

**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 Fuel Charges Incurred By Kentucky)	Case No. 2023-00145
Power Company In Connection With Winter Storm)	
Elliott in December 2022)	

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 to be issued on or before **June 5, 2023**, establishing a regulatory asset to defer for future review and recovery the Company’s extraordinary non-F.A.C. eligible fuel costs, totaling approximately \$11.5 million, incurred in connection with Winter Storm Elliott in December 2022. The requested Order will enable Kentucky Power to pursue securitization of those costs, which otherwise would be recoverable in the Company’s next base rate case, in a future proceeding, pursuant to Kentucky Senate Bill 192 (2023). 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

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**.

Avenue, Ashland, Kentucky 41101. The Company's electronic mail address is kentucky_regulatory_services@aep.com.

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.

5. As explained more fully below, in late December 2022, Winter Storm Elliott, which resulted in Governor Beshear's Declaration of a State of Emergency in the Commonwealth, also required Kentucky Power to incur extraordinary fuel costs from PJM, which was required to dispatch high-cost generators to satisfy load. These extraordinary fuel costs exceeded the level of purchased power expense that is eligible for recovery through Kentucky Power's Fuel Adjustment Clause ("Tariff F.A.C.").

6. 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).

7. 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 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).

8. 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 non-F.A.C. eligible fuel costs that Kentucky Power incurred due to Winter Storm Elliott, 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.

9. Issuance of the order requested in this Application would not bind the Commission to subsequent approval of a financing order for the extraordinary, non-F.A.C. eligible fuel costs

resulting from Winter Storm Elliott. 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).²

Winter Storm Elliott Resulted In Extraordinary Fuel Costs That Exceed Those Recoverable Through Kentucky Power’s Tariff F.A.C.

10. Winter Storm Elliott was an unprecedented weather event that placed enormous strain on the resources within PJM from December 23-25, 2022. On December 23, 2022, PJM had approximately 43,000 MW of forced (non-planned) outages among its generation fleet.³ PJM stated that the weather on December 23, 2022, was unprecedented for that time of year given the severe temperature drop, which resulted in a spike in load. The temperature dropped 29 degrees over a 12-hour span on December 23 across the PJM region (as compared to the previous PJM record of a 22-degree drop during the 2014 Polar Vortex). As a result of the demand spike and forced outages, PJM issued a Call for Conservation for the entire footprint. The demand continued

² *Accord In the Matter of: Electronic Application of Kentucky Power Company for a General Adjustment of its Rates for Electric Service*, Case No. 2017-00179, Order at 55 (Jan. 18, 2018) (recognizing that the “Commission will allow recovery [in base rates] of the test year amount of purchased power reasonably incurred, but excluded from the FAC.”).

³ *See* 2022 State of the Market Report for PJM, *available at* https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2022/2022-som-pjm-vol2.pdf, Table 3-85.

into December 24, 2022. The low-point of demand on Christmas Eve was significantly greater than any other peak for that date in a decade.⁴

11. As PJM explained its issuance of an emergency order for Winter Storm Elliott in a letter to the U.S. Secretary of Energy:

On December 24, 2022, pursuant to Section 202(c) of the Federal Power Act (“FPA”) and part 205, subpart W, of the regulations of the Department PJM submitted a request (the “Request”) that the Secretary of Energy (“Secretary”) find that an electric reliability emergency exists within the PJM Region that requires intervention by the Secretary, in the form of a Section 202(c) emergency order, to preserve the reliability of the bulk electric power system. **PJM requested that the Secretary issue the order immediately, effective December 24, 2022, authorizing all electric generating units located within the PJM Region to operate up to their maximum generation output levels under the limited circumstances described in the Request, notwithstanding air quality or other permit limitations.** *** On December 24, 2022, the Department issued the Order granting PJM’s Request. The Department determined that an emergency existed in the electricity grid operated by PJM due to a shortage of electric energy, a shortage of facilities for the generation of electric energy and other causes, and that issuance of the Order will meet the emergency and serve the public interest. **Given the nature of the emergency, the Department determined that additional dispatch of the Specified Resources is necessary to best meet the emergency and serve the public interest for purposes of FPA section 202(c).**⁵

12. The additional dispatch of resources described above by PJM resulted in the dispatch of high-cost generators, and extraordinary fuel costs in the PJM market to Kentucky Power and other utilities in PJM. Monitoring Analytics, L.L.C. described Winter Storm Elliott’s significant effect on pricing in its 2022 State of the Market Report for PJM.⁶

13. As described in the State of the Market Report, on December 23 and 24, 2022, during Winter Storm Elliott, real-time load-weighted average hourly locational marginal pricing

⁴ See PJM, Winter Storm Elliott, Frequently Asked Questions, *available at*: [faq-winter-storm-elliott.ashx \(pjm.com\)](https://www.pjm.com/faq-winter-storm-elliott.ashx).

⁵ See Feb. 27, 2023 Letter from PJM to The Hon. Jennifer Granholm, Secretary of Energy, *available at*: <https://www.pjm.com/-/media/markets-ops/winter-storm-elliott/pjm-final-report-public-to-doe-order-no-202-22-4.ashx> (emphasis supplied).

⁶ *Available at*: https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2022/2022-som-pjm-vol2.pdf.

(“LMP”) was extremely high, with the peak LMP exceeding \$3,500/MWh.⁷ The corresponding real-time load-weighted average hourly LMP in the dispatch run was even higher, with the peak LMP exceeding \$4,500/MWh.⁸

14. The extraordinary fuel costs to Kentucky Power resulting from Winter Storm Elliott exceed the costs recoverable under the Company’s Tariff Fuel Adjustment Clause (“F.A.C.”). The F.A.C. Purchase Power Limitation is a calculation that caps the amount of purchase power expense to be recovered in the Company’s monthly F.A.C. surcharge.⁹ The calculation compares the cost of actual purchased power on an hourly basis¹⁰ to the cost of the Company’s highest-cost unit or the theoretical peaking equivalent (“PUE”) and caps the F.A.C.-recoverable purchase power expense at the cost (\$/MWh) of the highest cost generating unit (Company owned or peaking unit equivalent).¹¹ The PUE was created as a proxy because Kentucky Power does not own any peaking units.¹² The F.A.C. Purchase Power Limitation is applied to all purchased power expense used to serve the Company’s customers.¹³

15. In December 2022, due to Winter Storm Elliott, gas prices in eastern PJM were over \$50/MMBtu and the gas index used for the PUE calculation (a pricing point located in the western region of PJM) was only approximately \$6/MMBtu. This led to a substantial difference

⁷ *Id.* at 213.

⁸ *Id.*

⁹ Order, *An Examination By The Public Service Commission Of The Fuel Adjustment Clause Of American Electric Power Company From May 1, 2001 To October 31, 2001*, Case No. 2000-00495-B (Ky. P.S.C. October 3, 2002).

¹⁰ There is a monthly threshold test that is first applied to see if the hourly calculation is necessary.

¹¹ Order, *An Examination By The Public Service Commission Of The Fuel Adjustment Clause Of American Electric Power Company From May 1, 2001 To October 31, 2001*, Case No. 2000-00495-B (Ky. P.S.C. October 3, 2002).

¹² *Id.*

¹³ All purchased power expense excluding that which is characterized as being attributable to generator forced outages which is excluded from F.A.C. recovery separately. See Order, *Electronic Examination Of The Application Of The Fuel Adjustment Clause Of Kentucky Power Company From November 1, 2015 Through April 30, 2016*, Case No. 2016-00230 (Ky. P.S.C. January 11, 2017).

between the PJM system energy price that Kentucky Power paid for purchased power during the storm, and what is allowed for recovery through the F.A.C. Purchased power costs that exceed the amount allowed for recovery through the F.A.C. are recoverable in base rates.¹⁴

16. Attached as **EXHIBIT 2** is the complete PUE monthly calculation file for December 2022. Below is an excerpt from that file that provides examples of hourly fuel costs excluded from F.A.C. recovery. Columns 4 and 7 in the excerpt below (“KP Purchases allocated to Internal Load” and “\$/MWh of Purchases allocated to Internal Load”) reflect actual purchases made from the PJM energy market and the associated \$/MWh cost. Column 9 below (“Peaking Unit Equivalent \$/MWh”) reflects the PUE \$/MWh cost in that hour. The dollar amounts in Column 12 below (“Total Difference in PUE & purchase Price \$”) reflect the Company’s prudently incurred fuel costs that are excluded from F.A.C. recovery. As the excerpt and attached Exhibit show, during Winter Storm Elliott, when the PUE was less than the Company’s actual fuel costs, costs were excluded from F.A.C. recovery by the F.A.C. Purchase Power Limitation.

¹⁴ Order at 5, *An Examination By The Public Service Commission Of The Fuel Adjustment Clause Of American Electric Power Company From May 1, 2001 To October 31, 2001*, Case No. 2000-00495-B (Ky. P.S.C. May 2, 2002).

1	2	3	4	5	6	7	8	9	10	11	12			
Day/Hour Ending	Total KP Purchases		KP Purchases allocated to OSS		KP Purchases allocated to Internal Load		Purchases Assigned to Internal Load Due to Forced Outage	Purchases Assigned to Internal Load Due to Forced Outage	\$/MWh of Purchases allocated to Internal Load	Daily Gas Price \$/MWh	Peaking Unit Equivalent \$/MWh	Highest of PUE or Generation Cost \$/MWh	Difference in \$/MWh	Total Difference in PUE & Purchase Price \$
	KP MWh	KP Dollars	KP MWh	KP Dollars	KP MWh	KP Dollars								
12/23/2022 01	215.994	8090.220916	-	-	215.99	8,090.22	-	-	37.456	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 02	404.5	15633.925	36.55	1,412.65	367.95	14,221.28	-	367.95	38.650	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 03	452.91	16073.14788	-	-	452.91	16,073.15	-	452.91	35.489	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 04	572.75	21961.6755	-	-	572.75	21,961.68	-	572.75	38.344	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 05	763.15	31395.991	174.91	7,195.63	588.24	24,200.36	-	588.24	41.140	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 06	555.36	25198.43424	-	-	555.36	25,198.43	-	555.36	45.373	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 07	811.75	44289.08	255.79	13,956.07	555.96	30,333.01	-	555.96	54.560	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 08	564.242	90711.67758	-	-	564.24	90,711.68	-	564.24	160.767	\$7.94	116.056	116.056	44.711	25228.008
12/23/2022 09	576.528	41144.51005	-	-	576.53	41,144.51	-	576.53	71.366	\$7.94	116.056	116.056	0.000	0.000
12/23/2022 10	535.142	86592.3898	-	-	535.14	86,592.39	-	535.14	161.812	\$7.94	116.056	116.056	45.756	24485.950
12/23/2022 11	512.202	102950.0148	-	-	512.20	102,950.01	-	512.20	200.995	\$7.94	116.056	116.056	84.939	43505.899
12/23/2022 12	588	82419.96	70.90	9,938.05	517.10	72,481.91	-	517.10	140.170	\$7.94	116.056	116.056	24.114	12469.349
12/23/2022 13	542.065	225076.2652	-	-	542.06	225,076.27	-	542.06	415.228	\$7.94	116.056	116.056	299.172	162167.530
12/23/2022 14	646.4	85027.458	100.03	13,157.68	546.37	71,869.77	-	546.37	131.540	\$7.94	116.056	116.056	15.484	8460.024
12/23/2022 15	560.276	105884.2168	-	-	560.28	105,884.22	-	560.28	188.986	\$7.94	116.056	116.056	72.930	40860.825
12/23/2022 16	593.942	93637.63133	-	-	593.94	93,637.63	-	593.94	157.655	\$7.94	116.056	116.056	41.599	24707.069
12/23/2022 17	615.609	154344.7883	-	-	615.61	154,344.79	-	615.61	250.719	\$7.94	116.056	116.056	134.663	82899.688
12/23/2022 18	638.647	588566.2728	-	-	638.65	588,566.27	-	638.65	890.267	\$7.94	116.056	116.056	774.211	494447.457
12/23/2022 19	651.99	296413.0615	-	-	651.99	296,413.06	-	651.99	454.628	\$7.94	116.056	116.056	338.572	220745.710
12/23/2022 20	636.163	975527.9734	-	-	636.16	975,527.27	-	636.16	1533.455	\$7.94	116.056	116.056	1417.399	901696.740
12/23/2022 21	653.2	129385.856	12.21	2,418.16	640.99	126,967.70	-	640.99	196.080	\$7.94	116.056	116.056	82.024	52576.727
12/23/2022 22	625.995	691015.3141	-	-	626.00	691,015.31	-	626.00	1103.867	\$7.94	116.056	116.056	987.811	618364.838
12/23/2022 23	610.09	114446.186	-	-	610.09	114,446.19	-	610.09	187.589	\$7.94	116.056	116.056	71.533	43641.581

The Amount to be Accumulated and Deferred

17. Kentucky Power seeks authorization from the Commission to accumulate and defer for securitization approximately \$11.5 million of non-F.A.C. eligible fuel costs incurred in December 2022 as a direct result of Winter Storm Elliott. Consistent with Commission precedent, Kentucky Power expensed these prudently incurred fuel costs in December 2022 and intended to pursue their amortization in its upcoming base rate proceeding.¹⁵ Therefore, in accordance with Generally Accepted Accounting Principles (“GAAP”) and the FERC Uniform System of Accounts regulatory asset recognition criteria, these amounts were reflected in expense in Kentucky Power’s fourth quarter 2022 and first quarter 2023 financial statements.¹⁶

18. S.B. 192’s enactment at the end of March 2023, however, now provides the Company and Commission with the opportunity to address the recovery of these costs through a new mechanism that lowers rate impacts. In order to pursue the customer benefits associated with securitizing these costs in a future application for financing order, the Company now respectfully asks that the Commission authorize their inclusion in a regulatory asset by no later than June 5, 2023— before the June 30, 2023 deadline set forth in S.B. 192 – rather than addressing them in the forthcoming base rate case.

¹⁵ *In the Matter of: Electronic Application of Kentucky Power Company for a General Adjustment of its Rates for Electric Service*, Case No. 2017-00179, Order at 55 (Jan. 18, 2018).

¹⁶ Kentucky Power will promptly supplement this Application with a copy of its audited year-end 2022 financial statements, accompanied by an unqualified external audit opinion, as well as its unaudited first quarter 2023 financial statements.

Basis for the Requested Accounting Treatment

19. Establishing the requested regulatory asset is consistent with and supported by Generally Accepted Accounting Principles and the FERC Uniform System of Accounts.

20. Financial Accounting Standards Board Accounting Standards Codification 980-340-25-1 (“FASB ASC 980-340-25-1”) provides for the creation of a regulatory asset under prescribed circumstances. 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.*¹⁷

21. 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.*¹⁸

¹⁷ (Emphasis supplied).

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

22. Thus, should the Commission grant Kentucky Power’s request to record a regulatory asset in the amount of the non-F.A.C. eligible fuel costs related to Winter Storm Elliott for future recovery from customers, then GAAP and FERC Uniform System of Accounts regulatory asset recognition criteria will have been met and it will be appropriate under those standards for a regulatory asset to be established.

23. Authorizing the requested regulatory asset would be neutral to Kentucky Power’s cumulative net income, as the following table demonstrates:

	Overview of Proposed Financial Statement Impact Non-F.A.C. Eligible Fuel Costs Related to Winter Storm Elliott (in millions)			
Description	2022	2023	Recovery Period	Cumulative
Revenue	-	-	11.5	11.5
Expense	(11.5)	11.5	(11.5)	(11.5)
Net Income	(11.5)	11.5	-	-
Retained Earnings per Balance Sheet	(11.5)	11.5	-	-

As the table above reflects, the non-F.A.C. eligible fuel costs related to Winter Storm Elliott recorded in 2022 would be reversed and deferred in 2023 based upon the Commission’s approval of this Application and would net to \$0. As amortization of the regulatory asset occurred in the future, the deferral would be amortized back to expense. The Company’s net income would be impacted by the expense only once, upon amortization of the regulatory asset in conjunction with future recovery of amounts from customers.

24. The authority for establishing regulatory assets arises under the Commission’s plenary authority to regulate utilities under KRS 278.040 and the Commission’s authority to establish a system of accounts under KRS 278.220.¹⁹ 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 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 nonrecurring expense that over time will result in a saving that fully offsets the cost.²⁰

25. 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 extraordinary²¹ and

¹⁹ *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 3-4 (Ky. P.S.C. December 23, 2008).

²⁰ *Id.*

²¹ *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 Regulatory Assets And Liabilities Related To The Extraordinary Expenses Incurred By Kentucky Power Company In Connection With Four 2012 Major Storm Events*, Case No. 2012-00445 (Ky. P.S.C. Jan. 7, 2013) (“2012 Storm Case”); *In The Matter Of: 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 Event*, Case No. 2016-00180 (Ky. P.S.C. Dec. 12, 2016) (“2015 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 And Request For Decision By April 5, 2021 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. 5, 2021).

“sufficiently significant.”²² These determinations in turn involve consideration of the collective magnitude of the storm expenses,²³ in relation to the amount of storm-related costs built into the utility’s base rates,²⁴ and the effect a refusal to authorize a deferral would have on the utility’s current year financial results.²⁵ Moreover, the Commission has authorized provisional deferral of expenses for Major Event storms occurring in the fourth quarter of the fiscal year, subject to Kentucky Power’s providing immediate notice to the Commission and filing an application for Commission approval within 90 days.²⁶ Here, however, the legislation requiring the establishment of a regulatory asset in order to securitize the non-F.A.C. eligible fuel costs related to Winter Storm Elliott was not enacted until it was too late to take advantage of the provisional deferral authorization in the *2015 Storm Case*.

26. The Commission’s approval of this Application, which would permit Kentucky Power to apply for future securitization of non-F.A.C. eligible fuel costs stemming from Winter Storm Elliott, would be fully consistent with the public policy embodied in S.B. 192, as well as other states’ recent approaches to securitization of extraordinary storm-related costs. *E.g., In re Okla. Dev. Fin. Auth.*, 510 P.3d 165 (Okla. 2022) (Supreme Court of Oklahoma affirming commission’s adoption of financing order for fuel costs incurred by utility during February 2021 weather event of record cold temperatures, pursuant to legislation enacted shortly after that event

²² *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*”).

²³ *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.”).

²⁴ *Id.*; *2020 Storm Case*, Order 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.”).

²⁵ *2008 KU Storm Case*, Order at 5-6.

²⁶ *2015 Storm Case*, Order at 4-5 (Dec. 12, 2016).

“to provide financing options to lower the [weather event’s] economic impact on the utility customers.”)

27. The Winter Storm Elliott extraordinary fuel costs for which the Company seeks deferral total \$11,519,695. The level of PUE expense currently in the Company’s base rates is \$176,883.

28. Further, for comparison purposes, Kentucky Power’s net income for the twelve months ended December 31, 2022 was \$47.6 million.²⁷ Thus, the more than \$11.5 million Winter Storm Elliott extraordinary fuel costs for which the Company seeks deferral could constitute as much as 24.16% of the Company’s net income for the twelve months ending December 31, 2022.

29. Based upon Commission precedent and S.B. 192, Kentucky Power seeks Commission approval to create a regulatory asset deferring the Winter Storm Elliott-related fuel costs, as described above.

30. 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 the Company’s upcoming securitization proceeding pursuant to S.B. 192 its extraordinary and nonrecurring fuel expenses incurred by the Company in connection with Winter Storm Elliott in December 2022. If the requested relief is granted, Kentucky Power will record the regulatory asset in FERC Account No. 182.3.

²⁷ See Kentucky Power 2021 and 2022 income statements, which can be accessed at: <https://aep.com/investors/financial/kypowerco>.

Exhibits

31. The following exhibits are incorporated in this application:
- a. The Company's April 26, 2023 Certificate of Existence [**EXHIBIT 1**]; and
 - b. PUE monthly calculation file for December 2022 [**EXHIBIT 2**].

Wherefore Kentucky Power Company respectfully requests the Commission enter an Order on or before 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 upcoming securitization proceeding the amount of extraordinary fuel costs incurred by the Company as a result of Winter Storm Elliott. The extraordinary fuel expenses for which the Company seeks authority to defer and establish as a regulatory asset in Account 182.3 are approximately \$11.5 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 3rd day of May, 2023.

Respectfully submitted,



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COUNSEL FOR
KENTUCKY POWER COMPANY

Commonwealth of Kentucky
Michael G. Adams, Secretary of State

Michael G. Adams
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

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, Brian K. West, being duly sworn, deposes and says he is the Vice President, Regulatory & Finance for Kentucky Power Company that he has personal knowledge of the matters set forth in the forgoing application and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.



Brian K. West

Commonwealth of Kentucky)

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Case No. 2023-00145

County of Boyd)

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Subscribed and sworn to before me, a Notary Public, in and for said County and State, by Brian K. West this 1st day of May, 2023.


Notary Public

My Commission Expires: 6/21/25

Notary ID Number: KYNP31964

