

**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. 2024-00241
Kentucky Power Company In Connection With The)	
April 2, 2024 and May 26, 2024 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 to be issued **on or before September 30, 2024** 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 April 2, 2024 and May 26, 2024 storm events 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 July 25, 2024 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 Order On Or Before September 30, 2024

4. Kentucky Power respectfully requests that the Commission issue an order on this Application on or before September 30, 2024.

5. As explained more fully below, on April 2, 2024 and May 26, 2024, Kentucky Power's service territory experienced "Major Event storms." The Company's best estimates at the time of this filing indicate that the total costs associated with these Major Event storms could total approximately \$8.3 million. The Company's best estimates at the time of this filing indicate that all 2024 storms through June 2024 could total approximately \$10.7 million.

Type	Date	Total Cost	Jurisdictional Incremental O&M ²
JMED	April 2, 2024	\$ 3,376,743	\$ 1,574,309
	May 26, 2024	\$ 4,674,650	\$ 2,769,671
		\$ 8,051,393	\$ 4,343,979
Non-JMED	January 9, 2024	\$ 176,122	\$ 84,897
	January 12, 2024	\$ 918,312	\$ 555,918
	February 28, 2024	\$ 342,181	\$ 144,164
	April 11, 2024	\$ 23,314	\$ 7,574
	May 22, 2024	\$ 555,788	\$ 435,373
	June 29, 2024	\$ 416,766	\$ 252,558
		\$ 2,432,483	\$ 1,480,484
Total		\$ 10,483,876	\$ 5,824,463

6. Storms classified as JMED resulted in Major Event Days as defined by IEEE Standard 1366 discussed below. Storms classified as non-JMED had the potential (70% or greater) to result in Major Event Days as defined by IEEE Standard 1366, but did not.³

7. The storm expense level included in the Company's current base rates includes both JMED and non-JMED storms.

8. The Company's deferral request in this proceeding is limited to the total incremental O&M associated with the April 2, 2024 and May 26, 2024 Major Event storms as demonstrated in Exhibit 2.

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

³ Although the events listed as "Non-JMED" did not meet the IEEE Standard for a Major Event, it is the Company's position that at least some these events were extraordinary and "sufficiently significant" and, as such, appropriate for a future deferral request.

9. The Company will continue to monitor all storm projects and evaluate their inclusion in future storm deferral requests. Inclusion will be contingent upon the incurred expenses meeting the parameters to qualify for regulatory asset treatment.

10. 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.⁴

11. The magnitude of the storm costs, the timing of the storms, and the significant effect of the Major Event storm costs on Kentucky Power's financial statements prepared in accordance with generally accepted accounting principles (GAAP), drives the Company's request for a ruling on this Application on or before September 30, 2024.

12. The Company must close its third quarter books on October 3, 2024 and issue its third quarter 2024 financial statements on November 5, 2024.

Kentucky Power's Transmission and Distribution Facilities

13. As of April 8, 2024, Kentucky Power owns approximately 1,270 circuit miles of transmission lines. Kentucky Power's transmission system is designed and constructed to meet heavy loading criteria. The transmission system comprises approximately 2,323 metal structures and 4,412 wooden structures.

14. The Company also owns approximately 10,130 circuit miles of distribution lines as of February 7, 2024. Of these, approximately 190 circuit miles are underground. Kentucky Power's distribution system is designed and constructed to meet medium loading criteria.

⁴ 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").

15. 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

16. 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 2024 T_{med} threshold is 4,365,013 customer minutes of interruption (“CMI”).

17. On April 2, 2024 and May 26, 2024, Kentucky Power’s service territory experienced severe weather events involving Major Event Days as defined by IEEE Standard 1366.

A. The Major Storm Events

April 2, 2024

18. On April 2, 2024, Kentucky Power’s service territory experienced severe thunderstorms and tornadic activity causing extensive damage and widespread power outages in our Ashland and Pikeville districts. The National Weather Service reported an EF2 tornado with estimated peak winds of 120 mph near Cannonsburg, an EF1 tornado with estimated peak wind of

110 mph in Westwood, and a microburst with estimated peak wind of 90 mph in Greenup each within the Company's service territory. At the peak of the event, approximately 12,535 customers were without electric service. The CMI for this severe thunderstorm event was 16,043,445 minutes, exceeding the Major Event Day threshold.

19. Outside resources were brought in to assist with restoration efforts. The Company's preliminary records indicate approximately 354 internal and contract employees participated in the restoration efforts. This includes mutual assistance personnel from three different states (Ohio, Kentucky, and North Carolina).

20. Preliminary records indicate damage to 29 transformers, 95 broken poles, 33 sets of cross arms, and 268 spans of conductor.

21. More than 95% of customers were restored by April 4, 2024. All the Company's customers were restored by 4:55 p.m. on April 7, 2024. Below is an overview of the Company's restoration times for the two impacted districts:

- a. Ashland District – Sunday, April 7, 2024 at 5:00 p.m.
- b. Pikeville District – Wednesday, April 3, 2024 at 4:55 p.m.

22. The following reflects a summary of the event:

4/2/2024 10:16 a.m., approximately 9,064 customers interrupted
4/2/2024 1:30 p.m., approximately 12,535 customers interrupted
4/2/2024 10:00 p.m., approximately 6,366 customers interrupted
4/3/2024 4:00 a.m., approximately 7,016 customers interrupted
4/3/2024 10:00 a.m., approximately 5,415 customers interrupted
4/3/2024 10:00 p.m., approximately 1,936 customers interrupted
4/4/2024 10:00 a.m., approximately 1,690 customers interrupted
4/4/2024 10:00 p.m., approximately 339 customers interrupted
4/5/2024 10:00 a.m., approximately 320 customers interrupted
4/5/2024 10:00 p.m., approximately 65 customers interrupted
4/6/2024 10:00 a.m., approximately 42 customers interrupted
4/6/2024 8:00 p.m., approximately 1 customer interrupted

May 26, 2024

23. On May 26, 2024, Kentucky Power's service territory experienced severe thunderstorms causing extensive damage and widespread power outages throughout the service territory. At the peak of the event, approximately 13,894 customers were without electric service. The CMI for this severe thunderstorm event was 27,764,128 minutes, exceeding the Major Event Day threshold.

24. Outside resources were brought in to assist with restoration efforts. The Company's preliminary records indicate approximately 500 internal and contract employees participated in the restoration efforts. This includes mutual assistance personnel from six different states (Alabama, Kentucky, Ohio, South Carolina, Virginia, and West Virginia).

25. Preliminary records indicate damage to 20 transformers, 51 broken poles, 73 sets of cross arms, and 357 spans of conductor.

26. More than 95% of customers were restored by May 29, 2024. All the Company's customers were restored by 6:45 p.m. on May 30, 2024. Below is an overview of the Company's restoration times:

- a. Ashland District – Monday, May 27, 2024 at 5:10 p.m.
 - b. Pikeville District – Wednesday, May 29, 2024 at 3:15 p.m.
 - c. Hazard District – Thursday, May 30, 2024 at 6:45 p.m.
27. The following reflects a summary of the event:
- 05/26/24 7:00 p.m., approximately 12,371 customers interrupted
 - 05/26/24 11:00 p.m., approximately 9,509 customers interrupted
 - 05/27/24 05:00 a.m., approximately 12,064 customers interrupted
 - 05/27/24 3:00 p.m., approximately 8,430 customers interrupted
 - 05/27/24 11:00 p.m., approximately 5,759 customers interrupted
 - 05/28/24 7:00 a.m., approximately 5,861 customers interrupted
 - 05/28/24 3:00 p.m., approximately 4,194 customers interrupted
 - 05/28/24 11:00 p.m., approximately 1,562 customers interrupted

05/29/24 7:00 a.m., approximately 1,579 customers interrupted
 05/29/24 3:00 p.m., approximately 1,453 customers interrupted
 05/29/24 11:00 p.m., approximately 366 customers interrupted
 05/30/24 7:00 a.m., approximately 386 customers interrupted
 05/30/24 3:00 p.m., approximately 235 customers interrupted

B. Summary of Cumulative Damage

28. The below table provides a preliminary cumulative summary of the damage for the Major Event storms described in this Application:

Date	Damaged Transformers	Broken Poles	Damaged Cross Arms	Spans of Conductor Repaired or Replaced
April 2, 2024	29	95	33	268
May 26, 2024	20	51	73	357
	49	146	106	625

The Amount to be Accumulated and Deferred

29. Kentucky Power seeks authorization from the Commission to accumulate and defer for review and recovery in Kentucky Power’s next base rate proceeding the actual incremental O&M costs associated with the Major Event Storms incurred to repair damaged facilities and restore service to customers following the storm events described herein.

30. Kentucky Power’s base rates contain O&M storm-related expenses totaling \$1,012,476 for distribution.⁵

31. Kentucky Power’s base rates contain O&M storm-related expenses totaling \$88,524 for transmission.⁶

⁵ Retail jurisdictional amount of 1,012,476: (1,013,489 * 0.999 jurisdictional allocation factor).

⁶ Retail jurisdictional amount of 88,524: (89,872 * 0.985 jurisdictional allocation factor).

32. 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 estimates. Consistent with past accepted practice, the Company will update the estimates contained in this Application to the actual amounts when actual costs are known and will file the actual amounts with the Commission in the docket related to this Application.

33. The estimated total jurisdictional incremental O&M costs associated with the April 2, 2024 and May 26, 2024 storms that would not have been incurred but for the storms could be as high as approximately \$4.5 million.⁷ Kentucky Power expensed approximately \$4.5 million associated with the Major Event storms in its interim financial statements for the second quarter of 2024. The Company's third quarter 2024 books have not been closed and its third quarter 2024 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 third quarter 2024 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.

34. 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 December 31, 2024. As soon as is practicable after the third and fourth quarter 2024 financial statements are issued, Kentucky Power will file updates

⁷ See EXHIBIT 2.

in this docket to provide the Commission with the expenses deferred to the requested regulatory asset.

Basis for the Requested Accounting Treatment

35. 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.***⁸

36. 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.***⁹

⁸ (Emphasis supplied).

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

37. 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.¹⁰

38. 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 extraordinary¹¹ and “sufficiently significant.”¹² These determinations in turn involve consideration of the collective

¹⁰ *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).

¹¹ *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”); and *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 Kentucky Power Company In Connection With the March 3, 2023, March 25, 2023, and April 1, 2023 Major Event Storms*, Case No. 2023-00137 (Ky. P.S.C. June 5, 2023).

¹² *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”).

magnitude of the storm expenses,¹³ in relation to the amount of storm-related costs built into the utility's base rates,¹⁴ and the effect a refusal to authorize a deferral would have on the utility's current year financial results.¹⁵

39. Based on current estimates, the incremental Major Event storms expenses which the Company seeks deferral could total as high as \$4.5 million, an amount over 4 times the \$1,101,000 in O&M storm related expenses included in Kentucky Power's base rates.

40. Further, for comparison purposes, Kentucky Power's net income for the twelve months ended December 31, 2023 was \$34.0 million.¹⁶ Thus, the incremental Major Event storm-related expenses for which the Company seeks deferral for these storms alone could constitute as much as 13.2% of the Company's net income for the twelve months ending December 31, 2023.

41. Based upon Commission precedent, Kentucky Power seeks Commission approval to create a regulatory asset deferring the incremental Major Event storms-related expenses, as described above. Estimated total jurisdictional incremental storm-related O&M expenses will be deferred and will be trued-up to net actual costs prior to year-end 2024.

42. 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

¹³ 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.”).

¹⁴ *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.”).

¹⁵ Order. *2008 KU Storm Case* at 5-6.

¹⁶ See Kentucky Power 2023 income statement, which can be accessed at: <https://aep.com/investors/financial/kypowerco>

its extraordinary and nonrecurring expenses incurred by the Company in repairing damage and 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

43. The following exhibits are incorporated in this application:
 - a. The Company's July 25, 2024 Certificate of Existence [**EXHIBIT 1**]; and
 - b. Breakdown of costs associated with the Major Event storms [**EXHIBIT 2**].

WHEREFORE, Kentucky Power Company respectfully requests the Commission enter an Order no later than September 30, 2024:

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 Storm event;
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 29th day of July, 2024.

Respectfully submitted,



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Certificate of Existence

Authentication number: 316216

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

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 25th day of July, 2024, in the 233rd year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
316216/0028317

VERIFICATION

The undersigned, Lerah M. Kahn, being duly sworn, deposes and says she is the Manager of 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 Kahn

Lerah M. Kahn

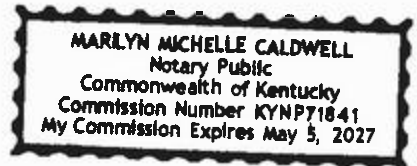
Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2024-00241

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lerah M. Kahn, on July 24, 2024.

Marilyn Michelle Caldwell
Notary Public

My Commission Expires May 5, 2027



Notary ID Number KYNP71841