

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company)	
To Reduce Fuel Adjustment Clause Billings For The)	
March 2026 Billing Period And To Defer A Portion)	Case No. 2026-00031
Of Fuel Adjustment Clause Charges For Later)	
Collection)	

APPLICATION

Kentucky Power Company (“Kentucky Power” or the “Company”) moves the Public Service Commission of Kentucky (the “Commission”) pursuant to KRS 278.180(2), 807 KAR 5:056, 807 KAR 5:001, Section 22 and all other applicable authority, to issue an order **on or before February 23, 2026**, granting all approvals and/or deviations necessary to authorize the Company to reduce fuel adjustment clause (“FAC”) billings for the March 2026 billing period and to defer that reduced portion for later recovery through the FAC. Kentucky Power’s March 2026 billing period begins February 24, 2026, and therefore Kentucky Power requires an order approving the requests herein prior to the beginning of that billing period in order to provide this relief to customers.

Kentucky Power states in support of its application:

Applicant

1. Kentucky Power is a corporation organized on July 21, 1919 under the laws of the Commonwealth of Kentucky. The Company currently is in good standing in Kentucky.¹

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 February 11, 2026 Certificate of Existence is filed as **EXHIBIT 1** of this Application.

2. The post office address of Kentucky Power is 1645 Winchester Avenue, Ashland, Kentucky 41101. The Company's electronic mail address is

kentucky_regulatory_services@aep.com.

3. Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. Kentucky Power serves approximately 162,000 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. Kentucky Power is a utility as that term is defined in KRS 278.010.

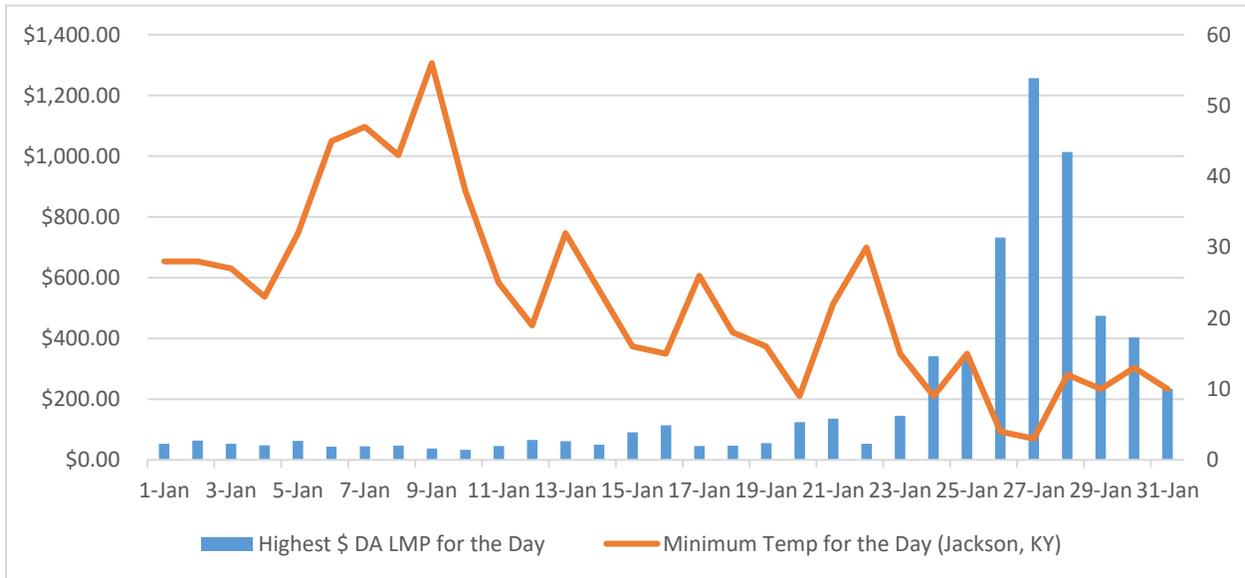
4. Kentucky Power is a wholly owned subsidiary of American Electric Power Company, Inc. ("AEP"). AEP is a multi-state public utility holding company that includes utilities providing electric service to customers in parts of eleven states: Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia.

Request to Reduce March 2026 FAC Billings for Later Collection

5. The Company is scheduled to file its next update to the FAC, for March billing, on February 16, 2026. Kentucky Power's calculated FAC factor for March 2026 billing (based on January 2026 estimated fuel costs) is \$0.02981/kWh as compared to the February 2026 (based on December 2025 estimated fuel costs) factor of \$0.00763/kWh. The increase principally resulted from the increased cost of market energy prices in January.

6. As the Commission is aware, Kentucky Power's service territory experienced the effects of Winter Storm Fern in January 2026, along with many other parts of the country. Winter Storm Fern brought snow and ice across the Commonwealth and was followed by an extended period of unseasonably cold temperatures. For example, low temperatures in Jackson, KY reached as low as three degrees on January 27, 2026. For the period January 24-31, 2026,

low temperatures in Jackson, KY ranged between three degrees and 15 degrees. The below chart demonstrates the daily minimum temperature for Jackson, KY for the month of January 2026 and the highest daily locational marginal price (“LMP”) for Kentucky Power’s price node within PJM Interconnection, LLC (“PJM”) for each day in January 2026.



7. Due to increased demand resulting from Winter Storm Fern and sustained frigid temperatures, the cost of fuel and market energy prices increased significantly in January 2026. This is because cold weather can have a drastic impact on the price of natural gas and the associated market energy prices. The price of natural gas drives PJM Interconnection, LLC (“PJM”) day-ahead market prices. If the price of natural gas is elevated, then the price of natural gas generation becomes more expensive, thus increasing the corresponding LMPs.

8. In order to limit exposure to this kind of market volatility, Kentucky Power engages in a comprehensive energy hedging program that secures forward-month, fixed price fuel (natural gas and coal) at predetermined milestones. The fixed-price fuel that is procured is secured via request for proposal and the purchases represent the least cost alternatives. This

comprehensive hedging program provides fuel cost certainty and stability for customers, with the intent of helping to levelize fuel costs.

9. Importantly, during January 2026, and reflective of fixed price natural gas purchases, this hedging program resulted in \$4.8 million of savings for customers compared to what would have been paid had the Company not engaged in this forward-month, fixed price hedging strategy.

10. Moreover, the Company's generating units were available² nearly all of January: Big Sandy 100%, Mitchell Unit 1 93.7%, and Mitchell Unit 2 100%. Notably, all of the Company's generating units were available during those days in January 2026 that drove exceptionally-high market energy prices.

11. Due to the Company's hedging program and the availability of its owned generating units, Kentucky Power customers were insulated to the greatest extent possible from the market volatility that resulted from Winter Storm Fern and sustained frigid temperatures.

12. Nonetheless, Kentucky Power still experienced some of the market effects due to increased demand, and those increased fuel costs and market energy prices are reflected in the March 2026 FAC factor.

13. The Company previously committed to bring issues regarding the monthly volatility in the Company's FAC charge to the immediate attention of the Commission.³ Specifically, in its February 21, 2022 letter (Exhibit 2) Kentucky Power recognized the burden that volatility in its calculated FAC can impose on the Company's customers. To address any

² Available refers to either being online or in reserve shutdown which means the unit is available for generation, but PJM has placed it on stand-by status because the generation is not needed on the grid at that time.

³ See February 21, 2022 Letter to Linda C. Bridwell transmitting the Company's FAC Schedules with supporting sales and fuel cost schedules for the March 2022 billing month, attached hereto as **EXHIBIT 2**.

future volatility and resulting customer burdens, Kentucky Power proposed the following actions:

(a) Kentucky Power would immediately notify the Commission of any abnormal change in the FAC factor;

(b) In the event there were an abnormal increase, Kentucky Power would propose spreading the increase out over a period of months (the specific period to be proposed later by the Company and approved by the Commission) in order to lessen the immediate burden on customers; and

(c) Kentucky Power would undertake a review of changes in the calculation methodology to reduce monthly volatility in its calculated FAC. Kentucky Power also would promptly inform the Commission of any reasonable changes that were identified

14. In line with its commitment to address monthly volatility in the FAC charge and to reduce the monthly burden on customers, the Company proposes to postpone the collection of \$5 million in January 2026 estimated fuel costs that otherwise would be collected with March 2026 billings. Kentucky Power proposes to collect those amounts in equal approximately \$1.67 million increments in the May, June, and July 2026 billed fuel factors. Postponing collection of these amounts is intended to assist customers with fuel bills during peak usage months.

15. Postponing the collection of these amounts is expected to reduce the FAC factor applied to March 2026 bills to \$0.02200/kWh. For example, a residential customer billed in March 2026 for 1,300 kWh of usage will see a 26% reduction in the FAC factor charge from \$38.75 to \$28.60, as compared to the calculated FAC factor charge. Using February 2026 rates and then comparing, the corresponding total bill would decline from \$250.39 to \$239.10 if the Company's proposals herein are approved.

16. These amounts also are not reflective of the additional fuel credit customers will receive in March 2026 resulting from the Settlement Agreement approved in Case No. 2023-00008 (“Fuel Adjustment Credit”). The Fuel Adjustment Credit is a separate line-item on customers’ bills, and the average residential customer using 1,300 kWh will see a credit of \$6.33 on their March 2026 bill as a result.

Request for Shorter Notice Period Under KRS 278.180(2)

17. KRS 278.180(1) generally provides that a utility may not change its rates with shorter than 30 days’ notice. That notice period may be amended when a utility is proposing a rate reduction. Specifically, KRS 278.180(2) provides: “The commission, upon application of any utility, may prescribe a less time within which a reduction of rates may be made.”

18. The monthly FAC factor is calculated pursuant to 807 KAR 5:056 and Kentucky Power’s tariff based upon fuel and power costs of Kentucky Power and is thus considered the filed rate that Kentucky Power must charge.⁴

19. Pursuant to that regulation and the tariff, the FAC rate to be billed in March 2026 would be \$0.02981/kWh. The rate Kentucky Power proposes to charge herein is \$0.02200/kWh, which is a clear reduction of the rate that is otherwise to be charged, and the Commission may order a “less time within which a reduction of rates may be made” pursuant to KRS 278.180(2).

20. Thus, Kentucky Power’s request to implement the proposed reduced March 2026 FAC rate beginning with March 2026 billing, which begins February 24, 2026, is warranted and should be approved.

⁴ See Order at 2, *In The Matter Of: Electronic Application Of Kentucky Power Company To Defer A Portion Of Fuel Adjustment Clause Charges For Later Collection Without Establishing A Regulatory Asset*, Case No. 2022-00125 (Ky. P.S.C. May 26, 2022).

21. The Commission previously granted similar relief requested by the Company in Case No. 2022-00125 under similar circumstances.⁵

Request for Deviation from 807 KAR 5:056

22. For the reasons stated herein, the Company requests all approvals necessary, and any deviations from the requirements of 807 KAR 5:056 deemed necessary by the Commission, to implement its proposal to postpone the collection of \$5 million in estimated January 2026 fuel costs and to collect the same through the FAC in approximately \$1.67 million increments over a period of three months beginning with the May 2026 bill.

23. Any postponed amounts would be added to the amounts used in calculating the monthly under- or over-recovery of FAC costs. Although the Company merely seeks to defer recovery of the costs through the FAC until a later time, the Company also is not requesting any carrying charge for the postponed collection amounts.

24. The Commission previously granted similar relief requested by the Company in Case No. 2022-00125 under similar circumstances.⁶

Requested Decision Date

Kentucky Power requests a decision as soon as possible, but no later than by **February 23, 2026**, to ensure that the Company's billing department has sufficient time to implement (or not implement) the postponement of \$5 million of January 2026 estimated fuel costs that otherwise would be collected beginning with the March 2026 billing cycle, *which begins February 24, 2026*.

⁵ *Id.*

⁶ *Id.*; Order, *In The Matter Of: Electronic Application Of Kentucky Power Company To Defer A Portion Of Fuel Adjustment Clause Charges For Later Collection Without Establishing A Regulatory Asset*, Case No. 2022-00125 (Ky. P.S.C. Jun. 28, 2022).

25. These requests are time-sensitive given the timing of the beginning of the March 2026 billing cycle.

26. The Company is mindful of the short turnaround for this request, but states that it has worked diligently to file this application as soon as possible after the Company calculated the expected March 2026 FAC rate.

Exhibits

27. The Company submits the following exhibits to this application:

Exhibit 1 The Company's April 20, 2022 Certificate of Existence

Exhibit 2 February 21, 2022 Letter from Brian K. West and associated FAC Schedules

Communications

28. Kentucky Power respectfully requests that communications in this matter be addressed to the e-mail addresses identified on Kentucky Power's February 11, 2026 Notice of Election of Use of Electronic Filing Procedures.

WHEREFORE, Kentucky Power Company requests that the Commission issue an Order on or before February 23, 2026:

(1) Granting the Company all approvals necessary, and any deviations from the requirements of 807 KAR 5:056 deemed necessary by the Commission, to implement its proposal to postpone the collection of \$5 million in estimated January 2026 fuel costs and to collect the same in approximately \$1.67 million increments over a period of three months beginning with the May 2026 bill as well as the requisite deferrals; and

(2) Granting Kentucky Power such other relief as may be appropriate.

Respectfully submitted,



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Michael G. Adams, Secretary of State

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Certificate of Existence

Authentication number: 358415
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; that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State; and is therefore in good standing.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 11th day of February, 2026, in the 234th year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
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PUBLIC SERVICE
COMMISSION



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BOUNDLESS ENERGY™

DELIVERED VIA EMAIL TO PSCED@KY.GOV and LINDA.BRIDWELL@KY.GOV

February 21, 2021

Linda C. Bridwell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, KY 40602-0615

RE: Standard Fuel Adjustment Clause Filing

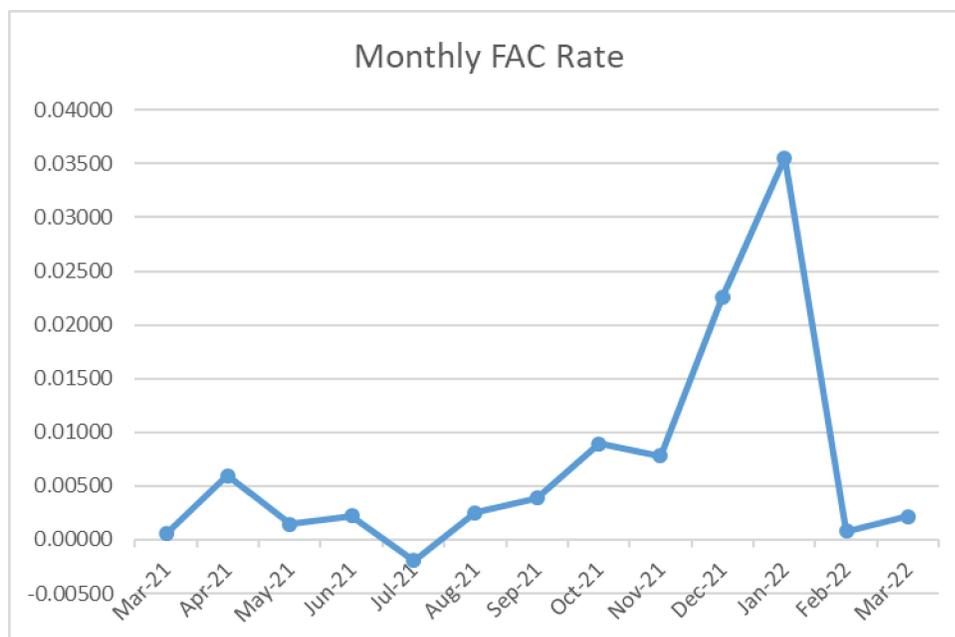
Dear Ms. Bridwell:

Enclosed are Kentucky Power Company's Fuel Adjustment Clause Schedules with supporting sales and fuel cost schedules for the March 2022 billing month. The Company understands that the flowing through of fuel and power costs can be a volatile matter and leave customers confused. However, the Company is happy to report a significant decrease in the fuel factor used to establish fuel costs in this update. The proposed March 2022 FAC factor of \$0.00213/kWh is 94 percent less than the January 2022 factor of \$0.03556/kWh.

In accordance with long-standing practice, the proposed March 2022 factor is calculated using estimated January 2022 fuel costs (as adjusted for December 2021 actual fuel costs) and January 2022 sales. The March 2022 factor is further adjusted to return to customers the January 2022 \$3.2 million over-recovery. The January 2022 over-recovery resulted from a higher-than-typical FAC factor in January 2022 that was caused, in part, by high fuel costs (as more fully explained by the Company's responses to Commission Staff's February 2, 2022 requests for information regarding the fuel adjustment clause factor for December and January billing months, provided by email on February 9, 2022), and higher-than-estimated usage. The fuel system set up in Kentucky allows any unexpected over recovery to be returned to customers quickly in the form of an offset in the going forward fuel factor. The effect of the return to

customers in March 2022 of the January 2022 over-recovery is set to reduce the March 2022 factor by 72 percent from \$0.00762/kWh to the proposed \$0.00213/kWh.

The Company remains concerned about the volatility in Kentucky Power's FAC in recent months. Much of the volatility in the December 2021 through March 2022 FAC billing factors arose as a result of the anomalous October 2021 and November 2021 operating conditions. This volatility is illustrated in the chart below:



Kentucky Power also recognizes the burden such volatility can impose on the Company's customers. To address any future volatility and resulting customer burdens, Kentucky Power proposes the following actions:

(a) Kentucky Power will immediately notify the Commission of any abnormal change in the FAC factor;

(b) In the event there is an abnormal increase, the Company will propose spreading the increase out over a period of months (the specific period to be established later by the Company and approved by the Commission) in order to lessen the immediate burden on customers; and

(c) The Company is undertaking a review of changes in the calculation methodology to reduce monthly volatility in its calculated FAC. The Company will promptly inform the Commission of any reasonable changes that are identified.

Kentucky Power recognizes that the second and third actions also may require deviations from 807 KAR 5:056. The Company will promptly seek all such necessary deviations.

Kentucky Power does have billing programs that can help customers at high bill times. The existing Average Monthly Payment Plan (AMP) can lessen the volatility of customers' bills, including changes in the FAC. Information about the AMP, and other means of controlling high winter electric bills is available on the Company's website at:

<https://www.kentuckypower.com/account/bills/pay/assistance/winter-bill-help>

The Company would be pleased to meet with Commission Staff to address the volatility issues. If you have any questions, please contact me at 606-327-2603.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian K. West", with a long horizontal flourish extending to the right.

Brian K. West
Vice President, Regulatory & Finance
Enclosure