

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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	)	CASE NO.
PRACTICES TO ESTABLISH REGULATORY	)	2023-00159
ASSETS AND LIABILITIES; (4) A	)	
SECURITIZATION FINANCING ORDER; AND (5)	)	
ALL OTHER REQUIRED APPROVALS AND	)	
RELIEF	)	

ORDER

This matter arises from an application of Kentucky Power Company (Kentucky Power) filed on July 14, 2023, seeking, among other items, “approval of a general adjustment of its electric rates[.]”¹ The Commission denied Kentucky Power’s application for a rate adjustment, at least in part, and reduced Kentucky Power’s proposed rates. Among other things, the Commission denied a pro forma adjustment to Kentucky Power’s annual transmission expense in the amount of \$14.2 million and denied approximately \$64,000 in rate case expenses.² Kentucky Power filed two appeals to the Franklin Circuit Court related to those denials, and the Franklin Circuit Court reversed the decision of the Commission.³

¹ Application at 1.

² Final Order (Ky. PSC Jan. 19, 2024), at 37, Appendix B.

³ See *Kentucky Power Company v. Public Service Commission of Kentucky, et al.*, Franklin Circuit Court Civil Action 24-CI-00160, filed Feb. 16, 2024; *Kentucky Power Company v. Public Service Commission of Kentucky, et al.*, Franklin Circuit Court Civil Action 25-CI-00310, filed Apr. 7, 2025.

Specifically, the Franklin Circuit Court entered an Order on January 22, 2025 (January 22, 2025 Order) finding that the Commission erred in excluding the \$14.2 million annual transmission expense adjustment and the approximately \$64,000 in rate case expense. The January 22, 2025 Order reversed the Commission's rate case Order, in part, and remanded this matter to the Commission with directions "to enter an order, within 30 days of the date of entry, consistent with the findings, including setting rates to allow Kentucky Power to recover the \$14.2 million annual Transmission Expense adjustment."⁴

The Commission entered an Order on February 21, 2025 (February 21, 2025 Order) and a rehearing Order on March 17, 2025 (March 17, 2025 Order) to implement the Franklin Circuit Court's January 22, 2025 Order by setting rates to allow Kentucky Power to prospectively recover the \$14.2 million annual transmission expense adjustment and \$64,000 in rate case expense. The Commission did not establish rates to allow Kentucky Power to recover revenue lost pending the appeal due to the Commission's denial of the \$14.2 million adjustment and the rate case expenses. Kentucky Power appealed the Commission's February 21, 2025 Order and March 17, 2025 Order and argued that the Commission improperly failed to establish rates that allowed it to recover those amounts.⁵ The Franklin Circuit Court entered an Order on September 15, 2025 (September 15, 2025 Order), stating:

The Public Service Commission shall enter an order within 30 days of entry of this Order setting rates, or employing other appropriate ratemaking mechanisms, sufficient to enable Kentucky Power to collect \$15,726,307 in transmission expenses and rate case expenses that it should have

⁴ *Kentucky Power Company v. Public Service Commission of Kentucky, et al.*, Franklin Circuit Court Civil Action 24-CI-00160, January 22, 2025, Order.

⁵ *Kentucky Power Company v. Public Service Commission of Kentucky, et al.*, Franklin Circuit Court Civil Action 25-CI-00310, filed Apr. 7, 2025, Complaint.

collected beginning January 16, 2024, through February 20, 2025.⁶

An informal conference was held on September 26, 2025, between Commission Staff, Kentucky Power, and other parties to this case, including intervenors representing the interests of various ratepayers.⁷ At that informal conference, a number of options were presented by Kentucky Power for setting rates to enable Kentucky Power to collect the \$15,726,307 in transmission expenses and rate case expenses that it did not collect from January 16, 2024, through February 20, 2025, and Kentucky Power subsequently submitted workpapers to the Commission and all parties reflecting the rates that would arise from the various methods. The primary differences between the proposed methods of recovery were the term over which Kentucky Power would seek to recover the amount and whether it would recover the amounts through Kentucky Power's Purchase Power Adjustment rider (Tariff PPA). No intervening party objected to any of the mechanisms proposed by Kentucky Power or expressed a preference as to one mechanism over another.

Though it indicated that it had no objection to any of the options presented, Kentucky Power's preferred mechanism would establish a separate surcharge based on energy usage to recover the \$15,726,307 from its residential customers over 22 months beginning in November 2025 with a true-up for any under or over-recovery during those 22 months in a future base rate adjustment following the surcharge's completion. Kentucky Power stated that it proposed to recover the amounts from residential

⁶ *Kentucky Power Company v. Public Service Commission of Kentucky, et al.*, Franklin Circuit Court Civil Action 25-CI-00310, Sept. 15, 2025, Order at 4.

⁷ Order (Ky. PSC Sept. 25, 2025) (establishing informal conference).

customers because the Commission's previous Orders reflected the decrease in rates associated with the adjustments in residential rates. Kentucky Power proposed to accrue carrying costs at the weighted average cost of capital (WACC) in Kentucky Power's most recent rate case on the uncollected amounts or any over-collection beginning on September 15, 2025. Kentucky Power proposed that the charge for the surcharge be included in the residential customers' bills within the "Rate Billing" line.⁸

Kentucky Power calculated the surcharge by determining what monthly payments would be over 22 months with levelized payments of the principal balance and carrying costs at the current WACC. Kentucky Power then divided the total annual payments by its annual forecasted billing determinants for residential customers as filed in its 2025 annual Tariff PPA update. This resulted in a charge of \$0.00494/kWh and would increase the monthly bill of an average residential customer, with usage of 1,208 kWh per month, by \$5.97.⁹

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power's proposed surcharge to recover the \$15,726,307 is a fair, just and reasonable method to satisfy the requirements of the Franklin Circuit Court's September 15, 2025 Order, and therefore, finds that a surcharge of \$0.00494/kWh on all residential customers should be approved beginning with Kentucky Power's November 2025 billing cycle through its August 2027 billing cycle to recover the \$15,726,307 with carrying costs beginning on September 15, 2025, at Kentucky Power's most recently approved WACC. Kentucky Power is also authorized and required to track

⁸ *Notice of Filing Rates to be Implemented After Appeal* (filed Sept. 29, 2025).

⁹ *Notice of Filing Rates to be Implemented After Appeal*, KPCO_WP_for_Recommendation.xlsx (filed Sept. 29, 2025).

and record the balance of the regulatory asset and any resulting regulatory liability based on surcharge collections, and to establish a final over- or under-recovery balance to be collected with carrying costs in the next base rate case filed following the temporary surcharge's completion. However, while Kentucky Power calculated the surcharge based on the expectation of levelized payments, the Commission finds that for the purpose of determining the final regulatory asset or liability balance that carrying costs should be recorded based on actual monthly billing so as to more accurately reflect the carrying costs incurred in the final true-up.¹⁰

IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed surcharge to comply with the Franklin Circuit Court's September 15, 2025 Order is approved as discussed above.

2. A new surcharge on all residential customers in the amount of \$0.00494/kWh is hereby approved to be effective for Kentucky Power's November 2025 billing cycle through its August 2027 billing cycle to recover the \$15,726,307 with carrying costs beginning on September 15, 2025, at the WACC approved in Kentucky Power's most recent base rate case.¹¹

3. The surcharge shall be included in the residential customers' bills within the "Rate Billing" line.

4. Kentucky Power shall establish a regulatory asset or liability at the completion of the temporary surcharge to be collected with carrying costs as determined

¹⁰ Kentucky Power may have intended this method, but it was not clear from its proposal.

¹¹ The approved WACC would then change if a new WACC is approved in a new base rate case.

by the Commission in Kentucky Power's base rate case following the temporary surcharge's completion.

5. Within 20 days of the date of this Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required in this Order, and reflecting their effective date and that they were authorized by this Order.

6. This case shall remain open for further related proceedings.

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



Case No. 2023-00159

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