

**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 Kentucky Power)	Case No. 2026-00067
Company In Connection With The December 2025)	
Major Storm Event)	

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 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 December 18-19, 2025 Major Event storm 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 March 16, 2026 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 162,000 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.

3. Kentucky Power is a wholly-owned subsidiary of American Electric Power Company, Inc.

Introduction

4. The level of storm expense for both Major Event and non-Major Event storms included in Kentucky Power's base rates at the time of the December 18-19, 2025 Major Event storm totaled \$1.1 million, as approved in the Commission's January 19, 2024 Order in Case No. 2023-00159.²

5. As explained more fully below, on December 18-19, 2025, Kentucky Power's service territory experienced a "Major Event storm," which is also referred to in this Application as "JMED storm." The Company provides a definition and discussion of what storms are classified as Major Event or JMED storms below.

6. The Company's best estimates at the time of this filing indicate that the total costs associated with this Major Event storm could total approximately \$2.4 million.

² See Order at 33-35; Appendix B, p. 2, Accepted Adjustment No. 16, *In The Matter Of: Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) Approval Of Tariffs And Riders; (3) Approval Of Accounting Practices To Establish Regulatory Assets And Liabilities; (4) A Securitization Financing Order; And (5) All Other Required Approvals And Relief*, Case No. 2023-00159 (Ky. P.S.C. Jan. 19, 2024).

7. The Company’s best estimates at the time of this filing indicate that the recovery cost of all JMED storms for 2025 could total approximately \$21.8 million, as detailed in the table below:

Type	Date	Deferral Application	Total Cost	Jurisdictional Incremental O&M ³
JMED Storms	Jan. 5, 2025	2025-00031	\$7,166,366	\$4,194,197
	Feb. 15, 2025 – Dist.		\$7,430,857	\$4,243,108
	Feb. 15, 2025 – Trans.		\$131,695	\$131,695
	May 16-17, 2025	2025-00264	\$4,651,950	\$2,685,148
	Dec. 18-19, 2025	2026-00067	\$2,370,655	\$1,425,286
Total			\$21,751,493	\$12,679,434

8. 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

9. However, the Commission clarified in a previous Kentucky Power Major Event storm deferral application, in Case No. 2025-00031, and held that “[t]he Commission [would] allow, and recommends, Kentucky Power record expenses for storms occurring in any quarter of the fiscal year as a deferred asset for accounting purposes only, subject to Kentucky Power providing the Commission with notice of such within five days of the establishment of the

³ Costs incremental to those currently in base rates and that would not have been incurred but for the storms. See **EXHIBIT 2** for a breakdown of each event.

⁴ See Order at 1, *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 (Ky. P.S.C. Dec. 12, 2016) (“2016 Storm Order”).

regulatory asset and subject to Kentucky Power filing an application within 90 days of the occurrence of the storm seeking Commission approval for such authority.”⁵

10. Accordingly, the Company provided notice to the Commission’s Executive Director on January 7, 2026, that it recorded a deferred asset, based on estimates at the time, in the amount of \$1,471,285 for accounting purposes only for the December 18-19, 2025 Major Event storm with its 2025 fourth quarter financial close.⁶

11. The Company’s deferral request in this proceeding is limited to the total incremental O&M associated with the December 18-19, 2025 Major Event storm as demonstrated in **Exhibit 2**.

12. Furthermore, the deferral request is fully incremental to the amount in base rates at the time of the Major Event storm, as the Company sought prior deferrals in 2025 in which the Commission only permitted deferral of those amounts that exceeded the approximately \$1.1 million in base rates at the time.⁷ Thus, all additional jurisdictional incremental storm-related O&M costs are incremental to the base amount at the time of the Major Event storm.

Kentucky Power’s Transmission and Distribution Facilities

13. As of March 10, 2026, Kentucky Power owns approximately 1,288 circuit miles of transmission lines. Kentucky Power’s transmission system is designed and constructed to meet heavy loading criteria. The transmission system comprises approximately 2,384 metal structures and 4,350 wooden structures.

⁵ See Order at 8, *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 January 5, 2025 and February 15, 2025 Major Event Storms*, Case No. 2025-00031 (Ky. P.S.C. Mar. 31, 2025) (“2025 Storm Order”).

⁶ See Counsel’s letter to Ms. Linda Bridwell dated January 7, 2026, attached hereto as **EXHIBIT 3**.

⁷ See 2025 Storm Order.

14. The Company also owns approximately 10,144 circuit miles of distribution lines as of January 29, 2026. Of these, approximately 192 circuit miles are underground. Kentucky Power's distribution system is designed and constructed to meet the industry-accepted medium loading criteria.

15. Kentucky Power's service territory also includes some of the most rugged and difficult topography in the Commonwealth. Specifically, its distribution and lower voltage transmission facilities 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 2025 T_{med} threshold was 4,467,511 customer minutes of interruption (“CMI”).

17. On December 18, 2025, and December 19, 2025, Kentucky Power's service territory experienced a severe weather event involving Major Event Days as defined by IEEE Standard 1366.

The Major Storm Event

December 18-19, 2025

18. Beginning on December 18, 2025, Kentucky Power's service territory experienced severe thunderstorms that swept through the Company's service territory resulting in extensive damage and widespread power outages affecting each of Kentucky Power's three districts.

19. At the peak of the event, approximately 16,432 customers were without electric service.

20. The CMI for this severe thunderstorm event was 9,926,898 minutes, exceeding the Major Event Day threshold.

21. The following reflects a summary of the outages caused by this storm event:

12/18/2025 11:00 p.m., approximately 1,399 customers interrupted
12/19/2025 12:00 a.m., approximately 16,432 customers interrupted
12/19/2025 6:00 a.m., approximately 9,302 customers interrupted
12/19/2025 6:00 p.m., approximately 3,084 customers interrupted
12/20/2025 6:00 a.m., approximately 2,146 customers interrupted
12/20/2025 6:00 p.m., approximately 352 customers interrupted

22. Kentucky Power Company personnel and business partners immediately began assessing the damage and working to restore customers in a safe and timely manner on the evening of December 19, 2025. However, restoration efforts were hindered due to additional outages resulting from continued inclement weather into the next day.

23. The Company initiated its Incident Command System (described in more detail in the next section of this Application) at 8:00 a.m. on Friday, December 19, 2025, with Michele Ross, Vice President of Distribution Region Operations for Kentucky Power, acting as Incident Commander.

24. Outside resources were brought in to assist with restoration efforts. The Company's preliminary records indicate approximately 546 internal and contract employees participated in the restoration efforts. This includes mutual assistance personnel from Kentucky and Ohio.

25. Preliminary records indicate damage to 22 transformers, 35 sets of cross arms, 31 broken poles, and 304 spans of conductor.

26. More than 90% of customers were restored by Saturday, December 20, 2025. Service was fully restored to all customers by 5:11 p.m. on Sunday, December 21, 2025. Below is an overview of the Company's restoration completion:

- a. Ashland District – Saturday, December 20, 2025, at 2:13 p.m.
- b. Pikeville District – Sunday, December 21, 2025, at 5:11 p.m.
- c. Hazard District – Sunday, December 21, 2025, at 3:20 p.m.

Cost Mitigation Efforts and Contractor Selection

27. Prior to a storm event, the AEP Meteorology team and Kentucky Power actively monitor the weather. To help determine if the weather will be severe, the AEP Meteorology team and the Company utilize a Storm Outage Prediction Model ("SOPM"). The SOPM application is a resource planning tool that uses historical weather events and utility damage to create predictions of utility damage due to the weather forecast.

28. Kentucky Power utilizes the Incident Command System ("ICS") during Major Storm Events. The ICS is a standardized, on-scene, all-hazard incident management tool that allows responders to manage both small and large emergencies, such as outages related to major storms and other events requiring quick responses. It is the same process used by other utilities and agencies, such as the military and local and state government emergency responders, in responding to emergencies.

29. The primary objective of the ICS is to establish an operation structure that will efficiently utilize all available resources to resolve the emergency situation. It also provides timely and accurate damage assessment reports for management, employees, and the general public.

30. The ICS allows the Company to accomplish rapid and orderly repairs of electric facilities for the protection of public health and safety and the restoration of services to all customers in the minimum time possible.

31. Using the SOPM application, reconnaissance assessments, and damage evaluations, Kentucky Power first determines the number of outside resources needed to safely complete repairs and restore service to customers.

32. If it is determined that the severity of system damage has or will likely exceed the number of available resources, the Company will seek external mutual assistance. The required number of resources correlates with the type of damage; for example, repairing broken poles takes longer than addressing downed wires.

33. AEP, including Kentucky Power Company, is a member of several Regional Mutual Assistance Groups (“RMAGs”). This membership provides access to additional assistance from other utilities when necessary. The Company’s representative submits requests to our closest RMAG for needed resources, and other members indicate whether they can fully or partially fulfill these requests.

34. The main advantage of being part of multiple RMAGs is the ability to request resources from the closest members. If local assistance is limited due to a regional weather event, the Company can expand its requests to other RMAGs, ensuring the required help is received. Additionally, the Company can seek assistance from non-RMAG sources, such as local cooperatives and municipalities.

35. The Company has an onboarding process for mutual assistance and adheres to Edison Electric Institute (“EEI”) governing principles for emergency assistance. The EEI governing principles include guidelines for costs and expenses incurred by mutual assistance resources as a result of furnishing emergency assistance. These guidelines include such items as wages, travel and living expenses, and replacement cost of material and supplies expended or furnished.

36. Designated Company employees are given a roster of mutual assistance workers to ensure that the Company is receiving the agreed upon number of mutual assistance workers and is able to collect pertinent information for tracking and resource assignments. With this information, the Company knows what mutual assistance workers are on property, what areas and work they are assigned, as well as the hours that are worked. This helps the Company ensure that labor from mutual assistance is being properly charged. This tracking procedure also helps to ensure mutual assistance is released in due course to help limit expenses incurred from these resources.

37. The Company’s use of the EEI governing principles and systematic tracking approach helps to ensure that storm restoration costs are reasonable and prudently incurred.

The Amount to be Accumulated and Deferred

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

39. Kentucky Power’s base rates at the time of the December 18-19, 2025 Major Event storm included O&M storm-related expenses totaling \$1,012,476 for distribution.⁸

⁸ Retail jurisdictional amount of 1,012,476: (1,013,489 * 0.999 jurisdictional allocation factor).

40. Kentucky Power’s base rates at the time of the December 18-19, 2025 Major Event storm included O&M storm-related expenses totaling \$88,524 for transmission.⁹

41. The total jurisdictional incremental O&M costs associated with the Major Event storm that would not have been incurred but for the storm 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.

42. The total jurisdictional incremental O&M costs associated with the December 18-19, 2025 Major Event storm that would not have been incurred but for the storm could be as high as approximately \$1.5 million.¹⁰

43. Subject to Commission approval in this case, Kentucky Power proposes to defer the total jurisdictional incremental O&M expenses associated with the December 18-19, 2025 Major Event storm.

44. 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.

Basis for the Requested Accounting Treatment

45. 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:

⁹ Retail jurisdictional amount of 88,524: $(89,872 * 0.985 \text{ jurisdictional allocation factor})$.

¹⁰ *Id.*

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.

46. 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.***¹¹

47. 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.¹²

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

¹² Order at 4, *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 (Ky. P.S.C. Dec. 23, 2012).

48. 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 extraordinary¹³ and “sufficiently significant.”¹⁴ These determinations in turn involve consideration of the collective magnitude of the storm expenses,¹⁵ in relation to the amount of storm-related costs built into the utility’s base rates,¹⁶ and the effect a refusal to authorize a deferral would have on the utility’s current year financial results.¹⁷

¹³ Order, *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”); Order, *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”); Order, *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”); Order, *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); Order, *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 With the January 5, 2025 and February 15, 2025 Major Storm Events*, Case No. 2025-00031 (Ky. P.S.C. Mar. 31, 2025); Order, *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 May 2025 Major Event Storms*, Case No. 2025-00264 (Ky. P.S.C. Dec. 4, 2025).

¹⁴ Order at 5, *In The Matter Of: Application Of Kentucky Utilities Company For An Order Approving The Establishment Of A Regulatory Asset*, Case No. 2008-00457 (Ky. P.S.C. Dec. 22, 2008) (“2008 KU Storm Case”).

¹⁵ Order at 3, *2009 Storm Case* (“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.”).

¹⁶ *Id.*; Order at 3, *2020 Storm Case* (“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.”).

¹⁷ Order at 5-6, *2008 KU Storm Case*.

49. 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 following the close of books for second quarter 2026.

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

Exhibits

51. The following exhibits are incorporated in this application:
- a. The Company's March 16, 2026 Certificate of Existence [**EXHIBIT 1**];
 - b. Breakdown of costs associated with the Major Event storms [**EXHIBIT 2**];
and
 - c. Counsel's letter to Ms. Linda Bridwell dated January 7, 2026 [**EXHIBIT 3**].

WHEREFORE, Kentucky Power Company respectfully requests the Commission enter an Order:

1. Authorizing Kentucky Power Company in accordance with FASB ASC 980-340-25-1 and Commission precedent to accumulate and defer for review and recovery in the Company's next base rate proceeding the amount of incremental and extraordinary O&M expenses

incurred by the Company in repairing damage and restoring service in connection with the December 18-19, 2025 Major Storm event described in this Application;

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 18th day of March, 2026.

Respectfully submitted,



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Certificate of Existence

Authentication number: 361800
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 16th day of March, 2026, in the 234th year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
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January 7, 2026

VIA E-MAIL

Linda C. Bridwell
Executive Director
Public Service Commission
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**RE: Kentucky Power Company's Notice of Recording of Storm Expenses as
Deferred Asset**

Dear Ms. Bridwell:

Kentucky Power Company ("Kentucky Power" or the "Company") provides notice, pursuant to the Commission's Order in Case No. 2025-00031, that on January 2, 2026, the Company recorded expenses associated with the December 19, 2025 major storm event as a regulatory asset for accounting purposes only to be recorded in the December 2025 financial close. At the time of recording, the amount of the regulatory asset was \$1,471,284.65. This is a preliminary estimate of the costs associated with recovery from the storm, and the costs are subject to change. Kentucky Power will file an application within 90 days of the storm seeking approval for establishing the regulatory asset.

Please contact me should you have any questions.

Very truly yours,

STITES & HARBISON PLLC



Katie M. Glass

KMG

