

RECEIVED

SEP 23 2013

COMMONWEALTH OF KENTUCKY PUBLIC SERVICE
BEFORE THE PUBLIC SERVICE COMMISSION COMMISSION

IN THE MATTER OF:

THE APPLICATION OF KENTUCKY
POWER FOR:

ORIGINAL

(1) THE APPROVAL OF THE TERMS AND)
CONDITIONS OF THE RENEWABLE ENERGY)
PURCHASE AGREEMENT FOR BIOMASS)
ENERGY RESOURCES BETWEEN THE)
COMPANY AND ECOPOWER GENERATION-)
HAZARD, LLC; (2) AUTHORIZATION TO) CASE NO. 2013-00144
ENTER INTO THE AGREEMENT; (3) THE)
GRANT OF CERTAIN DECLARATORY)
RELIEF; AND (4) THE GRANT OF ALL)
OTHER REQUIRED APPROVALS AND)
RELIEF.)

VOLUME I

Transcript of August 28, 2013, hearing
before David L. Armstrong, Chairman, James W. Gardner,
Vice-Chairman, and Linda Breathitt, Commissioner, at
the Kentucky Public Service Commission, 211 Sower
Boulevard, Frankfort, Kentucky 40602-0615.

LAURA J. KOGUT, RMR, CRR, KY CCR
lkogut@mclendon-kogut.com
REBECCA M. BOYD, RPR, CRR, KY CCR
bboyd@mclendon-kogut.com
McLendon-Kogut Reporting Service, LLC
310 West Liberty Street, Suite 200
Louisville, Kentucky 40202-3014
(502) 585-5634
www.mclendon-kogut.com

C O N T E N T S

	Page
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
Appearances	3
Preliminary Matters	5
Testimony of GREGORY G. PAULEY	
Direct Examination by Mr. Gish	10
Cross-Examination by Mr. Kurtz	12
Cross-Examination by Ms. Hans	33
Cross-Examination by Mr. Nguyen	41
Examination by Chairman Armstrong	56
Examination by Vice-Chair Gardner	58
Examination by Commissioner Breathitt	63
Redirect Examination by Mr. Gish	65
Testimony of RANIE WOHNHAS	
Direct Examination by Mr. Gish	70
Cross-Examination by Mr. Kurtz	73
Cross-Examination by Ms. Hans	76
Cross-Examination by Mr. Nguyen	81
Examination by Vice-Chair Gardner	91
Examination by Commissioner Breathitt	108
Examination by Chairman Armstrong	111
Redirect Examination by Mr. Gish	112
Recross-Examination by Ms. Hans	113
Testimony of JAY GODFREY	
Direct Examination by Mr. Garcia	115
Cross-Examination by Mr. Kurtz	119
Cross-Examination by Mr. Nguyen	132
Examination by Commissioner Gardner	151
Examination by Commissioner Breathitt	168
Recross-Examination by Mr. Nguyen	176
Bench Conference	180
Notary Certificate	182
<u>Exhibits</u>	
KIUC Exhibit 1	131
KIUC Exhibit 2	131
KIUC Exhibit 3	131
KIUC Exhibit 4	131
KIUC Exhibit 5	131
KIUC Exhibit 6	131
KIUC Exhibit 7	131
KIUC Exhibit 8	131
AG Exhibit 1	131

APPEARANCES

1
2
3 FOR KENTUCKY POWER COMPANY:

4 Mr. Mark R. Overstreet
5 moverstreet@stites.com
6 Stites & Harbison PLLC
7 421 West Main Street
8 P.O. Box 634
9 Frankfort, Kentucky 40602-0634
10 (502) 223-3477

11 and

12 Mr. Kenneth J. Gish, Jr.
13 kgish@stites.com
14 Stites & Harbison PLLC
15 250 West Main Street
16 Suite 2300
17 Lexington, Kentucky 40507-1758
18 (859) 226-2300

19 and

20 Mr. Hector Garcia
21 hgarcial@aep.com
22 American Electric Power
23 1 Riverside Plaza
24 29th Floor
25 Columbus, Ohio 43215
(614) 716-3410

FOR KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.:

18 Mr. Michael L. Kurtz
19 mkurtz@bkllawfirm.com
20 Mr. Kurt J. Boehm
21 kboehm@bkllawfirm.com
22 Boehm, Kurtz & Lowry
23 1510 URS Center
24 36 East Seventh Street
25 Cincinnati, Ohio 45202
(513) 421-2255

APPEARANCES
(Continued)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

FOR KENTUCKY ATTORNEY GENERAL:
Ms. Jennifer Black Hans
jennifer.hans@ag.ky.gov
Mr. Gregory Dutton
gregory.dutton@ag.ky.gov
Commonwealth of Kentucky
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
(502) 696-5453

FOR KENTUCKY PUBLIC SERVICE COMMISSION:
Mr. Quang D. Nguyen
QuangD.Nguyen@ky.gov
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602
(502) 564-39404

* * *

1 (Hearing commenced at 10:03 a.m.)

2 CHAIRMAN ARMSTRONG: We are on the
3 record.

4 Good morning.

5 COUNSEL: Good morning.

6 CHAIRMAN ARMSTRONG: I'm Dave Armstrong.
7 I'm the Chair. And with me is Jim Gardner,
8 Vice-Chair. And also with me is Linda Breathitt.
9 She's our Commissioner.

10 And we're here on Case Number
11 2013-00144, In The Application Of The Kentucky Power
12 Company For The Approval Of Terms And Conditions Of
13 The Renewable Energy Purchase Agreement For Biomass
14 Energy Resources Between The Company And The ecoPower
15 Generation-Hazard, LLC. Also the authorization to
16 enter into this agreement is before us, and the grant
17 of certain declaratory relief and as well as the grant
18 of other required approvals and relief.

19 For the Applicant.

20 MR. GISH: Yes, sir. Mr. Chairman, Ken
21 Gish from Stites & Harbison, PLLC, 250 West Main
22 Street, Suite 2300, Lexington, Kentucky 40507.

23 With me are Mr. Overstreet, who you
24 know, and Mr. Garcia, who is with AEP. Mr. Garcia has
25 a pending motion for admittance pro hac vice before

1 the Commission.

2 CHAIRMAN ARMSTRONG: Okay. General.

3 MS. HANS: Office of the Attorney
4 General representing the ratepayers. Jennifer Black
5 Hans, Assistant Attorney General. With me today is
6 Gregory Dutton, who is new to our office. Mr. Dutton
7 has been here a month but is -- just short of a month,
8 but is joining our office today and is assisting
9 with -- assisting us with this case.

10 I did want to note for the record,
11 however, Your Honor, that because Mr. Dutton just had
12 the opportunity to review this case very briefly over
13 the past few days, he has not signed on to the
14 confidentiality agreement that we have with the
15 parties, so he has not been a party to any
16 confidential proceedings in this matter and he'll step
17 out if we go into confidential record for any
18 purposes.

19 CHAIRMAN ARMSTRONG: Thank you.

20 MS. HANS: Thank you.

21 CHAIRMAN ARMSTRONG: On behalf of the
22 Commission, welcome.

23 MR. DUTTON: Thank you.

24 CHAIRMAN ARMSTRONG: You have a
25 concerned look on your face, and -- but it's a

1 friendly arena here, so welcome, and we'll see you in
2 the future.

3 Mr. Kurtz.

4 MR. KURTZ: Good morning, Mr. Chairman.
5 For KIUC, Mike Kurtz and Kurt Boehm.

6 Your Honor, the members of KIUC
7 participating in this case, the consumers of Kentucky
8 Power: Marathon Petroleum, AK Steel, Air Products, Air
9 Liquide and EQT Gas.

10 CHAIRMAN ARMSTRONG: Very well.

11 Mr. Nguyen.

12 MR. NGUYEN: Yes. Your Honor, Quang
13 Nguyen on behalf of Commission and Commission Staff.

14 CHAIRMAN ARMSTRONG: Mr. Nguyen, has
15 public notice been received?

16 MR. NGUYEN: It has, Your Honor.

17 CHAIRMAN ARMSTRONG: And I think there
18 is one motion pending.

19 MR. NGUYEN: Your Honor, there are
20 several motions that have recently been addressed by
21 Commission order that was issued yesterday afternoon,
22 and I believe the parties, counsel for the parties
23 have received those orders.

24 One was Kentucky Power's petition for
25 confidential treatment of the proposed renewable

1 energy purchase agreement with ecoPower.

2 The other is the Attorney General's
3 motion to hold the matter in abeyance.

4 And the third motion was Kentucky
5 Power's request to have a Commission-authorized or
6 approved court reporter present here.

7 There are other motions that are
8 outstanding, but those will be addressed by subsequent
9 orders. That doesn't have impact on the hearing
10 today.

11 CHAIRMAN ARMSTRONG: Do you wish to hear
12 any of these motions now?

13 MR. NGUYEN: With respect to the motion
14 for the Kentucky Power's request for confidential
15 treatment of the renewable energy purchase agreement,
16 Your Honor, the Commission issued the order yesterday
17 afternoon denying that request.

18 However, procedurally, Kentucky Power
19 has 20 days in which it could potentially file,
20 exercise its appellate rights on that, so as a
21 procedural matter, the hearing should proceed as if
22 the information is still to be considered
23 confidential. So we will be required to go into
24 confidential session if any questions touch upon that
25 particular information within the contract itself.

1 CHAIRMAN ARMSTRONG: Mr. Gish.

2 MR. GISH: Yes. Mr. Chairman, the
3 Kentucky Power is still evaluating whether or not it
4 is going to appeal, so -- the order regarding
5 confidentiality.

6 And we have not received any objection
7 yet to, and I wonder if anyone objects to admitting
8 Mr. Garcia pro hac vice to this matter.

9 MS. HANS: No objection, Your Honor.

10 MR. NGUYEN: No, no objections to that,
11 Your Honor.

12 MR. GISH: Thank you.

13 CHAIRMAN ARMSTRONG: Welcome.

14 MR. GARCIA: I appreciate it.

15 CHAIRMAN ARMSTRONG: We have a
16 microphone situated behind the counsel table for
17 members of the public who wish to be heard at this
18 time.

19 It is 10:10. This has been -- this
20 hearing has been advertised at 10:00 a.m., so the
21 public should know this is the start time, so I'll
22 wait just a minute or two.

23 MR. OVERSTREET: Certainly.

24 CHAIRMAN ARMSTRONG: And at some time,
25 if they come in late, I have allowed them to interrupt

1 the hearing and hear from them. So this is a public
2 forum and we want to make sure the public is heard.

3 MR. OVERSTREET: We'll be guided by the
4 Commission's directions, Your Honor.

5 CHAIRMAN ARMSTRONG: All right. It is
6 10:11.

7 Mr. Gish, your witness.

8 MR. GISH: Thank you, Mr. Chairman.

9 Kentucky Power calls its first witness,
10 Mr. Greg Pauley.

11

12 * * *

13

14 GREGORY G. PAULEY, called by Kentucky
15 Power Company, having been first duly sworn, testified
16 as follows:

17

18

DIRECT EXAMINATION

19

20 By Mr. Gish:

21

22 CHAIRMAN ARMSTRONG: Have a seat. Speak
23 up loud and clear. What do you do, Mr. Pauley?

24

25

THE WITNESS: I'm president and COO of
Kentucky Power Company.

1 CHAIRMAN ARMSTRONG: And have you been
2 that long?

3 THE WITNESS: Three years.

4 CHAIRMAN ARMSTRONG: And why are you
5 here?

6 THE WITNESS: I'm here to testify with
7 regard to the application between us and ecoPower with
8 regard to a REPA.

9 CHAIRMAN ARMSTRONG: Your witness.

10 MR. GISH: Thank you, Mr. Chairman.

11 Q Mr. Pauley, did you cause to have filed
12 in this case direct and rebuttal testimony?

13 A I did.

14 Q And did you cause to have filed in this
15 case answers to data requests?

16 A I did.

17 Q And do you have any corrections or
18 updates to your testimony or data requests?

19 A No, I do not.

20 Q And if I were to ask you the same
21 questions today that are in your direct and rebuttal
22 testimony, would you give the same answers?

23 A Yes, sir.

24 MR. GISH: Mr. Chairman, I tender
25 Mr. Pauley for cross-examination.

1 MS. HANS: Your Honor, in an effort
2 to -- just of judicial economy, in an effort not to be
3 duplicative, the Attorney General would like to defer
4 to KIUC to start the questions, and we can go -- we
5 can continue in that order.

6 CHAIRMAN ARMSTRONG: Very well.

7 MS. HANS: Thank you, Your Honor.

8 CHAIRMAN ARMSTRONG: Mr. Kurtz.

9 MR. KURTZ: Thank you, Your Honor.

10
11 * * *

12
13 CROSS-EXAMINATION

14
15 By Mr. Kurtz:

16
17 Q Good morning, Mr. Pauley.

18 A Good morning.

19 Q Will you turn to page 4 of your
20 testimony, please, your direct testimony? Are you
21 there, Mr. Pauley?

22 A I am there.

23 Q Okay. On lines 9 through 12 you're
24 asked the question of who made the decisions on behalf
25 of Kentucky Power to enter into the ecoPower

1 agreement, and it's correct that, in collaboration
2 with AEP management, it was your decision?

3 A That is correct.

4 Q Okay. I'd like to ask you just some
5 background questions about the pricing under the
6 contract.

7 MR. KURTZ: Unfortunately, despite the
8 Commission's ruling yesterday, there's this 20-day
9 period, so I sort of immediately go into some
10 information which is confidential.

11 CHAIRMAN ARMSTRONG: Yes.

12 MR. KURTZ: Okay.

13 MS. HARWARD: Can I ask you to hold on?

14 CHAIRMAN ARMSTRONG: Yes.

15 MS. HARWARD: I'm going to have to --
16 there's something wrong with my --

17 CHAIRMAN ARMSTRONG: I noticed it
18 beeping here.

19 If you haven't signed the
20 confidentiality agreement, you must leave now.

21 (Confidential testimony of Gregory G.
22 Pauley heard from 10:13 a.m. to 10:18 a.m.)

23 MR. KURTZ: Should somebody go --

24 THE COURT: Stephanie, can you invite
25 the -- yeah.

1 Q Mr. Pauley, I am going to show you some
2 data responses that you filed?

3 MR. KURTZ: And ask that these -- these
4 are in the record, of course, but just for ease of
5 reference, if we could have it marked as KIUC Number
6 2.

7 Q Mr. Pauley, in this question you are
8 asked by Staff to provide any economic studies or
9 analysis that have been performed in connection with
10 the ecoPower biomass generating facility by Kentucky
11 Power, et cetera.

12 And your answer is that no economic
13 studies were performed?

14 A That is correct.

15 Q Did you -- you obviously felt that was
16 reasonable, but given the magnitude of the dollar
17 expenditure, do you think that that's -- do you
18 continue to believe that was a reasonable business
19 practice?

20 A I think it was reasonable with regard to
21 this particular issue and the introduction of
22 renewables into Kentucky Power, the diversification of
23 its portfolio.

24 It was also consistent with the
25 Governor's energy plan and a number of things there

1 that we felt we needed to be addressing as we looked
2 at it.

3 Q Okay. The next -- if you turn to page 2
4 of this exhibit, you're asked by KIUC, "Did Kentucky
5 Power perform any studies in order to identify the
6 least-cost means of providing energy and capacity to
7 Kentucky Power?"

8 And your answer was no studies were
9 performed?

10 A That is correct.

11 Q Okay. The next page you're asked by
12 KIUC, did you conduct a RFP to determine the
13 least-cost renewable capacity and energy. In other
14 words, this is -- was there something lower cost
15 that's renewable, lower than ecoPower.

16 And the answer was you did not do any
17 studies on that either?

18 A We did not do an RFP. They approached
19 us and we took the opportunity to engage in
20 conversation and then tried to see if this might be a
21 workable deal.

22 Q Okay. On the next, page 4 of 6, you're
23 asked to provide all studies and analysis
24 demonstrating Kentucky Power's need for the energy and
25 capacity supplied in the renewable energy purchase

1 agreement.

2 And the answer was you did no such
3 studies?

4 A That is correct.

5 Q So in order words, you entered into the
6 contract not even knowing if you needed the power?

7 A Well, I wouldn't say that we entered
8 into the contract without knowing if we needed the
9 power. I think we entered into the contract
10 recognizing that as Kentucky Power looked out into the
11 future, we recognized, number one, at the end of this
12 year we are on our own with regard to our capacity,
13 with regard to the pool agreement expiration.

14 Looking at it from the standpoint of the
15 economic benefits, the job benefits, the Governor's
16 energy plan and all that, we also recognized this
17 might be a cushion with regard to, as I operate
18 Kentucky Power Company, that this provides me some
19 additional capacity. I mean, if you look at where we
20 are with regard to the PJM and the reserve margin,
21 we're -- we've got approximately a three percent
22 cushion, and this additional 58.5 megawatts gives us
23 maybe six, six percent cushion, and that's not very
24 much when you think about if there's growth and
25 development in Eastern Kentucky from an economic

1 development perspective, I have that cushion to make
2 sure I'm there for the customers.

3 Q Will you turn to page 5 of 6 of this
4 document, of this KIUC Exhibit 2? You're asked by
5 Staff about the need for the ecoPower transaction.
6 Will you read your answer to b., what's highlighted
7 there?

8 A Let me look at the question first, if
9 you would, please. That's question b., right?

10 Q Yes.

11 MR. GISH: Mr. Chairman, this data
12 request was responded to by Mr. Wohnhas. He's the
13 witness that provided this information, just to
14 clarify for the record.

15 Q Oh. Well, let me ask you if you agree
16 with Mr. Wohnhas's assertion here that assuming the
17 Mitchell transfer is approved, and further assuming
18 Big Sandy Unit 1 were to be retired and replaced with
19 an alternative, more cost-effective supply source of
20 roughly equivalent capacity and energy, the REPA
21 capacity and energy would not be required.

22 Do you agree with Mr. Wohnhas?

23 A Well, I would agree with that.

24 Q So if the Commission approves, for
25 example, the stipulation that was presented in the

1 Mitchell case, that the ecoPower energy and capacity
2 would not be needed?

3 A I would agree with that as we look at us
4 today. As I answered previously, looking out at the
5 future and providing some cushion for growth for
6 Eastern Kentucky, that's why we continued with the
7 negotiations and ultimate agreement.

8 VICE-CHAIR GARDNER: Mr. Kurtz,
9 wouldn't -- the stipulation doesn't have us approving
10 the alternative supply for Big Sandy 1, does it?

11 MR. KURTZ: It's correct. It says that
12 they will make an application for a certificate to
13 convert Big Sandy 1, approximately \$60 million.

14 VICE-CHAIR GARDNER: Okay. I just
15 wanted to make sure that that --

16 MR. KURTZ: You're right.

17 VICE-CHAIR GARDNER: Okay.

18 MR. KURTZ: Yeah.

19 Q Mr. Pauley, your testimony, again, your
20 prefiled direct, on page 6, line 8 -- line 18, you're
21 asked a question, (Reading) Is the ecoPower REPA the
22 least-cost alternative to supply this capacity and
23 energy.

24 And you answered no; is that correct?

25 A That is correct.

1 Q In fact, you're aware of Mr. Wohnhas's
2 calculation that the first-year rate increase
3 associated with this contract would be about seven
4 percent on your consumers?

5 A Yes, sir.

6 Q Now -- and he did that by saying what's
7 the full purchase price, and he's got that Exhibit 1,
8 the full purchase price is about \$50 million in year
9 one, but there's some offsetting benefits, and it
10 comes down to about \$35 million is the net impact to
11 consumers?

12 A Subject to check. I'd have to -- it's a
13 matter of record.

14 Q Did you do any type of analysis to see
15 what that seven percent extra rate increase, that
16 unnecessary rate increase would do to your consumers?

17 A Well, I guess I'm confused about your
18 characterization of "unnecessary." The opportunity to
19 diversify my portfolio with regard to the Mitchell
20 asset transfer, the hopeful -- if approved by this
21 Commission, the gas conversion to Unit 1 and then what
22 we have with ecoPower would enable me, I think, from
23 the standpoint of building a generation portfolio,
24 looking out and protecting not only the Company but
25 also protecting our customers, because we really don't

1 know where EPA is going on issues, and I thought this
2 was a great opportunity to look, investigate, and
3 engage in a renewable.

4 We all understand renewable is more
5 expensive, and I don't think there's anybody in this
6 room that doesn't reflect upon the fact that renewable
7 is more expensive, but the opportunity to grab hold of
8 that and move my portfolio in that direction I thought
9 was too good to pass up.

10 Q Did you read Mr. Taylor's testimony,
11 KIUC witness Taylor?

12 A I've read that testimony.

13 Q Do you read that he's familiar with
14 renewable solicitations, RFPs, where the results were
15 that the actual -- the green power was a lower cost
16 than the conventional brown power, resulting in
17 essentially negative REC costs?

18 A I would tell you that I read through
19 that but did not do a whole lot, but if you are
20 talking about RFPs and all that, let's remember that
21 one of the things that we did with regard to the Unit
22 1 conversion was put out an RFP, and in that RFP
23 renewables were solicited. We received absolutely
24 zero responses with regard to renewable energy.

25 So from that perspective, there was --

1 an opportunity was presented in that to look at and
2 analyze there's nothing out there, and this was --
3 this is a case where I get renewables inside my
4 service territory, make an investment inside my
5 territory, and in order to diversify my portfolio.

6 Q That seven percent rate increase that
7 Mr. Wohnhas calculated, do you recall that that did
8 not include the extra equity that Kentucky Power would
9 be required to carry on its balance sheet because the
10 rating agencies would view this 20-year, long-term
11 agreement as a debt equivalent?

12 A I'm not sure I understand your question.

13 Q In other words, the seven percent of
14 Mr. Wohnhas did not include the extra cost of carrying
15 more equity to offset the debt component, the fact
16 that this would be treated as a debt component by S&P
17 and Moody's and Fitch?

18 A Let me try to answer that question this
19 way: We, in the negotiations with ecoPower, did all
20 that we could to mitigate the risk associated with our
21 customers and our company. And, in essence, we think
22 we have protected our customers and the Company with
23 regard to any risk associated with this and any future
24 issues involved with that, and that was my goal.

25 Q Do you recall that Mr. Kollen did

1 include the debt equivalent in his analysis and came
2 up with a 7.84 percent rate increase rather than the
3 7.02 percent calculated by Mr. Wohnhas?

4 A I would have to do that subject to
5 check.

6 Q Let me, Mr. Pauley, hand you a document.
7 MR. KURTZ: If we could have it marked
8 as KIUC 3.

9 CHAIRMAN ARMSTRONG: We're going to move
10 the exhibits?

11 MR. KURTZ: Yes.

12 CHAIRMAN ARMSTRONG: Okay.

13 COMMISSIONER BREATHITT: Mr. Kurtz,
14 while you're handing that out, can I clarify something
15 with Mr. Pauley?

16 MR. KURTZ: Yes, ma'am.

17 COMMISSIONER BREATHITT: Mr. Pauley,
18 when you were answering Mr. Kurtz's question about
19 other renewable sources of supply and you said there's
20 nothing out there --

21 THE WITNESS: There were --

22 COMMISSIONER BREATHITT: -- this was an
23 in-state. Can you summarize that part of your Q and A
24 with Mr. Kurtz for me again?

25 THE WITNESS: I would be happy to. And

1 if I confused you, again, it's not intentional, but --

2 COMMISSIONER BREATHITT: I was writing
3 and didn't -- wasn't listening as well as I should
4 have.

5 THE WITNESS: I've been guilty of that
6 myself, ma'am, so -- we did an RFP with regard to the
7 conversion of Unit 1, and inside that RFP was a
8 request for and could be included renewable energy
9 being submitted to address that RFP. In that process,
10 we received absolutely nothing regarding renewables.

11 COMMISSIONER BREATHITT: Thank you,
12 Mr. Kurtz --

13 MR. KURTZ: Thank you.

14 COMMISSIONER BREATHITT: -- for letting
15 me interrupt.

16 MR. KURTZ: No.

17 Q Mr. Pauley, will you turn to page 2 of
18 this document that I handed out to you. Do you
19 recognize this as a page from Kentucky Power's 2012
20 most recent FERC Form 1?

21 A Subject to check, I think, yes.

22 Q Okay. This shows that Kentucky Power
23 has 140,824 residential customers, approximately?

24 A Approximately.

25 Q And that the customers use

1 15,605 kilowatt hours per year on average?

2 A Yes.

3 Q And that the average price that they pay
4 is 9.13 cents per kilowatt hour?

5 A According to this report, yes.

6 Q Okay. If you turn back to page 1, just
7 simple multiplication, kilowatt hours times the price.
8 So your residential customers pay, on average, about
9 \$1,425 per year?

10 A Subject to check.

11 Q Okay. Page 4 of this is Mr. Wohnhas's
12 Exhibit 1 that we were referring to. Do you see that
13 line 1, as I understand it, that's the amount of money
14 that Kentucky Power will pay ecoPower in the first
15 year under the contract?

16 A Yes.

17 Q But then you save or avoid fuel costs of
18 12.78 million, and you save or avoid capacity costs of
19 2.7 million, so that the incremental revenue
20 requirement is \$35,000,151? \$35,151,000?

21 A Okay.

22 Q Is that correct?

23 A That's what this report indicates, yes.

24 Q So that's a 7.02 percent increase,
25 incremental revenue requirement?

1 A Yes.

2 Q Okay. Now, back to page 1. If the
3 average residential customer pays \$1,425 per year and
4 they get an incremental revenue requirement of
5 7.02 percent, that's a \$100 increase to your
6 residential customers per year; is that correct?

7 A That's what this is indicating.

8 Q Is there any reason for -- that the math
9 is incorrect?

10 A I don't know that it is. I guess I
11 would encourage you, given the fact that this is
12 Mr. Wohnhas's testimony and all of that, that those
13 questions be directed to him, because I certainly
14 don't want to misrepresent anything that he has
15 submitted in this.

16 Q That's fine. Assuming that it is a
17 hundred-dollar-per-year increase on your 140,000
18 residential customers, is that something that needs to
19 be considered when the Commission is weighing the
20 merits of this transaction?

21 A I think that's the purpose of the role
22 of the Commission with regard to this. We recognize
23 the fact that -- and I'm sorry to be redundant with
24 regard to this, but renewable energy is more
25 expensive, and a lot of things have to be considered

1 with regard to this project, and a number of those, as
2 I've already indicated, with the fact that this is
3 within our service territory, it provides jobs, it
4 provides economic development opportunities, it has
5 received a lot of support, and I think -- looking at
6 the big picture, I think it's a good opportunity for
7 my company diversification and for Eastern Kentucky.

8 Now, the Commission has to make that
9 decision, and I'm certain the seven percent is part of
10 the data that they will be looking at to make that.

11 Q In the letters of support, which I have
12 read, in the record, I never saw that any of the
13 elected officials were told about the rate increase on
14 the customer base as a result of this. I saw
15 correspondence saying we support the jobs and so
16 forth, but I didn't -- I never saw where the elected
17 officials were informed about a hundred-dollar-per-
18 year rate increase on 140,000 customers for 20 years.

19 MR. GISH: Mr. Chairman, if Mr. Kurtz
20 could ask Mr. Pauley to testify about specific
21 documents, specific letters, I'd ask that he provide
22 them to him.

23 MR. KURTZ: I'll -- that's fine.
24 I'll --

25 CHAIRMAN ARMSTRONG: Is he aware of

1 them?

2 THE WITNESS: I'm aware of them.

3 MR. GISH: I believe he's aware of them,
4 but the specifics of them he would need to have them
5 in front of him, please.

6 Q You've testified -- or it's true, isn't
7 it, that your service territory is a relatively
8 low-income, relatively impoverished area, or higher
9 degree of poverty than most parts of Kentucky?

10 A Yes, I have, and I think the actual word
11 I think the Appalachian Regional Commission uses in
12 identifying that is economically distressed. And I
13 think that's another reason this was of interest to
14 us, because it created jobs, it created investment in
15 Eastern Kentucky, and that's all part of the economic
16 development aspect.

17 Q Of your 140,000 residential customers,
18 how many are impoverished, do you think?

19 A I would not be able to guess at that at
20 all.

21 Q Would \$100 a year be a significant
22 amount of money to those people?

23 A I can't answer that.

24 Q The -- this is just simple math.
25 Assuming that -- let me just ask you, you don't have

1 to agree to it, but -- or maybe just agree to the
2 math. On page 6 of 6, Mr. Kollen put in the debt, the
3 debt -- or, excuse me, the equity addition because
4 this would be treated as debt, and he came up with
5 7.84 percent.

6 Assuming 7.84 percent is the real rate
7 impact, would you agree that mathematically the
8 increase to consumers would be \$111 per year, not 100?

9 A Well, based upon what you've shown me
10 and based upon page 1, it would certainly indicate
11 that. But, again, I'm not hiding. I'm trying to be
12 transparent from the standpoint renewables are at a
13 higher cost. I'll let Mr. Wohnhas, if you'd like, be
14 more detailed with you on that, because --

15 Q Okay.

16 A -- this is a reflection on his
17 testimony.

18 Q Will you turn to page 7 of your direct
19 testimony? I want to ask you about the job aspect of
20 this.

21 A I'm there.

22 Q On line 14 you say, (Reading) According
23 to ecoPower, the facility is expected to generate
24 approximately 230 construction jobs over the two-year
25 construction period, 30 full-time jobs at the power

1 plant, and approximately 225 timber and trucking-
2 related jobs.

3 Did you verify those numbers that
4 ecoPower provided you?

5 A I did not do a study to verify those
6 numbers. Our relationship with them with regard to
7 this was the fact that it was a new opportunity,
8 economic development opportunity. Obviously there
9 were going to be jobs associated with it, and we
10 focused on costs and the protection of our company in
11 terms of diversifying a portfolio and jumping into the
12 renewables.

13 Q So how do you -- if the job aspect of it
14 is pretty important, why didn't you verify ecoPower's
15 job statements?

16 A Well, in my career with Kentucky Power
17 Company, as well as the other places I've worked
18 within the AEP system, I've been exposed a lot to
19 economic development, and with regard to economic
20 development projects and all that, there's a certain
21 amount of items that are given with regard, if you're
22 going to construct and build a new facility like
23 ecoPower is, there's going to be jobs associated with
24 that, the construction jobs as well as the full-time
25 jobs that exist at that location when that

1 construction aspect is completed. Obviously there's
2 going to be transportation jobs with regard to moving
3 the fuel from one site to the other.

4 So I wasn't questioning the exactness of
5 their numbers, but I recognize, from an economic
6 development perspective and jobs related to that, that
7 that could be a pretty good assessment of what they
8 were doing.

9 Q Now, Mr. Wohnhas calculated that the
10 incremental revenue requirement or the added increase
11 is \$35,151,000. That's his Exhibit 1. Are the jobs
12 that ecoPower is going to create more or less than
13 \$35 million?

14 A I have no idea what those jobs are going
15 to create. I do know, even from testimony from KIUC,
16 there's an economic development impact on the region
17 with regard to these.

18 Q Now, this 225 timber and trucking-
19 related, are those all incremental, brand-new jobs, or
20 are some of those jobs that are already there that --
21 in other words, some of these -- do you know if some
22 of these trucking jobs, for example, are double
23 counted or are not incremental? In other words -- let
24 me just back up. Pine Mountain Lumber is one of the
25 cosponsors of this transaction?

1 A I think that's correct, subject to
2 check.

3 Q And they have to dispose of their
4 sawdust and bark and wood chips already, don't they?

5 A I presume they do. I don't know.

6 Q Do you know if some of these 225
7 trucking jobs are, instead of driving south to deliver
8 that sawdust place A, they'll just drive north and
9 deliver it to the power plant so that there's not any
10 incremental job growth or not --

11 A I would have no answer with regard to
12 what's new and what's incremental. I can presume that
13 the 30 jobs at the facility when the completion is
14 new, but the truckers and all that, I can't answer
15 that.

16 Q Well, if they're not new and
17 incremental, then they are not really new jobs, by
18 definition?

19 A Well, not being able to answer, I can't
20 answer that question, so --

21 Q Well, if they're -- let me just say that
22 if they're not new, then there's no net benefit?

23 A Again, I can't answer that question.

24 Q Well, I mean, this is a contract -- just
25 on the public information, it's a billion-dollar

1 contract you're asking consumers to pay for. Jobs is
2 one of the big driving points, and yet you don't
3 really know much about the jobs.

4 A I think as I indicated earlier, my
5 experience with economic development reflects the fact
6 that any type of application like this with regard to
7 a new facility and what they are doing provides jobs,
8 provides opportunity, and provides income into that
9 particular area. Whether or not a truck driving job
10 that's listed here is new or -- I can't address that.

11 MR. KURTZ: I think -- Mr. Overstreet,
12 is this document confidential? I'd just as soon not
13 go into confidential session.

14 MR. GISH: Yeah, it is.

15 MR. OVERSTREET: Yeah, it is.

16 MR. KURTZ: It is?

17 MR. GISH: Yes.

18 MR. KURTZ: Okay. Your Honor, could we
19 go into confidential session?

20 CHAIRMAN ARMSTRONG: Anyone who has not
21 signed the confidentiality agreement should leave now.

22 (Confidential testimony of Gregory G.
23 Pauley heard from 10:43 a.m. to 10:59 a.m.)

24 CHAIRMAN ARMSTRONG: Okay.

25 * * *

CROSS-EXAMINATION

1
2
3 By Ms. Hans:

4
5 Q Mr. Pauley, good morning.

6 A Good morning.

7 Q If you have any trouble hearing me,
8 please let me know.

9 A And likewise.

10 Q And we -- very good, sir. If I could
11 have you turn to KIUC Exhibit 3, simply for speed,
12 page 4 of 6. And subject to check, I believe that
13 this, and correct me if I'm wrong, is Ranie Wohnhas's
14 Exhibit 1 that was filed subject to your -- with your
15 application?

16 A I'm sorry. I don't think I have that.

17 Q I'm sorry.

18 A Oh.

19 Q KIUC 3. And if it's speedier, I can --
20 we can reference the application, but --

21 A Why don't you show me the face of it so
22 I can --

23 Q It's --

24 MR. OVERSTREET: I'll do it.

25 MS. HANS: Okay. Thank you. No

1 problem.

2 A I did not number mine. I'm sorry.

3 Q Not a problem.

4 A This is the 6 -- this one.

5 MR. OVERSTREET: Yes.

6 A I'm with you.

7 Q Okay. Thank you, sir. And I understand
8 that some of the -- some of these questions, if you
9 need to refer to Mr. Wohnhas, I understand, but in
10 general, as you understand this document, this is the
11 total all-in revenue increase estimated by the Company
12 as a result of the REPA; is that correct?

13 A That is correct.

14 Q Okay. And the Company had had occasion
15 to supplement and amend its application, is that
16 correct, and file supplemental testimony information
17 in this case?

18 A Subject to check, I believe so.

19 Q Correct. And subject to that
20 supplemental, the Company issued and published notice
21 of this hearing today; is that correct?

22 A Yes.

23 MS. HANS: And, Counsel, that's a rather
24 long document, so I want to make sure I'm getting it
25 correct. Do you have a copy of the notice that you

1 could supply, the -- what was filed with the
2 Commission on -- I've only got a partial copy here.
3 Filed with the Commission on August the 16th regarding
4 the tariff BER?

5 MR. GISH: We do not have copy of that.

6 MS. HANS: You don't have a copy of
7 that? Okay. Well, I -- I can wait --

8 MR. OVERSTREET: We may have it. Wait
9 one minute.

10 MS. HANS: Sure. Great. No problem. I
11 want to make sure that he has the correct reference.

12 MR. OVERSTREET: Ms. Hans, are you just
13 going to ask him questions about the pages --

14 MS. HANS: I am just going to ask him
15 about the table of the notice. That's all --

16 MR OVERSTREET: Then we --

17 MS. HANS: -- that he would need in
18 front of him.

19 MR. OVERSTREET: Then we do have that.

20 MS. HANS: Uh-huh. Very good, sir.

21 THE WITNESS: Thank you, sir.

22 Q And just for our reference, I'm
23 referring to a table that follows your notice that
24 addresses the proposed rate impact, and this is, of
25 course, with respect to the tariff that will be

1 assigned in this case, the biomass tariff, which I
2 know that Mr. Wohnhas explained in his testimony and
3 may be addressed later, but I'm just going to
4 reference this table.

5 Do you have that in front of you,
6 Mr. Pauley?

7 A I believe I do.

8 Q And if you know, on that first line it
9 indicates, the very first line and column, customer
10 classification RS. Is that -- would that correctly be
11 the residential?

12 A Yes.

13 Q And in the second table below that is
14 the average monthly bill, and it also starts with the
15 classification of RS; is that correct?

16 A That is correct.

17 Q And following over one column and one
18 line, the average customer usage amount, this is -- is
19 it correct that the average customer usage used to
20 estimate this, subject to check, of course, was
21 1,374 kilowatts per month? Sorry. Kilowatt hours per
22 month?

23 A That's what it is showing, yes.

24 Q Very good. And could you move over,
25 then, to the average billing change?

1 A Yes.

2 Q And that indicates, subject to check,
3 \$10.40?

4 A Yes.

5 Q And the average percent change would be
6 8.69 percent on residential?

7 A Yes.

8 Q So it is the custom -- it is the
9 Company's estimate that the REPA's impact on
10 residential, specifically the residential, would be
11 8.69 percent or roughly \$124.80 per year?

12 A I think subject to check, but would
13 encourage you to talk to Mr. Wohnhas about this one.

14 Q I'll do so. Thank you.

15 Mr. Pauley, you've testified that you
16 were involved in the negotiations between your company
17 and ecoPower and that those predated the REPA that was
18 ultimately signed in 2013; is that correct?

19 A Yes.

20 Q Okay. Would the ecoPower project have
21 been eligible for federal incentives or subsidies
22 which are no longer available to the project now?

23 A I think during the negotiations of that,
24 I think there was some discussion -- discussions about
25 that that Mr. Godfrey could -- would be able to

1 address with you specifically the issues that they
2 were concerned about with regard to timing on their
3 project.

4 Q If you know, and I'm fine to refer this
5 to Mr. Godfrey, but if you know, is it your
6 understanding that at least some of those federal
7 incentives and subsidies expired before you were able
8 to engage in this final REPA --

9 A It's --

10 Q -- before the Company committed to the
11 final REPA?

12 A It is my understanding, subject to
13 check, that they did miss out on some of those.

14 Q Mr. Pauley, would you characterize the
15 ecoPower facility as shovel ready?

16 A Well, I think they have already done
17 some work there, and -- with regard to starting the
18 project, and if -- I'm not sure what you mean by
19 shovel ready. I mean, is it ready to flip the switch
20 and turn on? I don't think so. But that's what I
21 know has -- is there.

22 Q If I could have you reference, and I can
23 pass it out if --

24 MS. HANS: In fact, let me just go ahead
25 and do this, pass this out as AG -- if I can have

1 marked -- have this marked as AG Exhibit, Hearing
2 Exhibit 1.

3 Q After you've had an opportunity to
4 review this, Mr. Pauley, is this Kentucky Power's
5 response to a question that was posed during the
6 June 27th, 2013, informal conference?

7 A I believe that's how the document is
8 titled.

9 Q And does the Company -- the Company in
10 this document supplemented the record and advised the
11 Commission that the PJM System Impact Study for the
12 ecoPower project is due on September 30th, 2013; is
13 that correct?

14 A That is how the document represents
15 that, yes.

16 Q Based on your familiarity with the
17 process of bringing on new generation within PJM,
18 whether renewable or otherwise, if there's not been --
19 if this impact study is still pending, does that
20 change in any way your characterization of this
21 project as ready or shovel ready, however you would
22 want to characterize? Is that -- does that change
23 that dynamic at all?

24 A I don't think that would or we would not
25 have signed the REPA.

1 Q So where is, to your -- and within your
2 knowledge, where is the project within the PJM queue
3 for new generation?

4 A That I do not know. I cannot answer
5 that.

6 Q Based on your understanding of the REPA,
7 sir, and I'm sure you've reviewed it, is it not true
8 that a condition precedent for Kentucky Power Company
9 to fulfill the -- to fulfill the REPA would be the
10 Commission's approval of the Mitchell unit transfer in
11 Case Number 2012-00578?

12 A That is correct.

13 MS. HANS: Okay. No further questions
14 at this time. Thank you, Mr. Pauley.

15 THE WITNESS: You're welcome.

16 CHAIRMAN ARMSTRONG: Mr. Nguyen.

17 MR. NGUYEN: Yes. Thank you, Your
18 Honor.

19

20 * * *

21

22

23

24

25

CROSS-EXAMINATION

1
2
3 By Mr. Nguyen:
4

5 Q Good morning, Mr. Pauley.

6 A Good morning.

7 Q Can you please refer to Kentucky Power's
8 response to item number 23 of KIUC's first set of
9 information requests?

10 A One moment, please.

11 Q Sure.

12 MR. GISH: Mr. Nguyen, can you repeat
13 the number?

14 MR. NGUYEN: KIUC's first data request,
15 number 23.

16 MR. GISH: Thank you.

17 A It is in front of me.

18 Q Okay. In the response to this question
19 you state that Kentucky Power has no control over when
20 ecoPower will submit its facility or power into the
21 daily PJM market; is that correct?

22 A Okay. Let me read that because I'm not
23 sure I'm equating -- or -- okay. Now ask your
24 question again, please.

25 Q Okay.

1 A I'm sorry.

2 Q Yeah. Well, in response you stated that
3 Kentucky Power would have no control over when
4 ecoPower will submit the power generated from that
5 facility into the daily PJM market.

6 A That is correct.

7 Q Okay. So my question is: Will ecoPower
8 or ecoPower be bidding facility's power into the PJM
9 market or will Kentucky Power be doing that? Do you
10 know?

11 A We are just purchasing the power that
12 they generate and supply to us. I can't answer that
13 question about bidding into the PJM.

14 Q Okay. So do you know how the -- the
15 mechanics of how that would work, the logistics of --

16 A No, I do not.

17 Q Okay. Do you know who would --

18 A With regard to this REPA, no.

19 Q Okay. Would anyone else know?

20 A You might ask Mr. Wohnhas that.

21 Q Let me go to your rebuttal testimony,
22 page 2, starting at line number 19, and it flows
23 into --

24 A I believe I'm there.

25 Q Okay.

1 A You said page 2?

2 Q Yes, sir. Start at line -- at line 19.
3 The sentence says, (Reading) The economic development
4 benefits of the project, in the form of construction
5 jobs, operating jobs, timber and trucking industry
6 jobs, and increased local tax revenues will be located
7 in Kentucky.

8 Have these economic benefits been
9 quantified?

10 A What do you mean by "quantified"? Have
11 we done an analysis of them?

12 Q Well --

13 A I mean --

14 Q -- an analysis or has there been any
15 numbers associated with the forms of construction
16 jobs, the operating jobs, the timber and --

17 A I guess I'll attempt to answer that
18 question this way: From the standpoint of looking at
19 it from the questions that were directed to -- at me
20 through KIUC, we recognized that this was an
21 opportunity with regard to ecoPower to invest in
22 Eastern Kentucky, establish jobs, and the information
23 that they provided with regard to what those jobs paid
24 and the benefit that it would have, based on my
25 economic development experience and all that, was

1 pretty consistent with such facilities.

2 Q Okay. Turn now to page 4 and 5 of your
3 rebuttal testimony, particularly at the bottom of page
4 4 and the top of page 5. In response to Dr. Kuhn's
5 economic analyses of the ecoPower facility, you state
6 that, you know, when compared to the realistic PJM
7 market alternative and using Dr. Coomes's number, the
8 ecoPower facility will produce an estimated annual
9 increase in regional earnings of 6.4 million, an
10 estimated tax benefits of \$476,000.

11 Is that correct?

12 A That is correct.

13 Q Okay. What's your basis of support for
14 the increase in regional earnings and the estimated
15 tax benefits associated with the ecoPower facility
16 when compared to PJM market alternatives?

17 A I think these were statistics that were
18 given by Dr. Coomes. Maybe I'm not -- am I
19 pronouncing that correctly?

20 CHAIRMAN ARMSTRONG: Coomes.

21 THE WITNESS: Coomes. Okay. Thank you
22 very much.

23 A I think that's the basis for it.

24 Q So these numbers, the regional earnings,
25 the increase in regional earnings of 6.4 million and

1 estimated, are those annual numbers, do you know?

2 A Subject to check.

3 Q Okay. But the basis for your
4 response --

5 A His numbers.

6 Q -- is Dr. Coomes's numbers?

7 A Yes.

8 Q Okay. Was there anywhere in his
9 analyses, could you direct me to, that --

10 A No, I can't.

11 Q Could you provide it as a post-hearing
12 data request, or if we have it --

13 MR. GISH: Mr. Nguyen, it's on page 3 of
14 Mr. Coomes's testimony.

15 MR. NGUYEN: Okay. Okay. Thank you.

16 Q I don't know if you directly addressed
17 this or not, maybe you have, but did you confirm that
18 Kentucky Power did not perform any sort of economic
19 analyses with respect to the ecoPower facility?

20 A No formal economic analysis was
21 performed.

22 Q Okay. Why didn't Kentucky Power perform
23 any economic analysis?

24 A Well, this is a pretty unique
25 opportunity with regard to what was presented to us, I

1 think over -- at least from the standpoint of my
2 presidency when they approached me in 2010, and the
3 recognition of the opportunity to take some action
4 with regard to economic development jobs in an
5 economically distressed area.

6 And from my economic development
7 background, it seemed prudent to go ahead and pursue
8 this to see if it was a good thing. And it's the --
9 the opportunity to invest in Eastern Kentucky and
10 utilize this for the diversity of my portfolio I think
11 helped me -- helped me recognize we need to continue
12 talks on this and see what we can do.

13 And so from that perspective, from an
14 economic development perspective, I think as
15 mentioned, brought out there \$9 million, that's money
16 into Eastern Kentucky that was not there before, and
17 Eastern Kentucky needs jobs.

18 Q Okay. When you talk about investment in
19 Kentucky Power's service territory --

20 A Sure.

21 Q -- would it be fair to say that before
22 you make that investment, to conduct some sort of
23 analysis to determine what type of returns you would
24 have on that investment?

25 A Sure. I think all that's there, but you

1 have to weigh other matters with regard to that as
2 well. This was -- you know, there's not a whole lot
3 of renewable options out there for us to look at.
4 This was brought to us. We looked at jobs. We looked
5 at the benefit that it would have for the economy of
6 Eastern Kentucky. And you weigh a lot of things with
7 regard to making a decision on this, and the ultimate
8 was we decided this was worth pursuing and we thought
9 it was good for Eastern Kentucky.

10 The diversification of the portfolio is
11 very important to not only my utility but other
12 utilities, and even though there's not an RPS, there
13 has been action in the Kentucky state legislature
14 talking about renewables and all of that, and this
15 provided me an opportunity with regard to addressing
16 that. The investment is the fact that I'm purchasing
17 a product that's produced in Kentucky, in my service
18 territory, and I think that was part of the return, if
19 you will.

20 Q Did you quantify what that return would
21 be?

22 A Did not quantify.

23 Q In the absence of these economic
24 benefits associated with the ecoPower facility, would
25 Kentucky Power have filed or entered into the

1 contract?

2 A With the absence?

3 Q Without the associated economic
4 benefits --

5 A Sure.

6 Q -- attached to the facility, being
7 located inside Kentucky Power's service territory,
8 would --

9 A I think I -- I'm sorry.

10 Q Would Kentucky Power -- based upon the
11 contractual provisions that have been filed, would
12 Kentucky Power enter into the contract?

13 A I guess that's an if question and all of
14 that. I don't know that we would or we wouldn't, but
15 the whole picture of this particular project, looking
16 at it from the its project all by itself and the
17 benefits for all is what persuaded me to continue the
18 process and enter into the agreement.

19 Q Okay.

20 A Whether -- it was certainly significant
21 that it's in the backyard of our service territory,
22 certainly significant of jobs for Eastern Kentuckians,
23 and we knew -- we knew renewables were more expensive,
24 but it's part of the Governor's plan, it's an
25 opportunity for me to increase my little bit of

1 cushion that I have with regard to what hopefully will
2 be growth in Eastern Kentucky and to help people have
3 jobs that do not have them now.

4 Q But would it be fair to say that those
5 benefits come at a price, and the price is what
6 Kentucky Power's ratepayers will be bearing?

7 A They're -- I guess I'm going to be
8 careful how you categorize benefits come at a price.
9 I mean, any type of purchase power agreement that you
10 have is going to be at a price, but I think you have
11 to look at the whole picture from the economic
12 benefits that it brings to Eastern Kentucky.

13 Q Okay. When you mentioned that the Big
14 Sandy 1 RFP was issued, there were no responses from
15 any renewables?

16 A Not a one.

17 Q Was the RFP, I guess, submitted to
18 any -- directly to any renewable generators?

19 A I believe the implementation of RFPs
20 goes out on a broad basis and then people respond to
21 it. I don't know that you mail RFPs to specific
22 people and say respond. Anybody who had renewables
23 would have had an opportunity to respond to that.

24 Q Could Kentucky Power -- could have
25 issued an RFP specifically for renewable resources?

1 A On this particular case?

2 Q Well --

3 A I mean, is that what you're driving to?

4 Q I'm going back to the point where you're
5 trying to diversify the generation portfolio.

6 A Sure.

7 Q And to hedge against future
8 environmental --

9 A Uh-huh.

10 Q -- regulations, and you point to the
11 fact there were no renewable responses to the Big
12 Sandy 1 RFP. But could have Kentucky Power issued an
13 RFP specifically for renewable resources?

14 A I guess if we were specifically looking
15 for renewables, but understand how this project
16 started. They came to us and said, "We have this
17 opportunity, and we'd like to know if you would be
18 interested in it," and we engaged them in
19 conversation. No other renewables came to us with
20 regard to any projects in our service territory, in
21 Kentucky, that created jobs in an economically
22 distressed area, and so as a result of that, we
23 continued the dialogue.

24 And my reference to the other RFP with
25 regard to the Big Sandy Unit 1 conversion was

1 reflective that renewables were eligible to be
2 submitted into that RFP. No renewables were submitted
3 into that RFP, which I believe further supports the
4 fact that the reason we did not do it was because we
5 weren't -- we were engaged in this specific thing in
6 our territory, in our service territory in Kentucky,
7 and that's the direction we went.

8 Q But I guess my question is: Kentucky
9 Power could have issued an RFP specifically for
10 renewable resources if it wanted to?

11 A I guess if we were out there hunting for
12 renewables and all of that, I guess we could have.

13 Q Okay. You mentioned that the price for
14 renewable is higher than nonrenewable generation?

15 A I think I made the statements that
16 renewables are historically higher cost than
17 traditional coal.

18 Q Okay. Would some renewable resources be
19 higher than other renewable resources?

20 A Sure. I mean, there are difference in
21 cost in wind and solar and biomass.

22 Q Okay. With respect to this biomass
23 contract as compared to, I guess, any renewable
24 resources that an AEP affiliate currently has --

25 A Are you talking about the AEP system as

1 a whole?

2 Q Yes. How would that rank?

3 A I'm going to ask you to ask that
4 question of Mr. Godfrey. That's his job.

5 Q Okay.

6 A He does that for us.

7 Q Okay.

8 A So he would have great knowledge with
9 regard to that.

10 Q Okay. Getting back, I guess, to your
11 concern about diversifying your generation portfolio
12 and being presented with this unique opportunity, I
13 guess my question is: Outside of the economic
14 benefits associated with the ecoPower facility, does
15 the contract rate give you any pause by itself?

16 A I don't think so, because I knew going
17 in from the standpoint that I was going to be dealing
18 with a higher priced value in terms of what I'd be
19 getting. But, again, I also looked at it from the
20 standpoint, you know, this is part of the Governor's
21 plan with regard to encouragement of biomass
22 specifically. There was encouragement from the
23 standpoint that legislators had expressed, at least
24 through a filed legislation, the consideration of
25 renewables. There was the recognition of where the

1 Environmental Protection Agency is going with regard
2 to the impact it has on continuation of burning coal
3 at our facilities. The recognition that this was an
4 in-state, in-Commonwealth product that brought jobs
5 into the service territory in which I operated.

6 All of that played a big picture with
7 regard to the continuation of the negotiations and the
8 ultimate signing of the REPA, because I think from my
9 perspective of generation portfolio, this gives me
10 some protection with regard to what's happening with
11 my continued use of coal.

12 I was 100 percent coal, and it's very
13 difficult, as you well know, to continue to burn coal
14 with regard to all of the Environmental Protection
15 Agency issues that are being addressed at the federal
16 level and the impact on the state.

17 So this opportunity provided me to
18 diversify, and I think -- my opinion of it is, this
19 will be a good -- this will become an even better
20 decision for me later on down the road as the EPA
21 impacts are administered.

22 Q How long have you been employed with
23 AEP?

24 A Thirty-nine years.

25 Q And during those 39 years, is it unusual

1 for an AEP affiliate to enter into a contract for
2 purchase power agreements outside of an RFP process?

3 A I can't speak for the other affiliates
4 of AEP, but Mr. Godfrey can speak to the -- to that.
5 But, again, in this particular situation, dealing with
6 this issue, we did not do an RFP because we had -- we
7 felt the information we had with regard to our
8 relationship there -- I'm talking about the
9 negotiations and all that -- we did not even pursue an
10 RFP.

11 Q Did you not want to know what other
12 renewable resources would be commanding?

13 A I think there's a recognition from the
14 standpoint of recognizing renewables are more
15 expensive. We're not -- we're trying to be very
16 transparent with that. We understand that.

17 But, you know, here's an opportunity for
18 Kentucky to look at and move into the area of
19 renewables. And the Commission will make a decision
20 with regard to are we ready to move into renewables
21 and biomass.

22 Specifically it's -- it was a hundred
23 percent supported through Senate Bill 46 during the
24 last session. That bill, specific to biomass, passed
25 without any negative votes with regard to the support

1 and the recognition that renewables is more expensive.

2 So looking at the total picture, felt
3 comfortable doing this.

4 Q And when you say that, you know, the
5 ultimate decision lies with the Commission as to
6 whether or not Kentucky Power, you know, steps into
7 this arena and diversifies its generation portfolio --

8 A Absolutely. Everything we do is subject
9 to their approval.

10 Q Do you think that what has been provided
11 to the Commission thus far provides a complete and
12 full picture for the Commission to make a full and
13 reasoned decision?

14 A I absolutely do. It's -- everything
15 that we have provided reflects our interest in
16 pursuing an introduction of renewables into our
17 portfolio and an introduction of renewables into the
18 Kentucky generation portfolio. I'm talking about the
19 state of Kentucky or the Commonwealth, if you will.

20 Q But there were no, I guess, economic
21 analyses or cost-benefit analyses that was conducted
22 by Kentucky Power to determine whether or not the
23 price at which it entered into for this REPA would be,
24 on the long term, economical?

25 A No, there was not.

1 MR. NGUYEN: Okay. Those are all the
2 questions I have.

3 CHAIRMAN ARMSTRONG: Mr. Kurtz, have you
4 moved your exhibits?

5 MR. KURTZ: Oh, Your Honor, thank you.
6 Your Honor, I moved KIUC Exhibits 1 through 5.

7 MR. GISH: No objection.

8 CHAIRMAN ARMSTRONG: And 6.

9 MR. GISH: Mr. Chairman, I think the
10 sixth exhibit might be the Attorney General's 1.

11 MS. HANS: It was the Attorney
12 General's.

13 CHAIRMAN ARMSTRONG: Okay. And,
14 Mr. Nguyen, do you have an exhibit?

15 MR. NGUYEN: No, sir; I did not have any
16 exhibits to introduce, Your Honor.

17 CHAIRMAN ARMSTRONG: Thank you.

18

19

* * *

20

21

EXAMINATION

22

23 By Chairman Armstrong:

24

25

Q I just have one or two questions. And

1 when you looked at this renewable, do you see this in
2 a long-term usage for your company?

3 A Yes, sir; I do.

4 Q How long?

5 A It's a 20-year contract. I see that as
6 part of my portfolio beyond my retirement for Kentucky
7 Power Company.

8 Q And you say one of the key reasons for
9 your having this REPA is that it creates jobs?

10 A Yes, it does, in an area that needs
11 jobs.

12 Q And you want to support jobs?

13 A Absolutely.

14 Q As best you can?

15 A Absolutely.

16 Q Okay.

17 A Even supporting the Governor's energy
18 plan.

19 CHAIRMAN ARMSTRONG: Questions.

20 VICE-CHAIR GARDNER: Yes, sir. Thank
21 you.

22

23 * * *

24

25

EXAMINATION

1
2
3 By Vice-Chair Gardner:

4
5 Q Mr. Pauley, if -- the REPA requires
6 Kentucky Power to purchase up to 50 something
7 megawatts of power once it goes into effect; is that
8 right?

9 A That is correct.

10 Q Is there -- as you know, in the Mitchell
11 case, the settlement included a provision that arose
12 because of the -- President Obama's statement or
13 requirement to EPA that they had to issue carbon, with
14 respect to existing, by June of 2014, and there was an
15 additional provision in that.

16 Is there any risk at all to -- we don't
17 know what form that's going to take. Is there any
18 risk at all to Kentucky Power if, say, a year from now
19 or two years from now that this biomass facility is
20 not permitted to go forward because of carbon or any
21 other environmental regulation? Is there any risk to
22 Kentucky Power?

23 A I think that's a very good question, and
24 the answer to that is, there is no risk at all to
25 Kentucky Power Company nor to its customers. The

1 contract has been agreed upon by the -- those who have
2 signed on. With regard to any of those issues that
3 you have described, Vice-Chairman, are at the total
4 expense of the seller. And I have protected my
5 customers and protected my company from that.

6 Q Okay. So, for example, even if they --
7 even if ecoPower is not able to get financing for the
8 project, there's no risk to Kentucky Power?

9 A No risk at all.

10 Q Have they provided a financing
11 commitment to you-all? Do you-all --

12 A I think there's been conversation about
13 that, but I think Jay Godfrey would be able to get
14 specific with you with regard to their financing.

15 Q Okay.

16 A He was our lead negotiator on this
17 project.

18 Q Okay. Have you-all filed with the
19 Commission yet your application with respect to Big
20 Sandy 1?

21 A No, sir. We have -- we are awaiting
22 your decision with regard to the case with the
23 Mitchell asset transfer and the stipulated agreement,
24 and if you so choose to approve that, then we would be
25 pursuing the filing of that Unit 1 conversion to gas.

1 Q Okay. If the Commission approves this
2 particular application in front of us today, the
3 ecoPower, will that have any impact at all on whether
4 you file your CPCN for Big Sandy 1?

5 A Well, within the -- within the REPA
6 agreement that the moving forward on the ecoPower is
7 contingent upon us receiving approval to get the
8 Mitchell assets.

9 Q I understand that.

10 A Okay.

11 Q But what I mean is, are you -- is your
12 filing of Big Sandy 1, the CPCN with us, is that
13 contingent -- does that have -- is that impacted at
14 all by a decision approving ecoPower, or are you still
15 going to go ahead with Big Sandy 1 even if we approve
16 ecoPower?

17 A See if I'm -- if I'm understanding your
18 question, you're wanting to know that if we get
19 approval with eco and we do not get the approval on
20 the conversion of Unit 1, would we pursue the --

21 Q No. No.

22 A Okay. Then I apologize.

23 Q Okay.

24 A I'm sorry.

25 Q So there's -- like basically there's

1 three moving parts right now. There's Mitchell,
2 there's ecoPower, and there's Big Sandy 1 conversion.

3 A Right.

4 Q Assuming we approve Mitchell, assuming
5 we approve ecoPower, are you still going ahead with
6 Big Sandy 1 CPCN? Will you be making that filing with
7 us if we approve the Mitchell transfer, if we approve
8 ecoPower?

9 A Yes, sir.

10 Q Okay.

11 A Yes, sir. I'm sorry --

12 Q That's okay.

13 A -- for any misunderstanding.

14 Q Now, you asked -- or you made some
15 comments about the significance of no renewables
16 applying or participating in the RFP with respect to
17 Big Sandy 1. Do you think that because the Commission
18 had previously rejected an application for a hundred
19 megawatts of wind, that that might have had a chilling
20 effect on a renewable application to participate in
21 the RFP?

22 A Well, I'm -- as much as I appreciate
23 your question, I'm not inside the brains of those who
24 would have been looking at that. I have to think that
25 that probably would have impacted decision-making on

1 the --

2 Q Okay.

3 A That's a presumption on my part.

4 Q Sure. Was it known, at the time of the
5 sending out the RFP, that an option was that Kentucky
6 Power was going to consider retrofitting Big Sandy 1
7 to combined cycle?

8 In other words, did the RFP -- was it
9 known that you-all were going to be a competitor in
10 that RFP?

11 A I need to think about that a minute to
12 make sure I understand the question. Are you asking
13 if the RFP was submitted with people thinking we were
14 going to retrofit Big Sandy 1?

15 Q That you might retrofit. That there was
16 a price out there that you were going to be
17 retrofit -- potentially retrofitting Big Sandy 1? If
18 you don't remember, can't -- that's fine.

19 A Yeah, I need to think through that for a
20 minute, and I'm not sure I can answer that right now.

21 VICE-CHAIR GARDNER: Okay. That's all I
22 have. Thank you.

23 THE WITNESS: You're welcome.

24

25

*

*

*

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXAMINATION

By Commissioner Breathitt:

Q Yes, I have one and --

A Yes, ma'am.

Q -- if I -- it's a follow-up to a question Mr. Kurtz asked.

A Okay.

COMMISSIONER BREATHITT: And I can't remember if it was in confidential session or not, so will you guide me on this?

MR. GISH: Absolutely, ma'am.

THE WITNESS: I'm sure they'll guide me.

Q You stated under the KIUC cross that ecoPower is slated to begin operation in early 2017 if they get a positive approval order.

A It is their intent to be online in 2017; yes, ma'am.

(Confidential testimony of Gregory G. Pauley heard from 11:39 a.m. to 11:43 a.m.)

CHAIRMAN ARMSTRONG: We're back on the record.

Q Mr. Pauley, you also talked about having a three percent cushion with PJM?

1 A Yes, ma'am.

2 Q And that is a reserve margin of three
3 percent, or how would you describe that --

4 A We --

5 Q -- three percent cushion with PJM?

6 A In terms of our capacity, providing we
7 get everything excluding eco, what our demand is, the
8 reserve that we are required to have under PJM and the
9 little bit of capacity that we have in excess of that
10 is three percent. This additional 58.5, if approved
11 by the Commission, would take us to approximately six
12 percent. So that's a very small cushion with regard
13 to if Eastern Kentucky starts growing and all of that,
14 I've got something there to help me address that as I
15 continue to look for more.

16 Q But three percent is what PJM requires?

17 A No, I think on the reserve margin, I
18 think PJM recurs -- requires -- excuse me, requires
19 about 15 percent reserve margin.

20 Q But is -- are you describing your three
21 percent cushion as a reserve margin or something else?

22 A Above. Above and beyond.

23 Q It's three percent above?

24 A Yes, ma'am.

25 Q Okay.

1 A Yes, ma'am. That's the cushion I'm
2 referring to.

3 Q Okay. Okay. I wasn't sure what the
4 starting point was, seven percent, ten percent. But
5 it's about 15 percent?

6 A It -- yes, ma'am.

7 COMMISSIONER BREATHITT: Okay. That's
8 all I have.

9 CHAIRMAN ARMSTRONG: Redirect.

10 MR. GISH: Mr. Chairman, I have a few
11 redirect questions.

12

13

* * *

14

15

REDIRECT EXAMINATION

16

17 By Mr. Gish:

18

19 Q Mr. Pauley, following up on Commissioner
20 Breathitt's questions about demand and the generation
21 of capacity of -- generation portfolio of Kentucky
22 Power, the Mitchell transfer that we have discussed
23 here is for 780 megawatts; is that correct?

24 A Yes, sir.

25 Q And that replace -- would replace the

1 Big Sandy Unit 2 facility, which is 800 megawatts; is
2 that correct?

3 A That's correct.

4 Q So that's a 20-megawatt decrease --

5 A That is correct.

6 Q -- in that? And the Big Sandy 1
7 conversion that we are in -- that the Company
8 anticipates filing a certificate -- for a certificate
9 of public convenience and necessity --

10 A Hopefully.

11 Q -- is 268 megawatts?

12 A That is correct.

13 Q That would replace the 278 megawatts
14 that are currently at Big Sandy 1 as a coal facility?

15 A That is correct.

16 Q So there's a 30-megawatt decrease in
17 generating capacity for those two instances?

18 A That is my math.

19 Q And Ms. Hans asked some questions about
20 the project being shovel ready. Do you remember
21 those?

22 A Yes.

23 Q Do you -- and questions about the PJM
24 impact study; is that correct?

25 A Yes.

1 Q You still believe that the facility will
2 be ready to go online in 2017; is that correct?

3 A I have no reason to doubt that that
4 facility will be ready -- up and running by 2017.

5 Q And you discussed briefly, in response
6 to Mr. Nguyen's questions regarding the benefits of
7 fuel diversity, some EPA regulations?

8 A Yes.

9 Q And that -- those EPA regulations are
10 part of what's driving the requirement to retire Big
11 Sandy 2 and Big Sandy 1 as a coal facility; is that
12 correct?

13 A That is correct.

14 Q And it's what led the Company to file an
15 application for the transfer of the 780-megawatt
16 Mitchell unit; is that correct?

17 A That is correct.

18 Q And this 780-megawatt Mitchell unit is
19 environmentally controlled; is that correct?

20 A Yes.

21 Q And we have no -- the Company has no
22 reason to believe that future environmental
23 regulations will affect the ability of the Mitchell
24 station to run?

25 A That is correct.

1 Q And beyond that, as part of the
2 stipulation settlement agreement that's before the
3 Commission, you have built in certain provisions to
4 protect the Company in the event that certain
5 regulations do require --

6 A Yes.

7 Q -- that, the curtailment of Mitchell?

8 A Yes.

9 Q And those provisions in the settlement
10 agreement protect the customers?

11 A Yes, sir.

12 Q And that's paragraph 21 of the
13 settlement agreement; is that correct?

14 A I believe that is, subject to check.

15 MR. GISH: And I have one question for
16 confidential treatment, Mr. Chairman.

17 (Confidential testimony of Gregory G.
18 Pauley heard from 11:47 a.m. to 11:48 a.m.)

19 CHAIRMAN ARMSTRONG: No further
20 questions?

21 MR. GISH: No, sir; Mr. Chairman.

22 CHAIRMAN ARMSTRONG: Okay. Mr. Pauley,
23 you are excused.

24 THE WITNESS: Thank you, sir.

25 CHAIRMAN ARMSTRONG: You may be recalled

1 during this hearing, though.

2 THE WITNESS: Available.

3 CHAIRMAN ARMSTRONG: It's ten till
4 12:00, and you have witness -- is this Mr. Godfrey
5 going to be --

6 MR. GISH: The next witness up will be
7 Mr. Wohnhas, Mr. Chairman.

8 CHAIRMAN ARMSTRONG: Wohnhas. Okay. We
9 can't do him in short order, so --

10 MR. GISH: I don't believe that's true.

11 CHAIRMAN ARMSTRONG: Would you like to
12 break for lunch?

13 MR. OVERSTREET: It --

14 MR. GISH: It's up to the
15 Commission's --

16 MR. OVERSTREET: It's up to the
17 Commission.

18 MS. HANS: Up to the Commission.

19 MR. NGUYEN: It's up to you, Your Honor.

20 COMMISSIONER BREATHITT: What do you
21 want to do?

22 CHAIRMAN ARMSTRONG: Mr. Wohnhas is two
23 or three hours, I think, so --

24 MR. GISH: Well, we have about two
25 questions for Mr. Wohnhas, so I don't know.

1 CHAIRMAN ARMSTRONG: Let's break and be
2 back at 1:00 o'clock.

3 MR. GISH: Thank you.

4 (Recess from 11:49 a.m. to 1:03 p.m.)

5 CHAIRMAN ARMSTRONG: We're back on the
6 record.

7 Your witness.

8 MR. GISH: Yes. Thank you,
9 Mr. Chairman. Kentucky Power calls its next witness,
10 Mr. Ranie Wohnhas.

11

12 * * *

13

14 RANIE WOHNHAS, called by Kentucky Power
15 Company, having been first duly sworn, testified as
16 follows:

17

18

DIRECT EXAMINATION

19

20 By Mr. Gish:

21

22 CHAIRMAN ARMSTRONG: Have a seat. Speak
23 up loud and clear. Your name?

24

THE WITNESS: Ranie Wohnhas.

25

CHAIRMAN ARMSTRONG: And where do you

1 work?

2 THE WITNESS: Kentucky Power Company,
3 Frankfort, Kentucky.

4 CHAIRMAN ARMSTRONG: How long have you
5 been there?

6 THE WITNESS: I've been there since
7 2004, with the company for about 35 years.

8 CHAIRMAN ARMSTRONG: Why are you here?

9 THE WITNESS: I'm here to support the
10 cost of service impact for this REPA that has been
11 filed as well as the cost recovery mechanism.

12 CHAIRMAN ARMSTRONG: Your witness.

13 MR. GISH: Thank you, Mr. Chairman.

14 Q Mr. Wohnhas, did you have direct and
15 supplemental testimony and exhibits filed in this
16 case?

17 A I did.

18 Q And did you have responses to data
19 requests filed in this case?

20 A Yes.

21 Q And do you have any updates to your
22 testimony in this case?

23 A No.

24 Q Do you have any test -- updates to the
25 responses to data requests in this case?

1 A Yes, I do.

2 The first one would be Public Service
3 Commission 1-10. It incorrectly states that there
4 were 75 hours that were above the REPA price, and it
5 should be 28.

6 And then KIUC 2-9, which asked for the
7 support for those hours, we will provide an updated
8 disk to all parties showing the 28 hours. There was
9 an incorrect value as well in that disk that supported
10 28 hours, and we'll provide that after the hearing.

11 Q And, Mr. Wohnhas, subject to the updates
12 you just made, if I were to ask you the same questions
13 that are in -- excuse me -- that are in your
14 testimony, would you give the same responses?

15 A Yes.

16 MR. GISH: Mr. Chairman, Mr. Wohnhas is
17 available for cross-examination.

18 MR. KURTZ: Thank you, Mr. Chairman.

19

20 * * *

21

22

23

24

25

CROSS-EXAMINATION

1
2
3 By Mr. Kurtz:
4

5 Q Good afternoon, Mr. Wohnhas.

6 A Good afternoon.

7 Q As I recall that data response that you
8 updated, the Staff asked you how many hours would the
9 energy and capacity costs of the REPA be above the
10 market price in the PJM market. Was that it?

11 A That's correct.

12 Q Okay. So the REPA is less expensive
13 than PJM 28 hours out of 8,760?

14 A That is correct.

15 Q So the REPA is more expensive than the
16 market purchase 99.7 percent of the time?

17 A That's approximately correct, yes.

18 Q Will you turn to Exhibit RKW-1 to your
19 direct testimony?

20 A Yes, sir.

21 Q Okay. So line 1, that's the -- that's
22 the first year purchase price under the REPA,
23 \$50,661,000?

24 A That is correct.

25 Q And this is a 20-year contract?

1 A That's also correct.

2 Q So at a minimum -- and the -- so at a
3 minimum -- and the contract includes an escalation
4 factor that -- per year that's confidential, correct?

5 A That is correct.

6 Q Okay. So at a minimum, this is a
7 \$1 billion purchase?

8 A In rough -- in rough numbers, yes.

9 Q Okay. Now, line 5, the incremental
10 revenue requirement of \$35,151,000, is that the amount
11 of rate increase consumers would experience under the
12 REPA in the first year?

13 A Well, it's -- just explain a little bit.
14 The REPA, and as we have submitted it in the -- my
15 supplemental testimony and the revised filing, would
16 be what cover -- what gets recovered through the REPA
17 would be line 1, and then lines 3 and 4, the avoided
18 costs, would happen through base rates. But the total
19 cost of service impact to the customer would be line
20 5.

21 Q Okay. So you recover \$50 million per
22 year through some sort of surcharge, but there'll be
23 an offset in the base rates by about 15 million, so
24 the net impact to consumers is 35 million?

25 A That's correct.

1 Q And that's the first year?

2 A Year one.

3 Q Okay. Have you -- and then the REPA
4 escalates at a certain amount every year, the price
5 gets higher?

6 A Yes.

7 Q Okay. And have you presented, in your
8 testimony or anywhere, what the 20-year revenue impact
9 to consumers would be?

10 A In one of my data requests that was
11 asked, the -- it was asked to what the percentage
12 increase would be over the full term of the -- and it
13 would be an additional six percent, for a total of
14 roughly 13 percent over the life of the 20-year
15 period.

16 Q Okay. I remember that data response.
17 You had it sort of by year, small increment going up?

18 A That's correct, sir.

19 Q Okay. So over the life of the agreement
20 it's a 13 percent increase, net net increase?

21 A Based on the -- using the 2012 revenues
22 and as if nothing would change, yes. And that --
23 beginning in 2017.

24 MR. KURTZ: Okay. Thank you,
25 Mr. Chairman. No more questions, Mr. Wohnhas.

1 MS. HANS: Yes, Your Honor.

2

3

* * *

4

5

CROSS-EXAMINATION

6

7 By Ms. Hans:

8

9

Q Mr. Wohnhas, good afternoon.

10

A Good afternoon.

11

Q Following this line of questioning, the

12

question by Mr. Kurtz, I just had a few follow-up

13

matters. And you were present, were you not, when

14

Mr. Pauley testified?

15

A Yes, I was.

16

Q Okay. But I'll reference what I'm --

17

what I'm speaking about, so correct me if I'm wrong or

18

ask me to explain in further detail.

19

The 7.02 percent increase that you

20

identified and discussed with Mr. Kurtz in RKW

21

Exhibit 1, this is an all-in revenue increase? In

22

other words, it's the overall including all classes?

23

A Yes.

24

Q That's -- I'm just -- I just want to

25

make sure.

1 A Sure.

2 Q And if you want to describe it
3 differently, feel free to do so, but --

4 A No, that's -- that's overall.

5 Q Okay. And then in terms of your
6 supplemental testimony in this proceeding, you filed
7 testimony to support the amended application, correct?

8 A Yes.

9 Q And in that testimony you explained the
10 cost recovery -- recovery mechanism called the biomass
11 energy rider, which you summarized a few minutes ago,
12 correct?

13 A That's correct.

14 Q Okay. And that mechanism was also
15 detailed in Exhibit 5 to your application, or to the
16 amended application, subject to -- to --

17 A I have it. I just want to --

18 Q -- correction. Understood.

19 A Well, I guess to my testimony was
20 Exhibit RKW-1S.

21 Q Okay.

22 A And it's Exhibit 5 of the application,
23 yes.

24 Q Thank you, sir. Now, subject to the
25 amended application, the Company caused to be issued a

1 series of the published notices of the biomass energy
2 rider tariff; is that correct?

3 A That is correct.

4 Q Okay. And in those notices, and
5 Mr. Pauley testified earlier, but confirm, if you
6 will, that the Company estimated that the percentage
7 increase for a residential ratepayer averaging
8 1,374 kilowatt hours per month would be 8.69 percent;
9 is that correct?

10 A Yes. That is correct.

11 Q Did you quantify this percentage
12 increase estimate for Kentucky Power Company prior to
13 the publication?

14 A No. What --

15 Q Okay.

16 A What this is, in trying to maybe
17 reconcile my Exhibit RKW-1 to this here, for the
18 advertisement, which you're referring to --

19 Q Uh-huh.

20 A -- this is for the biomass energy rider,
21 and per the regulation, we're to submit what the rate
22 increase would be for strictly its running through the
23 biomass energy rider. If you were to go back to my
24 Exhibit RKW-1, that is basically line 1. So --
25 and then what we then do that the advertisement does

1 not do is reflect the avoided costs that would happen.

2 So in other words, roughly just the
3 estimated purchase costs is a little over ten percent,
4 about ten and a quarter, but then when you offset
5 those with the avoided fuel, avoided capacity, gets
6 you back down to the seven percent.

7 So the 8.69 percent for the residential
8 customers would be what they would see, the average
9 customer, through their -- through the BER, the
10 biomass energy rider, but then they would also see
11 avoid -- through their base rates, the avoided costs.

12 Q As anticipated by the Company?

13 A As anticipated based on the estimates,
14 yes.

15 Q Okay. And thank you for that
16 explanation.

17 Was this -- prior to the notice being
18 supplied, was the quantification and the division by
19 class provided to the intervening parties? I don't
20 recall, but I wanted to make sure.

21 A Not that I'm aware of.

22 MS. HANS: Can I request that as a
23 post-hearing data request, to have that quantification
24 calculated, including, you know, sales intact, in
25 terms of how that -- how that was actually -- that

1 notice was actually arrived at?

2 MR. GISH: Certainly. Do you just want
3 the spreadsheet version of what's --

4 MS. HANS: Yes. And we're just looking
5 for the spreadsheet version.

6 MR. GISH: Spreadsheet version.

7 MS. HANS: Yes, sir. Yes, sir.

8 MR. GISH: Spreadsheet -- just to be
9 clear, spreadsheet version of the tables that were
10 included in the newspaper advertisement?

11 MS. HANS: Yes. And what was included
12 to arrive at those numbers, the backup worksheets.

13 MR. GISH: Certainly.

14 Q And just for the record -- and I think
15 you testified to this earlier, but I just wanted to
16 confirm. These numbers were based on 2012 data,
17 correct?

18 A The -- what was in my Exhibit RKW-1 was
19 2012, but for the --

20 Q The notice?

21 A -- for the notice was 12 months ended
22 March in order --

23 Q Okay.

24 A -- in order to meet the requirements of
25 regulation to have financial data only, so more up to

1 date. So that's -- it's slightly different.

2 Q Okay. Has Kentucky Power Company run
3 any forecasts to determine what the actual impact
4 would be in 2017, when this is anticipated to go into
5 effect?

6 A No, we have not. We just really don't
7 have a good idea of what the sales revenue would be,
8 so we did not.

9 MS. HANS: That's all I have, Your
10 Honor. Thank you.

11 THE COURT: Mr. Nguyen.

12 MR. NGUYEN: Yes, Your Honor. A few
13 questions.

14

15

*

*

*

16

17

CROSS-EXAMINATION

18

19 By Mr. Nguyen:

20

21 Q Good afternoon, Mr. Wohnhas.

22 A Good afternoon.

23 Q Let's stick with your Exhibit RKW-1.

24 A Yes, sir.

25 Q Okay. In calculating the avoided fuel

1 costs, could you kind of generally explain how you
2 calculated that avoided fuel costs?

3 A Yes. We just used the anticipated
4 megawatt hours that was given to us as what they
5 thought they would run for one year in 2017, and then
6 we used what is currently our base fuel rate and just
7 multiplied it that simply. We did not go in and do
8 an -- because we had just updated our base to the --
9 it's still 28.4 mills per kilowatt hour -- megawatt
10 hour, that we just felt there will be ups and downs,
11 but that was a fair rate to use for this calculation.

12 Q Okay. When you say the ups and downs,
13 the fuel costs are included in the FAC, right?

14 A Yes. I mean, you could have months
15 where your fuel cost was higher or lower, but we just
16 used the base for this calculation.

17 Q Okay. Were there any consideration as
18 to sort of averaging out those costs that are
19 reflected in the FAC?

20 A I mean, yes, but we just chose to stay
21 with the -- just simple to stay with the 28.4.

22 Q Okay. Okay. Fair enough. With respect
23 to the avoided capacity costs, can you explain what
24 the avoided capacity costs means?

25 A Sure. Back to when Mr. Pauley was

1 responding to Commissioner Breathitt about this three
2 percent extra above and beyond our reserve
3 requirements with our capacity, what the capacity
4 would mean is, if we were to have ecoPower in 2017 as
5 part of our total load, that would be excess.

6 We bid in each year our load into PJM,
7 but we don't bid in -- we just bid in what we need to
8 cover our capacity plus the reserve margin. So the
9 extra capacity, and this, you know, would be three
10 percent prior to eco and six percent after, we would
11 then take to the -- we are part of FRR. We would take
12 it to the RPM auction and sell or bid that in to be
13 sold into the capacity auction, so then -- and what we
14 used to price it out just for now was the 2015-'16
15 clearing price in the PJM FRR market.

16 Q Okay. And then you arrived at the
17 figure of \$2.7 million, \$2.73 million for avoided
18 capacity costs?

19 A Yes. For year one.

20 Q Okay. As a result of the ecoPower REPA?

21 A Yes. Yeah, that's just -- that is
22 just -- right, pricing out just the eco as if that 58
23 and a half megawatts would be sold in the capacity
24 auction.

25 Q Okay. So does that reflect Kentucky

1 Power being capacity short?

2 A No. I mean, like -- as I said, if you
3 look at -- if we were to assume for the moment, for
4 illustration, that we were to get the approval of the
5 Mitchell and that we would convert Big Sandy Unit 1 to
6 gas and we continue with Rockport as it is today, we
7 would have 1,438 megawatts of capacity.

8 Right now we're currently estimating
9 that our -- what -- to meet our load in the summer
10 peak and such in PJM would be 1,390, and that includes
11 our reserve requirement. So we will have that excess
12 of roughly 48 megawatts, which is that three percent
13 that Mr. Pauley was rep -- was discussing before.

14 So if we had ecoPower in 2017, and
15 assuming nothing changes, we would have an additional
16 58 megawatts that we would then sell into the auction.
17 So we would not be deficit.

18 Q Okay. Okay. Give me one second.

19 Can you now -- can you turn to page 13
20 of your amended -- refer to page 8 -- I'm sorry, 13 of
21 the amended verified application, paragraph 43.

22 A I'm there.

23 Q Okay. Can you please read that
24 paragraph out loud?

25 A "The declaratory order provided for by

1 Paragraph 6.1(A) is required because credit rating
2 agencies treat PPAs such as the REPA as fixed,
3 debt-like financial obligations that represent
4 substitutes for capital investments by the utility.
5 As such, PPA obligations, in the form of capacity
6 payments, may be incorporated in credit rating
7 agencies' assessment of the utility's
8 creditworthiness. This is done by imputing a portion
9 of the net present value of the stream of capacity
10 payments as a debt obligation of the utility for
11 purposes of evaluating the utility's credit statistics
12 Where, as under the ecoPower REPA, there is not a
13 separate capacity charge, the rating agencies indicate
14 they use an implied capacity payment in their
15 evaluation."

16 Q Okay. Can you just explain what is
17 meant by this paragraph?

18 A The -- and maybe the easiest way to help
19 would be to go to, in my direct testimony, Exhibit
20 RKW-2, page 4, but what the -- in particular, the
21 Standard & Poor's, as they are looking and evaluating
22 a PPA -- if you will go to page 4, and if I could just
23 read some things out of that exhibit.

24 In the first -- it's the part of the --
25 the paragraph starts on the previous page, but about

1 halfway down it says, (Reading) For such a PPA, we
2 employ a 50 percent risk factor. In cases where a
3 regulator has established a power cost adjustment
4 mechanism, recovery of all prudent PPA costs, we
5 employ a risk factor of 25 percent, because the
6 recovery hurdle is lower than it is for a utility that
7 must litigate time and again its right to recover
8 costs.

9 So the idea initially is that, you know,
10 if there is a PPA, and specifically capacity, they
11 assign some risk factor as if it was debt on Kentucky
12 Power's books.

13 However, if you go down to the paragraph
14 that says "Finally," it says, (Reading) Finally, we
15 view legislatively created cost recovery mechanism as
16 longer lasting and more resilient to change than
17 regulatory cost recovery vehicles. Consequently, such
18 mechanisms lead to risk factors between zero and
19 15 percent, depending on the legislative provisions
20 for cost recovery and the supply functions borne by
21 the utility. Legislative guarantees of complete and
22 timely recovery of costs are particularly important to
23 achieving the lowest risk factors.

24 So as we evaluated whether or not to
25 apply a risk factor, there were two things that led us

1 to not putting an additional imputed debt risk factor
2 in our calculation. One was reference to 6-1 and the
3 details in there where Kentucky Power mitigated the
4 risks from the standpoint of that if we didn't receive
5 concurrent cost recovery of the REPA, then we would
6 not go forward with -- and we needed an order from the
7 Commission for that, then we would not go forward with
8 this and the REPA could be terminated.

9 The second part that assisted with us
10 determining that we needed a zero percent risk factor
11 was Senate Bill 46 that was passed in the 2013
12 legislative session, which was a bill that allowed the
13 biomass -- that if an agreement was approved by the
14 Commission, that then it would stay in effect for the
15 entirety of the original contract period, which in
16 this case, talking about eco and biomass, would be
17 20 years.

18 And in looking at -- it's very unusual.
19 We have not found anywhere in any other state where a
20 legislative -- legislatively passed agreement gives us
21 that much certainty, which is then why we chose zero
22 percent, even though here it said somewhere from zero
23 to 15 percent.

24 So that capacity there, they're looking
25 at the idea of recovery, and we feel like that, yes,

1 it is out there as an issue, but that we have
2 mitigated that, and why, as such, we have used zero
3 percent as our risk factor.

4 Q Okay. So that implied capacity payment
5 is associated with that risk factor that the rating
6 agencies would --

7 A Yes.

8 Q -- would impute? So stemming from that,
9 do you believe that the REPA, the proposed REPA will
10 have an effect on Kentucky Power's creditworthiness as
11 determined by the credit rating agencies?

12 A I believe we have done everything in our
13 power that it would not affect the credit agency
14 rating, which is why, then, you know, we did not
15 impute any im -- any debt for this.

16 Q Given the recovery --

17 A Given the recovery.

18 Q -- of the costs?

19 A Absolutely.

20 Q Okay. Can you refer to -- well, give me
21 one second.

22 Refer now to Exhibit 5 of the amended
23 verified application, which is the proposed biomass
24 energy rider.

25 A Yes, sir.

1 Q There's a formula for that recovery in
2 that tariff; is that correct?

3 A Yes, it is.

4 Q Okay. Does the formula contain any
5 provisions for over/under recovery?

6 A Yes, it --

7 COMMISSIONER BREATHITT: What page are
8 you on, Mr. Nguyen?

9 MR. NGUYEN: I'm sorry. It's Exhibit 5
10 to the amended application, which was part of Kentucky
11 Power's motion to amend the application and deviate
12 from certain filing requirements. It's filed on
13 July 5th.

14 A Well, the form -- the actual formula as
15 it's shown in there does not address it. In my --
16 give me just a moment, please.

17 Q Sure.

18 A The formula nor my testimony discusses
19 it specifically, which -- which is an oversight, but
20 we do say it would be like the fuel adjustment clause,
21 and our intention is that it would be -- there would
22 be an over and underrecovery, just like in the fuel
23 adjustment clause, as we look at the sales per month.

24 Because there's a two-month lag, there
25 will be an over/underrecovery, and that would be as

1 part of -- if you think of the sheets that are
2 included in the fuel adjustment clause, you have a
3 calculation, but then you have on -- a line for
4 over/underrecover. Our intent was to do this with the
5 biomass energy rider as well.

6 Q Okay.

7 COMMISSIONER BREATHITT: Would this have
8 to be -- would this have to be changed, amended --

9 THE WITNESS: Well, I don't know --

10 COMMISSIONER BREATHITT: -- to be
11 explicit?

12 THE WITNESS: -- if that has to be,
13 Commissioner, because if you look at the fuel
14 adjustment clause, that's -- we don't talk about it,
15 but in the sheets that we file monthly, we have the
16 over/under. But we could clearly, if it would make it
17 clearer, we would have no problem with adjusting that,
18 the language in that to discuss that.

19 Q Yes, if you could, to make it a little
20 bit -- well, to make it clearer.

21 A That would be fine.

22 Q To revise it --

23 A That would be fine.

24 Q -- to reflect that.

25 MR. OVERSTREET: As a post-hearing data

1 request?

2 MR. NGUYEN: Yes.

3 MR. OVERSTREET: Okay.

4 MR. NGUYEN: Yes.

5 THE WITNESS: Be glad to do that.

6 MR. NGUYEN: Thank you.

7 And also as a post-hearing data request,
8 could you provide a sample monthly filing for this
9 tariff as well?

10 MR. GISH: Certainly, Mr. Nguyen.

11 THE WITNESS: Yeah, we can make some
12 assumptions, but we'll clear it up what those are, but
13 yes.

14 MR. NGUYEN: Okay. Those are all the
15 questions I have. Thank you.

16 CHAIRMAN ARMSTRONG: Questions.

17 VICE-CHAIR GARDNER: Thank you.

18

19 * * *

20

21 EXAMINATION

22

23 By Vice-Chair Gardner:

24

25 Q Good afternoon, Mr. Wohnhas.

1 A Good afternoon.

2 Q Let me ask you some questions, and what
3 if we start out -- I thought I saw you grimacing when
4 the PJM question was referred to you. Are you going
5 to -- the PJM question was basically, "How does this
6 relate to PJM, or does this have anything to do with
7 PJM?"

8 A Well, the question I remember you asking
9 and Mr. Pauley sent to me was about who would dispatch
10 that into the PJM, and that would be ecoPower.

11 Q Okay.

12 A All right. They would be the ones that
13 would submit their capacity into there. We're just a
14 taker of the energy if they run the operator.

15 Q So this is just a separate, stand-alone,
16 bilateral contract between you and ecoPower, and what
17 the PJ market says or does not affect your-all's
18 relationship and the power that you're getting from
19 ecoPower?

20 A That's correct. We have an established
21 price, the escalations. And so if they run that unit,
22 we take it; if they don't run it, we don't take it and
23 we don't pass any costs on.

24 Q Okay. Let me make sure I understand
25 this. We -- there is a set price with an escalator

1 for how much per megawatt hour you-all purchase. Or
2 is it megawatt or kilowatt hour?

3 A It's per megawatt hour.

4 Q Okay. Per megawatt hour. And that's in
5 the contract and that's what you-all are asking for
6 here, and then we've got the rider.

7 Now, what I want to do is focus for a
8 couple minutes on some of the additional costs that
9 might be out there, credits, costs that have been
10 talked about in testimony.

11 So my first is: Let's go back to that
12 paragraph 43 again and make sure I under -- of the
13 amended application and make sure I understand that.
14 So there could be -- what this issue is, is that there
15 could be additional adverse credit ratings -- credit
16 rating to Kentucky Power because of this contract.

17 I mean, I know you don't believe it's
18 going to happen because of the reasons you went
19 through, because of the rider, because of the
20 provisions in there and because of the legislation,
21 but is that what this is relating to?

22 A Yes. Because S&P says we've gotta look
23 at this, and that is a possibility, that was there,
24 and as I said -- described, you know, we feel like we
25 mitigated, but yes, that's what it is.

1 Q Okay. Now, is this exactly related to
2 what Lane Kollen is talking about in his testimony
3 about the allocation between debt and equity, or is
4 this something different?

5 A I believe it is, because --

6 Q It is the same or different?

7 A It is the same, because what he is --
8 what he's trying to describe, I believe, is that if
9 we -- if we did have to impute debt and if -- again,
10 here's the if, which I disagree with Mr. Kollen, but,
11 you know, if that changed -- and it's not a guarantee,
12 but if that changed, the cap structure of the
13 company --

14 Q Then you're going to have to --

15 A -- then we would have to -- we could
16 have to impute debt, and if we did, then it would
17 raise that --

18 Q Because in order to maintain the same
19 capital structure you'd have to have --

20 A That's right.

21 Q -- more equity, which is more expensive?

22 A But it's just a -- but it's also an if.
23 Because this --

24 Q Sure.

25 A -- isn't until 2017, there are other

1 things going on with our structure. And just for an
2 illustration, let's just say that as they look at this
3 and for some reason they still wanted to impute some
4 debt, so they said, "All right. Let's do a ten
5 percent debt." And as we looked at that, depending
6 where our -- that cap structure was in 2017, it may
7 shift it, but not enough to have to impute debt that
8 would -- so that's where I guess I disagree with
9 Mr. Kollen that it's definitely going to happen. It's
10 an if.

11 Q Okay. And understanding that that's an
12 issue, but that -- but what you're saying, and I'll
13 ask Mr. -- give Mr. Kollen an opportunity to ask --
14 answer the question. First of all, you're saying
15 that's exact -- that this issue is the same issue that
16 he's talking about in his?

17 A I believe so.

18 Q Okay. Now, my next question is, then:
19 In the third sentence that begins with, "This is done
20 by imputing a portion of the net present value of the
21 stream of the capacity payments," tell me, what is the
22 stream of capacity payments. Is that -- is that a
23 typo? Do you mean capacity payments there? Or do you
24 just mean a portion of the net present value of the
25 stream of payments from ecoPower?

1 A Well, again, and this is taken from S&P.
2 In the -- in our particular case there is no capacity
3 and energy, it's all in combined, but there are other
4 PPAs where you would have -- part of your payment
5 would be capacity, and it would be spelled out --

6 Q No, I --

7 A -- and part would be energy.

8 Q Correct.

9 A So that's that capacity stream it's
10 talking about.

11 Q Okay. But what this sentence says is,
12 "This is done by imputing a portion of the net present
13 value of the stream of capacity payments as a debt
14 obligation." Is that -- but it seems like a portion
15 of the value of the stream of payments as a debt
16 obligation is the capacity payment. It's not a
17 stream. It's not the capacity. I mean, I know that
18 they're -- they would impute capacity, but --

19 A What they're doing is just taking that
20 capacity payment and -- again, and applying a --

21 Q But --

22 A -- a risk factor --

23 Q But it --

24 A -- to it --

25 Q But it --

1 A -- so it's not --

2 Q Oh, I see.

3 A -- the total capacity payment, it's --
4 remember, they're applying --

5 Q Okay. So there --

6 A -- that risk factor.

7 Q Okay. So there's two things going on
8 here. One is that there is a -- there's -- you're
9 imputing a capacity payment, how much of that is
10 capacity, and then to that capacity you're imputing a
11 risk factor?

12 A Yes, and -- but only the -- the only --
13 the -- that's the basis of the calculation that would
14 come to your imputed debt. You would take that
15 capacity payments times the risk factor, and then
16 that's where that would then put that many dollars or,
17 you know --

18 Q Okay.

19 A -- as far as --

20 Q But the capacity --

21 A -- imputed debt.

22 Q -- payments itself are going to be
23 compute -- imputed by the ratings agency, right?

24 A No, the capacity payments themselves are
25 whatever would be part of the PPA.

1 Q What -- tell me what -- what is the
2 capacity payment of this -- of this stream?

3 A Well, in the ecoPower it's an all-in.
4 There -- we don't have it broken out.

5 Q Okay.

6 A So --

7 Q So --

8 A -- the --

9 Q -- is somebody going to impute what the
10 capacity payment is?

11 A Oh, you mean from S&P?

12 Q Yes. Because how do you know what it
13 is? They're going to impute it, aren't they?

14 A They're going to impute it, and I
15 honestly don't know how they would actually impute
16 that, sir.

17 Q Okay. But --

18 A I understand your question.

19 Q So my question is: So it's really two
20 things going on here. First, S&P would have to impute
21 what the capacity payment is -- what amount of the
22 total payments you receive under the REPA will be
23 designated as capacity, and then they'll apply a risk
24 factor to that imputed capacity?

25 A That's my understanding, yes.

1 Q Okay. All right.

2 A And I'll also say that they will not
3 make this determination until the facility would be
4 ready for operation. So it's not something that
5 they -- and they will not tell us until -- tell us,
6 meaning Kentucky Power Company, until that time is,
7 and we really have no input into their calculation.

8 Q Have you-all quantified a range for what
9 that risk might be? In other words, what the
10 additional costs would be? Have you calculated
11 what -- you know, like S&P or somebody may do X or
12 they may do, you know, X minus one or X plus two or
13 whatever. Have you-all done a calculation as to what
14 that increased cost might be?

15 A We didn't -- we did not, but Mr. Kollen
16 for the KIUC did.

17 Q Okay.

18 A And as we looked at it, did not see,
19 from a -- from a calculation standpoint that that was
20 reasonable, and I believe that it raised it to 7.84.

21 Q Okay.

22 A You know, as far as imputed.

23 Q But you-all didn't do that?

24 A We didn't do it.

25 Q Okay. But you didn't disagree with the

1 mech -- with -- you didn't see anything obviously
2 wrong given his assumptions that this might occur. Is
3 that --

4 A That's right.

5 Q -- a fair statement? Okay. All right.
6 Talk to me for a minute about the production tax
7 credit. So what we've got is we've looked at
8 potential for additional costs, which are what we've
9 just talked about, and now what I want to ask you
10 about is a potential credit, or a -- okay?

11 So tell me, and maybe if you -- maybe
12 you are going to refer me to Witness Godfrey, but I
13 want to understand what that is, how that's
14 calculated, when is it likely to go into -- or stop
15 being in effect, all those kinds of things.

16 A And Mr. Godfrey is the one -- for all
17 the details, that is the absolutely correct person to
18 talk to.

19 Q Okay. But those -- the production tax
20 credit, in the numbers that you have presented to us,
21 there's none included in that?

22 A There is nothing in there, but the REPA
23 does have for a percentage sharing, but in the numbers
24 for -- in other words, the seven percent does not
25 include a --

1 Q Production tax credit?

2 A -- production tax credit.

3 Q Okay.

4 A That is correct.

5 Q And likewise I have a question, which
6 would be a credit, I believe, would be the RECs.

7 Should I ask Mr. Godfrey that --

8 A Yes.

9 Q -- also?

10 A Please.

11 Q And there are no RECs credits included
12 within the calculations?

13 A Not in that seven percent.

14 Q Okay.

15 A That is correct.

16 Q Are there any other potential credits,
17 other than those two, that you're aware of that might
18 reduce the numbers that we're looking at here?

19 A Not that I'm aware.

20 Q Okay. Did, in your -- General Hans
21 asked you about the advertised 8.69 percent with a
22 notice 8.69 percent, and you indicated that that was
23 12 months ending March of 2013, is that correct, and
24 that that's the difference between that; is that
25 correct?

1 A It was based on 12 months ended March of
2 '13, yes.

3 Q Okay. Did -- was there any difference
4 of the -- but what you actually did on your exhibit
5 was 12 months ending December 31st, 2012?

6 A That's correct.

7 Q Okay.

8 A But it would have made a difference
9 about .02 percent in those two revenue months. It was
10 very small.

11 Q Okay. All right. And then did I
12 under -- and then let me make sure I've got this
13 number right, from a response to a question by
14 Mr. Kurtz, was that based on the escalator using 2012,
15 there was -- there would be a -- over the life of the
16 agreement, would be a 13 percent increase in base
17 rates; is that correct?

18 A You -- staying with 2012 revenues --

19 Q Right.

20 A -- yes.

21 Q Okay. Now --

22 MR. KURTZ: Excuse me, Your Honor. He
23 said base rates. It should be total revenue, I think.

24 Q Is that -- is that correct? Is it
25 all -- I did say base rates. Is it total revenue?

1 A Okay. I'm sorry.

2 Q Is it 13 percent over base rate, and it
3 would be a 13 percent increase in base rates or total
4 revenue increase of 13 percent?

5 A Over base rates.

6 MR. KURTZ: The 501 million is total
7 revenue.

8 THE WITNESS: The --

9 MR. KURTZ: I'm sorry to interrupt.

10 VICE-CHAIR GARDNER: No, that's okay.

11 THE WITNESS: No, it's okay. Hold on.

12 COMMISSIONER BREATHITT: It's important
13 to get it straight.

14 THE WITNESS: Yes. Total revenues; that
15 is correct.

16 Q Okay. So that would include --

17 A And --

18 Q -- money coming from in from fuel
19 adjustment clause, from environmental surcharge and
20 everything?

21 A Yes.

22 Q Okay. And the seven percent number that
23 we're using is likewise total revenue?

24 A Yes.

25 Q Okay. Now, I would like this done in a

1 post-hearing data request, but let me give the
2 background to this. You-all have before us the
3 Mitchell case, and in the Mitchell case are proposed
4 increases, or we know that there's, I guess, five
5 percent or eight percent or there's an increase
6 January 1st, 2014, and one in July 1st, 2015. I think
7 one's five and one's eight percent, I'm not sure. Is
8 that correct?

9 A Yes, sir.

10 Q Okay.

11 A In response to 5-10.

12 Q Okay. And then I know you know this,
13 but that you-all -- once the Mitchell case is
14 determined, you-all will be filing, under -- for a CPC
15 and under Big Sandy con -- Big Sandy 1 to convert to
16 the combined cycle?

17 A That is our plan, yes.

18 Q And I know you-all estimated in the
19 Mitchell case that that's \$60 million?

20 A Yes, sir.

21 Q What I would like for you to do would be
22 to compute what the rate increase would be, and as a
23 result of this case, in 2017 using several scenarios
24 for what the revenue -- what your denominator would be
25 in 2017.

1 In other words, rather than using 2012
2 numbers, use -- include in there and -- you know, four
3 or five or six different scenarios. What happens in
4 the Commission approves, you know, what the 60 million
5 would be in Big Sandy 1, what would be the -- if we
6 approve the Mitchell settlement, also if we don't
7 approve the Mitchell settlement where you-all got a 20
8 something rate increase pending before us.

9 Is that clear enough what I'd like?
10 Right now you gave us -- we've got a seven percent
11 increase is what you're projecting all-in, using 2012.
12 I would like to have what -- with some options, what
13 might be -- what your -- what the denominator, what
14 the total revenues would be in 2017 so I can see what
15 that number would be, because it's not going to be --
16 whatever denominator you use for 2012, that's not --
17 it's not likely to be that in 2017, no matter what the
18 Commission does in those other pending cases.

19 A Can I ask a question --

20 Q Sure.

21 A -- for clarity? You know, for 5-10, you
22 know, we tried --

23 Q Tell me what -- what's 5-10?

24 A That data request where -- showed the
25 5.33 percent and then the eight point --

1 Q Right.

2 A -- and the scrubber. Remember, it had
3 the columns. And part of that whole scheme --

4 Q Back in Mitchell?

5 A Pardon?

6 Q Back in Mitchell?

7 A Back in Mitchell. That whole scheme of
8 that was to get everything based on one revenue stream
9 so that we were playing apples to apples.

10 I guess my question is: You know, we
11 can start with that, but whether I get Mitchell, no
12 Mitchell, Big Sandy Unit 1, those are all investments.
13 That has nothing to do with the sales. All right?

14 So, I mean -- I mean, I can make
15 assumptions, Vice-Chairman, that, you know, well, you
16 know, sales will increase by one percent or whatever,
17 but they're really not going to be based upon whether
18 we get Mitchell or what those decisions are is where
19 I'm a little confused by your request. I'm not trying
20 to not do this, it's just --

21 Q Well, okay.

22 A -- that has no impact. What has an
23 impact is whether or not, you know, as --

24 Q Well, what --

25 A -- Mr. Pauley stated, you know, if we

1 get economic development, things turn around and we
2 get additional revenues, the more revenues I have,
3 clearly, the less the percentage will be, because it's
4 over a smaller type of total revenues, or more
5 revenues and smaller impact.

6 But it's not based on Mitchell, though,
7 is my -- that's where I'm a little confused by what
8 you're asking, and I don't want to give you something
9 that's not valuable to you.

10 Q Okay. Well, let me -- we've got a long
11 way to go before this hearing is done, so let me think
12 through what I want and -- but I'm going to want to --
13 you used --

14 A Okay.

15 Q -- 2012, and I want to fold in the
16 assumptions of these cases before us into 2017 so I
17 get a different number or numbers.

18 A And one thing we can do is, you know,
19 number one, bring it to the level that we did in the
20 Mitchell case 5-10, so that gets it on that level, and
21 then we can make some assumptions if we had a -- and
22 use percentages of increase in revenue stream for
23 whatever reason and make those calculations, you know,
24 and, you know, where it's -- you know, let's assume
25 that we grow by, you know, half a percent one year and

1 the economy gets better and it jumps to one percent in
2 the next year or, you know, whatever type of deal, and
3 then show what that impact would be then in '17.

4 Q Okay. Let me --

5 A As a suggestion. Think --

6 Q Okay.

7 A I mean --

8 Q I'll think about it.

9 A We'll do whatever we need, I just want
10 to make sure we're clear --

11 Q Sure.

12 A -- that it's -- okay.

13 VICE-CHAIR GARDNER: Okay. That's all I
14 have. Thank you. Thank you.

15 COMMISSIONER BREATHITT: Yes, I have
16 one.

17

18

* * *

19

20 EXAMINATION

21

22 By Commissioner Breathitt:

23

24 Q Mr. Wohnhas, in your direct testimony,
25 on page 4.

1 A Yes, ma'am.

2 Q I just wanted to make sure I understood
3 question 9 and your answer on -- starting on line 11.

4 A Yes.

5 Q As I read this, Kentucky Power would
6 file a base rate case at some point, and you would ask
7 for cost recovery for the REPA, for permission to put
8 the rider in effect, but you wouldn't put the rider
9 into effect until the project was completed. Did I
10 read that correctly?

11 A As we originally filed; that is correct.

12 Q But you've got an amendment to that?

13 A Right.

14 Q Okay.

15 A We amended that in the supplemental
16 amended application where, based on the request of
17 ecoPower in trying to -- for them to be able to get
18 their financing complete, timely to start construction
19 by the end of this year, that they needed that in
20 order to work with their financiers to get their
21 financing, that we, instead of doing it in the next
22 rate case, which is one that's actually before us now
23 but may get pulled --

24 Q Right.

25 A -- if we settle, we moved it into this

1 case in order to assist them in trying to get their
2 financing as soon as we had an order. So it did
3 change from what we originally anticipated doing.

4 Q So --

5 A The mechanism was the same, it's just
6 the timing that changed.

7 Q So the -- if this REPA is approved, cost
8 recovery would begin when?

9 A Not until we got the first megawatt hour
10 produced by the facility. So in this case it would be
11 not until 2017.

12 Q Okay.

13 A The mechanism would be there, but it
14 would not -- we wouldn't do anything with it until
15 that plant --

16 Q So in --

17 A -- was operational.

18 Q So instead of seeking permission for
19 cost recovery in your next base rate case, it would be
20 done in this case?

21 A That's what we're asking; yes, ma'am.

22 Q Which was the amendment to the
23 application?

24 A Yes.

25 Q Okay.

1 A This would assist ecoPower to
2 complete -- if it was approved, to complete their
3 financing and move on with the project in order to
4 have it ready by 2017.

5
6 * * *

7
8 EXAMINATION

9
10 By Chairman Armstrong:

11
12 Q What month?

13 A Pardon?

14 Q What month?

15 A They haven't said. They -- the idea was
16 early 2017. I don't --

17 Q Originally you were talking about March,
18 weren't you?

19 A Just using a quarter or whatever, but
20 they don't have -- they haven't really specified a
21 particular month.

22 CHAIRMAN ARMSTRONG: Redirect?

23 MR. GISH: Yes, Mr. Chairman.

24
25 * * *

REDIRECT EXAMINATION

1
2
3 By Mr. Gish:

4
5 Q I have just one, just a clarification.
6 We've talked about it several times, I want to make it
7 clear for the record. The RK -- Exhibit RKW-1
8 identifies a seven percent rate impact, estimated rate
9 impact for the REPA; is that correct?

10 A Yes.

11 Q That's based on 2012 revenues, correct?

12 A Yes.

13 Q But that amount includes what the -- I'm
14 sorry. Reflects the amount of money that would be
15 passed through tariff BER, or collected through tariff
16 BER, less the fuel cost savings and the capacity costs
17 that we discussed earlier, correct?

18 A That is correct.

19 Q And then in the newspaper advertisement,
20 the 8.69 for the residential and various other
21 percentages for the other customer classes, those --
22 that percentage reflects just the amount collected
23 through tariff BER?

24 A That is correct.

25 Q The difference there -- well, there's

1 two differences between the newspaper ad number and
2 the RKW-1 number. The first is that the revenue
3 comparison is slightly different, and that's the small
4 impact; is that correct?

5 A That is correct.

6 Q The larger impact is the fact that the
7 newspaper advertisement does not include the avoided
8 fuel costs and capacity costs; is that correct?

9 A That's correct.

10 MR. GISH: No further questions.

11 MS. HANS: Just a few follow-up --

12 CHAIRMAN ARMSTRONG: Yes.

13 MS. HANS: -- Your Honor.

14
15 * * *

16
17 RECROSS-EXAMINATION

18 By Ms. Hans:

19
20 Q With respect to the advertisement and
21 the division by classes, could you clarify, was a cost
22 of service analysis conducted to arrive at that
23 division?

24 A No. You mean just -- it operates just
25 like the fuel clause, and you come up with a cents per

1 kilowatt hour and then you multiply that times the
2 kilowatt hours within each of those classes.

3 Q Were it to have been done as part of the
4 rate case, would it have part of a broader cost of
5 service allocation study?

6 A No, it would have been exactly -- our --
7 we anticipate doing it exactly the same way.

8 MS. HANS: Thank you for the
9 clarification.

10 MR. KURTZ: No questions.

11 MR. NGUYEN: No questions, Your Honor.

12 CHAIRMAN ARMSTRONG: Thank you,
13 Mr. Wohnhas.

14 THE WITNESS: Less than three hours,
15 sir.

16 CHAIRMAN ARMSTRONG: I know.

17 MR. GISH: Kentucky Power calls its
18 third and final witness, Mr. Jay Godfrey. Mr. Garcia
19 will be presenting Mr. Godfrey.

20 MR. GARCIA: Thank you, Your Honor.

21

22

*

*

*

23

24

25

1 JAY GODFREY, called by Kentucky Power
2 Company, having been first duly sworn, testified as
3 follows:
4

5 DIRECT EXAMINATION
6

7 By Mr. Garcia:
8

9 CHAIRMAN ARMSTRONG: Have a seat. Speak
10 up loud and clear. Your name?

11 THE WITNESS: My name is Jay Godfrey.

12 CHAIRMAN ARMSTRONG: Where do you live?

13 THE WITNESS: I work at 155 West
14 Nationwide Boulevard in Columbus, Ohio, and I am also
15 a resident of Columbus, Ohio.

16 CHAIRMAN ARMSTRONG: And how long have
17 you worked for the company?

18 THE WITNESS: Approximately 11 years.

19 CHAIRMAN ARMSTRONG: And your title is?

20 THE WITNESS: Managing director of
21 renewable energy.

22 CHAIRMAN ARMSTRONG: How long have you
23 had that title?

24 THE WITNESS: About five years, but all
25 of my tenure has been in the renewables sector.

1 CHAIRMAN ARMSTRONG: And why are you
2 here?

3 THE WITNESS: I'm here in support of the
4 Kentucky Power Company's petition to execute a
5 renewable energy purchase agreement with ecoPower and
6 seeking approval from the Commission to -- in support
7 of that.

8 CHAIRMAN ARMSTRONG: Welcome.

9 THE WITNESS: Thank you.

10 CHAIRMAN ARMSTRONG: Your witness.

11 MR. GARCIA: Thank you, Your Honor.

12 CHAIRMAN ARMSTRONG: Mr. Garcia.

13 Q Mr. Godfrey, did you cause testimony and
14 exhibits to be submitted in this case?

15 A I did.

16 Q And those were prepared by you under
17 your supervision?

18 A They were.

19 Q If I were to ask you the same questions
20 today, would you give me substantially the same
21 answers?

22 A Yes with regards to the testimony, and
23 there's one slight --

24 Q I'll ask you about the questions, but
25 about the testimony?

1 A The testimony I would answer the same
2 today if any of them were answered.

3 Q So you don't have any corrections or
4 updates to the testimony?

5 A I do not.

6 Q And you also submitted answers to data
7 requests in the case?

8 A I did.

9 Q And do you have any updates to any of
10 those that you would like to --

11 A There was one update.

12 Q -- cover at this point? Okay. And
13 would that be for Commission Staff Question 5 in set
14 number one?

15 A I believe -- I believe that's the one.
16 Can you show that to me?

17 Q Oh.

18 A Yes, that's correct. That's the one I'd
19 like to update.

20 Q In what way would you update that
21 answer, sir?

22 A Well, the discovery request says to
23 refer to pages 11 through -- and 12 of the Godfrey
24 testimony. Starting at the bottom of page 11
25 Mr. Godfrey states that Kentucky Power may sell

1 renewable energy credits in the short term and credit
2 any proceeds to customers.

3 And it goes further to ask: (Reading)
4 State the current value of an REC from the type of
5 biomass facility described in this application.

6 And our response at the time was:
7 (Reading) Information currently obtained from SNL
8 Financial, LLC indicates a REC value 2 to \$6 per REC,
9 and what I would like to amend that is currently those
10 RECs are selling in the neighborhood of 14 to \$15.

11 Q And with the update to that answer, do
12 you adopt the answers that you provided in discovery
13 and your testimony and exhibits as your in evidence
14 this case?

15 A I do. Should I update this?

16 Q That -- it's reflected in the record.
17 Thank you.

18 MR. GARCIA: Your Honor, Mr. Godfrey is
19 available for cross-examination.

20 MR. KURTZ: Thank you, Your Honor.

21
22 * * *

CROSS-EXAMINATION

1
2
3 By Mr. Kurtz:

4
5 Q Good afternoon, Mr. Godfrey.

6 A Mr. Kurtz.

7 Q On page 3 at the top of your testimony
8 you describe your responsibilities as managing
9 director renewable energy. So I guess you're the
10 person at AEP who's responsible for this? This is
11 your department, so to speak?

12 A Yeah. I work on behalf of all of our
13 regulated operating companies to find and procure
14 renewable energy solutions and work with the
15 management of each of those operating companies to
16 execute their strategy.

17 Q So are you in -- are you involved with
18 all of the renewable RFPs that AEP does?

19 A Yes. They're either done by myself or
20 under my supervision.

21 Q Okay. Will you turn to Exhibit 2 to
22 your testimony, where you list the wind and solar
23 energy power purchase agreements by regulated
24 operating company?

25 A I don't have a copy of that with me, but

1 I pretty much know it by heart. Is there a specific
2 question?

3 COMMISSIONER BREATHITT: Would you state
4 page number again?

5 MR. KURTZ: It's Exhibit 2, JEG-2.

6 A Okay.

7 Q I haven't counted these. It looks like
8 maybe 20 or so renewable contracts?

9 A Yes.

10 Q How many of those were the result of a
11 request for proposal?

12 A Most, but not all.

13 Q Which ones --

14 A Probably more than 50, approaching
15 75 percent, but not 100 percent.

16 Q Okay. Now, let's just talk about wind.
17 Are -- and I don't want to go onto the confidential
18 record yet. Are any of the wind agreements listed
19 here more expensive than the ecoPower over the life of
20 the ecoPower contract?

21 MR. GARCIA: If you can answer the
22 question --

23 THE WITNESS: I thought --

24 MR. GARCIA: -- not confidentially and
25 with information that you know.

1 THE WITNESS: I thought pricing of the
2 ecoPower contract was confidential, as is every single
3 one of the terms in all of these contracts, we have
4 confidentiality agreements --

5 Q So are you allowed --

6 A -- in all our jurisdictions.

7 Q -- to discuss with this Commission how
8 much each of these wind or solar contracts are priced
9 at?

10 A My confidentiality agreements with each
11 of the counterparties extend to disclosures with those
12 jurisdictions, and since these costs don't pass
13 through to Kentucky, I don't think I have a nexus to
14 break that. I'm not a lawyer, but --

15 Q Okay. So you can't tell the Kentucky
16 Commission how much you're paying for wind or solar
17 elsewhere?

18 THE WITNESS: I gotta have some --
19 there --

20 CHAIRMAN ARMSTRONG: Would you like --

21 THE WITNESS: I can --

22 CHAIRMAN ARMSTRONG: Would you like a
23 break?

24 THE WITNESS: I can be -- if I could --
25 I'm not trying to evade, so if I can be in general,

1 let's see how far we can go. I don't want to --

2 MR. GISH: And much like the KIUC
3 witness Taylor's testimony included no data based on
4 the confidentiality agreements that he had signed,
5 we'd expect the same provision to be made here.

6 MR. KURTZ: Let me ask a different way.

7 Q Are you familiar with the Headwaters
8 Wind Farm wind contract that Indiana Michigan has
9 asked for approval for just recently this year?

10 A Yes, I negotiated it.

11 Q Okay. Good.

12 MR. KURTZ: Well, let me have as [sic]
13 marked KIUC Number 6. It's an excerpt from that
14 application.

15 THE WITNESS: Thank you.

16 Q Just by way of background, you did the
17 RFP -- let's see. Let me state it this way: You
18 started the RFP process in February of 2013; is that
19 correct?

20 A That's correct.

21 Q And by June of 2013 you had executed a
22 contract with Headwaters for 200 megawatts of wind
23 power?

24 A Yes, that's correct.

25 Q Okay. So it was a relatively rapid

1 process from RFP start to signing the contract?

2 A Yes.

3 Q Now, there was testimony -- there has
4 been testimony that renewables are always or generally
5 more expensive than brown conventional power, but this
6 case shows that that's not always the case, doesn't
7 it?

8 A This was a very attractively priced
9 renewable energy project which happened to be located
10 in our service territory of Indiana Michigan Power.
11 And that was one of the prequalifications we had in
12 it. There were a number of projects that were in the
13 permitting stages within our service territory, so we
14 knew what we were going to get before we went out,
15 they were all ready -- they were all ready to go, and
16 we got a quite attractive price that people are pretty
17 pleased with.

18 Q So this green power from Headwaters is
19 actually cheaper than the brown conventional power of
20 Indiana Michigan; is that correct?

21 A The estimate over the long term -- not
22 today, but over the life of the contract, I believe
23 was the testimony. I didn't -- I don't do rates, but
24 I do believe that over the life of the contract it was
25 in the money, so to speak.

1 Q So cheaper than conventional power?

2 A Over the life of the contract.

3 Q Who is Mohamed Abu-Karam?

4 A He works --

5 Q He works --

6 A He works in the resource planning group.

7 Q Okay.

8 A In Columbus.

9 Q Now, the second-to-the-last page of
10 this, or the third-to-the-last page of this KIUC
11 Number 6, will you turn to that, please? He shows, at
12 the bottom lines, it's in yellow, that there's going
13 to be a net benefit to consumers in Indiana and/or
14 Michigan of \$9 million to \$15.4 million, and then he
15 quantifies.

16 In other words, he's saying that this is
17 less than your avoided costs and that consumers will
18 save money from this wind contract; is that correct?

19 MR. GARCIA: Your Honor --

20 A If that's what the --

21 MR. GARCIA: -- he's being asked about
22 statements that are not of his --

23 CHAIRMAN ARMSTRONG: He's trying to put
24 words in his mouth.

25 MR. GARCIA: Objection.

1 Q Well, am I reading this right that this
2 gentleman who works for you -- and you negotiated this
3 contract --

4 A He --

5 Q -- consumers will save --

6 A No. Correction. He doesn't work for
7 me.

8 Q Okay. Well --

9 A He works in another department. He does
10 rates. I don't do rates and revenue requirements and
11 any of that, I just negotiate deals.

12 Q Okay. Tell me if I'm reading this
13 right, is your understanding, if you don't know, line
14 19, page 3 of his testimony, as shown, the net cost of
15 a full year's energy purchase is estimated to range
16 from a net benefit of \$900,000, or .9 million, to a
17 net benefit of 15.4 million?

18 MR. GARCIA: Your Honor, there is no
19 foundation for this line of questions. The witness
20 just indicated that he doesn't have knowledge.

21 MR. KURTZ: The foundation is he
22 negotiated this contract. The foundation is they are
23 bringing before you a renewable contract that's going
24 to cost consumers \$35 million per year, a seven
25 percent rate increase. They are bringing to the

1 Commission in Michigan a wind contract that's going to
2 save consumers money. That's the point I want to
3 address with this witness.

4 CHAIRMAN ARMSTRONG: Ask it in a
5 different way.

6 Q You said that this contract you
7 negotiated was in the money. Does that mean it will
8 save consumers money?

9 A That's the expectation, and I believe
10 that's the testimony that's provided by Mohamed
11 Abu-Karam in another -- in this case.

12 Q As opposed to the \$35 million rate
13 increase or seven percent rate increase under the
14 ecoPower contract?

15 A Different operating companies, different
16 resources, different situation. That's apples and
17 oranges. You know, it's kind of interesting, though,
18 that, you know, when we had an out-of-state wind
19 project a few years ago, I think your clients also
20 similarly objected to it because it was out of state,
21 and so I think part of that played into -- and I can't
22 speak for Mr. Pauley, but that that had to play into
23 the fact that something that was in-state, investment
24 in Kentucky, had to be more attractive than something
25 that was out of state that was previously objected to.

1 And so, you know, there are distinct differences here,
2 but I do not dispute the fact that this is a good deal
3 for the ratepayers of Indiana Michigan Power.

4 Q Well, how do you think this Commission
5 would react if you brought a renewable contract that
6 would actually save consumers money rather than cost
7 money? Don't you think you might get a different
8 reception?

9 A Possibly. It's speculation. I -- you
10 know, I know in the past that your clients have
11 objected to that sort of thing --

12 Q You think they would object --

13 A -- when a renewable -- well, this is --

14 Q You think they would object to saving
15 money?

16 MR. GARCIA: Your Honor --

17 A This contract is no different than what
18 you objected to three years ago, that's all I'm
19 saying.

20 Q Three years ago you brought a contract
21 that would save money? That's a question. It wasn't.
22 It was an added cost, wasn't it?

23 A The terms were similar.

24 Q You think that your testimony in that
25 case was that it would save consumers money in

1 Kentucky and the Commission didn't like that?

2 A I made no testimony with regards to the
3 customer impact. I testified about the contract
4 itself.

5 Q Okay. You were the chief negotiator for
6 eco -- in the ecoPower transaction?

7 A Yeah, on the commercial terms. I headed
8 up that part.

9 Q You're drawing a distinction. Was there
10 something else?

11 A Well, when it came to regulatory issues,
12 you know, we deferred, of course, to the Kentucky
13 Power. So I was their -- I was their lead guy on
14 commercial issues. It was a -- it was a team with
15 regards to the regulatory issues, and namely that's
16 Section 6.1. If you'd like to, we can talk about that
17 or not.

18 Q Okay.

19 A It's up to you.

20 MR. KURTZ: Your Honor, I want to go
21 into confidential session at this point. I have
22 confidential exhibits.

23 CHAIRMAN ARMSTRONG: If you have not
24 signed the confidential agreement, I would ask you to
25 leave.

1 (Confidential testimony of Jay Godfrey
2 heard from 2:11 p.m. to 2:50 p.m.)

3 CHAIRMAN ARMSTRONG: Do you wish to file
4 this confidential --

5 MR. KURTZ: Yes, I will move -- I will
6 move into evidence -- in fact, they are in evidence
7 already, since they're from data responses, KIUC
8 Exhibits 1 through 8.

9 THE WITNESS: Not the first two pages,
10 that's not in evidence.

11 MS. HANS: And just for clarity, Your
12 Honor, and mine was the same, AG's Exhibit 1 was all
13 that we had, but I don't think I've moved that to be
14 introduced into evidence.

15 CHAIRMAN ARMSTRONG: Without
16 objection --

17 MR. GARCIA: Yes.

18 CHAIRMAN ARMSTRONG: -- so ordered.
19 There is an objection to KIUC 8 on the basis that
20 there is no foundation for the parts of the exhibit
21 that -- there's no foundation for it.

22 MR. KURTZ: Well, the foundation is, is
23 the average equity and the net operating income
24 provided by the Company to us, and it's just simple
25 mathematics to get -- to calculate.

1 MR. GARCIA: There is no evidence in the
2 case right now that that information is in any way
3 approachable to being admissible, Your Honor. The
4 witness -- the only witness that has been asked
5 questions about this was not able to provide any
6 information about it.

7 MR. KURTZ: This is the pro forma that
8 the Company gave to the Staff in the result -- in
9 response to data requests. This is the Company's
10 information, it's just a simple adding one plus two
11 and dividing by three.

12 CHAIRMAN ARMSTRONG: Quang.

13 MR. NGUYEN: Your Honor, I have not had
14 a chance to review this as well, so I cannot make a
15 recommendation as to --

16 MR. KURTZ: Your Honor.

17 CHAIRMAN ARMSTRONG: Is this part of the
18 data request?

19 MR. NGUYEN: I'm sorry?

20 MR. KURTZ: It is except for the --

21 CHAIRMAN ARMSTRONG: Is this part of the
22 data request?

23 MR. NGUYEN: Based upon my review of the
24 supporting documents, they are.

25 MR. KURTZ: The calculation -- the cover

1 page is something I put together, but it's just simply
2 adding one plus two and dividing by three.

3 CHAIRMAN ARMSTRONG: I'm going to note
4 that, that the counsel has put together the cover of
5 this Exhibit 8?

6 MR. KURTZ: Yes, sir.

7 MR. GARCIA: Thank you, Your Honor.

8 CHAIRMAN ARMSTRONG: And allow it.

9 MR. GARCIA: Thank you, Your Honor.

10 (KIUC Exhibits 1, 2, 3, 4, 5, 6, 7, and
11 8, and AG Exhibit 1 admitted.)

12 CHAIRMAN ARMSTRONG: We're going to take
13 a break for our stenographers, about ten minutes. And
14 how much time more do we need of this witness before I
15 do that? Are you finished?

16 MR. GARCIA: At this point, Your Honor,
17 I think that we can move very quickly.

18 MR. NGUYEN: Your Honor, Staff has a few
19 questions for Mr. Godfrey.

20 CHAIRMAN ARMSTRONG: Proceed. Sorry.
21 We'll come back to you.

22 MR. NGUYEN: Are you --

23 MR. KURTZ: I have no further questions,
24 Your Honor. Thank you.

25 CHAIRMAN ARMSTRONG: Mr. Nguyen.

1 MS. HANS: We have no further.

2 MR. NGUYEN: Yes, Your Honor. Just a
3 couple.

4

5

* * *

6

7

CROSS-EXAMINATION

8

9 By Mr. Nguyen:

10

11 Q Good afternoon, Mr. Godfrey.

12 A Good afternoon.

13 Q Could you refer to your direct
14 testimony, page 2, lines 9 through 13, where you list
15 some of your experience in negotiating various
16 renewable energy power purchase agreements? And you
17 listed wind, biomass, landfill gas, and solar energy
18 power purchase and sale agreements. With respect to
19 biomass agreements, how many negotiations have you had
20 with respect to biomass agreements?

21 A This is the second biomass one that we
22 have negotiated. The first one didn't come to
23 fruition. It was in a different jurisdiction.

24 Q Okay. And when you say "didn't come to
25 fruition" --

1 A We didn't execute it.

2 Q Okay. Was there -- how far into the
3 negotiation process did you-all reach?

4 A We swapped drafts a few times, swapped
5 term sheets.

6 Q Okay. So insofar as your knowledge of
7 AEP, the only renewable energy purchase agreements
8 consist of wind, solar, and hydro; is that correct?

9 A Right. We've also -- we also went down
10 the path with a couple different landfill gas
11 developers that -- it never came to fruition either.

12 Q Okay.

13 A Not every -- oh.

14 Q Sure. Go ahead.

15 A Sorry. Not every deal that we
16 negotiate, you know, gets to the finish line. You
17 start, for various reasons things go, don't go.
18 Sometimes it speeds up, sometimes it goes on pause.
19 In the case of this one, it went on pause for a while,
20 then it proceeded again, so --

21 Q Okay.

22 A -- it's an ever-moving -- it's a full
23 employment act for lawyers for my line -- my line of
24 work.

25 Q Sure. It's an evolving process?

1 A Yeah.

2 Q Was it as a result -- the other -- the
3 first biomass negotiation, was that as a result of a
4 price or certain other provisions that an AEP
5 affiliate didn't reach terms with?

6 A Probably the biggest single reason was
7 the size of it. It was just so -- it was bigger. It
8 was larger. And, you know, without getting into too
9 many details, it was significantly larger.

10 Q Okay. And I guess without going to any
11 sort of confidential information, both as to that one
12 and as to this one, the pricing itself, which is on a
13 per kW basis or per megawatt hour basis, is the
14 ecoPower contract rate -- was that more or less than
15 the one that was --

16 A This --

17 Q -- previously negotiated?

18 A The negotiation that I'm specifically
19 referring to was one that was taking place a number of
20 years ago when there was the Investment Tax Credit
21 that was available, like I talked about the earlier
22 negotiations with ecoPower.

23 Q Sure.

24 A And so it was more -- you know, it was
25 in that different realm, so, yes, it was cheaper.

1 Q Okay.

2 A But we didn't move forward with it --

3 Q Okay.

4 A -- either.

5 Q And were you here earlier when
6 Mr. Pauley testified?

7 A Yes, I was here.

8 Q Okay. And in terms of price
9 differentials with respect to comparing renewables to
10 other renewables, with respect to the price for
11 biomass in general, not just specifically for this
12 particular case, but in general, is price per -- on a
13 megawatt hour basis for biomass generally more
14 expensive than power associated with wind?

15 A Yes. In most of the country, biomass is
16 more expensive, I guess unless it's done on a very
17 large scale.

18 Q All right. And do you know --

19 A The wind -- the wind is today what --
20 the wind PTC, they get -- their PTC is worth twice as
21 much as a biomass PTC on a per megawatt hour basis.

22 Q Okay. So the factors that you've
23 indicated, the production tax credit and also the
24 scope of the --

25 A It cost --

1 Q -- the project --

2 A It costs less per kW to install a wind
3 project today than it does for a biomass, but they are
4 different products. One's intermittent, one's base
5 load. There's differences.

6 Q Okay. Can you -- is there a way that --
7 if you were to evaluate what a biomass purchase
8 agreement would be versus a wind purchase agreement,
9 could you create some sort of an assumptions for -- or
10 adjust the assumptions for -- or the factors for the
11 wind contract to make it on a, you know, equal footing
12 with a biomass contract to compare it in terms of an
13 apples to apples comparison? With respect to, say,
14 for, like, you know, capacity factors, wind power is
15 intermittent, you could --

16 A Sure.

17 Q -- adjust that?

18 A Let me try. So adjusting for the time
19 of day production, because you're going to get
20 oftentimes more at night than during the day from a
21 wind project, and adjusting for the capacity value --
22 biomass is a base load, so it's going to get full
23 capacity value on the PJM market and wind would not,
24 nor would solar, for that matter -- biomass is still
25 typically more expensive than wind in most areas of

1 the country, but -- and specifically in our
2 jurisdictions. It's because of the cap ex. But
3 that's really the -- it's the only renewable that was
4 available to us as well for Kentucky. It's the only
5 thing that was -- there were no wind projects and --
6 or anything else in Kentucky that we could -- you
7 know, that we could talk to to talk with.

8 Q Okay. So I guess the price differential
9 for a biomass facility versus wind, solar, or -- well,
10 versus wind and solar would be associated with capital
11 expenditures?

12 A Yeah. Now, solar is different. I
13 didn't say that the biomass was more expensive than
14 solar, so --

15 Q It is not?

16 A -- they're -- no, they're more -- you
17 know, they're more of an even playing field or it
18 could be one -- you know, one could be more or less.
19 But solar is more expensive than wind in most areas.
20 Not Arizona. You know, in Kentucky you've got trees,
21 so the renewable that you can -- you know, the
22 resource that you can take advantage of is trees. In
23 Arizona they have sunshine, golf courses, so you can
24 put solar up. In the Pacific northwest and further
25 south in the TVA area you've got the hydro. But, you

1 know, you have to -- you have to go with what -- with
2 what's available, you know, too. You can't wish for
3 something that's in Minn -- for what -- you can't buy
4 wind in Minnesota and bring it to -- and bring it to
5 Kentucky as well.

6 So if you want investment in Kentucky,
7 you know, you have trees and, you know, that's a
8 renewable that you can have, and so we're -- what we
9 were looking at is also, I think, is you're referring
10 to Greg Pauley's testimony, he brought up the
11 Governor's, you know, energy plan, and so renewables
12 were part of it, and this is a renewable that's
13 indigenous to the state, and that's -- you know,
14 that's why we're presenting it to you-all today.

15 Q And without going into any confidential
16 information, you mentioned that there was -- in
17 response to Mr. Kurtz's question being different
18 break-even points with respect to the ecoPower REPA
19 for each counterparties, do you recall that?

20 A Can you refresh me?

21 Q Well, was there a maximum contract rate
22 that you had developed such that if it were above and
23 beyond that, that in your estimation would not make
24 the contract an economic one?

25 A I didn't have a maximum. What I did was

1 communicate those prices to Kentucky Power management
2 and our other management, what the -- you know, what
3 the pricing was. What we did do was take a look at
4 the pro forma that the developer put together, because
5 I think that was important to figure out whether they
6 were -- whether it seemed rational.

7 (Confidential testimony of Jay Godfrey
8 heard from 3:03 p.m. to 3:03 p.m.)

9 A But right. I mean, a new biomass plant
10 is going to cost -- you know, cost more, you know,
11 than -- you know, than some things, but less than
12 something else. It's a smaller plant. It seemed
13 within -- it seemed within reason on the -- if you
14 want biomass, that you -- that the cost seemed to be
15 in line. Yes, it's not -- it's not cheap. The
16 operating expenses didn't look out of line. And the
17 financing costs, we actually went further and talked
18 to an investment banker, you know, about the financing
19 assumptions that they used in theirs, and it seemed
20 reasonable, if not, you know -- you know, they may be
21 even aggressive. There wasn't a lot of -- there
22 wasn't a lot of slop or contingency in there.

23 And when I'm talking about financing
24 assumptions, how much debt that they can put on, what
25 the rates were, what kind of coverage ratios, what the

1 loan fees were, what the equity rate of return was,
2 and those sorts of things. Does that --

3 Q Yes.

4 A Does that answer it or --

5 Q Yes. Were you asked for a
6 recommendation as to the reasonableness of the
7 contract price as well as the other provisions that
8 were negotiated and finalized?

9 A Yeah. That was one of the tasks that we
10 had. I mean, did this seem reasonable given the --
11 you know, the fact set? If you want biomass, if you
12 want to make the decision that renewables in your
13 state, in our service territory, where it's -- you
14 know, where it's, you know, in a lower income area
15 where we need to have some economic development, if
16 that's the renewable of choice, and then looking at
17 the -- you know, looking at the pro forma, didn't see
18 a lot of places to poke holes in it.

19 Q Well, just looking at it straight from
20 the bottom line, just the contract price itself alone,
21 without any evaluation of the other benefits
22 associated with the facility, just based upon the
23 contract price alone, were you asked as to the
24 reasonableness of that contract rate internally?

25 A It seemed -- you know, I thought I -- I

1 thought I answered it. Given the fact sets that were
2 there, it seemed reasonable. In the context of
3 everything else, it's more expensive, and so the
4 question is, is do you want biomass? Do you want that
5 investment? I mean, that's what it all comes down to.
6 I mean, if you want the investment in that part of
7 your state, you know, and if you want to add
8 renewables for portfolio diversity, you know, that's
9 what it's going to cost. So that's -- you know, in
10 that context, yes, that's reasonable.

11 Q Okay. Did you -- and I guess did you
12 develop any quantification as to the other benefits,
13 the economic benefits associated with the ecoPower
14 facility?

15 A No, I don't typically get involved in
16 that sort of stuff.

17 Q Okay. So I guess when you said that it
18 was reasonable given all of these other benefits as
19 well, what's the support for that statement?

20 A If one is to give value to the jobs and
21 give value to the investment and wants biomass
22 renewables in the state, that's a price that you're
23 going to have to pay to go get it.

24 Q At any price? Are you saying at any
25 price, or at a certain premium you would?

1 A No, I'm saying that that -- that that's
2 what it's going to cost. If you're going to have
3 somebody go build it and operate it for 20 years and
4 take all of the risk that the third-party equity needs
5 to go take, because we're not taking any of those
6 additional risks, you know, if the fuel costs, you
7 know, diesel costs go up, labor costs go up, so for
8 somebody to go do that and make the investment of a
9 quarter of a billion dollars and then go operate it
10 over 20 years, that seemed like a reasonable price.
11 It's not cheap.

12 MR. GARCIA: Your Honor, if can I remind
13 the witness to limit his answers to nonconfidential
14 information while we're -- thank you.

15 Q Given the contract price of the proposed
16 ecoPower REPA, how would that stack up against the
17 other renewable energy purchase agreements that AEP or
18 any of the other AEP affiliates have? And I guess you
19 can just give me a general --

20 A More than -- more than most.

21 Q Okay.

22 A But not the highest.

23 Q Okay. So within -- I guess if you would
24 rank it, you know, the bottom quarter?

25 A Yes. Or the top quarter, depending on

1 how you're ranking them.

2 Q Okay.

3 A But it's in -- but it's in that
4 quartile.

5 Q Okay. So it would be one of the
6 higher --

7 A Yes.

8 Q -- costs?

9 A Yes.

10 Q There are other --

11 A But not the highest.

12 Q It's not the highest?

13 A Yes. Different jurisdiction.

14 Q Okay. And you mentioned with respect to
15 your Exhibit 2, JFG Exhibit 2, the wind and solar
16 energy purchase agreements from the other
17 AEP-regulated operating companies -- in response to a
18 question earlier you had mentioned that the
19 contracts -- approximately 40 to 50 percent of these
20 contracts were as a result of an RFP; is that correct?

21 A Over 50 percent.

22 Q Okay. Over 50 percent. The ones that
23 weren't as a result of the issuance of an RFP, were
24 they similar in nature to the ecoPower contract, where
25 the Company was approached by the seller?

1 A Some. Some of the early ones that we
2 did were bilateral, and as -- and not as a result of
3 an RFP, but -- and those weren't -- those were where
4 we got approached.

5 Q Okay. You said some of the earlier
6 ones. What about the more recent ones?

7 A I can tell you that five recent
8 contracts that we entered into were not the result of
9 RFPs.

10 Q Okay. Okay.

11 A Within the last -- within the last two
12 years.

13 Q Were they solar contracts?

14 A No.

15 Q They were wind contracts?

16 A Yeah. So -- almost 400 megawatts'
17 worth. So significantly more in megawatts than --
18 than what we're talking about today.

19 Q Okay.

20 A Different jurisdictions.

21 Q If you would turn back to page 10 of
22 your direct testimony.

23 A Sure.

24 Q At lines 10 through 12.

25 A Okay.

1 Q And where you mention according to
2 ecoPower, that they are in advanced discussions with
3 Greenleaf Power regarding joint development for
4 financing, operating and ownership of the ecoPower
5 facility. Do you know what the status of that
6 negotiation is at this point in time?

7 A I haven't been updated in the last
8 couple months, and if I did, we'd have to go back into
9 confidential mode anyway.

10 Q Okay.

11 A Because their discussions with their
12 equity are also subject to confidentiality --

13 Q So -- but you --

14 A -- agreements.

15 Q -- don't have any knowledge as --

16 A I don't have any knowledge that they're
17 still not in, you know, active negotiations. I think
18 everybody's looking to see how the -- you know,
19 obviously how the case is -- they were involved --
20 they were involved in the last few months, the last
21 many months of the negotiation of this --

22 Q Okay.

23 A -- the PPA that you guys --

24 Q Okay.

25 A -- see before you today, and then I

1 think once we filed, everybody is sitting back and
2 waiting, you know, to see the results of the
3 Commission's ruling.

4 Q And you mentioned earlier that you're --
5 you know, that's not part of your responsibilities in
6 terms of developing an economic analyses to quantify
7 the benefits of this particular project?

8 A We have a separate group that does that.

9 Q Okay. But would you happen to know why
10 one was not conducted for this particular project?

11 A I thought you were talking about revenue
12 requirements.

13 Q No, I'm talking about quantification of
14 the economic benefits associated with --

15 A We typically don't have to do that on
16 the renewables deals. When I'm saying "we," I'm not
17 just speaking for Kentucky Power, because most of them
18 are done as a result of renewable portfolio standards
19 in our various states, and so most -- you know, many
20 of the states that we have either have a voluntary,
21 and some even have firm renewable portfolio standards.
22 We've also entered into quite a few of these renewable
23 agreements in settlements, you know, on various
24 matters, you know, like to settle matters that are --
25 you know, whether it's -- whether it's at the state

1 level or the federal level, and that we've done them
2 in that manner.

3 Q Okay.

4 A So economic development is a plus, and
5 in recent years we've encouraged renewable projects to
6 be more closer to our service territory or even within
7 it. The one that was brought up before by Mr. Kurtz,
8 you know, was a project that was executed by Indiana
9 Michigan Power within its own service territory,
10 because that was a requirement, you know, that we
11 made, you know, of the -- we had, you know, eight to
12 choose from.

13 Q Okay. You filed direct testimony in the
14 prior -- I guess in the wind case --

15 A Yes, I did.

16 Q -- back in 2009. Do you recall if there
17 were a revenue requirement analysis that was performed
18 in that case to determine the -- I guess the relative
19 impact of that contract?

20 A Most certainly, but that wasn't done by
21 myself.

22 Q Right. That was done by someone else?

23 A Yes.

24 Q Okay. But that wasn't done in this
25 case?

1 A A revenue requirements? I believe
2 that's what -- I believe that's what Witness Wohnhas
3 prepared for this case.

4 Q Right. But I believe in the wind power
5 case there was a little bit more of a robust analysis
6 that was conducted with respect to the impact of the
7 wind contract in that case.

8 A I'm -- you're --

9 Q If you recall.

10 A Yeah, that's something that's not --
11 that's not coming back. That was a lot of
12 transactions ago.

13 Q Sure. Okay.

14 A But --

15 Q Fair enough. If you know, do you know
16 when the system impact study from PJM will be
17 finalized?

18 A I think we heard testimony earlier today
19 that it was going to be -- a system impact study was
20 going to be completed the end of next month.

21 But something to add on that, they had
22 gone through an interconnection study process before,
23 when we were talking about before, because we kind of
24 had two different negotiations when there was two
25 different fact sets going on. And they had one, and I

1 believe they had gone through the system impact study
2 stage and gotten some pretty good results. I think I
3 remember reading it.

4 I think it was past the facility study,
5 but then they had to pull it when there wasn't a
6 contract or a project for them to move forward with,
7 because once you get to system impact study, you have
8 a certain amount of time before you need to start
9 moving to the next stage, and that means putting up
10 more money to PJM for these additional studies, which
11 is the final facility, the facility study.

12 It goes feasibility, system impact
13 study, facility study. And they pulled their
14 application back, and so they had to refile it when we
15 started going again and that clock started going, but
16 they -- but there was -- you know, my expectation is
17 that they would still get that good result out of it.

18 Q Okay.

19 A We had some people take look at it on
20 our side that --

21 MR. NGUYEN: Okay. And I guess if we
22 can go back into confidential session just for a
23 minute, Your Honor, or --

24 CHAIRMAN ARMSTRONG: Sure.

25 MR. NGUYEN: -- could you --

1 CHAIRMAN ARMSTRONG: How much more time
2 will we need of this witness?

3 MR. NGUYEN: Just -- I just have just
4 one or two more questions and that's it.

5 MR. GARCIA: Your Honor, at this point,
6 the witness has clarified everything that I had on
7 redirect, so at this point there is none.

8 CHAIRMAN ARMSTRONG: Okay. Other
9 questions?

10 MR. GARCIA: At this point --

11 CHAIRMAN ARMSTRONG: I just want to give
12 our stenographers a break, a five- or ten-minute
13 break.

14 MR. GARCIA: Sure.

15 CHAIRMAN ARMSTRONG: Let's do that now.

16 COMMISSIONER BREATHITT: Well, since
17 they have already left the room, do we want to finish
18 with Mr. -- do you have confidential testimony?

19 CHAIRMAN ARMSTRONG: We will take a
20 break for a minute if that's okay.

21 COMMISSIONER BREATHITT: Okay. All
22 right.

23 VICE-CHAIR GARDNER: I've got questions.

24 CHAIRMAN ARMSTRONG: How you-all doing?

25 MS. HARWARD: Oh, I'm fine.

1 CHAIRMAN ARMSTRONG: Are you okay?

2 THE REPORTER: Uh-huh.

3 CHAIRMAN ARMSTRONG: How about a
4 five-minute break?

5 THE REPORTER: Sure.

6 CHAIRMAN ARMSTRONG: Five-minute break.

7 MR. GARCIA: Yes, Your Honor.

8 (Recess from 3:18 p.m. to 3:34 p.m.)

9 (Confidential testimony of Jay Godfrey
10 heard from 3:34 p.m. to 3:46 p.m.)

11

12

* * *

13

14

EXAMINATION

15

16 By Commissioner Gardner:

17

18 Q All right. And this is also following
19 up a bit on what counsel -- you know, the relationship
20 with PJM and trying to understand that.

21 Okay. What you talked about is in
22 article 11, there's a seller security fund, and that's
23 in there for liquidated damages to protect Kentucky
24 Power from certain risks.

25

And one of the risks is that, for

1 whatever reason, ecoPower is not able to actually
2 deliver the capacity that Kentucky Power has bid in --

3 A Uh-huh.

4 Q -- in the capacity market.

5 Now, what other risks are there that
6 Kentucky Power might have that that fund could be
7 there to cover?

8 A None are coming to mind, because we
9 pushed all the risk back to them --

10 Q Okay.

11 A -- the way that it was structured.
12 Yeah. Nothing comes to mind.

13 Q Okay.

14 A I correct there were -- you know, I'll
15 review it tonight and correct the -- or if that's
16 how -- is that how we do it?

17 Q Okay. Tell me if -- tell me how the --
18 so PJM, again, with response to a question, is doing a
19 system impact study that's going to be added the end
20 of September.

21 Okay. I understand how the PJM relates
22 to capacity. 'Cause Kentucky Power would be bidding
23 the capacity in.

24 A Uh-huh.

25 Q So talk to me about the energy. This is

1 a bilateral contract. What does PJM have to do with
2 it going forward, and how does it relate to energy,
3 and who bid -- is the energy actually bid in if we're
4 going to be getting it -- if we -- if Kentucky Power
5 is going to be getting it all? Tell me how that
6 works.

7 A Yeah.

8 Q 'Cause I --

9 A Yeah.

10 Q -- don't understand that.

11 A Well, actually, that's a pretty good
12 question, and it's a complicated answer, but let me
13 try and -- let me try and do it.

14 This is essentially a fixed-for-floating
15 contract. We're going to pay a fixed price, and then
16 we're going to get energy scheduled to us, settled up
17 a day later, you know, which will represent, you know,
18 the price that the market had.

19 And so if you pay X, and the energy was
20 worth Y, there's going to be a positive or a negative
21 delta. And I think we've been, you know, talking
22 about some of those -- there's been discussion today
23 about the delta. The difference between the energy
24 value and the whole contract price.

25 And so the contract includes three

1 parts: Energy, capacity, and REC. And so PJM settles
2 up the energy on -- there's a daily and then weekly
3 bill settlements and then monthly.

4 We settle up with -- if the contract was
5 approved, we would settle up with ecoPower on what we
6 owed them on a monthly basis. PJM actually does it on
7 a weekly basis. And then the capacity is done once a
8 year in advance, and -- you know, except for the
9 supplemental options.

10 Q Okay.

11 A So --

12 Q With respect to energy, you're
13 actually -- I mean, ecoPower is going to be placing
14 the energy into the day-ahead market.

15 A Uh-huh.

16 Q And then the contract -- the contract
17 you-all have with ecoPower, in effect, just governs
18 the price -- at this point, it governs the pricing
19 relationship as to how much you're paying for that
20 power, whether -- depending on what the market price
21 is, how much you pay.

22 I mean, because --

23 A Well --

24 Q -- because they're going to get some
25 money from the PJM market, and then you-all, depending

1 on, out of the 8,000 days, how many -- you know, some
2 days, very few days, and there's going to be -- you're
3 going to be paying less than what the -- I got it
4 backwards there.

5 But most days, the price you're going to
6 be paying -- they're going to be -- you're going to be
7 paying more than what PJM -- what they have gotten
8 from PJM, ecoPower has gotten from PJM. Is that --
9 maybe I'm not articulating that right.

10 A Actually, yeah. I think you're right on
11 the money. So they're going to schedule it in, you
12 know, bid it into the day-ahead market. It's going to
13 operate, and then when it settles up the following
14 day, that energy then gets credited to our account.

15 Now, I don't work with this stuff on a
16 daily basis, but, you know, the other part of the PJM
17 part is on the customers are always taking out at LMP
18 as well.

19 So when we're serving all of our
20 customers, you know, we're taking money -- we're
21 taking energy out of the grid at LMP, and all of our
22 generation is putting it in.

23 The generation, whether we've got it by
24 contract or whether we actually own it, you know, by
25 deed, you know, we're putting energy into the PJM, and

1 then we're getting, you know, the money back for that,
2 and then it settles, but I think you had it right as
3 you explained it.

4 Q Okay. Okay. So that's why -- so the --

5 A And there's a delta.

6 Q Okay. Right. Right. Unless it's
7 incredibly coincidental, there will be a delta. Okay.
8 So you -- so that's why -- so the transmission line is
9 not -- I mean, it's -- this process is part of just
10 PJM, in general?

11 A Well, it's important to make sure that
12 the project can get its energy into the grid, and that
13 there's no grid constraints.

14 And so if PJM, when it does its study
15 process, recognize -- or it says that there needs to
16 be upgrades on the lines nearby, that this project
17 contributes to some extra congestion, then it will
18 assess those costs to upgrade those lines in the area
19 into their study.

20 Before that they get their actual
21 interconnection agreement, they would have to make
22 those certain upgrades, if any, if any need to be
23 made.

24 In some cases, you put something on, and
25 it's actually a benefit, you know, to the region, but

1 PJM study process, you know, wants to make sure that
2 the new generation doesn't add any more problems, you
3 know, than it solves.

4 And so they actually will come up with a
5 price tag when it's all done and bill them, and then
6 they'll bill the developer. The developer will pay
7 for it. PJM will charge the money, and then the local
8 utility -- in this case, it would be Kentucky Power
9 would go make those upgrades.

10 Q There is some transmission included
11 within this project already, even apart from what PJM
12 will require; is that correct?

13 A Yeah. I believe in the pro forma that
14 was provided in discovery, in one of the discovery
15 requests, also included, you know, a use of fund
16 statement that also had one of the line items, you
17 know, interconnection costs.

18 And so they were estimating what they
19 think the interconnection costs will be from PJM to
20 make those upgrades. That's all on -- that's all on
21 their dime.

22 Q Okay.

23 A That's -- you know, the price includes
24 that. The PJM comes back with some much larger price,
25 it doesn't -- that's not our problem.

1 Q That's their problem. Okay.

2 A Yes.

3 Q You mention the capacity, energy, and
4 you said RECs, and I'll come to RECs in a minute. Are
5 there any ancillary services being provided by this
6 that Kentucky Power gets the benefit of?

7 A Oh, we do contract for them. You know,
8 we're entitled to them if they're available. I mean,
9 if there's any ancillary service -- there's none that
10 can be monetized right now, but if there are any, we
11 contract for it. So, I mean, it actually, you know,
12 has one of -- is one of the products, that, you know,
13 we get title to. So there's no --

14 Q Okay.

15 A -- there's no question who would get it
16 if those --

17 Q But if they did --

18 A -- but we're not assuming any.

19 Q Okay. So you're not assuming any
20 ancillary services. If there are some that result,
21 then you-all would get the financial benefit?

22 A Then they're ours, which means they're
23 the customer's.

24 Q Okay. Tell me, in your understanding,
25 what a fair price would be for per megawatt for an

1 IGCC.

2 A My understanding is that the installed
3 cost of IGCC plants is maybe about 5,000 bucks a k --
4 \$5,000 a kW.

5 Q Okay.

6 A That's IGCC without carbon capture. So
7 forget about the carbon capture. That's just
8 gasifying the coal, putting, you know, essentially a
9 gasifier on the front end and then put -- building a
10 combined cycle on it.

11 Q Yeah. And I said megawatt, and I meant
12 kilowatt. And then what about --

13 A Either. Five million megawatt --

14 Q Sure.

15 A -- five thousand.

16 Q Sure. And then what about combined
17 cycle gas turbine?

18 A I don't know what that going rate is.
19 It's --

20 Q Okay.

21 A I'm not -- I'm not -- I could --

22 Q That's fine.

23 A It's less than 2,000.

24 Q Okay. Now, Mr. -- let's talk about RECs
25 for a minute. And in the testimony of Mr. Taylor, I

1 don't know if you're familiar with that, he talks
2 about the costs of RECs, and that these are risks to
3 Kentucky Power, and let me see if I can actually find
4 some of his language in open session.

5 He implies that there's a -- that there
6 would be a loss to Kentucky Ameri -- Kentucky America.
7 There would be a loss to Kentucky Power customers,
8 depending on what the RECs say. So it wouldn't
9 actually be anything that they would owe. It's just a
10 loss of potential revenue; is that correct?

11 A Yeah. I think, following along the
12 lines of conversation that we -- myself and Mr. Kurtz
13 had, where we were talking about REC values and annual
14 production and impact to revenue requirements, right.

15 Q But let me just read you something that
16 he said in his direct testimony, and let me ask
17 counsel for Kentucky Power that. It's on page 16 of
18 Mr. Taylor's testimony, and it's the second
19 question -- the answer to the second question on that
20 page that appears not to be confidential.

21 VICE-CHAIR GARDNER: Is that correct?

22 MR. GISH: That's correct.

23 MR. GARCIA: Your Honor, if I can --

24 VICE-CHAIR GARDNER: Sure.

25 MR. GARCIA: -- give a copy --

1 VICE-CHAIR GARDNER: Please.

2 MR. GARCIA: -- to the witness.

3 Q So if you would read that question and
4 his answer. He actually implies that there's an
5 actual market loss, and -- or could be because of a
6 cost of RECs, and so I don't understand that.

7 A It appears to me -- and I don't want to
8 put words in his mouth. It appears to me that he's
9 imputing a REC cost as a subset of the overall PPA
10 cost or the REPA cost.

11 So he's taking -- I believe he's taking
12 out an energy value and ascribing some value to it.
13 He's ascribing some value to capacity, and he's saying
14 what's left, so for the unknown, so to speak, is a REC
15 cost.

16 Q And so that --

17 A So your question --

18 Q Oh, I see.

19 A -- on this is --

20 Q Well, I didn't understand why there
21 would be --

22 A What's --

23 Q -- a cost.

24 A No cost in addition to what we're
25 already paying.

1 Q Okay.

2 A It's -- I believe -- and, you know, I'll
3 have to refresh my memory. I saw that, and I
4 didn't -- that wasn't one of the notes that I took
5 down as being something that was -- you know, that was
6 terribly damning, is that I think that that's just his
7 imputation of a cost given two other assumptions when
8 you subtract out the total, you know, contract cost.

9 Conversely, you could ascribe, you know,
10 the current value of a REC, which is \$15, and the
11 current value capacity, which is X, and then ascribe a
12 different energy value.

13 And so, you know, what you're looking
14 is, you know, how much is it over current market, not
15 over what's in 17 or over the life of it.

16 Q Okay. So it's not an actual charge that
17 would -- when he talks about a cost, it's not an
18 actual charge coming to -- to --

19 A It's not increment -- it's not --

20 Q Right.

21 A -- in addition to what we're already
22 talking about.

23 Q Okay. But it --

24 A But it's one way of looking at slicing
25 up a pie.

1 Q Okay.

2 A And everybody can slice them up and --
3 you know, differently.

4 Q Okay. One of the things that counsel
5 for the Commission asked had to do with Greenleaf.
6 And so, basically, it's not determined that you -- I
7 think you've indicated that ecoPower is really the
8 developer, and it's not determined or at least it's
9 not known to you what role ecoPower will actually play
10 once this whole thing closes.

11 Whether they're going to be an equity
12 investor, how much of an equity investor, whether
13 they're going to be actually managing it or comanaging
14 it. That's just not known at this point; is that --

15 A As was represented to us that they would
16 have an experienced operator actually do that.
17 EcoPower's expertise has been relayed to us, at
18 Kentucky Power and AEP, is that they're, you know,
19 experts in the area of wood.

20 And so wood being the fuel for this,
21 that they're not power plant operators, and that's
22 what -- that's what Greenleaf brings or another op --
23 you know, if they choose to go someplace else, you
24 know, the decision's on -- final decision's on the
25 equities, such as their proposed partner, at least as

1 we've talked before, is going to be contingent, of
2 course, on final commission approval. That's really
3 the green light to start -- you know, start the races.

4 Q Okay. Mr. Taylor, likewise, uses the
5 term open-loop -- loop biomass. Are you familiar with
6 that term?

7 A I've heard both open and closed loop.

8 Q Well, let me ask you this: Here's how
9 he defines it. He says, (Reading) Open-loop biomass
10 refers to those facilities that rely on a fuel source
11 that was not planted specifically for use as a biomass
12 fuel, but which, instead, is a usual -- is usually a
13 waste product from another industry.

14 So my question to you is -- first is:
15 Does -- what is your understanding of the type of
16 biomass fuel that ecoPower will be using?

17 A I think it would -- it would qualify,
18 you know, for the former, which would be waste wood,
19 either from industry or downed -- you know, or downed
20 wood out in the forest that they get permits.

21 We have a whole section that says, you
22 know, what's -- you know, what's permitted and what's
23 not permitted, tried to pattern it after some EPA
24 guidelines and what was sustainable --

25 Q So you're --

1 A -- you know.

2 Q So --

3 A It could be tree trimmings from mass
4 blooms or, you know --

5 Q All right. So your -- the contract
6 deals with that type of bi -- the type biomass that
7 you're requesting for this particular proposal?

8 A Right. And I think why the -- why that
9 there is, you know, a distinction or a difference,
10 downed wood, you know, is the -- you know, the people
11 that are concerned about those things, downed wood
12 decays. Decaying wood eventually turns to methane,
13 and methane is a lot more concentrated than CO2. The
14 over 10 but less than 20.

15 But it's, you know, as a greenhouse gas,
16 and so that's why burning something is actually
17 considered renewable and -- and --

18 Q Rather than allowing it?

19 A -- especially if it's -- especially if
20 it's waste -- especially if it's waste wood.

21 Q Okay. Is there any distinction in the
22 REC market at this current time?

23 A No. Different states have different
24 qualifications, but, you know -- you know, our
25 understanding is that this project -- this project --

1 RECs from this project would qualify in some of the
2 other states that we do business in.

3 Q Okay.

4 A You know, it should -- I think it would
5 qualify in Ohio, West Virginia, New Jersey, Maryland,
6 Pennsylvania.

7 Q So, in other words, if those
8 industries -- if some of those utilities in those
9 states, sister companies, for example, needed RECs to
10 comply with RPSs, then they could purchase them
11 from -- potentially from this?

12 A Right, but we wouldn't -- you know, I
13 wouldn't be here proposing that we would transfer them
14 to a sister company. That we would probably rather
15 transfer them -- you know, sell them into the -- you
16 know, sell them into a broker record, a third party,
17 so that it's -- there's a real transaction, so nobody
18 thinks -- to make sure that the customers get --

19 Q The benefit.

20 A -- all of the benefit of the bargain
21 there, and nobody -- you know, that there wouldn't be
22 a cross subsidization --

23 Q Okay.

24 A -- so that wouldn't be a proposal to
25 give it to one of our other sister companies.

1 Q And, again, if the risk if -- well,
2 okay.

3 A If I could add something. If there's a
4 federal standard -- regardless of what they do in
5 Kentucky, if there's a federal standard, Kentucky
6 Power will need them themselves.

7 Q Okay. Are you -- either Mr. -- I think
8 Mr. Kollen raised the issue about off-system sales.
9 Are you familiar with that issue as it relates to
10 this?

11 (Deponent shook head.)

12 Q Okay.

13 A Uh-uh.

14 Q All right.

15 A My testimony only -- only went to the
16 fact that we were going to bank them in the short run.
17 If we wanted to sell them, you know, into the market,
18 you know, based on management decisions and,
19 obviously, their workings with the Commission, that we
20 would do something.

21 Q Okay. But -- so you're thinking of that
22 question as it related to RECs?

23 A Yes.

24 Q Okay. Did you have any discussion --
25 was there any negotiating position as it actually

1 dealt with off-system sales? Like --

2 A No. That's --

3 Q Okay.

4 A That's totally beyond my level of
5 expertise.

6 VICE-CHAIR GARDNER: Okay. Just one
7 second. Okay. That's all. Thank you.

8 COMMISSIONER BREATHITT: I have a few.

9 CHAIRMAN ARMSTRONG: Commissioner.

10

11

* * *

12

13

EXAMINATION

14

15 By Commissioner Breathitt:

16

17 Q Mr. Godfrey, on page 13 of your direct
18 testimony, I have a question on the capacity payments
19 associated with a contract -- with the contract.

20 There are some reasons that Kentucky
21 Power would cease payment is the way I read this
22 paragraph.

23 A Which one are you talking about?

24 Q Line 16 --

25 A Line 16.

1 Q -- 321.

2 A Okay.

3 Q And one of them is a scheduled
4 maintenance outage. Another one is there might be a
5 reliability curtailment from the transmission
6 operator. Another one might be a forced outage. A
7 facility forced outage.

8 My question is, and I don't know if --
9 how familiar you are with the tariff: How will -- if
10 there are any of these, I counted five, events, how
11 would customers get credited? Is there a true up in
12 the tariff?

13 A I don't know that it's a true up, but I
14 can make it really -- I think I can make this really
15 easy.

16 Q Okay.

17 A If they don't do any of these, if they
18 don't produce, they have a forced outage, anything
19 like that, if they don't produce, we don't pay. We --
20 the contract is what I like to think of as a take and
21 then pay.

22 Q A take and pay.

23 A So if there's nothing coming to us and
24 the customers, then we don't pay, and the customers
25 aren't out anything.

1 Q But in the instance of a scheduled
2 maintenance outage --

3 A Doesn't matter. If they don't produce
4 megawatt hours and deliver it to the busbar, to the --
5 you know, to the meter at the substation where it gets
6 on the lines, if they don't produce, it can be
7 scheduled, unscheduled, you know, they could just have
8 workers not show up, you know, it doesn't matter.
9 Equipment breakdown, no fuel, anything. It's their
10 fault. We don't pay. Customers don't pay.

11 Q Kentucky Power manages the rider,
12 correct? The surcharge? The rider?

13 A Yes. There --

14 Q So in the event of one of these
15 instances occurring, how quickly will customers get
16 credited under Kentucky Power's management of the
17 rider?

18 A I'm not sure, but I thought I heard
19 witness Wohnhas describe that as that -- you know,
20 that there is a true up.

21 Q Okay.

22 A And I thought that it's done in arrears,
23 so that the customers are always paying in arrears,
24 but I'm not sure of that. In other words, the
25 customers are always paying for what just happened a

1 month or two ago, I mean, by the time it catches up
2 with them.

3 Q I heard him talk --

4 A But --

5 Q -- about the two-month lag.

6 A I think that addresses it. I'm not a
7 rates guy, but --

8 Q Okay.

9 A -- I think he's already -- I think he's
10 answered that.

11 Q Okay.

12 A I'm sorry I can't --

13 Q That's all right. Let me just find
14 another question I have with respect to your testimony
15 so I can -- on page 9, line 4, it talks about the
16 project's fuel supply would come from within a 55-mile
17 radius of the project.

18 And, I mean, this is maybe picking a
19 little bit too much, but on the preceding page, 8, on
20 line 2, it says that the fuel will come primarily from
21 eastern Kentucky. So that's a larger area than the
22 55-mile radius.

23 My question is: Where is the fuel
24 physically coming from? Do you know?

25 A Well, I think as we saw in that previous

1 discovery, you know, that there was a 40 -- there was
2 kind of a 40/60 split. But what I say on -- what I
3 say on line 4 of 9 is that they're estimating what the
4 supply of fuel is within a 55-mile --

5 Q Okay.

6 A -- run. And so the closer the fuel is,
7 the cheaper it is to get to the plant. And so, you
8 know, as you keep drawing bigger circles, there's more
9 wood out there, because power score bigger -- you
10 know, bigger area within the circle, but you're going
11 to have to travel more.

12 And so that's -- you know, it's a longer
13 truck ride, the round trip, and there's more gas and
14 time involved in that. So you want to maximize what's
15 closer, and then you keep going for that next
16 incremental, you know, more expensive piece of wood or
17 truckload of wood, you know, to run on.

18 Is that -- does that kind of bridge
19 the --

20 Q Yes, but --

21 A -- the different --

22 Q -- do you happen -- do you happen to
23 know physically where most of it's coming from?

24 A We're told that it's coming from eastern
25 Kentucky.

1 Q But you don't know?

2 A No, because --

3 Q Okay.

4 A -- it's multiple sources. They're going
5 to be -- they're going to be sourcing -- you know,
6 just like a coal plant might get coal from more than
7 one mine. You know, some of them are colocated next
8 to mines, but some of them are getting them, you know,
9 depending on what train load or what -- you know, or
10 what barge load would come in too, and so that's the
11 same thing here.

12 You know, it appears that they've got a
13 portion of that, you know, secured via the -- you
14 know, via the people that are related to the -- the
15 sponsors, the timber plant, but that's less than half,
16 and the rest of it, they're going to have to go out
17 and deal with probably multiple vendors and
18 landowners, maybe even -- maybe even downed wood on
19 some public areas. Whatever that they can get permits
20 for.

21 Q Okay. That's helpful. The Commission
22 hasn't had a biomass case before us before, and so
23 our -- my learning curve is somewhat steep, as is
24 others, I'm sure.

25 A It's our first -- this is the furthest

1 we've gone as well.

2 Q Yes. There is another section in your
3 testimony that talks about approvals, various
4 approvals.

5 A Uh-huh.

6 Q I think it's on page 12. Do you -- I
7 think it's on around 16, 19. Line 16, 19. And then
8 there was a citing board approval. Do you know -- oh.
9 That was on page 7.

10 Do you know if the citing board approval
11 is still valid?

12 A I believe it's still active. Yes.

13 Q Okay.

14 A Subject to check, but --

15 Q And on page 12, lines 18 and 19, are you
16 aware of any -- or let me ask the question a different
17 way.

18 How is the progress on the other
19 necessary permits and the completion of certain
20 financial milestones?

21 A Yeah. The financial milestone, and it
22 is actually Exhibit A in the Renewable Energy Purchase
23 Agreement, so Exhibit A of my Exhibit 1 to my
24 testimony, you know, has some of the key milestones
25 that are on there.

1 Q Okay.

2 A And so the two top ones that, you know,
3 was revised, air permit and the construction start
4 date, limited notice to proceed, I think that's where
5 they did some, you know, limited site improvements to
6 keep one of the -- I believe to keep one of the
7 permits going, but, you know, not near enough to
8 qualify for the tax credits.

9 And then there's a number of these that
10 haven't happened yet. PJM. Financial close. That
11 can't -- that won't happen, kind of by definition,
12 until RFD approvals come from the Commission.

13 Q Is it your responsibility to monitor
14 those?

15 A They -- they --

16 Q Or you're updated by the appli -- by the
17 sellers?

18 A Under the contract, they're required to
19 give us a monthly status report of everything that --
20 of the major milestones and other developments going
21 on with the -- you know, with the project.

22 And so, you know, they've gotten about
23 as far as that they can go with that, and now it's,
24 you know, our turn to go through the Commission
25 process, the regulatory process, and then, you know,

1 it flips back to them, and they've got to go raise the
2 money and go get all the final permits and hire people
3 and start turning dirt.

4 COMMISSIONER BREATHITT: Mr. Chairman,
5 that's all I have.

6 CHAIRMAN ARMSTRONG: Thank you. Mr.
7 Garcia, redirect?

8 MR. GARCIA: Your Honor, fortunately,
9 the witness has addressed all the items that I had, so
10 I had no redirect.

11 CHAIRMAN ARMSTRONG: Okay.

12 MR. GARCIA: Thank you.

13 MR. NGUYEN: Your Honor, just --

14 CHAIRMAN ARMSTRONG: Nguyen?

15 MR. NGUYEN: -- one or two questions --

16 CHAIRMAN ARMSTRONG: Sure.

17 MR. NGUYEN: -- additional, if I may.

18 Thank you.

19

20 * * *

21

22 RECROSS EXAMINATION

23

24 By Mr. Nguyen:

25

1 Q Mr. Godfrey, in response to the Vice
2 Chair's question with respect to the relationship
3 between Kentucky Power, ecoPower contract, and PJM,
4 you mentioned that, you know, the logistics of how the
5 energy is going to be bid in, and how that's going
6 to be settled.

7 Is that the same with respect to
8 capacity as well?

9 A No. They move the -- they -- in section
10 5.6, that covers -- of the REPA, that covers how that
11 the energy is scheduled, you know, with PJM, and
12 there's other sections that talk about how we true up
13 financially.

14 You know, as far as the capacity, they
15 just need to move -- the capacity shows up in their
16 account at PJM, and they just need to move it over to
17 our account, you know, at the time that it shows up,
18 you know, and that's -- happens once a year, you know,
19 and then we will take that from our account and then
20 bid it into the appropriate option for the appropriate
21 year.

22 Q Okay.

23 A And so --

24 Q So --

25 A -- it's --

1 Q So -- I'm sorry. I didn't mean to cut
2 you off. So ecoPower -- well, I guess ecoPower does
3 bid that capacity and compete -- no, it doesn't.

4 A They bid energy.

5 Q Okay.

6 A They bid energy on a daily basis. So
7 you have to offer -- if you have a unit, you have to
8 offer it -- you have to offer the energy into the
9 market.

10 Q Okay. So when you say when the -- with
11 respect to the capacity, where PJM just moves that
12 capacity into Kentucky Power's account --

13 A Right. You --

14 Q -- well --

15 A -- typic -- you typically only do
16 something with capacity once a year. I mean, it's
17 showing up -- you know, it moves it -- they have an
18 account at PJM --

19 Q Right.

20 A -- and they -- 'cause they're the --

21 Q Okay.

22 A -- owner of record of the unit, but by
23 contract, we're entitled to the capacity.

24 Q Right.

25 A So when they -- when it shows up into

1 their account, you know, for new capacity for a new --
2 you know, for a new year --

3 Q Uh-huh.

4 A -- then they move it over to our
5 account. You know, the logistics aren't quite what I
6 work on a daily basis, but then we have it, and then
7 we can bid that capacity in, bundle it with everything
8 else we got, and offer it into the PJM market as
9 prescribed under the -- you know, to the PJM tariff,
10 but that's --

11 Q Okay.

12 A -- you know, that's something done once
13 a year except for the supplemental options.

14 Q So is ecoPower a member of PJM?

15 A Kentucky Power?

16 Q No. EcoPower.

17 A Oh. Well, they will be. Under this,
18 contractually, they have to be.

19 Q Okay. Okay.

20 A And then there's credit requirements
21 too. So they have to post some credit with PJM. They
22 have all their rules and regulations there, so --

23 MR. NGUYEN: Okay. Give me one second,
24 Your Honor.

25 CHAIRMAN ARMSTRONG: Sure.

1 MR. NGUYEN: Thank you, Your Honor.

2 MR. GARCIA: Thank you, Your Honor.

3 CHAIRMAN ARMSTRONG: Thank you, Mr.

4 Garcia.

5 MS. HANS: Thank you.

6 CHAIRMAN ARMSTRONG: Next witness?

7 MR. GISH: And with that Kentucky Power
8 has no further witnesses, Your Honor.

9 CHAIRMAN ARMSTRONG: Thank you, Mr.
10 Godfrey. You can step down.

11 MR. GODFREY: Thank you, Mr. Chairman.

12 MR. KURTZ: Three witnesses.

13 CHAIRMAN ARMSTRONG: Counsel.

14 (The following was had at the bench.)

15 CHAIRMAN ARMSTRONG: What -- I think to
16 do justice to the consultants who have come here,
17 rather than rush them through, we'll start tomorrow
18 and hear them. Do you have a conflict?

19 MR. NGUYEN: I do not have a conflict
20 tomorrow. It's up to Mr. Kurtz to determine --

21 MR. KURTZ: We're fine. They're all
22 fine. Paul? Yeah. We'll be here tomorrow.

23 CHAIRMAN ARMSTRONG: Okay. All right.

24 COMMISSIONER BREATHITT: We had two days
25 set --

1 MR. KURTZ: Oh.

2 COMMISSIONER BREATHITT: -- aside on our
3 calendar --

4 CHAIRMAN ARMSTRONG: Yeah.

5 COMMISSIONER BREATHITT: -- for this.

6 MR. OVERSTREET: We'll be here tomorrow,
7 Your Honor.

8 CHAIRMAN ARMSTRONG: Okay. I will
9 adjourn until tomorrow morning at 10:00.

10 MR. OVERSTREET: Sure.

11 MR. GARCIA: Thank you, Your Honor.

12 CHAIRMAN ARMSTRONG: Thank you.

13 (End of bench conference.)

14 CHAIRMAN ARMSTRONG: We will adjourn
15 until 10:00 a.m. tomorrow morning when we'll be able
16 to hear consultants who are here today. We're at the
17 end of our day up here, and we had two days set aside
18 for this, so we'll take advantage of that and be here
19 tomorrow morning. Thank you-all.

20 MR. KURTZ: Thank you.

21 MS. HANS: Thank you, Your Honor.

22 (Hearing recessed at 4:22 p.m.)

23

24

25

*

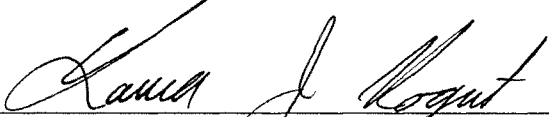
*

*

1 STATE OF KENTUCKY)
)
 2) SS.
)
 3 COUNTY OF JEFFERSON)

4 We, Laura J. Kogut and Rebecca S. Boyd,
 5 Notaries Public within and for the State at Large,
 6 commissions as such expiring 25 July 2015 and 5
 7 September 2014 respectively, do hereby certify that
 8 the foregoing hearing was taken at the time and place
 9 stated and for the purpose in the caption stated; that
 10 witnesses were first duly sworn to tell the truth, the
 11 whole truth, and nothing but the truth; that the
 12 hearing was reduced to shorthand writing in the
 13 presence of the witnesses; that the foregoing is a
 14 full, true, and correct transcript of the hearing to
 15 the best of our ability; that the appearances were as
 16 stated in the caption.

17 WITNESS my hand this 5th day of
 18 September 2013.

19
 20 
 21 _____
 22 Registered Merit Reporter
 23 Certified Realtime Reporter
 24 KY CCR 20042BF060
 25 Notary Public, State at Large

23
 24 
 25 _____
 Registered Professional Reporter
 Certified Realtime Reporter
 Notary Public, State at Large