COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

ELECTRONIC APPLICATION OF	**)**	
KENTUCKY POWER COMPANY FOR	**)**	
(1) A GENERAL ADJUSTMENT OF ITS	**)**	
RATES FOR ELECTRIC SERVICE;	**)**	
(2) APPROVAL OF TARIFFS AND RIDERS;	**)**	**Case No 2025-00257**
(3) APPROVAL OF CERTAIN REGULATORY	**)**	
AND ACCOUNTING TREATMENTS; AND	**)**	
(4) ALL OTHER REQUIRED APPROVALS	**)**	
AND RELIEF	**)**	

ATTORNEY GENERAL'S POST-HEARING BRIEF

The Attorney General requests that the Public Service Commission ("Commission") deny American Electric Power ("AEP") subsidiary Kentucky Power Company's ("Kentucky Power" or "Company") requested rate increase.

The standard for utility rates is whether rates are "fair, just, and reasonable."[1] At one of the three Public Comment Meetings held by the Commission, State Representative Chris Fugate asked an important question. "When you talk about fair, just, and reasonable, fair to who?"[2] The proposed rates are clearly not fair to ratepayers.

The rates charged by Kentucky Power are certainly fair from the perspective of the Company and its shareholders, although that has not stopped them from continuously asking for rate increases. Despite AEP and Kentucky Power's lamentations about not earning ***enough*** money, importantly, Kentucky Power ***does not lose money***. Kentucky

[1] KRS 278.030(1).
[2] Hazard Public Comment Meeting, https://www.youtube.com/watch?v=RsRc2gOWHEI at 23:10.

Power reliably turns a profit for its parent AEP each year.[3] And Kentucky Power is not the only one producing profits for AEP. On July 30, 2025, the day after it filed its Notice to seek this increase in rates, AEP announced that it had achieved "record" earnings in the second quarter of 2025.[4] Over the last five years, AEP's stock prices have increased from around $80 to around $124, which is over a 50% increase. AEP, in its own words, expects continued growth.[5] AEP and Kentucky Power are not hurting, but Kentucky Power's ratepayers are hurting.

One need only listen to the Public Comment Meetings held in Pikeville, Hazard, and Ashland to understand that the relationship between Kentucky Power and its ratepayers is broken, and that those profits come at a steep price.[6] In those Meetings, the Commission heard accounts of the substantial hardship brought about by exorbitant rates and unreliable service. The Commission also heard accounts of people who had lived elsewhere, and how Kentucky Power's electric service compared poorly to those other places. Remarkably, those accounts included examples of individuals who desperately want to live in Eastern Kentucky, but who are considering leaving based simply on the cost of electric service in the area. This is unacceptable.

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[3] See Direct Testimony of Jeffrey Newcomb, Figure JDN-1 at 8 for a snapshot of profits over the last six-year period.

[4] *AEP Reports Record Second-Quarter Operating Earnings, Guides to Upper Half of 2025 Guidance Range*, https://www.aep.com/news/stories/view/10354/.

[5] *AEP Reports Third-Quarter 2025 Operating Earnings, Updated Capital Plan Drives New Long-Term Growth Rate*, https://www.aep.com/news/stories/view/10534.

[6] Pikeville Public Comment Meeting, https://www.youtube.com/watch?v=0czVLrpSR0c; Hazard Public Comment Meeting, https://www.youtube.com/watch?v=RsRc2gOWHEI; Ashland Public Comment Meeting, https://www.youtube.com/watch?v=ot6if8SIyFs.

Kentucky Power's service territory in Eastern Kentucky is a wonderful place with a proud history of producing the coal that has powered this country for generations. But the region is mired in what could be described as a "death spiral" with electric service playing a key part. Some leave the area because they cannot afford to pay for electric service there. That leaves fewer ratepayers over which to spread the fixed costs of the system. Rates go up more. So, more people leave, and the spiral continues. This is unsustainable, and it certainly cannot be fixed by continually increasing people's electric bills.

Kentucky Power plays an outsized role in determining the future quality of life for the residents in the counties it serves. Without affordable electricity, there is little economic growth and opportunity. Without affordable electricity, people cannot meet their basic needs. If AEP wants to continue to operate in this service territory, then it must share in the good and the bad, the risk and the reward, and not solely burden the ratepayers with the problems of the area. What is Kentucky Power's plan to contribute to the economic viability of its service territory? It does not seem to have one. It regularly seeks double-digit rate increases. And it gives no indication it plans to stop doing so.[7] But rate increases do not contribute to prosperity, they inhibit it. There simply is not a limitless capacity to absorb these rate increases.

The Attorney General and KIUC have sponsored expert witnesses whose testimony has been placed in the record. That analysis contains important ratemaking

[7] Notably, Kentucky Power did not agree to a stay-out provision in the settlement agreement entered with KIUC and SEIA.

adjustments that would benefit ratepayers if the Commission decided to adopt them. But the analysis presented by that testimony is incomplete. Even though the revenue requirements detailed in those expert testimonies accurately reflect Kentucky Power's investments and expenses, this does not compel the conclusion that the resulting rates are fair, just, and reasonable. For instance, in its Order approving Kentucky Power's continued investment in Mitchell, the Commission noted that, "the primary issue with Kentucky Power's consideration of short-term alternatives was its delay in the consideration of alternatives, which limited the options that could be considered."[8] The Commission went on to state, "Kentucky Power's failure to plan in a timely manner ignores its obligation to provide adequate, efficient, and reasonable service pursuant to KRS 278.030(2), and the necessity to engage in appropriate and timely planning to ensure that it is able to do so."[9] Unfortunately, only the ratepayers bear the burden of Kentucky Power's poor planning, as the utility and its shareholders do not subsidize the opportunity costs that poor planning creates. But those opportunity costs are unfortunately all too real. And poor planning and management is not new to Kentucky Power.[10]

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[8] 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 for the Mitchell Generating Station after December 31, 2028, (2) and Amended Environmental Compliance Plan, (3) Revised Environmental Surcharge Tariff Sheets, and (4) All Other Required Approvals and Relief,* Order of December 30, 2025 at 36.

[9] *Id.*

[10] For example, see Kentucky Power's most recent IRP, where it suggests unreasonable, heavy reliance on out-of-state wind to meet capacity obligations, or the solar PPA properly rejected by the Commission. Case No. 2023-00092, *In Re: Electronic 2022 Integrated Resource Planning Report of Kentucky Power Company*; Case No. 2024-00243; *In The Matter Of: 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*

In 2021, the Commission initiated an investigation out of "concern," about "the future of Kentucky Power as a utility and about the customers it serves in Eastern Kentucky," "[g]iven the current situation, caused almost exclusively by AEP's management[.]"[11] During the course of that proceeding, in December of 2023, the Attorney General's witness provided testimony identifying serious concerns about whether Kentucky Power was utilizing its resources efficiently.[12] That docket remains open and the issues brought under it remain unresolved.

Based on the foregoing, the Commission should (1) deny the Company's request for a rate increase; (2) in the alternative, if the Commission is inclined to grant an increase in rates, make all available adjustments to minimize the increase; (3) carefully scrutinize the tiered rate design proposed by the Company to ensure unintended consequences are avoided; (4) direct the Company to discontinue all DSM programs that increase costs for non-participating ratepayers; and (5) order an independent management audit to engage outside experts to determine how Kentucky Power can improve the service received and rates paid by Kentucky Power ratepayers.

1. **The proposed rates are not fair, just and reasonable and the Commission should deny the Company's request for a rate increase.**

Utilities may charge, "fair, just and reasonable rates for services rendered."[13] Pursuant to KRS 278.190(3), Kentucky Power bears the burden of proof to demonstrate

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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

[11] Case No. 2021-00370, *Electronic Investigation of the Service, Rates, and Facilities of Kentucky Power Company*, Order of September 15, 2021.

[12] *Id*. at 3, *et seq.*

[13] KRS 278.030(1).

"that an increase of rate or charge is just and reasonable."[14] The Company has failed to meet its burden.[15] The rates proposed here are not fair, just, and reasonable.

Kentucky Power has some of the highest residential electric bills in the Commonwealth. Kentucky Power takes issue with this characterization,[16] but it is an accurate one. Kentucky Power's residential ratepayers pay higher rates per kwh than almost all other Kentucky ratepayers, even those that serve similar service areas. And on top of that, the average volume used by Kentucky Power's ratepayers is considerably higher than almost all other Kentucky residential ratepayers. This combination causes the total bills of Kentucky Power's residential ratepayers to be out-of-step with those of other utilities. Consider the residential rates of Kentucky Power in comparison to the utilities that share a border with its service territory.[17]

Utility	**Residential Rate (per kwh)**	**Avg. Total Bill**
Kentucky Power	.1507	$178.32
Kentucky Utilities	.1197	$131.93
Cumberland Valley	.1287	$139.41
Jackson Energy (2023)[18]	.1381	$142.51
Licking Valley	.1383	$128.20
Big Sandy	.1369	$149.34
Grayson (2023)	.1627	$148.20
Fleming Mason	.1289	$130.13

[14] *Kentucky-American Water Company v. Commonwealth ex rel. Cowan*, 847 S.W.2d 737, 741 (Ky. 1993).
[15] *See* KRS 278.190. "At any hearing involving the rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility…."; *See* KRS 278.030(1). "Every utility may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person."
[16] See Wolffram Rebuttal Testimony at 22.
[17] *Electric Distribution Service Area Map*, https://psc.ky.gov/agencies/psc/images/electric_service_areas_wall_map.pdf.
[18] For two neighboring utilities, 2024 data was not listed. Therefore, the most recent data was relied upon.

Kentucky Power goes to great lengths to obscure this residential plight by comparing its rates with others on the basis of total average rates, which include service of other classes of customers, like industrial customers; of course, the rates of those industrial customers skew average rates downward.[19] Further, Kentucky Power makes comparisons to utility rates in Maine, Vermont, New Hampshire, and to national averages among others.[20] These comparisons, many of which incorporate rates for areas of the country that engage in poor energy planning policy, present an inappropriate basis for comparison. The most appropriate basis for what is reasonable from the perspective of ratepayers are the rates of the neighboring utilities described above. Put simply, Kentucky Power is out-of-step with those neighboring utilities. And it will only grow further out-of-step; the imposition of additional riders such as the Temporary Charge resulting from Case No. 2023-00159[21] increase these disparities.

Further, Kentucky Power's rates have been increasing at an unsustainable rate. In 2020, Kentucky Power sought a 13.6% increase of $70.1 million.[22] They were granted a 10.2% increase of $52.4 million in 2021.[23] In 2023, Kentucky Power sought a 13.6%

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[19] See Wolffram Rebuttal at 23.

[20] *Id.*

[21] Case No. 2023-00159, *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 Practices to Establish Regulatory Assets and Liabilities; (4) a Securitization Financing Order; And (5) All Other Required Approvals and Relief*, Order of October 15, 2025.

[22] 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,* Order of January 13, 2021.

[23] *Id.*

increase of $93.9 million with a base rate impact of 18.3% for residential customers.[24] The Commission approved an increase in revenue of $60 million in 2024.[25] After Kentucky Power successfully appealed, it was granted an additional $14.2 million increase in 2025.[26] Thus, the cumulative increase of the 2023 rate case was at least $74.2 million or 10.7%. Notably, these are the amounts of general revenue increase; the residential rate increase is higher depending on revenue class allocation. These increases are simply unsustainable.

Importantly, there is no evidence in the record that reliability will suffer if the request for a rate increase is denied. Kentucky Power is earning a profit. Even if it were to earn less of a profit, there are still sufficient funds to operate the utility and provide service at its current level. Lower profits do not cause reliability issues.

Therefore, the Commission should, through the application of all available ratemaking adjustments, including but not limited to those identified below, approve a revenue requirement which results in no increase to the rates of Kentucky Power ratepayers.

2. In the alternative, if the Commission is inclined to approve any increase, it should reduce that increase as much as possible.

In the alterative, if the Commission is inclined to increase rates, it should limit those increases to those specified by the experts sponsored by the Attorney General and

[24] Case No. 2023-00159, *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 Practices To Establish Regulatory Assets And Liabilities; (4) A Securitization Financing Order; And (5) All Other Required Approvals And Relief*, Order of January 19, 2024.
[25] *Id.* at 39.
[26] *Id.*

KIUC. As detailed in the testimony of Lane Kollen, the Attorney General and KIUC recommended adjustments which limited the base rate increase to $52.603 million and the Generation Rider to a $18.516 million revenue requirement.[27] The Settlement Agreement entered by the Company, KIUC, and SEIA contained a $58.731 million base rate increase and a Generation Rider revenue requirement of $18.669 million. Thus, approving the adjustments recommended by the AG-KIUC witnesses, ratepayers could save approximately $6.281 million per year.

The Settlement also includes a Deferred Tax Liability ("DTL") Rider which they agree will provide $25 million in rate credits in Year 1 and $15 million in rate credits in Year 2.

If the Commission were inclined to approve a rate increase, it should use the $52.603 million revenue requirement increase, the $18.516 million Generation Rider revenue requirement, and the proposed DTL credit rider as a starting point, making additional adjustments from there. Here are some additional adjustments the Commission could make which are supported by the record.

1. Adjust the Capital Structure to 45% Equity and 55% Debt from 46.13% Equity and 53.87% Debt. This would create additional base rate savings of $1.315 million.

[27] Direct Testimony of Lane Kollen at 5.

2. Adjust ROE to 8.9% which is within the reasonable range based on the testimony of AG/KIUC witness Richard Baudino. This would create additional base rate savings of $6.459 million.
3. Adjust Tariff PPA for test year losses on the incidental sales of gas. Company Witnesses Wolffram and Stutler explained that $1.872 million of test year losses were included in the base revenue requirement and incremental losses or gains compared to the "baseline" in the base revenues would be recovered or refunded through Tariff PPA. It is unnecessary to embed the test year loss in the base revenues. Instead, the Commission should embed $0 in the base revenues and include all losses and gains through Tariff PPA using a $0 baseline. This would result in a reduction of $1.880 million in the Company's requested base revenue increase. The $1.880 million is the amount of the $1.872 million loss expense grossed-up for bad debt expense and Commission fees.
4. Adjust rate base to remove CWIP balances not subject to AFUDC. 100% of CWIP is included in rate base, with an offset for the AFUDC recorded to income. Adjustment W41 provides a true-up of the amount of CWIP subject to AFUDC times the requested WACC. There is $36.256 million in CWIP not subject to AFUDC. This would result in a reduction of $3.317 million in the requested base revenue increase based on the reduction in rate base times the requested grossed-up WACC at 9.15%.

5. Adjust the Capital Structure of the Generation Rider to 45% Equity and 55% Debt. This would create additional Generation Rider rate savings of $0.094 million.
6. Adjust the Generation Rider ROE to 8.9%, which is within the reasonable range based on the testimony of AG/KIUC witness Richard Baudino. This would create additional Generation Rider rate savings of $0.461 million.

These changes result in a revenue requirement increase of $39.631 million for base rates and $17.961 million for the generation rider.

Further, the DTL Rider credits proposed in the Settlement could be increased to temporarily and partially offset the remaining base and Generation rider revenue increases. The $40 million in DTL credits proposed under the Settlement Agreement does not reflect the full amount of DTL that could be credited and used to temporarily reduce the effects of the rate increases for the next two years. Those credits should be increased to reflect the full amount of the available DTL credits. As discussed by Company Witness Hodgson, the available DTL balance is closer to $60 million through the filing of Kentucky Power's 2024 tax return. The $40 million in DTL revenue credits in the Settlement is based on utilization of $33.9 million of the DTL balance. The DTL amounts are income tax amounts. The revenue credits reflect the gross-up of the tax amounts for the related income tax effects to revenue equivalents. In fact, responses to post hearing data requests indicate that the available DTL balance through Kentucky Power's 2024 tax return was $60.9 million, and the Company's estimated available year end DTL balance was $65.4

million.[28] The Commission should require Kentucky Power to provide credits related to the additional $31.5 million of DTL. After grossing-up the additional amounts, Kentucky Power could provide a DTL Credit in Year 1 of $49 million (instead of $25 million) and in Year 2 could provide a DTL Credit of $28 million (instead of $15 million). After application of these credits to the alternative revenue requirement values established above, the net revenue increase in Year 1 would be approximately $8.592 million and the net revenue requirement increase in Year 2 would be $29.592.

These temporary DTL credits, while valuable, only temporarily mask the effect of the $57.592 million in rate increases that are occurring under the surface. This has the effect of seemingly "phasing in" the rate increase. Phasing in a rate increase is not a bad thing when an increase is merited. However, if Kentucky Power seeks an additional rate increase in a year or two, as seems to be its practice, the cumulative effect of the phasing in of these rate increases topped with additional future rate increases will create large bill increases for customers in those years, even though the separate and distinct rate increases were approved under different orders. The potential for these bill impacts is a major concern. Thus, the actual rate increase should be limited to the extent possible, irrespective of the application of DTL credits.

In addition to the rate-making adjustments listed above, the Commission should address the following issues created by the Settlement Agreement.

[28] Kentucky Power's response to the AG's Post-Hearing Data Requests 1 and 2.

1. The proposed Generation Rider Tariff discussed in Paragraph 5 should be modified to include an AFUDC offset. In Rebuttal Testimony and on cross-examination, Company Witness Wolffram agreed that this was appropriate. This could be achieved by adding a new paragraph F. In addition, the formula for the revenue requirement in the Rate section of the proposed Tariff G.R. (Generation Rider) attached to Witness Tanner Wolffram's Settlement Testimony as Exhibit TSW-S1 should be modified to subtract the revenue equivalent of the AFUDC offset related to the CWIP included in the rate base component of the formula.
2. Related to Paragraph 2(C)(i), there is reference to the NOLC regulatory asset. However, this regulatory asset is dependent on the underlying calculations of the NOLC DTA and the deficient NOLC DTA, which the AG/KIUC contested through the Direct Testimony of Lane Kollen. The Commission should modify this provision of the Settlement Agreement to adopt Mr. Kollen's quantifications of the two DTAs and to direct the Company to recalculate the NOLC regulatory asset to reflect the reductions in the two DTAs. In the alternative, the Commission should modify this provision of the Settlement Agreement to expressly state that the quantifications of the NOLC DTA and the deficient NOLC DTAs, as well as the related NOLC regulatory asset (for the return on both NOLC DTAs and the amortization of the deficient NOLC DTA), will be reviewed in a future proceeding after an IRS Private Letter Ruling is received. The three amounts are directly interrelated and all three amounts will affect future base revenue and Tariff F.T.C. revenue recoveries.

3. Related to Paragraph 2(C)(ii), the adjustments are incorrectly described as reductions to the base fuel/allowance and materials and supplies inventories. The adjustments are reductions to reflect the related inventory payables as cost-free vendor financing.
4. Related to Paragraph 2(D)(vi), the statement, "[t]he Signatory Parties agree that absent a legislative prohibition interim net salvage is generally appropriate to be included in depreciation expense." This statement is unnecessary to the treatment of interim retirements and interim net salvage for the Mitchell and Big Sandy 1 production plant accounts and depreciation expense described in this paragraph. The interim retirements and interim net salvage were issues raised by AG/KIUC witness Lane Kollen. *Actual* interim net salvage is generally appropriate to be included in depreciation expense, but *estimated* interim net salvage is not generally appropriate to be included in depreciation expense. There is significant disagreement about how these costs should be calculated and recovered. The statement is an improper attempt to preemptively bind the signatories and the Commission in future rate proceedings. The Commission should not approve a Settlement Agreement term that effectively attempts to prejudge those arguments. The statement should be removed.
5. Related to Paragraph 2(D)(viii), the Company is allowed to defer actual storm costs only if they would otherwise be expensed, are incremental to business as normal expenses,[1] and are not presently being recovered in rates." Footnote 1 in this paragraph refers to "Kentucky Power's historical methodology to identify

incremental storm expense, which was most recently applied by Kentucky Power and authorized by the KPSC in Case No. 2023-00159." However, Kentucky Power's definition of "incremental" costs is incorrect and will result in excessive charges to the storm reserve. The Commission should remove this footnote and the references to Kentucky Power's definition of "incremental costs." Like the reference to the ratemaking for interim retirements and interim net salvage, this is an attempt by the signatories to preemptively decide what costs are "incremental" and non-incremental and impose this distinction/methodology on the Commission without any review of actual costs incurred in future storms. The Commission should reject this poorly conceived attempt to limit its discretion in future reviews of future storm costs.

6. Related to Paragraph 5(C), Kentucky Power should be restricted from filing to recover the $60.4 million of Mitchell catch-up costs for at least three years. The addition of these charges at a time when rates will be increasing annually as the DTL credits expire puts an unreasonable burden on ratepayers.

The Commission should, at a minimum, order these modifications to the Settlement Agreement, if adopted, in order to achieve just, reasonable, and fair results for ratepayers not only in this proceeding, but also in future proceedings, including those that affect base revenues, Tariff G.R. revenues, Tariff PPA revenues, and Tariff F.T.C revenues.

3. If the Commission approves increased rates, the tiered customer service charge and declining block rate energy charges should be scrutinized to limit unintended consequences.

The Company proposed a tiered customer service charge and declining block rate energy charge to reduce the bill impacts of the revenue requirement increase for high usage customers. The problem of high usage in the winter for customers who utilize electric heating in poor housing stock is a known issue. However, the rate structure is agnostic to what is causing the high usage. Thus, a wealthy customer with a large home will also benefit from the proposed rate structure. This regressive effect, robbing Peter to pay Paul, is mitigated by the fact that lower energy users are not currently paying full cost-of-service for fixed charges under the fixed customer charge per the Company's cost-of-service analysis. The Commission should take great care in scrutinizing the proposal to avoid intra-class subsidization which would create unfair rate outcomes. As the customer charge is increased over time to gradually reach a true cost-of-service level, the declining block energy charge could have the unfair effect of picking winners and losers. This should be avoided, as electric service should be provided at the lowest rate possible for all customers, not specific subsets of those customers.

A better way for the Company to assist ratepayers with high seasonal usage would be to incentivize and encourage budget billing plans that smooth the ratepayer's bill over the course of the year. Kentucky Power could offer a small discount to those who sign up for budget billing thereby helping both customers and the Company. A budget plan helps both the customer and the utility by ensuring levelized monthly payments and receipts which avoid the wild swings commonly seen in winter and even sometimes in the summer.

4. **DSM programs that do not result in a net-increase for non-participating ratepayers should be eliminated.**

Currently, the Company authorizes DSM programs that increase rates for non-participating ratepayers.[29] While these programs are beneficial for those who opt in, they drive costs for non-participating ratepayers. While these costs may be relatively small, Kentucky Power should be required to eliminate every non-essential cost which causes increased rates or unreasonably picks winners and losers until its financial house is in order.

5. **The Commission should order an independent management audit to engage outside experts to determine how Kentucky Power can improve its service and rates.**

Kentucky Power appears incapable of achieving meaningfully better outcomes for its ratepayers without outside assistance. The Attorney General, through his recommendations here, cannot diagnose or fix all that is wrong with Kentucky Power. Similarly, the Commission, through its Order, will have difficulty meeting that task. Therefore, the Commission should, as it has with other utilities in the past,[30] require Kentucky Power to submit to a thorough management audit of its operations and decision-making.

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[29] Case No. 2025-00365, *Electronic Application of Kentucky Power Company for (1) Approval of Continuation of its Demand-Side Management Programs; (2) Authority to Recover Costs and Net Lost Revenues, and to receive incentives associated with implementation of its Demand-Side Management Programs; (3) Acceptance of its Annual DSM Status Report; and All Other Required Approval and Relief*

[30] East Kentucky Power Cooperative, https://psc.ky.gov/agencies/psc/press/042010/0422_r01.pdf; Big Rivers Electric Corporation, https://psc.ky.gov/agencies/psc/press/102015%5C1006_r01.pdf; Grayson Rural Electric Cooperative, https://www.kentuckytoday.com/downloads/ky-energy-co-op-accused-of-gross-mismanagement-by-psc/article_da87ac2c-8bc4-517e-8ff0-79ea9a33688c.html.

Further, the lack of clarity expressed at hearing regarding the ultimate decision-making authority for Kentucky Power is an area of concern. Kentucky Power has an obligation to plan on a least cost basis.[31] It is conceivable that the interests of the parent in profit maximization could create a natural tension with Kentucky Power executives' ability to plan a least-cost system for ratepayers. While Kentucky Power is not the only utility in the Commonwealth owned by a parent, the level of influence exerted by AEP management and staff merits consideration within the audit.

At a minimum, topics the audit should address should include:

1. How Kentucky Power's poor resource planning has contributed to its current level of rates;
2. How Kentucky Power's historic underinvestment in its distribution system has contributed to its current level of rates;
3. How Kentucky Power's transmission obligations from which it subsidizes other AEP ratepayers impacts its current level of rates;
4. What can be done to reduce these rates for Kentucky Power ratepayers in the short-term and in the long-term; and
5. Who makes decisions for Kentucky Power and whether those decisions are unreasonably influenced by its corporate parent whose profit motivation may be at odds with the interests of Kentucky Power's ratepayers.

[31] 807 KAR 5:058.

This recommendation is not made lightly, but something must change. The status quo is not an acceptable outcome for Kentucky Power's ratepayers.

Conclusion

The Attorney General's Office, through its legal arguments here, cannot solve the high electrical rates in Eastern Kentucky. But one thing is for certain. Further rate increases for Eastern Kentuckians who are already stretched thin are unacceptable. There is little evidence in the record that Kentucky Power has achieved, or even pursued, all available efficiencies and cost-cutting measures. In fact, at least some of the high costs experienced by ratepayers are likely the result of Kentucky Power's poor decision-making.

Nonetheless, Kentucky Power is a profitable business – one that is a small part of an extremely profitable business. Its application is simply a complaint that it cannot extract more profit from Eastern Kentucky ratepayers. If AEP believes the territory is not sufficient for it to achieve its profit goal, then perhaps it is time to let someone else provide the people of Eastern Kentucky with electric service.

The Commission should take all reasonable actions to reduce Kentucky Power's revenue requirement in the short term and require an audit to be conducted to identify long-term solutions. Further, the Attorney General agrees with the suggestion of members of the General Assembly that legislative fixes can assist in addressing the affordability of electric service for these ratepayers.[32] There is simply nothing fair, just,

[32] See Comments of Sen. Brandon Smith at Hazard Public Comment Meeting, https://www.youtube.com/watch?v=RsRc2gOWHEI&t=5s at 2:22.

and reasonable about continual rate increases that are not sustainable for the ratepayers. Therefore, the Attorney General requests that that rate increase proposed by Kentucky Power be denied.

Respectfully submitted,

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Certificate of Service and Filing

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on February 3, 2026, a copy of the forgoing was served on the individuals on the e-service list.

this 3rd day of February, 2026.

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Assistant Attorney General