

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY)	
POWER COMPANY TO UPDATE ITS)	CASE NO.
PURCHASE POWER ADJUSTMENT AND)	2025-00307
DECOMMISSIONING RIDER RATES AND ITS)	
SECURITIZED SURCHARGE RIDER)	

ORDER

On August 15, 2025, Kentucky Power Company (Kentucky Power) filed tariffs, along with supporting documentation, to update its Purchase Power Adjustment tariff (Tariff P.P.A.) rates, Decommissioning Rider (Tariff D.R.) rates, and Securitized Surcharge Rider (Tariff S.S.R.) tariff, with a proposed effective date of September 29, 2025.¹

By Order dated September 26, 2025, the Commission established this proceeding to investigate the reasonableness of the proposed tariff updates and suspended the proposed rates for one day, through September 30, 2025, pursuant to KRS 278.190(2).² Kentucky Power was authorized to place the proposed rates into effect subject to refund pending the Commission's final Order. On September 30, 2025, Kentucky Power filed notice in this case of its intent to place rates into effect subject to refund pursuant to

¹ Kentucky Power's tariff filing dated Aug. 15, 2025 (Tariff Filing) (filed Sept. 11, 2025).

² Order, (Ky. PSC Sept. 26, 2025).

KRS 278.190.³ Pursuant to the September 26, 2025 Order,⁴ Kentucky Power subsequently filed, via the Commission's tariff filing system, amended versions of each of the three tariffs, which indicated a revised effective date of September 30, 2025, and that the rates were subject to refund.⁵

Kentucky Power responded to three requests for information during the course of this proceeding.⁶ There are no intervenors in this case, and no pending motions for confidential treatment. This matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

KRS 278.030 provides that every utility may demand, collect, and receive fair, just and reasonable rates for the services rendered or to be rendered and must furnish adequate, efficient, and reasonable service.

KRS 278.190(2) authorizes the Commission to suspend proposed rates for investigation and, if allowed to become effective pending review, require refunds with interest if the rates are later found unreasonable.

KRS 278.678 established parameters for securitized bonds issued by certain utilities, including the securitized bonds issued by Kentucky Power, and, in part, states

³ Kentucky Power's Notice of Intent to Place Proposed Rates into Effect Subject to Refund Pursuant to KRS 278.190(2) (filed Sept. 30, 2025).

⁴ Order (Ky. PSC Sept. 26, 2025) at 4, ordering paragraph 4.

⁵ TFS2026-00036, (Ky. PSC filed Jan. 28, 2026); the tariff was accepted for filing by the Commission by letter dated Feb. 19, 2026.

⁶ Kentucky Power's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 5, 2025). Kentucky Power's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Dec. 19, 2025). Kentucky Power's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Apr. 28, 2026).

(8) At the time of any transfer of securitized property to an assignee or the issuance of securitized bonds authorized thereby, whichever is earlier, a financing order shall be irrevocable and, except for changes made pursuant to the formula-based true-up mechanism authorized in this section, the commission shall not:

- (a) Amend, modify, or terminate the financing order by any subsequent action; or
- (b) Reduce, impair, postpone, terminate, or otherwise adjust securitized surcharges approved in the financing order.

To this end, the Commission's January 10, 2024 Order regarding Kentucky Power's securitization states that "[t]he Commission shall not be permitted to amend, modify, or terminate this Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust securitized surcharges approved in this Financing Order, except for changes made pursuant to the formula-based true-up mechanism made pursuant to KRS 278.678(3)."⁷ The record of Case No. 2023-00159 is incorporated by reference.

KRS 278.220 provides that the Commission may establish a uniform system of accounts (USoA) for utilities and in Kentucky Power's case, that the system of accounts shall conform as nearly as practicable to the system adopted or approved by the Federal Energy Regulatory Commission (FERC). The FERC USoA provides for regulatory assets, or the capitalization of costs that would otherwise be expensed but for the actions of a rate regulator. It must be probable that the utility will recover approximately equal

⁷ Case No. 2023-00159, *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* (Ky. PSC Jan. 10, 2024), Order at 18.

revenue through the inclusion of these costs for ratemaking purposes, with the intent to recover the previously incurred cost not a similar future cost.

DISCUSSION AND FINDINGS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds as follows.

Tariff D.R.

Kentucky Power proposed to reinstate its Tariff D.R. following the securitization of the previously approved regulatory asset balance and to expand the definition of “retirement costs” to include asset retirement obligations (ARO) settlement expenses and certain operation and maintenance (O&M) expenses.⁸ The proposed Tariff D.R. revenue requirement for the year ended June 30, 2025, is \$52,935, which reflects approximately two months of post-securitization deferrals.⁹

The threshold issue is whether reinstatement of Tariff D.R. is consistent with the Commission’s Orders in Case No. 2023-00159.¹⁰ In that proceeding, the Commission approved securitization of the Tariff D.R. regulatory asset and authorized the temporary suspension of the rider pending securitization.¹¹ The record in that case reflects that reinstatement of the rider was contemplated in the event securitization did not occur.¹²

⁸ Tariff Filing, Tariff DR and SSR Filing at unnumbered page 4.

⁹ Tariff Filing, BSDR_2025_Annual_Update 1.xlsx, Tab Rev. Req. Calculation.

¹⁰ Case No. 2023-00159, Jan. 19, 2024 Order.

¹¹ Case No. 2023-00159, Jan. 10, 2024 Order at 48 and 97; and Jan. 19, 2024 Order at 86.

¹² Case No. 2023-00159, Jan. 19, 2024 Order at 86.

Here, securitization was successfully completed.¹³ Kentucky Power argued that it may, nevertheless, reinstate the rider to recover ongoing retirement-related costs not included in the securitized balance. However, the Commission finds that Kentucky Power did not provide sufficient evidence that reinstatement of Tariff D.R. following successful securitization was authorized or contemplated by the Commission in Case No. 2023-00159.

Regardless, Kentucky Power stated that it will incur significant additional costs to retire ash ponds at Big Sandy and to settle other AROs.¹⁴ The Commission finds that levelized recovery of these costs is in the best interest of rate payers and therefore, will approve the reinstatement of Tariff D.R. Kentucky Power's proposed tariff language change expands the definition of "retirement costs" to include "asset retirement obligation spent, and operational and maintenance expense".¹⁵ In addition, Kentucky Power proposed to clarify that these expenses will be recovered on an annual basis.¹⁶ The Commission finds that the language changes to the tariff are reasonable, given the fact that these costs were already recovered on an annual basis through Tariff D.R. in its initial operation.¹⁷

¹³ Case No. 2023-00159, Kentucky Power's Notice of Proving Issuance Advice Letter (filed June 6, 2025) and Kentucky Power's Notice of Filing Tariff S.S.R. (filed June 13, 2025), indicating that bonds were issued on June 12, 2025.

¹⁴ Kentucky Power's Response to Staff's Third Request, Items 1 and 2.

¹⁵ Tariff Filing, Tariff DR and SSR Filing at unnumbered page 4.

¹⁶ Tariff Filing, Tariff DR and SSR Filing at unnumbered page 4.

¹⁷ See Case No. 2023-00159, Kentucky Power's Tariff D.R. 2025 Annual Update (filed Aug. 15, 2025), BSRD_2025_Annual_Update.xlsx.

As discussed below, the Commission rejects Kentucky Power's proposed changes to the Tariff S.S.R. calculation to exclude Tariff D.R. revenues. This could be problematic for the calculation of the Tariff D.R. rates if Kentucky Power applied the Tariff D.R. percent of revenue charges, or billing factors, to amounts collected pursuant to the Tariff S.S.R., because it would create a circular reference. However, based on review of Tariff D.R., the percent of revenue charges created therein do not appear to apply amounts collected pursuant to Tariff S.S.R.¹⁸ Nevertheless, to avoid confusion, the Commission expressly finds the Tariff D.R. billing factor does not apply to Tariff S.S.R. charges under the current or proposed Tariff D.R.

Based on the foregoing, the Commission finds that reinstatement of Tariff D.R. as proposed and the associated tariff language changes are reasonable and should be approved.

Tariff S.S.R.

Kentucky Power proposed a revision to Tariff S.S.R. to clarify that Tariff D.R. charges are excluded from the billing determinants to which the securitized surcharge applies. Although the Commission has approved reinstatement of Tariff D.R. in this proceeding, the proposed change to Tariff S.S.R. is inappropriate.

The Commission finds that the proposed language is not consistent with the intended operation of Tariff S.S.R. as described in the Financing Order in Case No. 2023-00159. Specifically, the Financing Order indicated that the percent of revenue charge, or adjustment factor, for residential customers established pursuant to Tariff S.S.R. would

¹⁸ See Kentucky Power, P.S.C. KY. NO. 13 ORIGINAL SHEET NO. 33-2 (indicating that charges to which the percent of revenue charges in Tariff D.R. apply).

apply to all charges for electric service other than Environmental Surcharge Mechanism (ESM) charges, nonrecurring charges, and pass-through charges.¹⁹ For non-residential customers, the Financing Order indicated that the adjustment factor would apply to all charges for electric service except ESM charges, nonrecurring charges, fuel costs, and pass-through charges.²⁰

The Financing Order went on to state that:²¹

[W]hile the tariff for the securitized surcharges should list the current charges that fall into the categories to which the adjustment factors should apply, the Commission finds that it is necessary to clearly state that the adjustment factor for residential customers should be calculated based on the expected revenue from and applied to all charges for electric service other than ESM charges, nonrecurring charges, and pass-through charges, and that the adjustment factor for non-residential customers should be calculated based on the expected revenue from and applied to all charges for electric service other than ESM charges, nonrecurring charges, and pass-through charges, as well as fuel costs recovered in base rates and through the Fuel Adjustment Clause.

The form tariff attached as an Appendix to the Financing Order also included the following language:

5. The Residential PBR Allocation (y) shall be recovered from residential customers through application of the Residential S.S.R. Adjustment Factor to all charges on each residential customers bill for electric service, *except for environmental surcharge (ES) charges, nonrecurring charges, and pass through charges* as discussed and defined in the financing order in Case No. 2023-00159. The charges to which the Residential S.S.R. Adjustment Factor currently applies, based

¹⁹ Case No. 2023-00159, April 11, 2025 Order at 26; see *also* Case No. 2023-00159, Jan. 11, 2024 Order at 27.

²⁰ See Case No. 2023-00159, April 11, 2025 Order at 25-27 and 74; see *also* Case No. 2023-00159, Jan. 11, 2024 Order at 25-28 and 77.

²¹ Case No. 2023-00159, April 11, 2025 Order at 27; see *also* Case No. 2023-00159, Jan. 11, 2024 Order at 28.

on that definition, are [List of Current Charges to Which Factor is Applicable].

6. The Non-Residential PBR Allocation (y) shall be recovered through application of the Non-Residential S.S.R. Adjustment Factor to all charges on each non-residential retail electric customers bill for electric service, *except for charges for base fuel costs and fuel cost adjustments, and environmental surcharge (ES) charges, nonrecurring charges, and pass through* charges as discussed and defined in the financing order in Case No. 2023- 00159. The charges to which the Non-Residential S.S.R. Adjustment Factor currently applies, based on that definition, are [List of Current Charges to Which Factor is Applicable].²²

The Financing Order and tariff language plainly anticipated that the percent of revenue charges, or adjustment factors, established by Tariff S.S.R. would apply to all charges for electric service for residential and non-residential customers except for those charges or types of charges explicitly excluded. Conversely, the Financing Order anticipated that the “List of Current Charges” to which the relevant adjustment factors are applicable would be updated periodically to reflect other changes in Kentucky Power’s broader tariff such as the addition or reclassification of charges for electric service not excluded from application of the adjustment factors.

After issuance of the securitized bonds authorized by a financing order, like that entered in Case No. 2023-00159, KRS 278.678(8) prohibits the Commission from changing the financing order, or adjusting securitized surcharges approved in the financing order, except for changes made pursuant to the formula-based true-up mechanism.²³ While it would not have materially affected the securitization surcharges,

²² Case No. 2023-00159, Apr. 11, 2025 Order, Appendix B at 2 (emphasis added); see also Case No. 2023-00159, Jan. 11, 2024 Order, Appendix B at 2.

²³ See KRS 278.678(8); see also Case No. 2023-00159, Apr. 11, 2025 Order at 18 and 85.

Kentucky Power's proposal to add Tariff D.R. charges to the exclusions in Tariff S.S.R. is inconsistent with the Financing Order because it is not among the charges excluded as discussed above. Therefore, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power's proposed changes to Tariff S.S.R. should be denied.

Tariff P.P.A.

Kentucky Power responded to the Commission's directive in Case No. 2023-00318 to provide detailed documentation regarding the impact of securitization, the impact of using forecasted billing determinants, and the impact of the Commission's approval of the PJM Interconnection's Load Serving Entity Open Access Transmission Tariff (PJM LSE OATT) expense removal going forward.²⁴ Kentucky Power stated that the impact of securitization was to reduce the balance of the Tariff P.P.A. Regulatory Asset as of April 2025 to zero.²⁵ Kentucky Power stated that using forecasted billing determinants will vary from year to year, but that the forecasted billing determinants will capture expected customer load changes and normalize the effect of weather.²⁶ Kentucky Power provided a comparison of using historic and forecasted billing determinants to show the impact on the under-recovery of the Tariff P.P.A. revenue requirement.²⁷ Lastly, Kentucky Power stated that the removal of PJM LSE OATT expenses from Tariff P.P.A. coupled with

²⁴ Case No. 2023-00318, *Electronic Tariff Filing of Kentucky Power Company to Update Its Purchase Power Adjustment Rates* (Ky. PSC Mar. 4, 2025), Order at 6.

²⁵ Tariff Filing, Tariff PPA Filing at 3.

²⁶ Tariff Filing, Tariff PPA Filing at 4.

²⁷ Tariff Filing, Tariff PPA Filing at 4 and KPCo_PPA_2025_Annual_Update.xlsx, Tab Input Sheet.

reduced expenses recovered through base rates resulted in an under-recovery of the expenses and erosion of Kentucky Power's financial condition.²⁸

Kentucky Power proposed updated Tariff P.P.A. rates to reflect annual energy- and demand-related costs and applicable true-up adjustments. This filing includes recovery of an under-recovery of \$1,029,116 associated with Case No. 2023-00318.²⁹ The record reflects that this under-recovery resulted from the Commission's Order in Case No. 2023-00318, in which the Commission approved rates that did not include under-recovery amounts and directed that such amounts be addressed in a subsequent filing.³⁰ Kentucky Power has complied with that directive in this proceeding.

The Commission has reviewed Kentucky Power's calculations and supporting documentation and finds that the Tariff P.P.A. rates, including recovery of the \$1,029,116 under-recovery, are consistent with prior Commission Orders and are reasonable.

The Commission does, however, note a structural concern regarding the continued divergence between Kentucky Power's Tariff P.P.A. under/over-recovery true-up mechanism and its deferral accounting methodology. The true-up mechanism compares prior-period revenue requirements to actual revenues collected, while the deferral accounting reflects contemporaneous differences between revenues and expenses.³¹ This misalignment can result in the accumulation of significant balances over time.

²⁸ Tariff Filing, Tariff PPA Filing at 2–3.

²⁹ Case No. 2023-00318, Apr. 10, 2025 Order at 2.

³⁰ Kentucky Power's Response to Staff's First Request, Item 5.

³¹ See Kentucky Power's Response to Staff's Second Request, Item 1.

Kentucky Power acknowledged that its deferral accounting and the true-up mechanism in its rider are inconsistent.³² Kentucky Power continued to recommend the proposal that was denied in Case No. 2023-00318, to calculate the true-up mechanism the same way as it currently calculates the deferral accounting.³³

The Commission finds that Kentucky Power should align the deferral accounting to the actual under/over-recovery true-up mechanism in its Tariff P.P.A. rates, which correctly calculates the difference between the revenue requirement and the revenues collected from rates based on that revenue requirement. Kentucky Power should compare 1/12th of its revenue requirement for the year plus 1/12th of the base amount to the actual revenues collected in a month and record the difference as a regulatory asset or liability. This change will not result in a change to the Tariff P.P.A. rate calculations, and accordingly, the Commission finds that the Tariff P.P.A. rates should be approved as filed. While the Commission does not find that this issue warrants disapproval of the current Tariff P.P.A. rates, the Commission finds that continued monitoring of this issue is warranted.

Additionally, the Commission finds that any balance in the regulatory asset or liability as of the date of this Order should be set aside for Kentucky Power's next rate case. Kentucky Power should begin the new calculation beginning in the first full billing month after the date of this Order. The Commission finds that Kentucky Power should file the total balance of this regulatory asset or liability in the post-case file of this

³² Kentucky Power's Response to Staff's Third Request, Item 4.

³³ Kentucky Power's Response to Staff's Third Request, Item 5. See Case No. 2023-00318, (Ky. PSC June 14, 2024), Order at 6, stating "[t]he Commission does not agree with this change as it compares the wrong periods for the calculation."

proceeding. The Commission also directs Kentucky Power to provide detailed documentation of the impact of this change of the deferral accounting method in its next Tariff P.P.A. filing.

IT IS THEREFORE ORDERED that:

1. The record of Case No. 2023-00159 is incorporated by reference.
2. Kentucky Power's proposed reinstatement of Tariff D.R., including the proposed Tariff D.R. rates and tariff language filed in TFS2026-00036, is approved. The Tariff D.R. rates approved herein are fair, just and reasonable and are effective for service rendered on and after September 30, 2025.
3. Kentucky Power's proposed revision to Tariff S.S.R., as filed in TFS2026-00036, is denied.
4. Kentucky Power's proposed Tariff P.P.A. rates, as filed in TFS2026-00036, are approved as filed. The Tariff P.P.A. rates approved herein are fair, just and reasonable and are effective for service rendered on and after September 30, 2025.
5. Any balance in the Tariff P.P.A. regulatory asset or liability as of the date of this Order shall be set aside for consideration in Kentucky Power's next rate case.
6. Kentucky Power shall calculate the Tariff P.P.A. deferral accounting as described in this Order beginning with the first full billing month after the date of this Order.
7. Kentucky Power shall submit additional information in its 2026 Tariff P.P.A. filing as described above.
8. Within 20 days of the creation of the regulatory asset or liability, Kentucky Power shall file the total balance of the regulatory asset or liability created by the change

in the calculation as discussed in this Order in post-case correspondence referencing this case number.

9. Within 20 days of the date of this Order, Kentucky Power shall file, using the Commission's electronic Tariff Filing System, revised tariff sheets setting forth the rate and charge approved by this Order and its effective date, and also stating that the rate and charge were authorized by this Order.

10. This case is closed and removed from the Commission's docket.

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Entered on this 28th day of May, 2026.

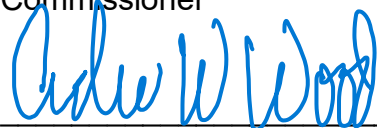
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Case No. 2025-00307

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