

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO THE	)	CASE NO.
MANAGEMENT AND OPERATION OF	)	2026-00159
KENTUCKY POWER COMPANY	)	

ORDER

On August 29, 2025, Kentucky Power Company (Kentucky Power) filed an application for an adjustment of its existing rates pursuant to 807 KAR 5:001 Section 16 based on a historic test year and other associated relief.<sup>1</sup> On February 28, 2026, the Commission issued a final Order in which the Commission noted several arguments raising troubling practices and behaviors of Kentucky Power that called into question the management and operation of Kentucky Power and concluded that a management audit should be performed.<sup>2</sup>

As a result, the Commission opens this investigation case to proceed with the management audit of Kentucky Power. This case is for administrative efficiency, and the final report will be entered into the record.

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<sup>1</sup> Case No. 2025-00257, *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 Certain Regulatory and Accounting Treatments; and (4) All Other Required Approvals and Relief* (filed Aug. 29, 2025) Application at 1 and 6.

<sup>2</sup> Case No. 2025-00257, Feb. 28, 2026 final Order at 205-207.

## BACKGROUND

Kentucky Power is a corporation in good standing in the Commonwealth of Kentucky.<sup>3</sup> It is engaged in the generation, distribution and purchase of electric energy for sale to its approximately 161,850 retail customers in Boyd, Johnson, Letcher, Morgan, Elliott, Breathitt, Fleming, Rowan, Knott, Lewis, Carter, Clay, Floyd, Greenup, Lawrence, Leslie, Magoffin, Martin, Owsley, Perry, Pike counties, Kentucky.<sup>4</sup>

Kentucky Power is a direct, wholly-owned subsidiary of American Electric Power Company, Inc. (AEP).<sup>5</sup> AEP is a multi-state public utility holding company that includes utilities providing electric service to customers in parts of eleven states: Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia.<sup>6</sup> Kentucky Power Cost Recovery LLC (Cost Recovery) is a separate entity which was formed in Delaware and is registered to do business in Kentucky. Cost Recovery is a wholly owned subsidiary of Kentucky Power with Kentucky Power owning 100 percent of the outstanding membership interests in and to Cost Recovery.<sup>7</sup>

Kentucky Power Company is a member of PJM Interconnection, LLC (PJM), a regional transmission organization (RTO), which is regulated by the Federal Energy

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<sup>3</sup> Case No. 2025-00257, Application at 1.

<sup>4</sup> *Kentucky Power's Annual Report for the Year Ending December 31, 2025* (2025 Annual Report) at 4-5. The 2025 Annual Report has been tendered to the Commission for publication on its website as required; however, it has not yet been accepted for publication.

<sup>5</sup> Case No. 2025-00257, Application at 2.

<sup>6</sup> Operating Companies; <https://www.aep.com/about/businesses/opcos/> (last accessed June 9, 2026).

<sup>7</sup> Case No. 2025-00257, Application at 2.

Regulatory Commission (FERC).<sup>89</sup> PJM coordinates and administers the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.<sup>10</sup> The Commission approved Kentucky Power’s transfer of functional operation of its transmission facilities, subject to certain stipulations, to PJM by final rehearing Order on May 19, 2004, in Case No. 2002-00475.<sup>11</sup> Kentucky Power began participating in the PJM energy market on October 1, 2004.<sup>12</sup>

### LEGAL STANDARD

Kentucky Power is a utility as defined in KRS 278.010(3)(a). Pursuant to KRS 278.040(2), “[t]he jurisdiction of the commission shall extend to all utilities in this state,” and “[t]he commission shall have exclusive jurisdiction over the regulations of rates and service of utilities.” The Commission’s regulation of rates and service, pursuant to KRS 278.030, ensures that utilities may “demand, collect and receive fair, just and reasonable rates for service rendered,” and requires utilities “furnish adequate, efficient

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<sup>8</sup> PJM - Member List; <https://www.pjm.com/about-pjm/member-services/member-list.aspx> (last accessed June 9, 2026).

<sup>9</sup> PJM - Governing Documents; <https://www.pjm.com/library/governing-documents.aspx> (last accessed June 9, 2026).

<sup>10</sup> PJM - About PJM; <https://www.pjm.com/about-pjm> (last accessed June 16, 2026).

<sup>11</sup> Case No. 2002-00475, *Application of Kentucky Power Company D/B/A American Electric Power for Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Kentucky to PJM Interconnection, L.L.C. Pursuant to KRS 278.218* (Ky. PSC May 19, 2004). See also Case No. 2024-00343, *Electronic Application Of Kentucky Power Company For A Certificate Of Public Convenience And Necessity To Replace And Upgrade Portions Of The Bellefonte Station In Boyd County, Kentucky (Bellefonte Station Upgrade Project)* (filed Sept. 8, 2022), Direct Testimony of Nicholas C. Koehler (Koehler Direct Testimony) at 2–5, and Application, Exhibits 7–9, for a detailed description of how PJM, AEP, and Kentucky Power coordinate the planning of Kentucky Power’s transmission system.

<sup>12</sup> See Case No. 2019-00154, *Electronic Application of Kentucky Power Company for a Certificate of Public Convenience and Necessity to Perform Upgrade, Replacement, and Installation Work at its Existing Substation Facilities in Perry and Leslie Counties, Kentucky* (Ky. PSC May 28, 2020) and (filed June 27, 2019), Direct Testimony of Kamran Ali at 6 for a summary of Kentucky Power’s history with PJM.

and reasonable service.”<sup>13</sup> Furthermore, no utility may “begin the construction of any plant, equipment property or facility for furnishing”<sup>14</sup> any service regulated by the Commission until that utility obtains “a certificate that public convenience and necessity require the service or construction.”<sup>15</sup> The transfer of control of “any utility furnishing utility service in this state, without having first obtained the approval of the commission . . . shall be void and of no effect.”<sup>16</sup> Additionally, Kentucky law provides that “whenever it is necessary in the performance of its duties, the commission may investigate and examine the condition of any utility subject to its jurisdiction.”<sup>17</sup> Finally, the Commission may make an investigation of a utility’s rates and service on its own motion.<sup>18</sup>

Pursuant to KRS 278.255, the Commission has the authority to perform periodic management and operations audits upon its utilities. Specifically, KRS 278.255 states in relevant part,

(2) The commission may provide for management or operations audits, or both, of any utility under its jurisdiction on a regular or irregular schedule to investigate all or any portion of the management and operating procedures or any other internal workings of the utility. . .

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<sup>13</sup> KRS 278.020(1)(a).

<sup>14</sup> KRS 278.020(1)(a).

<sup>15</sup> KRS 278.020(1)(a).

<sup>16</sup> KRS 278.020(7).

<sup>17</sup> KRS 278.250.

<sup>18</sup> KRS 278.260.

## DISCUSSION OF BASIS FOR MANAGEMENT AUDIT

In Kentucky Power's most recent case the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) raised a number of concerns regarding whether the utility is managing its system appropriately. As the Commission's final Order recognized, when discussing the Attorney General's concerns, this is not the first time the Attorney General, or the Commission, have been critical of the management and planning decisions made by Kentucky Power.<sup>19</sup>

For example, and in no way intended to be an exhaustive review of the Commission's concerns, in the past two and a half years, Kentucky Power has filed applications for several Certificate of Public Convenience and Necessity (CPCN) that raised serious questions about its judgment.<sup>20</sup> Additionally, the Commission has raised

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<sup>19</sup> Case No. 2025-00257, Feb. 28, 2026 Order at 205-207.

<sup>20</sup> See e.g., Case Nos. 2021-00370, *Electronic Investigation of the Service Rates and Facilities of Kentucky Power Company*, Case No. 2023-00092, *Electronic 2022 Integrated Resource Planning Report Of Kentucky Power Company*, 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*, Case No. 2025-00175, *Electronic Application Of Kentucky Power Company For Approval Of (1) A Certificate Of Public Convenience And Necessity To Make The Capital Investments Necessary To Continue Taking Capacity And Energy From The Mitchell Generating Station After December 31, 2028, (2) An Amended Environmental Compliance Plan, (3) Revised Environmental Surcharge Tariff Sheets, And (4) All Other Required Approvals And Relief*; Case No. 2024-00243 *Electronic Application Of Kentucky Power Company For (1) An Order Approving The Terms And Conditions Of The Renewable Energy Purchase Agreement For Solar Energy Resources Between Kentucky Power Company And Bright Mountain Solar, LLC; (2) Authorization To Enter Into The Agreement; (3) Recovery Of Costs Through Tariff P.P.A.; (4) Approval Of Accounting Practices To Establish A Regulatory Asset; And (5) All Other Required Approvals And Relief*, Case No. 2020-00062, *Electronic Application Of Kentucky Power Company For A Certificate Of Public Convenience And Necessity To Construct A 138 Kv Transmission Line And Associated Facilities In Pike And Floyd Counties, Kentucky*, Case No. 2020-00174, *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) Approval Of A Certificate Of Public Convenience And Necessity; And (5) All Other Required Approvals And Relief*, Case No. 2021-00004, *Electronic Application Of Kentucky Power Company For Approval Of A Certificate Of Public Convenience And Necessity For Environmental Project Construction At The Mitchell Generating Station, An Amended Environmental Compliance Plan, And Revised Environmental Surcharge Tariff Sheets*.

concerns about Kentucky Power's planning and decision making related to investments in generation and transmission. In Case No. 2025-00175, the Commission explicitly highlighted how Kentucky Power's decisions have potentially impacted ratepayers, stating that,

In short, while there are few good options when faced with additional investments that will ultimately raise rates that are often already difficult for customers to afford, the Commission finds that continuing to take capacity and energy from Mitchell Plant is the least bad option at this time for serving customers, at least through 2031, because it is either competitive or least cost from a cost perspective, depending on the period and assumptions considered, provides the most economic options in the long-term in an environment in which energy and capacity are likely to be short, and limits customers exposure to capacity and energy markets.<sup>21</sup>

In that same matter, the Commission emphasized the ongoing issue with Kentucky Power's failure to provide thorough and rigorous analysis when making large financial decisions;<sup>22</sup> resulting in approving "the least bad option" instead of being confident in the utility's application and proposal.

Once final, the management audit will be made public, and will make findings as to and suggestions, if necessary, to improve Kentucky Power's management practices. Upon completion of the audit, the Commission, at that time, may open an investigation to address any further issues.

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<sup>21</sup> Case No. 2025-00175, Dec. 30, 2025 Order at 25.

<sup>22</sup> Case No. 2025-00175, Dec. 30, 2025 Order at 32-37.

IT IS THEREFORE ORDERED that:

1. This proceeding is initiated to investigate and examine the managerial and operating practices of Kentucky Power.
2. Pursuant to KRS 278.255, a competent, qualified, and independent firm shall be retained to perform a full and comprehensive audit of the management and operational efficiency of Kentucky Power.
3. Pursuant to KRS 278.255(3), Kentucky Power shall bear the cost of this audit.
4. Within 20 days of service of this Order, counsel shall file an entry of appearance.


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Entered on this 2nd day of July, 2026.

PUBLIC SERVICE COMMISSION

  
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Commissioner

  
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Commissioner

*by AH  
w/ permission*

ATTEST:

 RP

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Linda C. Bridwell, PE  
Executive Director

## Service List for 2026-00159

\* Kentucky Power Company  
1645 Winchester Avenue  
Ashland, KY 41101