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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

**ORIGINAL**

APPLICATION OF KENTUCKY POWER COMPANY )  
FOR APPROVAL OF ITS 2011 ENVIRONMENTAL )  
COMPLIANCE PLAN, FOR APPROVAL OF ITS )  
AMENDED ENVIRONMENTAL COST RECOVERY ) CASE NO.  
SURCHARGE TARIFF, AND FOR THE GRANTING ) 2001-00401  
OF A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY FOR THE CONSTRUCTION AND )  
ACQUISITION OF RELATED FACILITIES )

**VOLUME III**

Transcript of Hearing before PSC  
Commissioners David L. Armstrong, Chairman, and James  
W. Gardner, Vice-Chairman, on May 2, 2012, at the  
Kentucky Public Service Commission, 211 Sower  
Boulevard, Frankfort, Kentucky 40602-0615.

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COMMISSION

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1 MR. OVERSTREET: Your Honor, the Company  
2 calls its last witness in support of it's cathe --  
3 case-in-chief, Mark Becker.

4 COMMISSIONER ARMSTRONG: Mr. Becker, be  
5 sworn in. Solemnly swear to tell the truth, the whole  
6 truth, nothing but the truth --

7 MR. BECKER: I do.

8 COMMISSIONER ARMSTRONG: -- subject to  
9 the rules of perjury?

10 MR. BECKER: I do.

11 COMMISSIONER ARMSTRONG: Have a seat.  
12 Your witness.

13 MR. OVERSTREET: Thank you.

14

15

\* \* \*

16

17 MARK A. BECKER, called by Kentucky Power  
18 Company, having been first duly sworn, testified as  
19 follows:

20

21 DIRECT EXAMINATION

22

23 By Mr. Overstreet:

24

25 Q Good morning, Mr. Becker. Would you

1 please state your name, position, and business address  
2 for the record?

3 A My name is Mark A. Becker. I'm manager  
4 resource planning. My business address is 212 East  
5 Sixth Street, Tulsa, Oklahoma.

6 Q And by whom are you employed?

7 A American Electric Power Service  
8 Corporation.

9 Q And, Mr. Becker, did you cause to be  
10 filed in this proceeding rebuttal testimony?

11 A Yes, I did.

12 Q Did you cause to be filed any data  
13 request responses?

14 A No, I didn't.

15 Q And do you have any changes,  
16 modifications, or additions to your rebuttal  
17 testimony?

18 A No, I do not.

19 Q And if you were asked those questions  
20 here today, would your answers be the same?

21 A Yes, they would.

22 MR. OVERSTREET: Witness is available  
23 for cross-examination.

24 MR. HOWARD: The Attorney General has no  
25 questions, Mr. Chairman. Thank you.

1 MS. HENRY: I have a few questions, Your  
2 Honor.

3 COMMISSIONER ARMSTRONG: Proceed.  
4

5 \* \* \*

6  
7 CROSS-EXAMINATION

8  
9 By Ms. Henry:

10  
11 Q Good morning, Mr. Becker.

12 A Good morning.

13 Q My name's Miss Henry. I am an attorney  
14 for the Sierra Club. I'm going to ask you a couple of  
15 questions.

16 A Okay.

17 Q Mr. Becker, do you agree that the  
18 Commission and other intervenor -- intervenors to this  
19 proceeding have a right to audit the analytical  
20 process the Company used to support its proposed  
21 project?

22 A Yes, I do.

23 Q Mr. Becker, do you agree that the  
24 Commission and other parties have the right to examine  
25 key assumptions and analyses as part of that audit



1 process?

2 A Yes, I do.

3 Q Do you agree that this audit pro -- in  
4 order for this audit process to be successful, the  
5 Company must provide truthful and transparent answers  
6 to questions posed to the Company?

7 A Yes, they should.

8 Q In other proceedings that Kentucky Power  
9 has been involved in, have intervenors asked for  
10 Strategist input and output files, to your knowledge?

11 A I'm not aware of any. No.

12 Q So this is the first time that, in your  
13 experience, an intervenor has requested to look at the  
14 Strategist or other models, input and output files?

15 A In Kentucky, yes.

16 Q Okay. Have you -- so you've never  
17 provided these files in the past?

18 A Not that I can recall. And it should be  
19 noted that for a company to provide those files, the  
20 intervenor must have a license to that model.

21 Q Yes. I understand that.

22 A Okay.

23 Q I would like to mark as Sierra Club  
24 Exhibit, is it 28?

25 MS. GILLUM: Twenty-nine.

1 MS. HENRY: Twenty-nine.

2 MS. GILLUM: Yes.

3 Q I would like to mark as Sierra Club  
4 Exhibit 29 a copy of the Company's response to Sierra  
5 Club's initial -- initial response for information,  
6 number 37. It'll be distributed in a second.

7 MS. GILLUM: No. It's 28. I'm sorry.

8 MR. CHILDERS: It's 28.

9 MS. GILLUM: Yeah. It's 28. I had next  
10 out in front of there.

11 Q Are you aware that the Sierra Club's  
12 initial request for information 137 requested the  
13 Strategist input and output files in a  
14 machine-readable format?

15 A That is correct. That's what this  
16 request is.

17 Q Yes. Isn't it correct that the company  
18 did not provide those files in its January 27th, 2012,  
19 response?

20 A I believe we were waiting to make sure  
21 that Synapse had the proper licensure to be able to  
22 provide those.

23 Q Are you aware the Sierra Club did not  
24 receive the Strategist files until February 7th, 2012?

25 A I'm not clear on the specific date, but

1 subject to check.

2 Q Isn't it true that the Strategist files  
3 that were provided to the Sierra Club on February 7th,  
4 2012, were not reproduced the same runs achieved by  
5 the company because corrections were needed to the  
6 inputs in order to execute the model runs produced?

7 A Could you ask me that question one more  
8 time, please?

9 Q Sure. Isn't it true that the Strategist  
10 files that were produced to Sierra Club on February  
11 7th could not reproduce the same results as the  
12 company because corrections were needed to be  
13 inputted?

14 A I don't know about corrections. There  
15 were changes that needed to be made to allow the model  
16 to run, but not corrections.

17 Q Just so you know, I believe I took the  
18 term corrections from the response by the company to  
19 the motion to compel. Let's go on. What was the term  
20 you like to use instead of corrections?

21 A Changes.

22 Q Changes. Isn't it true that the company  
23 did not Si -- tell Sierra Club about these necessary  
24 changes until after it filed its motion to compel, and  
25 the company made you available to Sierra Club experts

1 to discuss the necessary corrections?

2 A I believe that is the case. Yes.

3 Q I'd like to mark my next exhibit Sierra  
4 Club 29, which is a copy of the Company's response to  
5 Sierra Club's initial -- initial request for  
6 information, number 69.

7 So in this data request, the Sierra Club  
8 requested all assumptions and workbooks in electronic  
9 format with all calculations operate -- with all  
10 calculations operational and formula intact that were  
11 used to prepare SCW 1, which is Scott Weaver Exhibit  
12 1. Isn't it true that the -- that Company's response  
13 directed Sierra Club's to KIUC first set of  
14 information request number 28?

15 A That's what the response says. Yes.

16 Q Okay. I'm going to now distribute  
17 Sierra Club Exhibit 30, which is a copy of the  
18 Company's response to that KIUC initial request 128.

19 A Okay.

20 Q Isn't it true that the response to KIUC  
21 first set of informa -- first data request 28 directed  
22 Sierra Club to the response to the Kentucky Public  
23 Service Commission initial request number 48 and  
24 associated attachments?

25 A That's what the response says. Yes.

1           Q       Okay. I'd now like to distribute the  
2 response to Public Service Commission 148. Are you  
3 aware that the response to Public Service Commission  
4 request 128 and -- that was provided on January 27th,  
5 2012, and associated attachments provided in excel  
6 files for exhibits SCW 1 through 4, and that the  
7 calculations and workbooks were not operational in the  
8 response provided?

9           A       I'm not aware of that. No.

10          Q       Okay. Are you aware of the fact that  
11 the associated workbooks were also -- the associated  
12 workbooks did not have the formula intact?

13          A       Which associated workbooks?

14          Q       It -- it's -- it relates back to the  
15 initial request for -- which was Sierra Club 29, which  
16 requested all calculations, operational formula  
17 intact. Are you aware that the Excel spreadsheets did  
18 not have the formula intact?

19          A       No, I'm not.

20          Q       Are you aware of the fact that the  
21 company also did not provide the underlying assum --  
22 assumption documentation and response to that request?

23          A       No, I'm not.

24          Q       Isn't it true that the -- the company  
25 also did not provide any of the Aurora input or output

1 files in response to the initial data request  
2 submitted by Sierra Club?

3 A I don't believe the Aurora files could  
4 be produced because they're proprietary in nature.

5 Q Could the input and output files be  
6 produced?

7 A I do not know. I'm not an Aurora  
8 modeler.

9 Q So I understand that you said that  
10 they're proprietary information, so they couldn't be  
11 distributed. In the Company's response to data  
12 requests, did they say we cannot provide these because  
13 they're proprietary information?

14 A In the Auror -- for the Aurora model?

15 Q Yes.

16 A I do not know.

17 Q I'd now like to mark a copy of Sierra  
18 Club supplemental request number four. And this will  
19 be Exhibit 31.

20 MS. GILLUM: Thirty-two.

21 MR. HOWARD: Thirty-two?

22 MS. HENRY: Yeah. 2-4.

23 MR. OVERSTREET: Excuse me, Miss Henry.  
24 What data request were -- was -- asked for the Aurora  
25 files? Did you say? I just didn't hear.

1 MS. HENRY: It -- it goes -- 'cause the  
2 Aurora files request Scott Weaver's. So that would be  
3 Ex -- it would go to Sierra Club 129.

4 MR. OVERSTREET: 129.

5 MS. HENRY: Which also relates to --

6 MR. OVERSTREET: Thank you.

7 MS. HENRY: -- KIUC --

8 MR. OVERSTREET: That answers my  
9 question. Thanks.

10 Q Looking at this data request, isn't it  
11 true that Sierra Club requested that the company  
12 clearly define and reconcile the major group of  
13 capital costs used in the Strategist model with tho --  
14 those described in witness testimony? Example: Cost  
15 for the scrubber, cost of boiler modification, and  
16 cost of the life extensions.

17 A Yes, it is.

18 Q Please refer to -- isn't it true -- I  
19 would now like to distribute Sierra Club Exhibit 32.

20 COMMISSIONER GARDNER: 33.

21 MS. GILLUM: It is 33, ma'am.

22 MS. HENRY: Thirty-three. Sorry.

23 Q Which is going to be a copy of the  
24 Company's response to Sierra Club second request 234.

25 Isn't it true that Sierra Club's

1 explicitly requested all inputs to the Aurora model in  
2 machine-readable format, the distribution assumed for  
3 each of the six key factors considered in the Aurora  
4 model in a machine-readable format and the rationale  
5 supporting each of the distributions for each of the  
6 six key risk factors?

7 A That's correct.

8 Q I would now like to distribute Sierra  
9 Club Exhibit 34, which is going to be a copy of the  
10 Company's response to Sierra Club's second information  
11 request number 35.

12 Isn't it true that Sierra Club requested  
13 all inputs to the Aurora model in operational  
14 electronic format, all outputs from the Aurora model  
15 by year in operational electronic format, all inputs  
16 used to prepare Exhibits Scott C. Weaver 5 by year in  
17 electronic operational format, and all work papers  
18 used to prepare Exhibit Scott Weaver 5 in operational  
19 electronic format?

20 A That is what the request says. Yes.

21 Q I would now like to distribute Sierra  
22 Club 35, which is a copy of the Company's response to  
23 Sierra Club's second request for information number  
24 39.

25 Referring to this second information



1 request 39, isn't it true that Sierra Club referred to  
2 the Company's response to Kentucky Public Service  
3 Commission 168 and 171, Sierra Club 147, and AG 113  
4 with respect to the projections for wholesale power  
5 prices requested all inputs to the Aurora model for  
6 the simulation and operational electronic format,  
7 outputs from the Aurora model for the simulation by  
8 year in operational electronic format?

9 A That is correct. That's what the  
10 request says.

11 Q Are you aware that Sierra Club had to  
12 file a motion to compel in order to get the Aurora  
13 input and output files?

14 A I'm not aware of that. No.

15 Q Are you aware the Sierra Club had to  
16 file a motion to compel in order to get the backup  
17 files or work papers for Scott C. Weaver Exhibits 1  
18 through 4?

19 A I'm not aware of that. No.

20 Q Let's refer back to Sierra Club 2-4,  
21 which was Exhibit Number 32. Let me know when you're  
22 there.

23 A Okay.

24 Q Isn't it true that the Company's  
25 response to Sierra Club's second request for

1 information number 4 was incomplete because the  
2 Company did not reconcile the major groups of capital  
3 costs described in the witness testimony with those in  
4 the Strategist model?

5 A I'm not sure what you mean by reconcile.

6 Q Well, I believe that the request asked  
7 to reconcile. Please clearly define and reconcile the  
8 major groups of capital costs used in the Strategist  
9 model.

10 A And -- and our response was is that the  
11 capital costs used in Mr. Weaver's table two were the  
12 capital costs that were used in the Strategist model.

13 Q And do you say that the fi -- and do you  
14 say that those capital costs were defined in the  
15 Proview module of Strategist?

16 A Yes.

17 Q Yes. Isn't it true that the Company's  
18 response was incomplete as it states the capital cost  
19 for the four alternative option is defined by the  
20 Proview module Strategist which has a single capital  
21 cost variable consisting of the base cost with AFUDC,  
22 and per your rebuttal testimony, not all capital costs  
23 associated with the retrofit projects were represented  
24 in that module?

25 A The Proview module represents one

1 portion of the capital cost.

2 Q And did you refer us to another portion  
3 of the capital cost in your response to 2-4?

4 A I'm not sure.

5 Q Well, I -- I'm looking at the response  
6 to 2-4. Besides the Proview module, do you -- do you  
7 direct Sierra Club to another area to find capital  
8 costs?

9 A No, we do not, but --

10 Q Okay. Thank you. Are you the same Mr.  
11 Becker who spoke with Sierra Club experts regarding  
12 the use of the Strategist model on February 24th?

13 A Yes, I am.

14 Q What was the purpose of that conver --  
15 was the purpose of that conversation to discuss the  
16 changes that needed to be made to the Strategist model  
17 in order to reproduce the Company's result?

18 A Yes, it was. There was also some  
19 conversation about the inclusion of ongoing capital  
20 costs and fixed O and M.

21 Q We're going to get there.

22 A Okay.

23 Q If that's okay. So what changes were  
24 required to be made to the Strategist model?

25 A In order to --

1           Q       You -- we say that the changes had to be  
2 made to the Strategist model in order for Sierra Club  
3 to use the files provided to reproduce the Company's  
4 results. You walked through -- I believe you spoke  
5 with Miss Wilson --

6           A       Correct.

7           Q       -- and Dr. Fisher, and you walked  
8 through some changes.

9           A       Yes.

10          Q       Are you familiar with that?

11          A       Yes.

12          Q       Would you please tell -- tell the  
13 Commission what those changes were?

14          A       Those changes were related to the  
15 reserve margin logic in order to allow the model to  
16 optimize a solution and run for the length of the --  
17 the study period through 2040.

18          Q       So is it -- is it correct that you had  
19 to change the operating life of Big Sandy 2 to 30  
20 years for the low-band scenario?

21          A       Yes, it was.

22          Q       Is it correct that you had to remove  
23 a -- that Strategist wanted to put on a CC unit in  
24 2032 in Option 1, and that that had to be removed?

25          A       Yes, it was.

1 Q Okay. Isn't it correct that you had to  
2 change the operating life for Big Sandy 2 to 30 years  
3 because the Strategist mo -- model itself retired that  
4 unit?

5 A I'm not sure.

6 Q If you ran the Strategist model without  
7 making that change, would it have retired Big Sandy 2  
8 prior to the operating life that you re -- would like?

9 A Yes, it would.

10 Q Yes, it would. Okay. During the  
11 conversation that you had with Miss Wilson and Dr.  
12 Fisher, did they request information regarding the  
13 behavior of fixed O and M cost category that was used  
14 by AEP?

15 A Yes, and we discussed that.

16 Q And did you provide information to the  
17 Sierra Club experts regarding -- you -- so you did  
18 provide information regarding this fixed O and M cost  
19 category?

20 A That's my recollection. Yes.

21 Q And did you indicate that this fixed O  
22 and M category included capital expenditures?

23 A Yes. Ongoing capital expenditures.  
24 Yes.

25 Q So you said it included ongoing capital

1 expenditures?

2 A And I believe we also discussed the  
3 capital expenditures that had to be modeled for the  
4 retrofit as well. That's my recollection, anyway.

5 Q And isn't it -- isn't it true that  
6 subsequently, Dr. Fisher and Miss Wilson said they had  
7 some follow-up questions because they needed to figure  
8 out how these ongoing costs were operating, and isn't  
9 it true that doc -- is that correct?

10 MR. OVERSTREET: Wait. Wait. Wait.

11 MS. HENRY: Yeah.

12 A That's my recollection, yes, but we  
13 were -- the purpose of our phone call was to try to  
14 help the Synapse staff with getting the model to run  
15 through 2040, and we were instructed to limit our  
16 conversation to those questions, but we did answer a  
17 few questions about their -- their fixed O and M -- or  
18 our fixed O and M only.

19 Q And you stated that the cost was for an  
20 ongoing capital cost --

21 A I believe we discussed --

22 Q -- as opposed to an upfront investment?

23 A It's my recollection that we may have  
24 discussed that as well.

25 Q That they said this is an upfront

1 capital cost or an ongoing capital cost --

2 A I believe --

3 Q -- and you --

4 A I believe both, but that's just my  
5 recollection from the conversation.

6 Q Okay. Isn't it correct that -- that Dr.  
7 Fisher and Miss Wilson asked if this was an ongoing  
8 capital cost or an upfront capital cost, and you  
9 responded that it was an ongoing capital cost  
10 expenditure?

11 A I don't remember that particular piece  
12 of the --

13 Q Okay.

14 A -- conversation.

15 Q All right. Let's refer -- I'm going to  
16 introduce as Sierra Club Exhibit 36. This is going to  
17 be a copy of Miss Wilson's notes from the --

18 A Uh-huh.

19 Q -- conversation that she had with you.

20 MS. HENRY: Oh, you don't have one? You  
21 know, I'm sorry, Chairman. We didn't actually produce  
22 that one.

23 Q But if you could refer, it was produced  
24 in response to Kentucky Power Company's initial  
25 request for information number 23.

1           A       I don't have that.

2                   MR. OVERSTREET: I'll get it.

3                   MR. HOWARD: Kentuck -- I'm sorry --

4                   MS. HENRY: Kentucky Power --

5                   MR. HOWARD: -- Coun --

6                   MS. HENRY: -- Company's initial request

7 for information to Sierra Club.

8                   MR. HOWARD: Thank you. Number 23?

9                   MS. HENRY: Yes. Number 23. And --

10                  MR. HOWARD: Thank you.

11                  MS. HENRY: -- I'm sorry I don't have

12 a copy.

13                  MR. HOWARD: No, that's --

14                  MR. OVERSTREET: Oh. It's your response

15 to our data request?

16                  MS. HENRY: Yes.

17                  COMMISSIONER ARMSTRONG: You can have

18 somebody make a copy of that.

19                  MS. HENRY: I'm -- I'm sorry?

20                  COMMISSIONER ARMSTRONG: Well, would you

21 like to enter his copy?

22                  MS. HENRY: Or maybe I can make a copy

23 and --

24                  COMMISSIONER ARMSTRONG: Someone will do

25 that.



1 MS. HENRY: -- introduce it in the -- we  
2 can get a copy now.

3 MR. GISH: What number is that again?

4 MS. HENRY: It's -- it's you --  
5 company's request to Sierra Club number 23.

6 Q And you have a copy of that, Mr. Becker,  
7 now?

8 A Yes, I do.

9 Q Okay. Reviewing Mrs. Wilson's notes to  
10 refresh your memory, does it note that the capital  
11 expenditure included in the fixed O and M category was  
12 for an ongoing capital expenditure?

13 MR. GISH: Can we --

14 MS. HENRY: Oh, yeah. I'm sorry. I'm  
15 going to wait until --

16 A That's fine.

17 MS. HENRY: And if you want to wait.

18 COMMISSIONER ARMSTRONG: Let's wait till  
19 I get a copy of that.

20 MR. FISK: We're having it printed right  
21 now.

22 MS. HENRY: I believe we're going to  
23 wait until -- would -- would you prefer to wait until  
24 --

25 COMMISSIONER ARMSTRONG: Yeah.

1 MS. HENRY: We're going to just take a  
2 few minutes until -- sorry about the delay.

3 COMMISSIONER ARMSTRONG: That's all  
4 right. You want to freeze this moment and go on to  
5 another matter?

6 MS. HENRY: Well, it -- they kind of --  
7 if --

8 COMMISSIONER ARMSTRONG: Okay.

9 MS. HENRY: They advised it's going to  
10 ca -- take a couple of minutes. Should we -- do you  
11 want to take a five-minute break or do you want to --

12 MR. COOK: Well, we're kind of pushing  
13 time here.

14 MR. CHILDERS: Well, do -- do you have  
15 any questions you want to --

16 MS. HENRY: They kind of all -- yeah.  
17 They all go kind on from that. If you -- however  
18 you'd like to proceed, Chairman. And I -- I only have  
19 a few more. Maybe another five minutes of questions  
20 once we get the document.

21 COMMISSIONER ARMSTRONG: We'll let you  
22 go ahead, and when that is copied --

23 MR. CHILDERS: We'll get it just in a --  
24 just in a minute, Your Honor.

25 COMMISSIONER ARMSTRONG: Proceed.

1 Q (By Miss Henry) So you're now looking at  
2 a copy of Miss Wilson's notes from that call. Looking  
3 at those notes, does this refresh your memory that you  
4 told Dr. Fisher and Miss Wilson that these O and M --  
5 this -- this fixed O and M cost category was an  
6 ongoing capital expenditure?

7 A That's what her notes say. It's my  
8 recollection that we discussed capital as well.

9 Q I believe you actually said ongoing when  
10 we spoke earlier.

11 A That's correct.

12 Q Yes. Okay. And isn't it true that Miss  
13 Wilson --

14 MR. OVERSTREET: Wait a minute. Let  
15 him -- please let him finish his answer.

16 MS. HENRY: Oh, sorry.

17 A These are -- this is Miss Wilson's  
18 understanding -- this is Miss Wilson's understanding  
19 of our conversation. My understanding is different  
20 than what she has in her notes here.

21 Q So can I ask another question? Did Miss  
22 Wilson and Dr. Fisher, when you stated -- when you  
23 gave your answer regarding capital expenditures,  
24 didn't they say we have some follow-up questions to  
25 help us understand this expenditure, and didn't you

1 say that you could not answer those?

2 MR. OVERSTREET: Objection. A compound  
3 question.

4 Q Okay. Didn't Miss -- didn't Miss Wilson  
5 and Dr. Fisher, after you told them your explanation  
6 of these expenditures, didn't they say they had some  
7 follow-up questions?

8 A I don't remember.

9 Q And didn't you -- do you remember, sir,  
10 that you told them that you couldn't answer those  
11 questions because you were limited to the topics that  
12 ou discussed with them?

13 A Yes. That -- that's correct.

14 Q Referring back to Sierra Club request  
15 2-4. It's supplemental, so it's 2-4, which is  
16 Exhibit -- Exhibit 32. When Miss -- Miss -- Miss  
17 Wilson and Dr. Fisher asked you these questions about  
18 the capital costs and trying to reconcile them, don't  
19 you think you should have answered the question giving  
20 the discovery responses that had been posed to the  
21 Company?

22 A No. I was instructed by our counsel to  
23 limit our conversation to just getting the model -- to  
24 help them getting the model to run.

25 Q Okay. What --

1           A       And I went a little bit further and  
2 asked -- and answered some of these fixed O and M  
3 questions as well.

4           Q       In order to split the capital costs into  
5 the carrying costs, and those which were used in the  
6 fixed O and M category, did you need to make some  
7 calculations?

8           A       Yes, we did.

9           Q       Did you provide those calculations in  
10 discovery?

11          A       I don't know.

12          Q       Would you be surprised to find out that  
13 you did not provide those calculations?

14          A       I would, but --

15          Q       Can you describe those calculations?

16          A       To include fixed O -- to include capital  
17 costs?

18          Q       But -- to split the capital costs into a  
19 carrying cost and a fixed -- into the fixed O and M  
20 category.

21          A       What kind of capital cost?

22          Q       Well, I mean, as you described in your  
23 rebuttal testimony, it was the costs associated with  
24 the fact that Big Sandy wasn't going to come online  
25 until midyear 2016, and how you treated those.

1           A       Okay. One of the requirements of the  
2 Strategist model is that you can only model capital  
3 costs on an annual basis up to the in-service year.  
4 Any capital costs that occur after the in-service year  
5 have to be accounted for in some other manner.

6                       We took the capital costs that occurred  
7 in 2016 and 2017 for the retrofit expenditures, and  
8 using a levelized fixed charge rate for 15 years,  
9 created a stream of annual carrying charges, and then  
10 took those annual carrying charges and included them  
11 in with our fixed O and M assumptions.

12           Q       So let's refer back to question 2-4,  
13 which is -- do you believe that you should have  
14 provided those calculations in response to this  
15 request?

16           A       No. I believe we used, in our Proview  
17 modeling, the table two in our Strategist modeling.

18           Q       Are you aware of the capital expenditure  
19 and recovery module of Strategist?

20           A       Yes, I am.

21           Q       It's also known as the CER?

22           A       Uh-huh.

23           Q       Does the Company license the CER module?

24           A       No, we do not.

25           Q       So you did not use the CER module in the

1 Strategist analysis?

2 A No, because we do not license that  
3 module of Strategist.

4 Q Are you aware that the CER module is  
5 able to handle midyear installation costs similar to  
6 those discussed in your rebuttal testimony?

7 A Yes, I am. I've used the CER before --

8 Q You have used --

9 A -- in another company.

10 Q For another company. Do you know that  
11 Vintex, the model vendor, recommends using the CER  
12 model you'll for such midyear installations?

13 A I do not.

14 Q Are you aware that there are potential  
15 downsides to the mechanism that you described about  
16 how you handled midyear costs in your -- in your  
17 rebuttal testimony on page 8 versus the CER module?

18 A No. I believe we adequately captured  
19 those costs in our modeling.

20 Q Are you aware that the vendor recommends  
21 using the CER module so that there are no scribner's  
22 errors or -- to guard -- that they recommend using the  
23 CER module to guard against errors?

24 A Errors in what?

25 Q Human errors in calculations.

1           A       I'm not aware of the -- of Vintex making  
2 that statement, no.

3           Q       Oh. If I may, I would like to introduce  
4 right now Sierra Club Exhibit 36, which is a copy of  
5 Miss Wilson's notes. Are you aware that Vintex  
6 recommends using the CER module to ensure that  
7 calculations were not done wrong in the Excel  
8 spreadsheet?

9           A       I'm not aware of that, no. And I'm  
10 sorry. In what Excel spreadsheet?

11          Q       Well, you -- the calculations that you  
12 did outside. Any outside calculations versus done in  
13 the model. Didn't you -- we --

14          A       Could you ask --

15          Q       -- just talk --

16          A       Could you ask me that question one more  
17 time, please?

18          Q       I can rephrase it. Isn't it true that  
19 Vintex, the model vendor, recommends using the CER  
20 module to guard against errors associated with  
21 human's -- with scribner's errors?

22          A       I'm not aware of Vintex making that  
23 statement. No.

24          Q       Okay. Dr. Becker, is it correct that --

25          A       Oh, Dr.



1 Q -- when -- is it correct that during  
2 your call with Miss Wilson and Dr. Fisher --

3 A Uh-huh.

4 Q -- they asked if they could record the  
5 call?

6 A That is correct.

7 Q And did you tell them that no, that was  
8 not possible?

9 A On -- on the advice of our counsel, that  
10 is correct. Yes.

11 Q And Miss Wilson submitted her notes  
12 regarding this call; is that correct? In discovery  
13 response to the Company.

14 A That's correct.

15 Q Isn't it correct that you do not rebut  
16 Miss -- Miss Wilson's notes regarding the ongoing  
17 capital expenditure?

18 A That is correct.

19 MS. HENRY: Can I just take one moment?

20 Q Is it correct that you offered different  
21 resource options to the Strategist model for each of  
22 the alternatives considered beyond the fundamental  
23 difference in alternatives?

24 A Could you ask me that one more time,  
25 please?

1           Q     Yes.  Isn't it -- isn't it true -- isn't  
2     it correct that you offered different resource options  
3     to the Strategist model for each of the alternatives  
4     considered by the Company beyond the fundamental  
5     difference in alternatives?

6           A     If you're asking did we -- did we have  
7     alternatives in the model so that we could meet  
8     reserve margin requirements, is that your question?

9           Q     So certain alternatives considered in  
10    the model were, obviously, Option 1, Option 2, Option  
11    3, and the four, correct?  And the Option 4A and B?

12          A     Correct.

13          Q     And that there were fundamental  
14    differences in those alternatives in the sense that  
15    Option 1 was retrofitting a coal unit, Option 2 was  
16    dealing with a combined cycle unit, Option 3 was  
17    dealing with a combined cycle unit, and Option 4 was  
18    dealing with market to purchase this?

19          A     Correct.

20          Q     Okay.  And aside from those fundamental  
21    differences, meaning that Option 1 dealt with coal,  
22    the other two op --

23          A     Uh-huh.

24          Q     -- next two options dealt with CC, and  
25    the fourth option dealt with market purchases.  Other

1 than those fundamental differences, did you -- did you  
2 offer different resource options to each alternative?

3 A In lieu of the -- in lieu of putting in  
4 those --

5 Q In addition --

6 A -- off --

7 Q -- to.

8 A In addition to putting in tho -- yes, we  
9 did.

10 MS. HENRY: That's all the questions I  
11 have.

12 MR. KURTZ: I do now -- Your Honor, I  
13 was not aware of -- of all of this. I do have some  
14 questions.

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CROSS-EXAMINATION

19

20 By Mr. Kurtz:

21

22 Q Were you involved, Mr. Becker, in the  
23 June 9, 2011, decision to cancel -- to -- to retire  
24 both Big Sandy units?

25

A No, I was not.

1           Q       Were you -- were you part of the October  
2       7, 2011, analysis which is now marked as KIUC number  
3       11 where AEP studied the Big Sandy retrofit as well as  
4       a ten-year power purchase, and the answer was: The  
5       ten-year power purchase, which is Option 4B, is \$140  
6       million net present value cheaper?

7           MR. OVERSTREET: Mr. Kurtz, let me show  
8       him the exhibit, please.

9           (Mr. Overstreet handed document to the  
10       witness.)

11          A       Could you ask the question again,  
12       please?

13          Q       Were you involved in this October 7,  
14       2011, analysis which shows that Option 4B, the  
15       ten-year purchase, is \$140 million net present value  
16       cheaper than the -- than the \$940 million scrubber  
17       retrofit?

18          A       I don't recollect this analysis.

19          Q       Okay. So do you -- were you part -- so  
20       I guess you were not part of the analysis which showed  
21       that there would be another \$202 million net present  
22       value detriment to the scrubber if it was retired  
23       early in 15 years?

24          A       As I said, I don't recollect this  
25       analysis, no.

1 Q Now, were you part of the -- two months  
2 later, the December 5, 2011, filing at the Commission  
3 to -- for approval of this \$940 million project?

4 A In what respect?

5 Q Were -- did they -- did you -- did you  
6 provide analysis that AEP management decided that they  
7 would ask this commission for a 35-percent rate  
8 increase, the \$940 million scrubber retrofit?

9 A Yes.

10 Q Now, but you weren't involved in the  
11 decision to cancel or in the October 7 decision  
12 which -- which showed that the scrubber was  
13 ineconomic?

14 MR. OVERSTREET: Excuse me. I'm going  
15 to object. There's no decision --

16 Q I'll -- I'll -- I'll -- I'll -- I'll  
17 with -- I mean, let me -- let me rephrase. Now,  
18 the -- the key evidence to support the December 5th  
19 filing are these Weaver Strategist model run summary  
20 pages, which are his exhibits 4A, B, C, D, and E. Did  
21 you -- were you involved in the preparation of those  
22 documents?

23 A Yes, I was.

24 Q Okay. Now, I guess Staff asked for the  
25 backup documents in their question 48, and that was

1 provided with just a printout version of -- of the  
2 backup documents to these Exhibits 4A through E; is  
3 that correct?

4 A I guess so. Yes.

5 Q Now, Sierra Club apparently asked you  
6 for the computer models and the formulas so they --  
7 the -- that -- that -- that backed up the -- this  
8 information. Is that what we just learned?

9 A Yes, and they -- and we -- they -- we  
10 provided them with the computer models.

11 Q Well, it seems like you gave them a  
12 pretty good runaround before they could finally get --

13 MR. OVERSTREET: Wait a minute. I'm  
14 going to object.

15 MR. KURTZ: I'm not finished with my  
16 question.

17 MR. OVERSTREET: Well, I'm going to  
18 object, Mr. Kurtz, because you're badgering the  
19 witness. Now, if you --

20 MR. KURTZ: Well, I'll rephrase.

21 Q It seemed like Sierra Club had to go  
22 through a lot of -- a lot of discovery just to get to  
23 the computer model runs which in the end, they  
24 couldn't re -- reproduce your models because they --  
25 there were all these changes to it.

1           A     And we provided them with those changes,  
2     and they were able to execute their runs.

3           Q     Do you understand that the Commission  
4     has to make a decision in -- in six months in the --  
5     these environmental cases?

6           A     Yes, sir.

7           Q     Do you understand that intervenors  
8     own -- by commission order only get two rounds of  
9     discovery?

10          A     Yes, sir.

11          Q     Then why didn't you provide this  
12     information up front with your filing so that the  
13     Commission Staff and the Intervenors could -- could --  
14     could -- could verify your calculations?

15          A     I believe we provided quite a bit of  
16     information to allow them to verify their calculations  
17     as well as spoke to them on the phone to allow them to  
18     be able to get the Strategist model to run.

19          Q     After their motion to compel because you  
20     didn't provide the information in their discovery;  
21     isn't that right?

22          A     We provided those Strategist runs in our  
23     discovery, yes.

24          Q     How many jurisdictions did -- do you  
25     provide support for AEP in?

1 A Several.

2 Q How -- how many is several? All 11 that  
3 they operate in?

4 A Yes, sir.

5 Q Okay. Do -- do -- do -- is this the  
6 type of information you provide to all those  
7 jurisdictions in support of a billion dollar  
8 investment? Is this typical of the type of  
9 information you provide?

10 A I think the testimony that Mr. Weaver  
11 has provided we've used in other jurisdictions as  
12 well.

13 Q That didn't answer my question. Is this  
14 the way you typically file a billion dollar capital  
15 case, with just the -- the summary output four Pa --  
16 five pages, and then people have to dig to get the --  
17 the -- the models that -- that back it up?

18 A I don't think that's typical of what we  
19 do. We provided a suf -- significant amount of  
20 information in this case to allow the Intervenors to  
21 review our results.

22 Q You understand that -- that -- that AEP  
23 has the burden of proof in this case?

24 A Yes, sir.

25 Q Do you ever talk to the CEO of AEP about



1 the -- the -- was he involved in the decision to -- to  
2 ask for this \$940 million scrubber?

3 A I've never spoken to him about it, no.

4 Q Do -- do you know if he was involved in  
5 the decision to make -- to -- to ask this commission  
6 for -- for approval?

7 A I do not know. I would imagine so.

8 Q Wa -- was he involved in the decision  
9 that -- to reverse the decision to -- the June 9,  
10 2011, decision to -- to retire both plants?

11 A I do not know.

12 MR. KURTZ: No more questions.

13 MS. BURNS: No, sir.

14 MR. HOWARD: No more questions.

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#### EXAMINATION

19

20 By Commissioner Gardner:

21

22 Q Mr. Becker, I have a couple questions.  
23 I notice that you're in -- your office is in Tulsa,  
24 and Mr. Weaver's and Mr. Bletzacker's offices are in  
25 Columbus. Do you have any formal relationship with

1       them where one is the boss of the other or you-all are  
2       on same teams? Can you talk to me just a bit about  
3       your relationship with those two folks?

4               A       I report directly to Mr. Weaver.

5               Q       Okay. I'm going to make a couple  
6       assumptions in my next question, and -- and the -- and  
7       you may disagree with the assumptions, and that's  
8       fine, but the first assumption is that PJM is a  
9       summer-peaking system, and that Kentucky Power is a  
10      winter-peaking system. Do -- do you -- first of all,  
11      do you agree with that or do you have any opinion at  
12      all in that?

13              A       I believe that is correct. Yes.

14              Q       Okay. Now, because the -- the peaks of  
15      the two are different, wouldn't -- wouldn't the cost  
16      that Kentucky Power would be purchasing power from the  
17      market be cheaper than if their peaks were the same?

18              A       Could you ask me that question --

19              Q       Sure.

20              A       -- one more time?

21              Q       When -- when Kentucky Power is most  
22      likely to need power, which is in the winter, and in  
23      PJM, it -- it's not peaking in the winter, that the  
24      price of power would be cheaper for Kentucky Power  
25      than if the peaks were the same?

1           A       Well, we have to plan to PJM summer  
2 peak. That's a requirement of -- of being in PJM. As  
3 far as purchasing power, we purchase power year round,  
4 when it's economic to do so.

5           Q       Okay. And --

6           A       Purchase energy, I will say.

7           Q       Sure. Sure. And the -- the same -- let  
8 me ask about gas purchases. Wouldn't -- let me just  
9 ask the question this way. Because the two systems,  
10 PJM and Kentucky Power, are -- have different peaks,  
11 what did -- because of that, did -- were tho -- was  
12 that included any way in the modeling that you-all  
13 did?

14          A       We modeled monthly peaks in the model  
15 over the 40-year period. So -- and -- and then we  
16 have a market energy price. So anytime during the  
17 year and during those months, when we're performing a  
18 dispatch, it's advantageous for Kentucky Power to  
19 purchase energy, we purchase energy in our modeling,  
20 as well as in -- in real life.

21          Q       Okay. Is -- you were asked if you were  
22 involved in the modeling in other states. Is -- is  
23 there any different input with respect to other states  
24 that may not have the same peaking as Kentucky Power?  
25 In other words, is -- is the input identical between

1 what you would do in Kentucky and what would be done  
2 in Oklahoma or what would be done in --

3 A Well, the --

4 Q -- Indiana?

5 A -- inputs in the model would be the --  
6 the inputs -- the required inputs for the model are  
7 the same regardless of the state. However, obviously,  
8 the states would all have -- or operating companies  
9 would all have different peak in energy requirements  
10 in the model.

11 Q Okay. Were the --

12 A Different load requirements.

13 Q Okay. Were the dollar figures inputted  
14 into the model for Kentucky Power -- was there any  
15 variation because Kentucky Power is a winter-peaking  
16 company?

17 A No. We model the PJM energy market as a  
18 whole, and -- and Kentucky would be part of that PJM  
19 energy market.

20 Q Okay. And -- and that -- that -- that  
21 was what was inputted into the model?

22 A That's correct.

23 Q Okay.

24 A If -- if we were to model Indiana  
25 Michigan or any of the other PJM members, we would use

1 that same market price forecast.

2 Q Okay. Now let me ask you about gas  
3 price, since the price of gas was significant with  
4 respect to the models. Was -- was there any  
5 difference in the gas price because of -- because of  
6 Kentucky Power is a winter-peaking system, and the  
7 price of gas would likely be cheaper during that time?

8 A In our modeling, we model monthly gas  
9 prices. So we would represent the price that Kentucky  
10 Power could buy gas under on a monthly basis in our  
11 modeling.

12 Q And did the price of gas change  
13 throughout the course of the year --

14 A Yes, sir.

15 Q You did that monthly?

16 A Yes. Yes.

17 Q Okay.

18 A As well as energy prices.

19 COMMISSIONER GARDNER: Okay. All right.  
20 That's all I have. Thank you.

21 MR. OVERSTREET: I have no redirect,  
22 Your Honor.

23 MS. HENRY: May I ask one additional  
24 question?

25 COMMISSIONER ARMSTRONG: Uh-huh.

## 1 RE CROSS-EXAMINATION

2  
3 By Ms. Henry:

4  
5 Q I'd like to refer you to Sierra Club  
6 Exhibit 1, which was introduced yesterday.

7 MS. HENRY: Can you provide that to your  
8 witness?

9 MR. OVERSTREET: If this is recross on  
10 what came around or is this just a second bout at the  
11 end?

12 MS. HENRY: I guess we'll see.

13 MR. OVERSTREET: What was Sierra 1?

14 MS. HENRY: Sierra 1 was -- it was  
15 commission staff's fourth set of data requests.

16 MR. OVERSTREET: Oh. Asking about the  
17 updates.

18 MS. HENRY: The number four.

19 Q (By Ms. Henry) Mr. Becker, I just have a  
20 small follow-up. So you stated earlier that -- so I  
21 just want to -- can you turn to the second page of  
22 this response to the Company's?

23 A Okay.

24 Q And then it is going to be the  
25 third-to-last sentence in the first paragraph. I'm

1 actually -- I'm sorry. It's actually the  
2 second-to-last sentence in that first full paragraph.  
3 Does it state, (Reading) In addition, it would take  
4 another four weeks of Strategist work to complete all  
5 the modeling?

6 A And this is in reference to providing an  
7 update to our analysis using any revised assumptions  
8 that we have?

9 Q Yeah. Yes. Is that correct? So it  
10 would take four weeks to do the Strategist work?

11 A Roughly.

12 Q And --

13 A Given -- given -- given where this  
14 were --

15 Q To change the assumptions. Is that --  
16 is that what you said? To change --

17 A In our modeling.

18 Q Yes. Change the assumptions in your  
19 model would take four weeks. And just to recap, the  
20 Sierra Club got those files for Strategist on February  
21 7th, and they did not -- and they were nonoperational.

22 A Well --

23 Q Is that --

24 A -- it would -- it would take four  
25 weeks -- I think what this is saying here, it would

1 take four weeks to change the inputs as well as to  
2 update all of the mo -- any modeling runs. Execute  
3 the runs, produce output.

4 MS. HENRY: Correct. Thank you. That's  
5 all the questions I have.

6 MR. OVERSTREET: Nothing further.

7 COMMISSIONER ARMSTRONG: You're excused.  
8 Thank you very much.

9 MR. HOWARD: Mr. Chairman, I've spoken  
10 with the parties, and Miss Burns, I forgot to approach  
11 you. What we would like to do, we have prearranged  
12 the hearing in -- in regard to the scheduling of  
13 witnesses. We're trying to put out of order at this  
14 point, and although the Company has finished with its  
15 case, Dr. Woolridge on next. None of the parties have  
16 any issue with that. So by so doing we can safety  
17 taxpayers \$1,500 or so, if that's okay with the --

18 COMMISSIONER ARMSTRONG: Sure.

19 MR. HOWARD: -- commissioners.

20 MR. OVERSTREET: Your Honor --

21 COMMISSIONER ARMSTRONG: Yes.

22 MR. OVERSTREET: Thank you as a  
23 taxpayer.

24 MR. HOWARD: You're welcome.

25 MR. OVERSTREET: I just wanted to let



1 the Commission know that except for Mr. Baron, the  
2 Company does not anticipate having cross for any of  
3 the intervenor witnesses.

4 COMMISSIONER ARMSTRONG: Very good.

5 MR. HOWARD: Dr. Woolridge. Probably  
6 don't need to pour yourself a glass of water or  
7 anything like that.

8 COMMISSIONER ARMSTRONG: Be sworn.  
9 Solemnly swear to tell the truth, the whole truth,  
10 nothing but the truth subject to the rules of perjury?

11 THE WITNESS: I do.

12 COMMISSIONER ARMSTRONG: Have a seat.  
13 Speak up loud and clear.

14

15

\* \* \*

16

17 J. RANDALL WOOLRIDGE, called by the  
18 Kentucky Attorney General, having been first duly  
19 sworn, testified as follows:

20

21 DIRECT EXAMINATION

22

23 By Mr. Howard:

24

25 Q Please state your name and address, sir.

1           A       My name is the initial J. Randall  
2 Woolridge, and that's spelled W-O-O-L-R-I-D-G-E.

3           Q       And what is your --

4           A       My --

5           Q       I'm sorry.

6           A       My address is 120 Haymaker circle in  
7 State College, Pennsylvania.

8           Q       What is your profession?

9           A       I am a professor of finance at Penn  
10 State University.

11          Q       Are you testifying in this case on  
12 behalf of the Attorney General?

13          A       Yes.

14          Q       Did you prefile testimony in this case?

15          A       Yes.

16          Q       Do you have any changes, modifications,  
17 or additions thereto?

18          A       No.

19                 MR. HOWARD: Mr. Chairman, this has  
20 already been prefiled. I would move that it be  
21 introduced into the record.

22                 COMMISSIONER ARMSTRONG: Miss Burns?

23                         (Ms. Burns shook head.)

24                 MR. HOWARD: I offer the witness for  
25 cross-examination.

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MR. GISH: No questions.

MR. CHILDERS: No questions, Your Honor.

MR. KURTZ: No questions.

COMMISSIONER ARMSTRONG: Thank you, Mr. Woolridge.

MS. HANS: That's all for the Attorney General's office, Your Honor. Thank you.

MR. KURTZ: Your Honor, KIUC has three witnesses. I take it from Mr. Overstreet's comments that he has no cross for Mr. Kollen or Mr. Hill, and since their testimony is prefiled, does Staff have questions here?

MR. NGUYEN: We'll have questions for Mr. Kollen --

MR. KURTZ: For --

MR. NGUYEN: -- but --

MR. KURTZ: -- Mr. Kollen?

MR. NGUYEN: And that -- that --

MR. KURTZ: Okay.

MR. NGUYEN: -- will be it.

MR. KURTZ: Okay. You want to go?

COMMISSIONER ARMSTRONG: Be sworn. Solemnly swear to tell the truth, the whole truth, and nothing but the truth subject to the rules of perjury?

MR. KOLLEN: Yes, I do.

1                   COMMISSIONER ARMSTRONG:   Have a seat.  
2   Speak up loud and clear.

3

4                   \*                   \*                   \*

5

6                   LANE KOLLEN, called by Kentucky  
7   Industrial Utility Customers, Inc., having been first  
8   duly sworn, testified as follows:

9

10                   DIRECT EXAMINATION

11

12   By Mr. Kurtz:

13

14                   Q     Will you -- will you state your name and  
15   business address for the record, please?

16                   A     Yes.   My name is Lane Kollen.   My  
17   business address is J. Kennedy & Associates,  
18   Incorporated, 570 Colonial Park Drive, Suite 305,  
19   Rosswell, Georgia, 30075.

20                   Q     Do you have in front of you a document  
21   entitled direct testimony and exhibits of Lane Kollen?

22                   A     Yes.

23                   Q     Was that prepared by you or under your  
24   direct supervision?

25                   A     Yes.

1           Q       If I were to ask you the same questions  
2 as those contained therein, would your answers be the  
3 same?

4           A       They would with certain corrections.

5           Q       Okay. Do you want to tell the -- go  
6 over your -- the corrections to your testimony?

7           A       Yes. The first one is on page 11, line  
8 12. After the phrase \$47 million, insert the  
9 following: Comma, or \$80 million if the Company's  
10 share of OSS margins is removed, comma.

11                       So the sentence would read starting on  
12 line 11, (Reading) Compared to Option 1, Option 4B was  
13 less expensive on a 30-year cumulative net present  
14 value basis by 10 million to \$47 million, comma, or  
15 \$80 million if the Company's share of OSS margins is  
16 removed.

17                       Then on the next line, line 13, insert  
18 the same phrase as what we did on line 12 after the  
19 118 million, except the amount is 151 million. So it  
20 would read, (Reading) Comma, or at least \$151 million  
21 if the Company's share of OSS margins is removed,  
22 comma.

23           Q       What is the genesis of this correction,  
24 Mr. Kollen?

25           A       The genesis is the reflection of the

1 Company's retention of a portion of the off-system  
2 sales margins. The Company's modeling, in which the  
3 \$47 million savings from the purchase power option,  
4 assumed that all of the off-system sales margins were  
5 effectively used to reduce the cost of each option.

6 That wasn't correct, and the Company has  
7 quantified the effect of that on the base commodity  
8 pricing scenario.

9 Q Was this quantified in Mr. Weaver's  
10 rebuttal?

11 A Yes, it is. Mr. Weaver's Exhibit 3R.

12 Q Any other changes to your testimony?

13 A Yes. One other change in the narrative,  
14 page 22, line 16 and 17. At the end of line 16,  
15 strike the apostrophe S. Line 17, strike the words  
16 "president" and "CEO". And then finally, my Exhibit  
17 LK8 had the incorrect document, and Mr. Kurtz has a  
18 copy of the correct document, which was simply another  
19 AEP presentation that has the information that is  
20 described in my testimony. Inadvertently, the wrong  
21 presentation was included.

22 Q We should just insert this 8 instead of  
23 the 8 that's there?

24 A That's correct. Yes.

25 Q With that, are those all of the changes

1 to your testimony?

2 A Yes.

3 MR. KURTZ: Mr. Chairman, I tender the  
4 witness for cross-examination.

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8

CROSS-EXAMINATION

9

10 By Mr. Nguyen:

11

12 Q Good morning, Mr. Kollen. How are you?

13

A Good morning.

14

15 Q Could you refer to page 8 of your direct  
16 testimony, please, at line 13? It's in respect --  
17 re -- respect to the question that says that -- that  
18 asked that the rate effect of the Big Sandy 2 retrofit  
19 projects limited. Are they limited to the  
20 environmental surcharge. And you state that the  
21 nonjurisdictional costs that are not recovered through  
22 the ECR ultimately will be recovered through ra --  
23 base rates. What are those nonjurisdictional costs  
24 that you refer to in this response?

25

A What I'm referring to is as part of the  
ECR mechanism, there is an allocation of the total

1 revenue requirement associated with the particular  
2 environmental project among the retail ratepayers, the  
3 wholesale, FERC jurisdictional ratepayers, associated  
4 utilities, which would be sales made by Kentucky Power  
5 to other sister AEP utilities, and then off-system  
6 sales. So there's essentially four categories of  
7 revenues over which the total revenue requirement is  
8 allocated.

9 Now, to the extent that it's a FERC  
10 allocation, that definitely goes to the FERC, and  
11 that's roughly two percent, but the rest of the costs,  
12 to the extent that they are not recovered from those  
13 other jurisdictions, meaning the associated utility  
14 sales and meaning the off-system sales, then those  
15 come back onto the ratepayers through base rates.

16 So when looking at the entirety of the  
17 rate impact of the scrubber retrofits, you have to  
18 look at not only what is recovered through the  
19 environmental surcharge but also what comes back in  
20 through base rates.

21 Q You mentioned that there was a  
22 two-percent FERC allocation? Is that what --

23 A I believe that's correct.

24 Q What's the allocation for the off-system  
25 sales and the associated utility sales? Do you -- do



1 you recall?

2 A I recall it was about 11 percent.

3 Something --

4 Q Combined?

5 A -- like that. Yes.

6 Q Okay. So all total about 13 percent  
7 nonjurisdictional?

8 A Yes. I think that's correct. And  
9 that's detailed on Miss Munsey's Exhibit LPM 13.

10 Q Okay. Okay. Can you now turn to page  
11 18 of your testimony? And this is in reference to  
12 your recommendation with respect to the delay option.  
13 And you provide several benefits with respect to that  
14 particular delay option that you recommend.

15 Do you recall yesterday in Mr. McManus'  
16 testimony concerning the risk or the potential risk of  
17 mothballing Big Sandy unit 2 and how that might  
18 trigger any new source performance standards?

19 A I do.

20 Q In light of that particular risk, does  
21 that change your recommendation?

22 A No, it doesn't. And the reason that it  
23 doesn't change it is because we don't anticipate going  
24 two years, three years, four years down the road with  
25 respect to a decision. What we're asking the

1 Commission to do is reject the Big Sandy 2 retrofit  
2 option in this proceeding and then initiate another  
3 proceeding in which the Commission can more fully  
4 investigate all of the options available to the  
5 Company.

6 The Company's options presented to the  
7 Commission in this proceeding were extremely limited,  
8 didn't reflect the acquisition of the Mitchell  
9 capacity, the additional coal fire capacity, didn't  
10 assess the opportunity for purchasing existing  
11 gas-fired capacity adjacent to the Big Sandy plant, a  
12 number of other things.

13 So we -- we believe that the Company can  
14 continue to proceed in the phase-one review, even into  
15 the phase two A review. Commissioners, you may recall  
16 that timeline. That was attached to Mr. Walton's  
17 testimony and that Mr. Kurtz used to cross-examine Mr.  
18 Walton, but we believe that the Company can continue  
19 on the path of further refining the cost estimates and  
20 further identifying the design specifications.

21 Don't shut that down for the time being,  
22 but reject the Big Sandy 2 retrofit option in this  
23 proceeding, initiate a separate proceeding where all  
24 of the options can be reviewed and all of the parties  
25 can actively participate. We -- we -- we don't think

1 that would take more than six months, quite frankly.

2 And so, you know, this -- this  
3 assertion, I believe by Mr. Walton, that -- that I was  
4 recommending a much ex -- you know, later date or an  
5 extended shutdown just simply isn't -- isn't correct.

6 Q So the six months' continuation of the  
7 process that's currently ongoing right now?

8 A Yes. In other words, by the end of this  
9 year.

10 Q Can you turn now to page 28 of your  
11 testimony? And in response to the first question at  
12 the top of that page, where you were asked if the  
13 Commission rejects the Company's proposal to retrofit  
14 Big Sandy 2, how will the Company obtain capac --  
15 capacity of energy resources to serve its customers.

16 And you mentioned, as part of that  
17 potential resolution, to enter into bilateral  
18 agreements on line seven and eight.

19 A Yes.

20 Q Based on your knowledge, are -- are  
21 bilateral agreements a common medium that utilities  
22 use to address in capa -- capacity or -- or -- or  
23 energy concerns?

24 A Yes. What we're talking here is a  
25 bilateral purchase power agreement, and utilities

1 commonly enter into purchase power agreements to meet  
2 their capacity and energy requirements.

3 Q And for what duration of time?

4 A It varies.

5 Q It just depends upon whatever the needs  
6 are?

7 A Depends upon the needs and the pricing  
8 structure, generally.

9 Q What would you recommend in this  
10 instance based upon the circumstances that Kentucky  
11 Power is in?

12 A I don't really have a recommendation.  
13 That would be something that should be on the table,  
14 as far as a comprehensive review.

15 Q Okay. Mr. Kollen, do you know the full  
16 impact of all of the possible retirements of  
17 coal-firing units in the country, do you know what the  
18 impact of those would be on the cost of purchase power  
19 over the next five or ten years? Is that known at  
20 this point in time?

21 A It is not known.

22 Q Okay.

23 A And I think it would vary depending upon  
24 the region, depending upon the zones within the RTO  
25 that was -- you know, the relevant RTO.

1           Q     If it's not known at this point in time,  
2     how can you -- how can a purchase-only option be a  
3     reasonable option?

4           A     Well, I think it provides a great deal  
5     of flexibility. We know what the RPM is, for example,  
6     for the next three planning years on a discreet basis.  
7     That -- that information is known. In addition --  
8     within PJM.

9                     In addition, we -- you know, there are  
10    assessments of those -- those future capacity and  
11    energy prices that AEP itself has performed, and those  
12    fed, then, into the purchase option.

13                    In addition, it -- a purchase option,  
14    essentially, is not a locked-in-place-forever type of  
15    option. You can go down that path initially, but then  
16    if you see, looking forward, that the purchase option  
17    no longer would be economic, and this is a dynamic  
18    process, then at that point in time, the -- an  
19    acquisition strategy, bilateral contract, or bi -- a  
20    new build strategy could be pursued.

21           Q     Okay. Do you recall last night, during  
22    Mr. Bletzacker's testimony regarding the NYMEX market,  
23    and I believe his testimony with res -- with -- was  
24    with respect to if you wanted to get today's energy  
25    prices with a market power option, you would need to,

1 in essence, hedge in or lock in that particular price.

2 With today's energy prices, one could  
3 lock in electric or gas prices until 2021 at levels  
4 below what were in the current scenario; is that  
5 correct?

6 A I think generally that's true. I  
7 haven't really made that assessment, because I don't  
8 know what the -- I mean, generally, looking forward  
9 based upon the NYMEX futures, and based upon the EIA,  
10 forecasts, that's generally true.

11 Q Would it be a fair characterization to  
12 say that the decision the Commission is faced with is  
13 does the Commission lock in a 30-percent rate increase  
14 for 30 years or does the Commission lock in a rate  
15 increase for five years at less than 10 percent and  
16 then see what the environmental regulations, energy  
17 prices, technology options, the AEP pool, or the  
18 subsequent AEP pool agreement, cost sharing and power  
19 plant ownership issues, and other current unknowns  
20 are. Would that be a correct characterza --  
21 characterization of the issue that the Commission  
22 faces?

23 A I think I would phrase it somewhat  
24 differently. First of all, I would say that -- that  
25 the first option is a 35-percent increase when you

1 take into account both the environmental surcharge and  
2 the base rate impact.

3 And then, beyond that, the Commission  
4 has a decision to make with respect to what the likely  
5 impact will be from a purchase power scenario or an  
6 alternative where, for example, additional capacity is  
7 purchased from Ohio Power in the form of the Mitchell  
8 capacity. Whether additional capacity is acquired  
9 from the Riverside facility, the owner of that  
10 facility.

11 There are any number of options which  
12 are -- is why we believe that, really, the Commission  
13 should convene -- convene a separate proceeding to  
14 really investigate the full impact of this.

15 But within the narrow confines of this  
16 proceeding, it really is a choice between the  
17 35-percent rate increase with the Big Sandy 2 retrofit  
18 compared to purchasing, which the Company has  
19 estimated would have a 10 to 12-percent initial year  
20 impact. In other words, in 2016.

21 MR. NGUYEN: Those are all the questions  
22 I have. Thank you, Your Honor.

23 MR. HOWARD: Mr. Chairman, I just have a  
24 few, if I may.

25 COMMISSIONER ARMSTRONG: Sure.

1 MR. HOWARD: And this is to follow up  
2 some questions that were asked to Mr. Wohnhas, I guess  
3 it was Monday.  
4

5 \* \* \*

6  
7 CROSS-EXAMINATION

8  
9 By Mr. Howard:

10  
11 Q Good afternoon, Mr. Kollen. How are  
12 you, sir?

13 A Well, it's still morning, sir.

14 Q Well, if you'll forgive me. I'm not  
15 even sure when yesterday ended.

16 A I understand.

17 Q You keep referencing roughly a  
18 35-percent increase. Is that 35 percent or 35.2  
19 percent?

20 A It's 35.2.

21 Q And that includes what?

22 A Well, it includes the -- the effect on  
23 the environmental surcharge, which is about 29.6, and  
24 then another 5.8-percent base rate increase.

25 Q If we look at your testimony in this



1 case, we -- we see that based on your numbers, and  
2 correct me if I'm wrong, that just on the ECR  
3 component, you opine that the amount is \$39.39 cents;  
4 is that correct?

5 A Well, it would be 35.2 percent, 5.84  
6 percent through base rates, because of the portion of  
7 the revenue requirement, that is recoverable for  
8 retail ratepayers but not through the environmental  
9 surcharge, plus another 29.4 percent through the  
10 environmental surcharge.

11 And I think your question really  
12 probably goes to the effect on the residential  
13 customer.

14 Q Yes. What I'm trying to do --

15 A Okay.

16 Q -- at this point in time is look at the  
17 average impact on the residential customer --

18 A Okay.

19 Q -- which was in response -- the  
20 Company's response to 1-11.

21 A Okay.

22 Q And there the amount was \$134 and -- and  
23 3 cents.

24 A Okay. Was that --

25 Q Which was a ba --

1 A -- before the --

2 Q Which was a base amount?

3 A Okay. That was before the increase,  
4 correct?

5 Q That's correct.

6 A Okay.

7 Q And we took 28.62 percent plus .77  
8 percent to arrive at -- and you'll forgive me at the  
9 moment. 29.39 percent?

10 A Yes. That's correct.

11 Q And then multiply that times 134.03?

12 A That would -- the result of that would  
13 give you presumably, then, the increase to the  
14 residential customer in an average residential  
15 customer basis.

16 Q Subject to the check, that would be  
17 \$39.39?

18 A I'll accept that subject to check.

19 Q And then you indicated in your testimony  
20 at page 9 that there would have eventually be a base  
21 rate increase?

22 A Yes. That's correct. A 5.84 percent.

23 Q Or \$7.83, correct?

24 A I'll accept that subject to check. Yes.

25 Q And \$7.83 plus the \$39.39 would equate

1 to \$47.22. Would you --

2 A I'll accept --

3 Q -- agree?

4 A -- that subject to check. Yes.

5 Q And that's per month on the average  
6 residential bill, correct?

7 A I believe so based upon the information  
8 you have just provided.

9 Q Now, if we take \$47.22 and multiply that  
10 by 12 to get an annual increase, would you accept,  
11 subject to check, that the average residential  
12 increase would be \$566.64?

13 A That sounds right, subject check -- to  
14 check.

15 MR. HOWARD: Those are the only  
16 questions I have, Mr. Chairman.

17 MR. KURTZ: No redirect.

18 MR. CHILDERS: No cross, Your Honor.

19 MR. NGUYEN: No further questions, Your  
20 Honor.

21 COMMISSIONER GARDNER: Just a couple,  
22 please.

23

24

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## EXAMINATION

1  
2  
3 By Commissioner Gardner:  
4

5 Q In your testimony, do you quantify the  
6 difference between what the off-system sales would be  
7 in -- in re -- reduction of revenue requirement if it  
8 is -- if the off-system sales was modeled as it  
9 currently is being allocated with the 40/60 split?

10 A I did. I -- that was one of the changes  
11 that I had made to my testimony to reflect that on  
12 page 11. With all of the off-system sales margins  
13 being flowed through to customers, under the Company's  
14 modeling of the -- the retrofit compared to the  
15 purchase power scenario, the Option 4B, the savings  
16 would be 10 million to 47 million, just under the  
17 fleet transition, or 82 to 118 million under the lower  
18 band commodity gas pricing.

19 Q Okay.

20 A And then what I inserted was or 80  
21 million on line 12, or 80 million if there was the  
22 40-percent, 60 print -- percent sharing of the  
23 off-system sales margins between the Company and its  
24 customers.

25 So, in other words, the -- the savings

1 associated with the Option 4B would increase from 47  
2 million to 80 million. And we didn't have a  
3 quantification of how the savings would increase under  
4 the lower band natural gas commodity pricing, so I  
5 said that it would go up at least 33 million, which  
6 was what it was under the -- just simply the Company's  
7 base case, but it would be more than that. So the  
8 savings would be at least \$151 million under the lower  
9 natural gas price scenario.

10 Q Okay. I note that you recommend the  
11 Commission reject the inclusion of the \$15 million or  
12 so from back around, you know, 2004 to 2007, and --  
13 and one of the reasons you cite is a recent decision  
14 by the Commission as to the timing of when those  
15 requests should be made?

16 A Yes. That's correct.

17 Q And I guess my question is: You are --  
18 was there -- is your recommendation based anything  
19 other than that the Company did not timely file an  
20 application for those costs?

21 A It's -- it's really a couple of things.  
22 One thing is that I do acknowledge that some of those  
23 costs --

24 Q Like land --

25 A -- are, in fact, and should be

1 recoverable. For example, the purchase of land --

2 Q Right.

3 A -- and -- so then with respect to the  
4 other -- other costs, I basically say that these are  
5 deferred costs that would otherwise have been expensed  
6 when incurred but for the fact that the Company  
7 unilaterally deferred them.

8 And my thinking on that is that the  
9 Commission shouldn't retroactively affirm that  
10 decision on the part of the Company, not to come in  
11 for an accounting order, and then to provide  
12 prospective rate recovery.

13 And -- and then the other -- the other  
14 issue with respect to that is whether or not it has  
15 any applicability to these -- this project. In other  
16 words, there's been a substantial amount of time that  
17 has gone past. Six years, specifically. Effectively,  
18 that work was done in the mid 2000s. That project,  
19 with respect to the wet FGD, that project was  
20 effectively abandoned.

21 In the interim, the Company has had a  
22 base rate case. It could have come in and asked for  
23 recovery of those costs at that time. It didn't.  
24 There's nothing unique about asking for them in this  
25 case. I think that simply by the passage of time,

1 it's -- it's sort of like looking back on the  
2 accounting books and identifying something that they  
3 could sort of stick into this case and get recovery at  
4 this time.

5 Q Okay. So what I hear you saying is that  
6 the primary reason is, basically, the lapse of time or  
7 the failure to file it timely. So my question is:  
8 You are recommending, and I hear you saying a  
9 relatively short period of time to reexamine the  
10 options that are available to the Company, and in the  
11 meantime, of course, the Company would continue down,  
12 at least do -- 2A, which involves some -- a bunch --  
13 beginning the engineering studies and some of though  
14 costs.

15 If they timely applied for costs, and  
16 that option was not pursued ultimately, like one of  
17 the other options was pursued, would you be in  
18 opposition to the Company being allowed to recover  
19 those costs?

20 A No. And, in fact, I would actually  
21 recommend that you explicitly state in an order -- if  
22 you do reject the retrofit option in this proceeding  
23 and then initiate another proceeding, I would  
24 specifically recommend that you authorize the Company  
25 to defer the costs associated with phase one and phase

1 two A.

2 COMMISSIONER GARDNER: Thank you.

3 COMMISSIONER ARMSTRONG: Any further  
4 questions of this witness?

5 MR. GISH: No, Your Honor.

6 COMMISSIONER ARMSTRONG: Thank you, Mr.  
7 Kollen.

8 A You're welcome. Thank you.

9 COMMISSIONER ARMSTRONG: You're excused.

10 MR. KURTZ: KIUC will call Mr. Steve  
11 Baron.

12 COMMISSIONER ARMSTRONG: Mr. Baron, be  
13 sworn. Solemnly swear to tell the truth, the whole  
14 truth, and nothing but the truth subject to the rules  
15 of perjury?

16 MR. Baron: Yes, I do.

17 COMMISSIONER ARMSTRONG: Have a seat.  
18 Speak up loud and clear.

19

20 \* \* \*

21

22

23

24

25



1                   STEPHEN J. BARON, called by Kentucky  
2 Industrial Utility Customers, Inc., having been first  
3 duly sworn, testified as follows:  
4

5                   DIRECT EXAMINATION  
6

7 By Mr. Kurtz:

8  
9                   Q       Will you identify yourself for the  
10 record, please?

11                   A       Yes. My name is Stephen Baron.

12                   Q       And your business address?

13                   A       J. Kennedy & Associates, Inc., 570  
14 Colonial Park Drive, Suite 305, Rosswell, Georgia,  
15 30075.

16                   Q       You have in front of you a document  
17 marked direct testimony and exhibits of Stephen J.  
18 Baron?

19                   A       Yes, I do.

20                   Q       Do you have any corrections or additions  
21 that you'd like to make, sir?

22                   A       I have one correction on page 14. I  
23 just noticed it, actually, last night. Page 14 at  
24 line 12, after the words "should be" -- after the  
25 words "should be", it -- the word "allocated" should

1 be inserted. So it should -- it -- it should read,  
2 (Reading) Retail customers through tariff ES should be  
3 allocated following the two-step methodology.

4 Q With that change, do you adopt this  
5 testimony as your own?

6 A Yes.

7 MR. KURTZ: Mr. Chairman, the witness is  
8 available for cross.

9 MR. GISH: Your Honor, we have probably  
10 five actual minutes of cross-examination for this  
11 witness.

12  
13 \* \* \*

14  
15 CROSS-EXAMINATION

16  
17 By Mr. Gish:

18  
19 Q Mr. Baron, you testified that the  
20 Commission should change the mechanism through which  
21 Kentucky Power allocates its environmental sure --  
22 surcharge to its nonresidential customers; is that  
23 correct?

24 A That's correct. Yes.

25 Q And the changes you proposed would

1 result in a decrease in the amount of the  
2 environmental surcharge allocated to your clients, the  
3 large industrial customers; is that correct?

4 A Well, relative to the method proposed by  
5 the Company, because fuel is removed from the  
6 calculation of the factor for all nonresidential  
7 customers, and high-load factor customers, large  
8 industrial customers that are high-load factor, use  
9 less -- use a huge amount of fuel, which was -- would  
10 not be computed. As a result, the allocation factor  
11 would be lower on a high-load factor customer's bill.

12 Q And -- and those high-load customer --  
13 I'm sorry. Those low -- high-load factor customer  
14 bills are the large industrial customers?

15 A They tend to be, though you can  
16 easily -- as a matter of fact, I know for a fact that  
17 commercial customers like grocery stores can be  
18 high-load factor as well, and those would be smaller  
19 individual customers, high-load factor.

20 Q And -- and under your proposal, the --  
21 the decrease in the amount of environmental surcharge  
22 allocated to your clients would result in a  
23 corresponding increase in the amount of the surcharge  
24 allocated to Kentucky Power's smaller commercial and  
25 other nonindustrial, nonresidential customers; is that

1 correct?

2 A Well, again, it's -- it's a question --  
3 it's a function of load factor. I think I just gave  
4 you example that it -- you can have smaller customers,  
5 like a grocery store, that might have 400 or 500  
6 kilowatts of load versus a large industrial with two  
7 or three megawatts. You can have a high load factor  
8 commercial customer as well.

9 It is true that in general, smaller  
10 customers in -- in the general service classes would  
11 tend to have lower load factors, but it is not always  
12 the case, and I gave you an example.

13 Q All right. But for those smaller  
14 load-factor customers, under your proposal, the amount  
15 of the Kentucky Power's environmental surcharge  
16 allocated to them would increase?

17 A Yes, because under the Company -- they  
18 would increase relative to the Company's proposal,  
19 which would --

20 Q Which -- which is --

21 A -- which effectively allocates the  
22 environmental surcharge on fuel revenues, which  
23 obviously has nothing to do with the environmental  
24 co -- capital costs at issue in this case, but the --  
25 it is true.

1 MR. GISH: Okay. Those are all the  
2 questions I have, Your Honor.

3 MR. CHILDERS: No questions, Your Honor.

4 MR. HOWARD: One -- one, Mr. -- Mr.  
5 Chairman.

6

7

\* \* \*

8

9

CROSS-EXAMINATION

10

11 By Mr. Howard:

12

13 Q I'll get it right, 'cause it is morning.  
14 Good morning, Mr. Baron.

15 A Morning.

16 Q Where do schools fall -- if we look at  
17 your exhibit attached to your testimony, where do the  
18 schools fall in the various tariffs, please?

19 A I have not done a specific tracing. I  
20 would guess that schools would likely be in the --  
21 probably in the medium general service category, but I  
22 do not know for certain. In -- in LG&E and KU, I  
23 recall they -- that company had -- those companies had  
24 special tariffs just for schools, so I -- but I don't  
25 know the answer to your question specifically.

1           Q       By way of a hearing -- or a post-hearing  
2 data request, could you provide us an answer as to  
3 whether, in fact, they do fall within the medium  
4 general service? And then, likewise, produce numbers  
5 similar that -- to that which you have in this chart?

6           A       Well, I would be happy to do it, but I  
7 don't have that information. I'd have to get it --  
8 I'd have to issue a data request to the Company first,  
9 but then I could do that.

10           MR. HOWARD: Mr. Overstreet, would --  
11 I'm -- I'm trying to find out how much of an endeavor  
12 that would be on the Company to provide that data.

13           MR. OVERSTREET: We'll be happy to  
14 provide it.

15           MR. HOWARD: Can you provide that data,  
16 then, to Mr. Baron?

17           MR. OVERSTREET: Be -- I'll provide it  
18 to --

19           MR. HOWARD: Can you provide it --

20           MR. OVERSTREET: I'll provide it to Mr.  
21 Kurtz, and then he can provide it to Mr. Baron.

22           MR. KURTZ: And we will get that answer  
23 to the --

24           MR. HOWARD: That's the --

25           MR. KURTZ: -- Attorney General.

1 MR. HOWARD: Provide that to me, and  
2 then I can -- thank you-all --

3 MR. KURTZ: Yes.

4 MR. HOWARD: -- very much. Appreciate  
5 the coordination. No further questions, Mr. Chairman.

6 MR. KURTZ: No redirect.

7 MR. NGUYEN: No questions, Your Honor.

8 COMMISSIONER ARMSTRONG: Thank you, Mr.  
9 Baron.

10 A Thank you, Your Honor.

11 COMMISSIONER ARMSTRONG: Excused.

12 A Thank you, Your Honor.

13 MR. KURTZ: We have Mr. Hill, return on  
14 equity witness, but apparently no one has cross for  
15 him, so his testimony is prefiled, so it is part of  
16 the record. If there is no need for him to take the  
17 stand, although he's here.

18 MR. OVERSTREET: We have no questions.

19 MR. NGUYEN: No questions.

20 COMMISSIONER ARMSTRONG: Thank you, Mr.  
21 Hill, for coming in here.

22 MR. KURTZ: Your Honor, I think that  
23 leaves just the Sierra Club.

24 COMMISSIONER ARMSTRONG: Mr. Fisk, would  
25 you move the previous exhibits that were introduced

1 this morning?

2 MR. FISK: Oh, yes. Thank you, Your  
3 Honor. I would move -- I've forgotten the date -- the  
4 numbers, but the exhibits that were used on the cross  
5 in Becker into the record.

6 MR. OVERSTREET: I think it's 28 to 36,  
7 Mr. Fisk.

8 COMMISSIONER GARDNER: Yes.

9 MR. FISK: Okay. Thank you.

10 COMMISSIONER ARMSTRONG: No objection?

11 MR. OVERSTREET: No objection.

12 COMMISSIONER ARMSTRONG: So ordered.

13 (Sierra Club Exhibits 28 through 36  
14 admitted.)

15 MR. FISK: Thank you, Your Honor.

16 COMMISSIONER ARMSTRONG: Witness.

17 MR. FISK: We'd like to call --

18 COMMISSIONER ARMSTRONG: Solemnly swear  
19 to tell the truth, the whole truth, nothing but the  
20 truth subject to the rules of perjury?

21 MS. WILSON: I do.

22 COMMISSIONER ARMSTRONG: Take a seat.  
23 Speak loud and clear.

24 MS. WILSON: Yes.

25 \* \* \*



1 RACHEL WILSON, called by the Sierra  
2 Club, having been first duly sworn, testified as  
3 follows:

4  
5 DIRECT EXAMINATION

6  
7 By Mr. Fisk:

8  
9 Q Great. Good morning, Miss Wilson.

10 A Good morning.

11 Q And would you please state your name for  
12 the record?

13 A My name is Rachel Wilson.

14 Q And what is your business address?

15 A 485 Massachusetts Avenue, Cambridge,  
16 Massachusetts.

17 Q Okay. And are you the same Miss Wilson  
18 that's caused direct testimony to be filed in this  
19 case?

20 A I am.

21 Q Okay. Do you have any modifications or  
22 updates to that direct testimony you would --

23 A I have one modification.

24 Q Okay.

25 A It is on page 5 of my testimony.

1 Q Okay.

2 A Line 22.

3 Q Okay.

4 A The very first range of dates on that  
5 line, it currently reads 2014 to 2025. It should read  
6 2014 to 2024.

7 Q And does that in any way change your  
8 opinions?

9 A No, it does not.

10 Q And do you have any other changes?

11 A No. Just that one.

12 Q Okay. And if the questions that were  
13 posed in the direct testimony were asked again today,  
14 would the answers be the same?

15 A Yes.

16 Q Okay. And are you the same Miss Wilson  
17 that's filed responses to the Kentucky Power Company's  
18 request for information?

19 A Yes, I am.

20 Q Okay. And do you have any modifications  
21 or updates to your responses?

22 A No, I do not.

23 Q All right. And if the questions that  
24 were posed in the data requests were asked again  
25 today, would your answers be the same?

1           A       Yes, they would.

2                   MR. FISK:   Okay.   Thank you, Mr.  
3   Chairman.   We would tender Miss Wilson for cross.

4                   MR. OVERSTREET:   We have no questions,  
5   Your Honor, as I indicated.

6                   COMMISSIONER ARMSTRONG:   Mr. Howard?

7                   MR. HOWARD:   Actually, if you can give  
8   me just one moment.   I just want to double-check.   I  
9   don't believe I do, Mr. Chairman, but I just want to  
10   confirm.   No, we have no questions for Miss -- no.

11                   MR. KURTZ:   No --

12                   MR. HOWARD:   Nothing.

13                   MR. KURTZ:   No questions, Your Honor.

14                   MS. BURNS:   No questions.

15                   COMMISSIONER GARDNER:   I have a  
16   question.

17

18                               \*                               \*                               \*

19

20                                               EXAMINATION

21

22   By Commissioner Gardner:

23

24                   Q       Miss Wilson, in your testimony on page  
25   9, lines 19 through 21, you state that the Company has

1 stated that KPC will be in compliance with the rule,  
2 and you're referring to the MATS rule, without the  
3 installation of additional pollution control  
4 equipment. However, it's not reflected in the  
5 Strategist model. I didn't understand what you meant  
6 by that.

7 A Sure.

8 Q Particularly the -- the second clause.

9 A Yes. Strategist looks at emission  
10 rates, which are input by utilities, so in this case,  
11 KBCU, and it is able to multiply that emissions rate  
12 by either the megawatt hours or the mmBtus that are  
13 coming out of the unit in question. So in this case,  
14 Big Sandy unit 2.

15 And the MATS limit is .0012 pounds per  
16 mmBtu. And you're able to see in the output reports  
17 the emissions of the KPCO system for any particular  
18 pollutant, and those emissions in a given year, the  
19 emissions rate, was higher than the specified MATS  
20 rule limit.

21 Q That's why it's not reflected in this  
22 Strategist model?

23 A Correct.

24 COMMISSIONER GARDNER: Okay. Thank you.  
25 That's all.

1 MR. FISK: Nothing further.

2 COMMISSIONER ARMSTRONG: Thank you, Miss  
3 Wilson.

4 A Okay. Thank you.

5 COMMISSIONER ARMSTRONG: You're excused.

6 MS. HENRY: We would like to call James  
7 Richard Hornby to the stand.

8 COMMISSIONER ARMSTRONG: Mr. Hornby, be  
9 sworn. Do you solemnly swear to tell the truth -- the  
10 truth, the whole truth, and nothing but the truth  
11 subject to the rules of perjury?

12 MR. HORNBY: I do.

13 COMMISSIONER ARMSTRONG: Have a seat.  
14 Loud and clear.

15 MR. HORNBY: Thank you.

16

17 \* \* \*

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25

1 JAMES RICHARD HORNBY, called by the  
2 Sierra Club, having been first duly sworn, testified  
3 as follows:  
4

5 DIRECT EXAMINATION  
6

7 By Ms. Henry:  
8

9 Q Good morning, Mr. Hornby.

10 A Good morning.

11 Q Would you please state your name for the  
12 record?

13 A My name is James Richard Hornby,  
14 H-O-R-N-B-Y.

15 Q Where do you work, Mr. Hornby?

16 A I'm a senior consultant with Synapse  
17 Energy Economics, 485 Massachusetts Avenue, Cambridge,  
18 Massachusetts.

19 Q And are you the same James Richard  
20 Hornby that's caused direct testimony to be filed in  
21 this case on March 12th, 2002?

22 A Yes.

23 Q On whose behalf did you submit this  
24 testimony?

25 A Submitted on behalf of the Sierra Club.

1           Q     Did you file an errata to that testimony  
2 on April 12th, 2002?

3           A     Yes, I did.

4           Q     Did the modifications that you made to  
5 your direct testimony through the errata alter your  
6 conclusions in any way?

7           A     No, they did not.

8           Q     Do you have any further modifications or  
9 updates to that direct testimony that you would like  
10 to articulate for the record today?

11          A     Yes. I have one change that follows  
12 from the change that Dr. Fisher explained yesterday.  
13 As Dr. Fisher explained, upon review of Mr. Becker's  
14 rebuttal testimony, Dr. Fisher was able to understand  
15 and follow the Company's calculations with respect to  
16 the treatment of capital costs, and based on that, Dr.  
17 Fisher removed sections of his testimony from -- from  
18 the record, and that removal affected, basically,  
19 two -- two pages of my testimony where I had referred  
20 to his results.

21                     And so I have done a redaction as well,  
22 and -- and those are on pages 19 and 20. And, also,  
23 it affects my Exhibit 9, and I believe counsel has  
24 copies of that material.

25          Q     Yeah. I would like to mark as Exhibit

1 Sierra Club 37, I believe. 37? Yeah. A copy of  
2 James Richard Hornby's direct testimony which redacts,  
3 not for confidential reasons, but because we're  
4 withdrawing that recommendation, his testimony, and  
5 that it also includes the updated chart that he  
6 referred to in Exhibit -- was it Exhibit 9?

7 A Nine.

8 MS. HENRY: Sierra Club moves to admit  
9 this Exhibit 37.

10 COMMISSIONER ARMSTRONG: Without  
11 objection, so ordered.

12 (Sierra Club Exhibit 37 admitted.)

13 Q Do the modifications that you just  
14 articulated and shown in your redacted direct  
15 testimony alter your conclusions in any way?

16 A No, they do not.

17 Q If the same questions that were posed in  
18 that redacted direct testimony were asked again today,  
19 would your answers be the same?

20 A Yes, they would.

21 Q And are you the same James Richard  
22 Hornby that has filed responses to Kentucky Power  
23 Company and Commission's requests for information?

24 A Yes, I am.

25 Q Do you have any modifications or updates



1 to those responses?

2 A No, I do not.

3 Q If the questions that were posed in  
4 those requests were asked again today, would your  
5 answers be the same?

6 A Yes, they would.

7 MS. HENRY: Thank you, Mr. Chairman. I  
8 tender the witness for cross.

9 MR. OVERSTREET: No questions, Your  
10 Honor.

11 MR. HOWARD: No questions, Mr. Chairman.  
12 Thank you.

13 MR. KURTZ: No questions.

14 MS. BURNS: No questions.

15 COMMISSIONER ARMSTRONG: Thank you, Mr.  
16 Hornby. Be excused.

17 A Thank you, Commissioner.

18 COMMISSIONER ARMSTRONG: Miss Henry.

19 MS. HENRY: That -- that's our last  
20 witness, Chairman.

21 COMMISSIONER ARMSTRONG: Anything  
22 further to come before this meeting?

23 MR. OVERSTREET: Yes. One more thing,  
24 Your Honor, and I've -- I've spoken briefly with Miss  
25 Burns about this. The -- the normal practice in front

1 of the Commission is ten business days to respond to  
2 hearing data requests.

3 In light of the amount of time that the  
4 Commission has to consider the record and reach a  
5 decision, we are suggesting that that be compressed,  
6 and we -- we would, with the Commission's permission,  
7 file those responses on Friday, May 11th.

8 MS. BURNS: And we have no objection to  
9 it. Just if -- the Intervenors, their thoughts.  
10 Because briefs are due May the 9th on this, I believe.  
11 So --

12 MR. HOWARD: I'm sorry, Mr. Overstreet.  
13 When did you -- and I know that they're voluminous,  
14 and that you need sufficient time. You want to be  
15 able to -- yeah.

16 MR. OVERSTREET: Friday, May 11th.

17 MR. COOK: So the briefs, you say, are  
18 due May 9th?

19 MS. BURNS: Yes.

20 MR. COOK: So you want briefs before the  
21 post --

22 MS. BURNS: Well --

23 MR. COOK: -- hearing data?

24 MS. BURNS: -- that's --

25 MR. OVERSTREET: We're -- we're -- we're

1 trying to accommodate the Commission's schedule and  
2 agreeing to com -- compress it. There have been  
3 voluminous requests, and, you know, if -- if -- if  
4 they want to --

5 COMMISSIONER ARMSTRONG: I understand  
6 Mr. Overstreet. You know --

7 MR. OVERSTREET: All I -- I'm sorry.

8 COMMISSIONER ARMSTRONG: Your client  
9 needed to be here a long time ago.

10 MR. OVERSTREET: Well, thank you, Your  
11 Honor. We'll -- you know, if the Intervenors can  
12 identify, you know, specific data requests that they  
13 need in -- in connection with their briefs, we could  
14 certainly try to do that by the 9th.

15 COMMISSIONER ARMSTRONG: Okay.

16 MR. HOWARD: Well, Mr. Chairman, the few  
17 questions that we asked, we didn't ask because we just  
18 want -- thought it would be, you know, interesting  
19 information. We asked if -- those because we thought  
20 it was necessary for our briefs. I don't know about  
21 the other parties. I'll defer to them.

22 MR. OVERSTREET: Well, may -- may --  
23 maybe we could do it this way, Your Honor. Maybe if  
24 we could have -- we could do the Intervenors requests  
25 by the 9th, and the Sta -- and then the Staff and

1 Commission requests by the 11th.

2 MR. HOWARD: Well, but if we get the  
3 data requests on the 9th --

4 MR. OVERSTREET: True.

5 MR. HOWARD: -- while we're.

6 MR. OVERSTREET: True.

7 MR. HOWARD: -- trying to polish up the  
8 briefs on the 9th, that doesn't accomplish the goal of  
9 our having, you know, a complete brief on the 9th.

10 MR. KURTZ: Mr. Chairman --

11 MR. HOWARD: I mean, we're all on the  
12 box here, but, you know --

13 MR. KURTZ: Could -- could I make a  
14 motion or proposal that -- I understand the Commission  
15 is under a time pressure for the brief, but -- for an  
16 order, but the -- that's -- the 9th is only a week  
17 from today, and -- and I would ask for an additional  
18 two days until Friday, May 11, for the briefs for all  
19 parties.

20 MS. BURNS: Staff is fine with that.

21 COMMISSIONER ARMSTRONG: Okay.

22 MR. HOWARD: Again, your -- your -- your  
23 time period?

24 MR. KURTZ: May -- Friday, May 11, two  
25 additional days for the briefs.

1 MR. OVERSTREET: And --

2 MR. HOWARD: Well, I've been -- and  
3 that's receipt of the information on the 9th.

4 MR. OVERSTREET: We -- we will do a  
5 rolling -- to the extent we can, we will do a rolling  
6 response with providing them on the 9th to the  
7 intervenors.

8 MR. COOK: No later than --

9 MR. OVERSTREET: We'll do our best. I  
10 mean, we'll -- I mean, I'm only human.

11 MR. HOWARD: Yes. As we all are. If I  
12 could --

13 MR. OVERSTREET: If there's an issue,  
14 I'll contact you, Mr. Cook.

15 MR. HOWARD: If I can try to think out  
16 of the box for just a moment, and I've seen this done  
17 with other agencies. We have a six-month period. We  
18 realize that. In -- in other agencies where we do  
19 have time deadlines by which decisions have to be  
20 made, I have seen parties basically either waive  
21 that -- that period by a certain additional number of  
22 days, two weeks or -- or three weeks --

23 COMMISSIONER GARDNER: Excuse --

24 MR. HOWARD: -- or -- or -- or  
25 something.

1                   COMMISSIONER GARDNER: We -- we've --  
2 we've considered that already, and we considered that  
3 when we set the deadline to begin with, and we're not  
4 comfortable -- we're not -- in spite of -- if all the  
5 parties consented and agreed, as you're suggesting, to  
6 an additional couple weeks or whatever, we're not  
7 comfortable with that any --

8                   MR. HOWARD: That answered --

9                   COMMISSIONER GARDNER: -- way --

10                  MR. HOWARD: -- the question.

11                  COMMISSIONER GARDNER: -- as to whether  
12 that -- that -- because we can be bound by that if  
13 someone then later changes their mind. So I  
14 appreciate the suggestion.

15                  MR. HOWARD: Yeah. I was just trying to  
16 think --

17                  COMMISSIONER GARDNER: Sure.

18                  MR. HOWARD: -- out of the box.

19                  COMMISSIONER GARDNER: Thank you,  
20 though.

21                  MR. HOWARD: Then we get them on the  
22 9th.

23                  MR. OVERSTREET: Or sooner.

24                  MR. HOWARD: In -- in a rolling way,  
25 then given the di -- the -- the -- the deadline, I

1 don't see that we have any choice. But, obviously,  
2 the sooner the -- the -- the better.

3 MR. OVERSTREET: Do our best.

4 MR. HOWARD: And if I see you at Derby,  
5 and I'll be watching it on TV, and I'll be really mad.

6 COMMISSIONER ARMSTRONG: Anything else?

7 MR. KURTZ: Mr. Chairman, I still would  
8 renew the request for two additional days, if  
9 possible, till Friday, May 11th, for the briefs.

10 MS. BURNS: And we have -- Staff has no  
11 problem with --

12 COMMISSIONER ARMSTRONG: Okay.

13 MS. BURNS: -- with that. So 9th for  
14 data requests, and 11th for briefs, correct? To the  
15 extent you can on the 9th.

16 MS. HENRY: Thank you.

17 MR. KURTZ: Thank you, Your Honor.

18 MR. HOWARD: Thank you-all.

19 COMMISSIONER ARMSTRONG: You're  
20 adjourned.

21

22 \* \* \*

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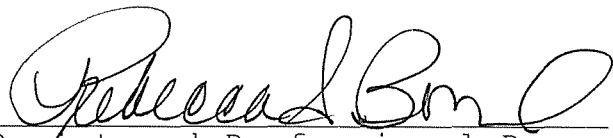
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STATE OF KENTUCKY        )  
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COUNTY OF JEFFERSON    )

I, Rebecca S. Boyd, Notary Public within and for the State at Large, my commission as such expiring 5 September 14, do hereby certify that the foregoing hearing was taken at the time and place stated and for the purpose in the caption stated; that witnesses were first duly sworn to tell the truth, the whole truth, and nothing but the truth; that the hearing was reduced to shorthand writing in the presence of the witnesses; that the foregoing is a full, true, and correct transcript of the hearing; that the appearances were as stated in the caption.

WITNESS my hand this 4th day of May 2012.

  
Registered Professional Reporter  
Certified Realtime Reporter  
Notary Public, State at Large