

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE MECHANISM)	CASE NO.
OF KENTUCKY POWER COMPANY FOR THE)	2025-00267
TWO-YEAR BILLING PERIOD ENDING JUNE 30,)	
2025)	

ORDER

On September 23, 2025, the Commission initiated the two-year review of Kentucky Power Company's (Kentucky Power) environmental surcharge as billed to customers for the billing period ended June 30, 2025.¹ Pursuant to KRS 278.183(3), the Commission must review the past operations of the environmental surcharge at two-year intervals. By temporary adjustment in the surcharge, the Commission may disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharge collections with actual costs recoverable.

The September 23, 2025 Order included a procedural schedule that provided for discovery, the filing of prepared testimony, and intervenor testimony. Kentucky Power filed prepared testimony and responded to one request for information from Commission Staff. There were no intervention requests in this proceeding. On November 21, 2025, Kentucky Power filed a motion that this case be submitted for decision by the Commission

¹ Kentucky Power's surcharge is billed on a two-month lag. Thus, surcharge billings ending June 30, 2025, are based on costs incurred ending April 30, 2025.

based on the existing record. Finding good cause, the Commission will grant Kentucky Power's request, and decide this case based on the evidence of record without a hearing.

SURCHARGE ADJUSTMENT

Kentucky Power did not propose an over- or under-recovery for the review period.² Kentucky Power proposed to establish new environmental base rates in its currently pending base rate case, Case No. 2025-00257.³ Having reviewed the record, the Commission finds that Kentucky Power's determination that it did not have an additional over- or under-recovery for the review period is reasonable.

RATE OF RETURN

The Commission has recently reviewed the environmental surcharge in Case No. 2025-00036,⁴ for the time periods of: (1) July 1, 2023 – December 31, 2023; (2) January 1, 2024 – June 30, 2024; and (3) July 1, 2024 – December 31, 2024. As noted above, the Commission finds that the environmental surcharge amounts, as determined by Kentucky Power in this case, were just and reasonable.⁵ Kentucky Power proposed a return on common equity of 9.65 percent for the environmental surcharge until the Commission establishes a new rate in Kentucky Power's current base rate case.⁶

² Kentucky Power's Response to Commission Staff's First Request for Information (filed Nov. 21, 2025), Item 5.

³ Direct Testimony of John Cullop (Cullop Direct Testimony) at 5.

⁴ Case No. 2025-00036, *An Electronic Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Power Company for the Six-Month Billing Periods ending December 31, 2023, June 30, 2024, and December 31, 2024* (Ky. PSC June 20, 2025); Case No. 2025-00257, *Electronic Application of Kentucky Power for (1) a general adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Certain Regulatory and Accounting Treatments; and (4) All other Required Approvals and Relief* (Ky. PSC Aug. 29, 2025).

⁵ Cullop Direct Testimony at 3.

⁶ Cullop Direct Testimony at 5.

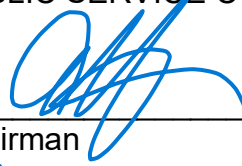
Kentucky Power stated that it would utilize a weighted average cost of capital (WACC) of 6.79 percent and a Gross Revenue Conversion Factor (GRCF) of 1.339896, to be applied to the return on equity, which would remain constant until changed by the Commission in Kentucky Power's next base rate case. Therefore, the Commission finds that the combination of these components, which produces an overall grossed-up rate of return of 8.16 percent, should be used in all monthly environmental surcharge filings subsequent to the date of this Order.⁷

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request to submit this case for a decision on the existing evidence of record without a hearing is granted.
2. Kentucky Power's determination that it had no additional over- or under recovery for the review period is accepted.
3. Kentucky Power shall use a weighted average cost of capital of 6.79 percent, a tax gross-up factor of 1.339896, a return on equity rate of 9.65 percent, and an overall grossed-up return of 8.16 percent in all monthly environmental surcharge filings subsequent to the date of this Order.
4. The environmental surcharge amounts determined by Kentucky Power for the two-year billing period ending June 30, 2025, are just and reasonable.
5. This case is closed and removed from the Commission's docket.

⁷ Cullop Direct Testimony at 5.

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director



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