

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On June 17, 2026, Kentucky Power Company (Kentucky Power) filed a motion,¹ pursuant to KRS 278.400, requesting reconsideration of the final Order entered May 28, 2026.² Kentucky Power requested rehearing regarding (1) the Commission’s revisions to the accounting treatment for the Purchase Power Adjustment (Tariff P.P.A.) over/under deferral mechanism; and (2) the application of Kentucky Power’s Securitized Surcharge Rider (Tariff S.S.R.) to charges collected through its Decommissioning Rider (Tariff D.R.).³

By Order entered July 2, 2026, the Commission granted Kentucky Power’s Rehearing Motion for the limited purpose of developing a more complete evidentiary record regarding the issues raised in the motion.⁴ The Commission reserved ruling on the substantive relief requested by Kentucky Power pending receipt and review of

¹ Kentucky Power Company’s Motion for Rehearing (Rehearing Motion) (filed June 17, 2026).

² Final Order (Ky. PSC May 28, 2026).

³ Rehearing Motion at 1.

⁴ Order (Ky. PSC July 2, 2026) at 3–4.

additional information.⁵ Commission Staff subsequently issued supplemental requests for information regarding the accounting treatment of the Tariff P.P.A. over/under deferral mechanism and the capabilities and limitations of Kentucky Power's billing software.⁶ Kentucky Power filed its responses to Commission Staff's requests on August 3, 2026.⁷ The July 2, 2026 Order expressly limited rehearing to development of the evidentiary record and reserved the substantive ruling.

LEGAL STANDARD

KRS 278.400, which establishes the standard of review for motions for rehearing, limits rehearing to new evidence not readily discoverable at the time of the original hearings, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful. A Commission Order is deemed unreasonable only when "the evidence presented leaves no room for difference of opinion among reasonable minds."⁸ An order can only be unlawful if it violates a state or federal statute or constitutional provision.⁹

By limiting rehearing to correct material errors or omissions and findings that are unreasonable or unlawful, or to weigh new evidence not readily discoverable at the time of the original hearings, KRS 278.400 is intended to provide closure to Commission

⁵ Order (Ky. PSC July 2, 2026) at 4, ordering paragraph 4.

⁶ Order (Ky. PSC July 2, 2026) at 4, ordering paragraph 2.

⁷ Kentucky Power Company's Response to Commission Staff's Rehearing Data Requests (filed Aug. 3, 2026) (Kentucky Power's Response to Staff's First Rehearing Request).

⁸ *Energy Regulatory Comm'n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

⁹ *Public Service Comm'n v. Conway*, 324 S.W.3d 373, 377 (Ky. 2010); *Public Service Comm'n v. Jackson County Rural Elec. Coop. Corp.*, 50 S.W.3d 764, 766 (Ky. App. 2000); *National Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 509 (Ky. App. 1990).

proceedings. Rehearing does not present parties with the opportunity to relitigate a matter fully addressed in the original Order.

Because the Commission previously granted rehearing for the limited purpose of developing a more complete evidentiary record, the issue now before the Commission is whether the record developed on rehearing supports the substantive relief requested by Kentucky Power.

MOTION

In its motion for rehearing, Kentucky Power requested reconsideration of two portions of the Commission's May 28, 2026 Order. First, Kentucky Power challenged the Commission's revisions to the Tariff P.P.A. over/under deferral accounting methodology. Kentucky Power argued that the methodology directed in the May 28, 2026 Order could prevent Kentucky Power from fully recovering its actual Tariff P.P.A. costs or, conversely, could result in over-collections that cannot be returned to customers through the existing mechanism.¹⁰ Kentucky Power contended that the revised accounting treatment could therefore result in either unrecoverable losses or profits unrelated to its actual Tariff P.P.A. costs and requests that it be permitted to return to the deferral accounting treatment used prior to the May 28, 2026 Order.¹¹

Second, Kentucky Power requested clarification regarding the application of Tariff S.S.R. to Tariff D.R. charges. In the May 28, 2026 Order, the Commission rejected Kentucky Power's proposed revision to Tariff S.S.R. that would have excluded Tariff D.R.

¹⁰ Rehearing Motion at 3–7.

¹¹ Rehearing Motion at 7.

charges from the billing determinants to which Tariff S.S.R. applies.¹² Kentucky Power argued that Tariff S.S.R. should not apply to Tariff D.R. charges because the Commission separately found that the Tariff D.R. billing factor does not apply to Tariff S.S.R. charges.¹³ Kentucky Power therefore requests that the Commission confirm that Tariff D.R. charges are excluded from application of the Tariff S.S.R. adjustment factor.¹⁴

DISCUSSION AND FINDINGS

Tariff P.P.A. Over/Under Deferral Accounting

Having considered the evidence developed on rehearing, the Commission finds that Kentucky Power's requested relief regarding the Tariff P.P.A. over/under deferral accounting should be granted.

In the May 28, 2026 Order, the Commission noted a structural concern regarding the divergence between Kentucky Power's Tariff P.P.A. under/over-recovery true-up mechanism and its deferral accounting methodology.¹⁵ The Commission directed Kentucky Power to align its deferral accounting with the Tariff P.P.A. under/over-recovery mechanism by comparing one-twelfth of the annual revenue requirement, together with one-twelfth of the base amount, to actual revenues collected each month and recording the difference as a regulatory asset or liability.¹⁶ The Commission further directed that

¹² Final Order at 6–9.

¹³ Final Order at 6.

¹⁴ Rehearing Motion at 7–8.

¹⁵ Final Order at 10–11.

¹⁶ Final Order at 11.

any balance in the Tariff P.P.A. regulatory asset or liability as of the date of that Order be set aside for consideration in Kentucky Power's next base-rate case.¹⁷

On rehearing, Kentucky Power provided additional information regarding its Tariff P.P.A. accounting methodology and other adjustment mechanisms. Kentucky Power explained that the over/under recovery calculations for its Fuel Adjustment Clause (FAC) and Environmental Surcharge (ES) operate using a lag between the applicable expense period and the period in which the corresponding rate is billed.¹⁸ Kentucky Power further stated that the FAC and ES regulatory asset or liability calculations utilize the same methodology that Kentucky Power used for its Tariff P.P.A. regulatory asset or liability prior to the May 28, 2026 Order, with the principal distinction being that the FAC and ES calculations occur monthly rather than annually.¹⁹

Kentucky Power also explained that, under its proposed methodology, the expense amount used to establish the Tariff P.P.A. revenue requirement acts as a proxy for the expected level of expense during the period in which the rate is billed. To the extent that actual expenses are above or below that amount, the difference is reflected in the regulatory asset or liability.²⁰ Kentucky Power stated that its method of calculating the Tariff P.P.A. regulatory asset or liability has remained unchanged since the inception of the Tariff P.P.A. mechanism and did not change when Tariff P.P.A. moved from a monthly to an annual calculation.²¹

¹⁷ Final Order at 11–12; ordering paragraph 5.

¹⁸ Kentucky Power's Response to Staff's First Rehearing Request, Item 2.

¹⁹ Kentucky Power's Response to Staff's First Rehearing Request, Item 2.

²⁰ Kentucky Power's Response to Staff's First Rehearing Request, Item 3.

²¹ Kentucky Power's Response to Staff's First Rehearing Request, Items 4-5.

Kentucky Power further stated that, prior to the May 28, 2026 Order, it performed over/under-recovery accounting by comparing monthly net Tariff P.P.A. costs with monthly Tariff P.P.A. revenues and recorded the difference as a regulatory liability or asset, respectively.²² Kentucky Power asserted that this methodology allowed it to recover, through Tariff P.P.A., no more and no less than the Tariff P.P.A. eligible costs incurred.²³

Upon further review of the record, the Commission finds that the Tariff P.P.A. over/under recovery calculation and the associated deferral accounting should remain consistent. However, based upon the additional information developed on rehearing, the Commission finds that consistency should be achieved by revising the Tariff P.P.A. mechanism's over/under recovery calculation to conform to Kentucky Power's deferral accounting methodology rather than by modifying the deferral accounting methodology as directed in the May 28, 2026 Order.

Provided the Tariff P.P.A. over/under recovery calculation and associated deferral accounting remain consistent, an actual regulatory asset or liability will exist, and customers will not pay more than the actual amounts recoverable through Tariff P.P.A. Accordingly, the Commission finds that Kentucky Power should apply the Tariff P.P.A. mechanism's over/under recovery calculation consistent with its deferral accounting methodology used prior to the May 28, 2026 Order.

Kentucky Power filed notice that the accounting change required by the May 28, 2026 Order resulted in a regulatory asset in the amount of \$3,849,792.09, reflecting the

²² Kentucky Power's Response to Staff's First Rehearing Request, Item 6.

²³ Kentucky Power's Response to Staff's First Rehearing Request, Item 6.

balance as of the date of that Order.²⁴ Upon further review, the Commission finds that this regulatory asset should be recovered through Tariff P.P.A. rather than held for consideration in Kentucky Power's next base-rate case. Recovery through Tariff P.P.A. is consistent with the accounting treatment approved herein and avoids the potential accumulation of carrying charges before Kentucky Power's next base-rate proceeding.

Accordingly, Kentucky Power's requested relief on rehearing regarding the Tariff P.P.A. over/under deferral accounting is granted.

Tariff S.S.R. and Tariff D.R.

Kentucky Power also sought rehearing regarding the application of Tariff S.S.R. to Tariff D.R. charges. Having considered the additional evidence developed on rehearing, the Commission finds that Kentucky Power's requested relief on this issue should be denied.

In the May 28, 2026 Order, the Commission rejected Kentucky Power's proposed revision to Tariff S.S.R. that would have expressly excluded Tariff D.R. charges from the billing determinants to which the Tariff S.S.R. adjustment factor applies.²⁵ The Commission found that the Financing Order in Case No. 2023-00159 contemplated application of the Tariff S.S.R. adjustment factor to all charges for electric service except those charges or categories expressly excluded and that Tariff D.R. was not among those exclusions.²⁶

²⁴ Kentucky Power Company's Notice of Regulatory Asset (filed June 21, 2026) at 1.

²⁵ Final Order at 6–9.

²⁶ Final Order at 6–9; see 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*

The May 28, 2026 Order separately addressed whether the Tariff D.R. percentage-of-revenue billing factor should apply to amounts collected pursuant to Tariff S.S.R. The Commission found that applying the Tariff D.R. billing factor to Tariff S.S.R. charges could create a circular calculation and expressly found that the Tariff D.R. billing factor does not apply to Tariff S.S.R. charges.²⁷ The Commission's determinations, therefore, address two different applications: Tariff S.S.R. applies to Tariff D.R. charges, while the Tariff D.R. billing factor does not apply to Tariff S.S.R. charges.

During the June 25, 2026 informal conference, Kentucky Power raised potential concerns regarding whether its billing software could implement the treatment required by the May 28, 2026 Order.²⁸ Kentucky Power advised that it would further investigate the capabilities of its billing system.²⁹

After the informal conference, Kentucky Power confirmed that the necessary billing logic can be implemented.³⁰ Kentucky Power stated that the required programming could be implemented at an estimated cost of \$6,600 within three months and that its developers had been asked to begin the necessary work so that the logic could be implemented for bills rendered on or after September 29, 2026, corresponding with the first billing cycle for October 2026.³¹ Kentucky Power further stated that no alternative

Financing Order; and (5) all other Required Approvals and Relief (Ky. PSC Apr. 11, 2025), Order at 25–27; see also Case No. 2023-00159, (Ky. PSC Jan. 10, 2024), Order at 25–27.

²⁷ Final Order at 6.

²⁸ Informal Conference Memorandum (Ky. PSC June 26, 2026) at 1–2.

²⁹ Informal Conference Memorandum (Ky. PSC June 26, 2026) at 2. The IC memorandum states that Kentucky Power discussed potential technical issues with percentage-of-revenue charges and indicated it would investigate its billing software's capabilities.

³⁰ Kentucky Power's Response to Staff's First Rehearing Request, Item 1.

³¹ Kentucky Power's Response to Staff's First Rehearing Request, Item 1.

billing method is necessary because its billing software is capable of implementing the treatment required by the Commission.³² Kentucky Power also stated that the current Tariff D.R. rates are nominal and that including Tariff D.R. within the subtotal to which Tariff S.S.R. applies does not currently have a meaningful impact on customer bills.³³

Upon further review of the record, the Commission finds that the implementation concern identified during the informal conference does not warrant modification of the May 28, 2026 Order. Kentucky Power has confirmed that its billing system is capable of implementing the required treatment at a nominal cost and within the necessary timeframe. The additional evidence developed on rehearing therefore does not provide a basis for excluding Tariff D.R. charges from application of Tariff S.S.R.

Accordingly, Kentucky Power's requested relief on rehearing regarding Tariff S.S.R. and Tariff D.R. is denied. The Commission affirms its May 28, 2026 findings that Tariff S.S.R. applies to Tariff D.R. charges, and that the Tariff D.R. billing factor does not apply to Tariff S.S.R. charges.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's requested relief on rehearing is granted in part and denied in part.
2. Kentucky Power's requested relief on rehearing regarding the Tariff P.P.A. over/under deferral accounting is granted.

³² Kentucky Power's Response to Staff's First Rehearing Request, Item 1(f).

³³ Kentucky Power's Response to Staff's First Rehearing Request, Item 1.

3. Kentucky Power shall apply the Tariff P.P.A. mechanism's over/under recovery calculation to be consistent with its deferral accounting methodology as discussed in this Order.

4. Kentucky Power is authorized to recover through Tariff P.P.A. the \$3,849,792.09 regulatory asset established as a result of the accounting treatment required by the May 28, 2026 Order.

5. Kentucky Power's requested relief on rehearing regarding the exclusion of Tariff D.R. charges from application of Tariff S.S.R. is denied.

6. Tariff S.S.R. shall apply to Tariff D.R. charges.

7. The Tariff D.R. billing factor shall not apply to Tariff S.S.R. charges.

8. Ordering Paragraphs 5, 6, and 7 of the May 28, 2026 Order are vacated to the extent they require Kentucky Power to set aside the Tariff P.P.A. regulatory asset or liability for its next base-rate case, implement the deferral accounting methodology prescribed in that Order, or provide additional information regarding the impact of that accounting change.

9. The remainder of the May 28, 2026 Order and the July 2, 2026 Order not in conflict with this Order remain in effect.

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

Entered on this 8th day of October, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:


Justin McNeil
Executive Director

Service List for Case 2025-00307

* Harlee P. Havens
Stites & Harbison
250 West Main Street, Suite 2300
Lexington, KY 40507

* Kentucky Power Company
1645 Winchester Avenue
Ashland, KY 41101

* Kenneth J Gish, Jr.
Stites & Harbison
250 West Main Street, Suite 2300
Lexington, KY 40507

* Michael J. Schuler
American Electric Power Service Corporation
1 Riverside Plaza, 29th Floor
Post Office Box 16631
Columbus, OH 43216