In The Matter Of: 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 Three February 2021 Major Storm Events*, Case No. 2021-00129 (Ky. P.S.C. Apr. 13, 2021) (“February 2021 Storm Case”); *In The Matter Of: 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 March 1, 2021 Major Storm Event*, Case No. 2021-00402 (Ky. P.S.C. Dec. 29, 2021) (“March 2021 Storm Case”); *In The Matter Of: 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 June 2022 And July 2022 Major Storm Events*, Case No. 2022-00293 (Ky. P.S.C. Sep. 28, 2022) (“June 2022 Storm Case”).

¹⁶ *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”).

¹⁷ Order, *2009 Storm Case* 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.”).

utility's base rates,¹⁸ and the effect a refusal to authorize a deferral would have on the utility's current year financial results.¹⁹

43. The estimated high-level incremental Major Event storm-related expenses which the Company seeks deferral could total as high as \$9 million, an amount nearly 9 times the \$1,012,476 in O&M major-storm related expenses included in Kentucky Power's base rates.

44. Further, for comparison purposes, Kentucky Power's net income for the twelve months ended December 31, 2022 was \$47.6 million.²⁰ Thus, the \$9 million estimated high-level incremental Major Event storm-related expenses for which the Company seeks deferral for these storms alone could constitute as much as 18.9% of the Company's net income for the twelve months ending December 31, 2022.

45. Based upon Commission precedent, Kentucky Power seeks Commission approval to create a regulatory asset deferring the incremental Major Storm-related expenses, as described above. Estimated total jurisdictional incremental storm-related O&M expenses will be deferred at interim reporting periods and will be trued-up to net actual costs prior to third quarter-end 2023.

46. 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 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

¹⁸ *Id.*; Order, *2020 Storm Case* at 3 (“The cost of these storms amount to over seven times Kentucky Power’s O&M expense budgets for storm damage of approximately \$1.5 million, which are currently embedded in Kentucky Power’s base rates.”).

¹⁹ Order. *2008 KU Storm Case* at 5-6.

²⁰ See Kentucky Power 2022 income statement, which can be accessed at: <https://aep.com/investors/financial/kypowerco>

restoring service in connection with the Major Event storms. If the requested relief is granted, Kentucky Power will record the regulatory asset in FERC Account No. 182.3.

Exhibits

47. The following exhibits are incorporated in this application:
 - a. The Company's April 26, 2023 Certificate of Existence [EXHIBIT 1]; and
 - b. Breakdown of distribution costs associated with the Major Event storms [EXHIBIT 2].

Wherefore Kentucky Power Company respectfully requests the Commission enter an Order no later than June 5, 2023:

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 incremental and extraordinary O&M expenses incurred by the Company in repairing damage and restoring service in connection with the Major Flood Event. The estimated incremental Major Event Day storm-related expenses for which the Company seeks authority to defer and establish as a regulatory asset in Account 182.3 could total as high as \$9 million;
2. Authorizing Kentucky Power to record the deferred amount as a regulatory asset to be recorded in FERC Account No. 182.3; and
3. Granting Kentucky Power all additional relief to which it may be entitled.

This 1st day of May, 2023.

Respectfully submitted,



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Michael G. Adams, Secretary of State

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Certificate of Existence

Authentication number: 289991

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 26th day of April, 2023, in the 231st year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
289991/0028317

VERIFICATION

The undersigned, Lerah M. Kahn, being duly sworn, deposes and says she is the Manager, Regulatory Services for Kentucky Power Company, that she has personal knowledge of the matters set forth in the foregoing application and the information contained therein is true and correct to the best of her information, knowledge, and belief.

Lerah M. Kahn
Lerah M. Kahn

Commonwealth of Kentucky)
)
County of Boyd)

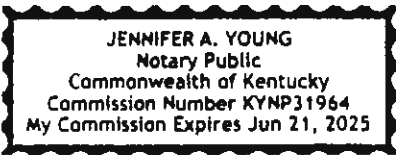
Case No. 2023-00137

Subscribed and sworn before me, a Notary Public, by Lerah M. Kahn this 27th day of April, 2023.

Jennifer A. Young

Notary Public

My Commission Expires 6/21/25



Notary ID Number: KYNP31964