

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE REASONABLENESS)
OF THE DEMAND SIDE MANAGEMENT PROGRAMS AND) CASE NO.
RATES OF KENTUCKY POWER COMPANY) 2017-00097

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on January 11, 2018 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on January 11, 2018 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on January 11, 2018.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice.

Parties desiring to view the digital video recording of the hearing may do so at

https://psc.ky.gov/av_broadcast/2017-00097/2017-00097_11Jan18_Inter.aspx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 11th day of January 2018.



Gwen R. Pinson
Executive Director
Public Service Commission of Kentucky

Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Kent Chandler
Assistant Attorney General
Office of the Attorney General
Office of Rate Intervention
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

Kentucky Power Company
Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

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

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Honorable Mark R Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634

Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General
Office of Rate Intervention
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
REASONABLENESS OF THE DEMAND SIDE)	CASE NO.
MANAGEMENT PROGRAMS AND RATES OF)	2017-00097
KENTUCKY POWER COMPANY)	

CERTIFICATE

I, Pamela Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on January 11, 2018. Hearing Log, Exhibit List and Witness List are included with the recording on January 11, 2018.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of January 11, 2018.
5. The "Hearing Log" attached to this Certificate, accurately and correctly states the events that occurred at the Hearing of January 11, 2018, and the time at which each occurred.

Signed this 11th day of January, 2018.



Pamela Hughes, Notary Public
State at Large
My Commission Expires: April 22, 2019



Judge: Bob Cicero; Talina Mathews; Michael Schmitt

Witness: James Grevatt; Ranie Wohnhas

Clerk: Pam Hughes

Date:	Type:	Location:	Department:
1/11/2018	Demand Side Management	Hearing Room 1	Hearing Room 1 (HR 1)

Event Time	Log Event
8:16:56 AM	Session Started
8:16:58 AM	Session Paused
8:59:09 AM	Session Resumed
8:59:11 AM	Chairman Schmitt preliminary remarks and introductions of Commissioners Note: Hughes, Pam Vice Chairman Cicero and Commissioner Mathews
8:59:29 AM	Case No. 2017-00097 Kentucky Power Co.
8:59:47 AM	Counsel introductions Note: Hughes, Pam Mark Overstreet and Ken Gish and Katie Glass for KY Power. Joe Childers, Jill Tauber and Matthew Miller for Sierra Club. Kent Chandler for AG; Kurt Boehm for KIUC; Quang Nguyen for PSC. Motion by Sierra Club sustained.
8:59:50 AM	Camera Lock PTZ Activated
8:59:54 AM	Camera Lock Deactivated
9:00:12 AM	Camera Lock PTZ Activated
9:00:48 AM	Camera Lock Deactivated
9:01:36 AM	Chairman Schmitt Note: Hughes, Pam Public notice filed into the record.
9:02:03 AM	Public Comments Note: Hughes, Pam Carrie Ray, Program Coordinator for Energ Efficient Enterprises based in Berea, KY. Note: Hughes, Pam Joshua Bills, Community Development office in Hazard.
9:06:55 AM	Break
9:07:11 AM	Session Paused
9:09:32 AM	Session Resumed
9:09:37 AM	Witness for Sierra Club to be called first
9:10:06 AM	Atty Tauber calls Witness Grevatt Note: Hughes, Pam Adopts all other testimony Note: Hughes, Pam James Grevatt - page 9, line 21 due too the companies investment; page 19, line 7, error source not found striked. Note: Hughes, Pam Sworn in by the Chairman - James Gravett, Managing Consultant with Energy Futures Group.
9:11:51 AM	Atty Overstreet cross of Witness Grevatt Note: Hughes, Pam Page 8 of his testimony. Line 2. Referring to targeted DSM programs. Expands on the words "targeted DSM programs."
9:14:32 AM	Atty Overstreet cross of Witness Grevatt Note: Hughes, Pam Regarding energy efficiency program.
9:14:58 AM	Atty Overstreet cross of Witness Grevatt Note: Hughes, Pam Bottom of page 8 and top of page 9. DSM rates and what they should include. 3 elements regarding the DSM program.

9:15:55 AM	Atty Chandler cross of Witness Grevatt Note: Hughes, Pam	Page 4 and page 22 of direct testimony. New programs or ones the company may not offer to low income customers. Other states programs that might be beneficial that KY Power doesn't offer currently. Witness talks about the dramatic change in the DSM program. Community Outreach Program for low income customers. Talks about other states programs for low income customers.
9:19:51 AM	Atty Chandler cross of Witness Grevatt Note: Hughes, Pam	Refers to the lack of access to capitol being a huge barrier in these programs. Low income customers that can't come up with money.
9:21:33 AM	Atty Chandler cross of Witness Grevatt Note: Hughes, Pam Note: Hughes, Pam	Regarding a Sliding rate variable to a fixed rate bill and which would be more efficient. Page 23 of direct testimony. Structural factors that help customers make a decision on taking advantage of these programs. Rate structure being kept low is very important.
9:24:06 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Page 6 of direct testimony. Regarding lines 2 - 4, total resource cost benefit and the gradual increase. This would be for the portfolio. He did not cite these.
	Note: Hughes, Pam	Regarding if he reviewed the applied energy study.
9:26:18 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Regarding the general context, utility has significant excess capacity and the impact on total resource cost calculation if remained constant. Assuming the load is staggered.
	Note: Hughes, Pam	Page 7 of testimony. Lines 24 - 28. System wide benefits for DSM programs. Total resource costs calculation.
9:31:27 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Reviewed KY Powers latest IRP. Aware of load forecast for KY Power and it is declining
9:32:05 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Page 8 of testimony. Regarding Arkansas Home Energy Program that he cites. How familiar is Witness with this? Did Witness review case docket for this application? Over 3500.00 kw a year savings. Difference in Ky Power Program and the Arkansas Program.
9:36:10 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Regarding direct testimony, recovery of lost revenues and how they would be recovered.
	Note: Hughes, Pam	Page 16 of testimony. Figure 3, breakdown of KY Power and how they have recovered their costs. If a program is not offered even though the company recovers that money. Total costs of implementation and impact of cost impact on customers. 68% of costs that customers would not have to pay?
9:42:06 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Referring to total resource costs, Provided as a response to a Data Request.
9:42:56 AM	Atty Nguyen cross of Witness Grevatt Note: Hughes, Pam	Page 16, lines 14 - 16. Loss revenue amounts in 2016.
9:43:48 AM	VC cross of Witness Grevatt Note: Hughes, Pam	Regarding the DSM program and its definition. Intended to encourage customers take energy efficiency actions that they would not otherwise take.
	Note: Hughes, Pam	Regarding no penalty to the utility because they are going to recover from rate payers for the DSM programs.

9:45:20 AM	VC cross of Witness Grevatt Note: Hughes, Pam	Regarding this being a social program. Witness disagrees and explains.
	Note: Hughes, Pam	Regarding DSM program and customers that take advantage. Who bears the cost? Customers are bearing a large part of the costs.
9:47:45 AM	VC cross of Witness Grevatt Note: Hughes, Pam	Ky Power is required to spend 6 million dollars on these programs. Witness can't answer.
	Note: Hughes, Pam	Primary avoided costs. Over capacity in the region and no projection of load growth. Stranded asset costs to rate payers.
	Note: Hughes, Pam	Referring to cost of rate payer if there are costs unaware of they have to bear these costs. Fixed costs have to be absorbed somewhere. Delivery costs still exist. Low income programs and these customers have a hard time paying for these because they have to make choices on what they need to pay for that may be more important.
9:53:36 AM	VC cross of Witness Grevatt Note: Hughes, Pam	Direct testimony, Page 5, recycling refridgerators. Low income may have to choose paying medical bills and medicine other that taking advantage of low income programs.
9:54:59 AM	Comm cross of Witness Grevatt Note: Hughes, Pam	Referring to the IRP and th DSM section. 2016 IRP, and probably made prior to 2016, and there is an overall economical decline in the past several years.
9:56:43 AM	Comm cross of Witness Grevatt Note: Hughes, Pam	Regarding DSM recovery costs. Other energy efficienccy programs available to industrial customers across the country. Managed by utilities with exception of some states.
	Note: Hughes, Pam	Regarding on bill financing with third party and if they are effective. Witness explains this program. Refers to some programs that are not DSM programs that could be provided to customers.
10:00:06 AM	Comm cross of Witness Grevatt Note: Hughes, Pam	Reductions in KW hours not because of the programs, but because families may be living together because of economic reasons.
10:01:45 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	Regarding targeted and broad energy efficiency programs and the impact.
10:03:31 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	Regarding a Maryland Program and clarification of that one.
10:04:06 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	Regarding the investigation and significant DSM increase in rates. He explains in more detail about this.
10:05:29 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	Regarding what the Total Resource Cost test tell him. He explains this.
	Note: Hughes, Pam	Regarding the 6 million dollars is for energy efficiency programs.
	Note: Hughes, Pam	If temporary Order of Commission is lifted, what would DSM rates look like going forward.
10:08:00 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	System benefits would be benifits to all customers.
	Note: Hughes, Pam	Regarding the system wide efficiency if growth is not projected in load.
10:11:25 AM	Atty Tauber redirect of Witness Grevatt Note: Hughes, Pam	Regarding some of challenges on the KPC background territory. He talks about ways the programs will help low income customers.

10:12:55 AM Atty Tauber redirect of Witness Grevatt
Note: Hughes, Pam Regarding a figure breaking down the cost of energy efficient programs. Reduction in costs

10:13:45 AM Atty Overstreet re cross of Witness Grevatt
Note: Hughes, Pam Page 23 of testimony. Rate case and service charge.

10:14:48 AM Atty Overstreet recross of Witness Grevatt
Note: Hughes, Pam In Vaughn's testimony, among KPC low income customers many are high energy customers because of housing situations.
Note: Hughes, Pam Regarding that after application was filed it entered into negotiations with the Commission. Not aware
Note: Hughes, Pam Increase charges by the company.

10:16:54 AM Atty Overstreet recross of Witness Grevatt
Note: Hughes, Pam Regarding Rockport and not extending lease beyond 2022.
Note: Hughes, Pam Regarding companies capacity and the IRP, and Rockport due to expire in 2022. What the IRP was based on.

10:19:12 AM Atty Overstreet recross of Witness Grevatt
Note: Hughes, Pam Regarding KPC's IRP, announcement that two large industries will be in KPC's territory starting in 2022.

10:20:08 AM Atty Chandler recross of Witness Grevatt
Note: Hughes, Pam Regarding DSM being a tool to keep options open.
Note: Hughes, Pam 6 million dollar amount came about a non-unanimous settlement. How much was KPC spending on DSM prior to the agreement. Witness thinks 3 million.

10:21:27 AM Atty Chandler recross of Witness Grevatt
Note: Hughes, Pam Page 10 of testimony. 2008-2009 time period and forward to the 2013 settlement program loss revenues were already increasing?
Note: Hughes, Pam Cost effectiveness and the 6 million spent, any other amount anymore reasonable than the 6 million dollars.

10:24:12 AM Atty Chandler recross of Witness Grevatt
Note: Hughes, Pam Regarding changes to load or costs, those assumptions could vary monthly.
Note: Hughes, Pam Regarding if low-income programs went forward, would a TRC be prudent.

10:27:45 AM VC recross of Witness Grevatt
Note: Hughes, Pam Cost competitive should be used in the program, but no magic number.

10:28:20 AM Comm recross of Witness Grevatt
Note: Hughes, Pam Regarding 6 million would be 1% of residential rate. Is this based on expectations from the Company.

10:29:33 AM Atty Tauber re direct of Witness Grevatt
Note: Hughes, Pam Regarding analysis, costing company less this was due to the filing
Note: Hughes, Pam Regarding a company study of \$34 in fixed charge and he has not reviewed
Note: Hughes, Pam Witness recommendations would be to look at all costs.

10:31:06 AM Comm Mathews re cross of Witness Grevatt
Note: Hughes, Pam Calculation and if it included the over recovery. Witness explains this.

10:31:55 AM Witness excused

10:32:12 AM Witness Clayton called to the stand
Note: Hughes, Pam Sworn in by Chairman

10:32:31 AM Atty Overstreet direct of Witness Clayton
Note: Hughes, Pam E.J. Clayton, Energy efficiency and programs manager for KPC
Note: Hughes, Pam Adopts his responses for DR's, no testimony.

10:33:52 AM	VC cross of Witness Clayton Note: Hughes, Pam	Regarding if he is over the DSM program. Asks for % of his responsibility of the DSM and other jobs.
10:34:53 AM	Witness excused	
10:35:01 AM	Break	
10:35:11 AM	Session Paused	
10:46:39 AM	Session Resumed	
10:46:41 AM	Witness Wohnhas called to the stand Note: Hughes, Pam	Sworn in by the Chairman.
10:46:55 AM	Atty Overstreet direct of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Ranie Wohnhas -Kentucky Power Co. Adopts DR and filed addt'l DR's, Rebuttal and Supplemental Responses
10:47:53 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Regarding other rate cases. Page 3 of his rebuttal testimony. Line 20, describing settlement agreement. 6 million dollars in cost effective for DSM. Regarding why Investigation was started, due to increase and reasonableness. \$10 was a big increase and KPC looked closely at this and is working towards not having a roller coaster effect. Two reasons for this increase
10:50:58 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam	Nov. 14th report by the company, these funds have been recovered. \$10 does not have anything to due with the DSM programs.
10:52:12 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Nov 15th filing, pre suspension levels on cost effective DSM. 88% reduction in monthly charge. Regarding that the company has modified its DSM rate case methodology. Minimize the under recovery.
10:54:24 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam	Supplemental testimony. Lost revenues and how they would be recovered in non DSM scenario.
10:54:59 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	Regarding Rockport, 393 MW. Terminates in 2022 and will be taken off line. Regarding the additional customers coming on line in 2022. 80MW total for both companies for load increase. In response to initial responses. Response 2016 net capacity is 21%
10:59:53 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam	Regarding the cost effectiveness analysis. If Rockport isn't renewed it could have impact .
11:01:25 AM	Atty Tauber cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Benefits outweigh the costs. Regarding long term planning and the importance of doing so. Includes the DSM Program.
11:03:26 AM	Atty Chandler cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	He talks about how they have worked with the schools and want to continue to do so. Comments filed by the KSBA. 2nd page, final paragraph. How this relates to some of his supplemental testimony. How customers use the programs and how the process works.
11:11:01 AM	Atty Chandler cross of Witness Wohnhas Note: Hughes, Pam	Regarding creating a portfolio that is much different than today.

11:16:21 AM	Note: Hughes, Pam Atty Chandler cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Regarding them being open to on bill financing for the programs. KPC is a Member of PJM, PJM is a summer peak entity. Regarding over past few years, what season is KPC peaked. It is a winter peak.
11:17:46 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding the Targeted energy efficiency program and when it started. Has company recieved feedback from customers that have participated.
11:19:02 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Staff's DR, response. TRC's score was a 1.08. Benefits beyond reduction and usage. Would there be any benefits for accounts recievable for the company.
11:20:29 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Supplemental testimony he stated all 12 projects had been moved on pending KPC's approval. He meant there paper work has been submitted for final pending. Elementary school being one of the construction projects? Viking food mart and Shalky equipment have submitted final paperwork. Regarding the categories of programs in the pipeline and company's resposnse to Staff's 2nd DR. Chart about various projects. New construction programs that have been waitlisted.
11:24:44 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding follow-up discussions to these entities concerning where this will go once the paperwork is turned in.
11:25:50 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding pending KPC approval. These have submitted the paperwork and are waiting on outcome of this proceeding and other calculations. \$ 625,626.00 are still in the factor. There are a lot of schools in this program.
11:29:08 AM	Note: Hughes, Pam Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Customer estimated percent complete column. Witness explains. Referring to page 14-15, Supp testimony. 71 of 74 commercial projects labeled as review status. Final paperwork needed, witness explains. Custom program projects on waitlist but moved now to KPC approval. What schools are included in the 18? Johnson County only school, all others waiting on final paperwork.
11:35:13 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding the Commercial descriptive on wait list.
11:36:27 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding him not fully being involved in the TRC of the DSM programs.
11:37:11 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Response to Staff's DR requesting confirmation about KPC peak in 2016 as well as the winter peak capacity. Filed at PJM at a 25 % reserve margin. Does PJM calculate its load capacity of KPC within PJM? Reserve margin is calculated by PJM. Regarding Witness Gravett's testimony about excess capacity.
11:40:40 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam	Regarding Lane Kollen's testimony and exhibit (Atty Nguyen hands out) PSC exhibit 1 In Case No. 2017-00179 Plan years and reserve margins on table on page 10. Excess MW capacity.

	Note: Hughes, Pam	Page 9 and 10 and exhibit 5 footnoted in Kollen's testimony. Describes capacity going forward and table on page 10 concerning Rockport 2 capacity agreement.
11:47:46 AM	VCross of Witness Wohnhas Note: Hughes, Pam	Capacity margins in excess of what PJM requires. MW's committed to the future but not put in the rate case. Witness states that in table on page 10 of Kollin's testimony, they did not have it.
11:49:14 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding the calculation of TRC benefit analysis and what it includes in the calculation.
11:50:43 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Footnote refers to response to Sierra Club DR response, calculations done in 2015. Has KPC calculated the TRC benefit ratio for its DSM programs since 2015. Witness states no.
	Note: Hughes, Pam	Referring to Witness Gravett's direct testimony. Page 6 -top of page lines 2 -4. DSM portfolio has a TRC benefit of 1.24 in 2016.
11:55:14 AM	Atty Nguyen cross of Witness Wohnhas Note: Hughes, Pam	Regarding increase in 2016 to respect to loss revenue and spike as to Witness Gravett testified to. Witness speaks about the Mitchell settlement and the sucess in the DSM programs.
11:58:12 AM	PSC exhibit 1 entered Note: Hughes, Pam	Direct testimony and exhibits of Lane Kollen in Case No. 2017-00179
11:58:30 AM	VC cross of Witness Wohnhas Note: Hughes, Pam	Regarding increase load due to new projects. Should the DSM program be viewed at differently because of the additional capacity coming on.
12:02:01 PM	VC cross of Witness Wohnhas Note: Hughes, Pam	Regarding Agreed amount 6 million and going forward to be approximately 10 million. First projects comes on in 2020. Referring to what the company wants the Commission to do regarding this money.
12:06:23 PM	VC cross of Witness Wohnhas Note: Hughes, Pam	Referring to that 2015 was last time this calculation has been evaluated..
	Note: Hughes, Pam	Regarding new DSM rate was going to be an 88% decline in rate. Mistakes in calculating in years 2016 and 2017 and overcollected in 2017. Under collection eliminated.
12:09:13 PM	VC cross of Witness Wohnhas Note: Hughes, Pam	When does KPC give it's initial approval for those customers to go spend the money on the programs. Asks about the contractor and his knowledge about the money being suspended because of the Commission's Order. Ongoing applications that are repeat customers that have continued to apply based on KPC paying in the past.
	Note: Hughes, Pam	Regarding the defination of what "paperwork" means. Are these on KPC's list for funding. Witness gives an explanation.
12:16:29 PM	VC cross of Witness Wohnhas Note: Hughes, Pam	Regarding investing and losing money, would he go back to that person that told him to invest in that?
	Note: Hughes, Pam	Regarding the responsibility of KPC to put a hold on these programs due to the Order from the Commission.
12:18:44 PM	Comm cross of Witness Wohnhas Note: Hughes, Pam	Regarding On-bill financing.

	Note: Hughes, Pam	Referring to the contractors and what they do for this DSM project. Witness states the contractors know their limitations.
	Note: Hughes, Pam	Collaborative for DSM programs and commercial customers are a part of this. Discussions about ceasing programs until this proceeding was ruled on.
12:22:34 PM	Comm cross of Witness Wohnhas Note: Hughes, Pam	Over and under recoveries and the methodology used and one that will now be used.
12:25:02 PM	Comm cross of Witness Wohnhas Note: Hughes, Pam	3 individuals working on DSM projects. Do they have the skill set to administer the programs. Witness states "no".
	Note: Hughes, Pam	Regarding the level of spending and what it should be. In his testimony he encouraged the Commission to approve the 6 million dollars.
12:27:23 PM	Comm cross of Witness Wohnhas Note: Hughes, Pam	Regarding spreadsheet with the pending applications. How much of the 1.5 million was included in DSM rates effective January 1st? Witness states "924,099.00 was included". Gap of 595,421.00.
	Note: Hughes, Pam	Regarding KSBA letter filed yesterday, it was the waitlist. Some have already begun and some are already complete.
12:30:55 PM	Chairman cross of Witness Wohnhas Note: Hughes, Pam	Referring to Schools getting approval from other entities before going forward with projects. Loss of a lot of money to school districts if they are not reimbursed by KPC.
12:32:30 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	IRP filed in Dec. 2016. Data was current as of 2nd half of 2016.
12:33:24 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	Rebuttal testimony he laid out the procedural steps in this proceeding and filings made and responses received. First Order after the initial Order, when did KPC notify its contractors to inform applicants as to what was going on. "immediately or within two days".
12:35:47 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	Regarding to response to DR 2-2. Johnson County project. 5,568.00 was the incentive they would be approved. Not equal to 100% of the total cost.
12:37:27 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	Regarding the impact analysis the company is willing to go forward with. Roughly 4000.00 in expenditures. Supplemental testimony, page 7 - line 7, amount KPC paid AEG is 125,000.00. If Commission ruled for KPC to go forward, 165,000.00 and consulting 62,000.00
12:39:54 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	Calculation of 924,000.00 to Comm. Mathews. Page 17 of supplemental testimony. Amounts of incentives included in current factor is 829,074.00. He gives reason for the difference in amounts.
12:41:43 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam	Regarding approvals - what does the Witness determine that to mean. 2nd approval needed that project was completed as submitted.
12:43:06 PM	Atty Tauber re cross of Witness Wohnhas Note: Hughes, Pam	Energy efficiency in coming years.
12:43:35 PM	Atty Tauber re cross of Witness Wohnhas Note: Hughes, Pam	Regarding the modified rate methodology concerning the DSM portfolio and giving the Commission confidence.

12:44:25 PM	Atty Chandler re cross of Witness Wohnhas Note: Hughes, Pam	Attachment company response 2-2. West Perry Elem. School. When are project numbers assigned. Witness is not sure. Would he be in agreement that project numbers begin with 16 or 17, "Yes". Witness explains in more detail about needing to know when project numbers are assigned.
12:47:23 PM	PHDR Note: Hughes, Pam	For when the Project number is provided and also the date in which the ID numbers are assigned.
12:48:12 PM	VC re cross of Witness Wohnhas Note: Hughes, Pam	No planned projects in the 6 million dollar and how it became a total spend. Discussed in Settlement. Atty Nguyen states that those discussions are confidential.
12:50:18 PM	Chairman re cross of Witness Wohnhas Note: Hughes, Pam	Regarding West Perry School project.
12:51:08 PM	Atty Overstreet re cross of Witness Wohnhas Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	When did KPC set out to develop this new methodology. New methodology in the DSM factor. Regarding West Perry is on waitlist and created in June 2017.
12:52:52 PM	Chairman Scmitt Note: Hughes, Pam	If AG can provide PHDR today can they answer by NLT Tuesday, Jan. 16th.
12:53:43 PM	Witness excused	
12:53:51 PM	Atty Tauber wants to provide post hearing brief Note: Hughes, Pam	Chairman states that the problem with that is timing, rate case has to be done by the 18th. Others coming in with rate cases and another DSM case. If she can get a brief in by next Tuesday or Wednesday that would be fine. Atty Overstreet wants to file something also. AG thinks it will file something as well, Boehm does not.
12:57:06 PM	Atty Tauber clarification about getting brief in timely.	
12:57:48 PM	Adjourned	
12:57:57 PM	Session Paused	
1:58:49 PM	Session Ended	



Judge: Bob Cicero; Talina Mathews; Michael Schmitt

Witness: James Grevatt; Ranie Wohnhas

Clerk: Pam Hughes

Name:

Description:

PSC Exhibit 01

Direct testimony and Exhibits of Lane Kollen in the 2017-00179 Kentucky Power Case.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY)
POWER COMPANY FOR (1) A GENERAL)
ADJUSTMENT OF ITS RATES FOR ELECTRIC)
SERVICE; (2) AN ORDER APPROVING ITS)
2017 ENVIRONMENTAL COMPLIANCE PLAN;))
(3) AN ORDER APPROVING ITS TARIFFS)
AND RIDERS; (4) AN ORDER APPROVING)
ACCOUNTING PRACTICES TO ESTABLISH)
REGULATORY ASSETS AND LIABILITIES;)
AND (5) AN ORDER GRANTING ALL OTHER)
REQUIRED APPROVALS AND RELIEF)

CASE NO. 2017-00179

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

OCTOBER 2017

PSC
Exhibit 1

1 lease expense, \$12.015 million in other non-fuel operation and maintenance
2 (“O&M”) expense, and \$27.437 million in fuel expense.⁸ The retail portion of the
3 Rockport 2 lease expense was \$20.198 million and the associated revenue
4 requirement was \$20.307 million after gross-up for PSC assessment fees and bad
5 debt.

6 The Company recovers various components of the Rockport 2 purchased
7 power expense through base rates, the fuel adjustment clause surcharge, and the
8 environmental surcharge. In addition, the Company recovers another \$6.4 million in
9 revenues for Rockport 1 and Rockport 2 through the Capacity Charge (“CC”) tariff
10 as an incentive authorized in Case No. 2004-00420. That incentive is treated “below
11 the line,” meaning that it is not used to offset revenue requirements in a rate case. It
12 is an “equity kicker.” That \$6.4 million incentive also ends on December 7, 2022.

13 There will be rate reductions of \$38.9 million after the Rockport 2 purchase
14 terminates in December, 2022. The Company no longer will incur any Rockport 2
15 purchased power or the lease expense and no longer will recover the incentive
16 through the CC surcharge after December, 2022.

17
18 **Q. Is it likely that the Company will seek to replace the Rockport 2 capacity when**
19 **the purchase and lease expire in December 2022?**

20 **A.** No. The Company presently has capacity well in excess of its load and PJM reserve
21 requirements, and it projects that this excess will continue to grow through the date

⁸ Company's response to KIUC 1-43, which included Attachments with copies of the monthly Rockport UPA invoices and support. The Rockport 2 lease expense shown in account 507 Rents on the monthly supporting schedule entitled “Rockport Operation & Maintenance Expenses Unit 2.” I have attached a copy of the relevant pages from this response as my Exhibit____(LK-4).

1 when the Rockport purchase and Rockport 2 lease terminate in December 2022. The
2 Company projects a UCAP reserve margin of 33.6%, including the Rockport 2
3 capacity, in the PJM 2017/2018 plan year, and projects that this will increase to
4 48.1% in the PJM 2021/2022 plan year as its load continues to decline. The
5 following chart demonstrates that the Rockport 2 capacity is excess.⁹
6

Planning Year	MW Available Capacity (UCAP)	MW Obligation to PJM (UCAP)	KPCo Reserve Margin	Planning (Installed) Reserve Margin	MW Excess Capacity	MW Rockport 2 (UCAP)	MW Excess Capacity w/o Rockport 2
2017/18	1,282	960	33.58%	16.6%	163	176	(13)
2018/19	1,317	953	38.22%	16.6%	206	176	30
2019/20	1,317	957	37.6%	16.6%	201	176	25
2020/21	1,322	955	38.5%	16.6%	209	176	33
2021/22	1,322	893	48.06%	16.6%	281	176	105

7

8

9 **Q. Does the termination of the Rockport 2 lease in 2022 provide an opportunity to**
10 **reduce the revenue requirement now in this proceeding?**

11 **A.** Yes. The Company's purchased power rate recoveries should decline by \$38.9
12 million (total Company) annually starting in December 2022, \$20.3 million (KY
13 retail) of which is the recovery for the Rockport 2 lease expense.

14 The 2022 termination of the Rockport purchase and Rockport 2 lease
15 provides the Commission with the opportunity to reduce the revenue requirement
16 now, while still providing the Company recovery of the entirety of its Rockport 2
17 expenses, albeit over an extended recovery period. More specifically, the

⁹ Company's response to KIUC 1-5 Attachment 1. A copy of this response is attached as my Exhibit ___(LK-5).

Kentucky Power Company
KPSC Case No. 2017-00179 General Rate Adjustment
KIUC First Set of Data Requests
Dated August 14, 2017

DATA REQUEST

KIUC_1_005

Please provide a load and capability analysis for the Company showing capacity resources, demand response resources, retail and wholesale load and reserve margin for the historic period 2013 through 2016 and the forecast period 2017 through 2027. Also include the Company's Fixed Resource Requirement capacity obligation for each year. The analysis can be presented on either a calendar year or PJM delivery year basis.

RESPONSE

Please refer to KPCO_R_KIUC_1_5_Attachment1.pdf for load, capability and reserve margin including a forecast of the Company's Fixed Resource Requirement obligation for each year. KPCO_R_KIUC_1_5_Attachment2.pdf provides actual and forecast retail and wholesale energy for the Company. KPCO_R_KIUC_1_5_Attachment3.pdf provides forecast retail and wholesale demands coincident with the Company's internal peak demand. The Company does not have hourly meters on all of its customers, therefore historical coincident peak demand data by class are not available.

Witness: Ranie K. Wohnhas

KENTUCKY POWER COMPANY
Projected Summer Peak Demands, Generating Capabilities, and Margins (UCAP)
Based on (June 2017) Load Forecast 2017

Planning Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(16)	(17)	(18)	(19)	(20)	(21)			
				$=(1)+(3)$				$=(4)-(5)$ $(15)/(9)/(7)$		$=(9)+(9)$			$=(11)-(12)$ $+ \text{Sum}(14)$ $+ (15)$		$=(16)/(17)$		$=(11)-(12)$ $+ (13) - (14)$ $+ (17) - (10)$	$=(19)-(10)-$ (19)			
	Internal Demand				Obligation to PJM				Resources				MPCo Position (MW)		PJM Reserve Margin						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)		
	Internal Demand (a)	Projected DSM Impact (b)	Net Internal Demand (c)	Forecast Demand (d)	Intermittible Demand (e)	Forecast Demand Response Factor (f)	Forecast Pool Req (g)	UCAP Obligation (h)	Net UCAP Obligation (i)	Existing Capacity & Planned Changes (j)	Net Capacity (k)	Net UCAP Capacity (l)	AEP EFORd (m)	Available UCAP (n)	BASE UCAP Removed (o)	Net Position w/o New Capacity (p)	Net Position w/ New Capacity (q)	Total UCAP Obligation Less IDR and IRM (r)	Installed Reserve Margin (IRM) (s)	KPCCo Reserve Margin Above PJM (t)	Total KPCCo Reserve Margin (u)
2013 /14	1,136	0	1,136	1,069	0	0.957	1,069	1,237	0	1,470	50	1,420	4.05%	1,354	0	1,470	117	1,067	15.90%	10.95%	26.85%
2014 /15	1,084	0	1,084	1,093	0	0.954	1,093	1,185	0	2,250	0	2,250	20.77%	1,783	0	2,250	598	1,020	16.20%	56.64%	74.84%
2015 /16	1,086	0	1,086	1,091	0	0.951	1,091	1,166	0	1,450	0	1,450	10.16%	1,303	0	1,450	107	1,035	15.60%	10.34%	25.94%
2016 /17	1,088	0	1,088	1,095	0	0.953	1,095	1,191	0	1,457	0	1,457	11.09%	1,285	0	1,457	104	1,023	16.40%	10.16%	26.56%
2017 /18	1,021	0	1,021	1,047	0	0.947	1,047	1,119	0	1,457	0	1,457	11.98%	1,282	0	1,457	163	960	16.60%	16.99%	33.59%
2018 /19	1,020	0	1,020	1,049	0	1.000	1,049	1,111	0	1,463	0	1,463	9.99%	1,317	0	1,463	208	953	16.60%	21.82%	38.22%
2019 /20	1,025	0	1,025	1,089	0	1.000	1,089	1,116	0	1,463	0	1,463	9.97%	1,317	0	1,463	201	955	16.60%	21.80%	37.60%
2020 /21	1,022	0	1,022	1,089	0	1.000	1,089	1,113	0	1,468	0	1,468	9.97%	1,322	0	1,468	209	955	16.60%	21.80%	38.50%
2021 /22	960	(5)	957	1,089	1	1.000	1,089	1,040	0	1,468	0	1,468	9.97%	1,322	1	1,468	281	953	16.60%	31.46%	48.06%
2022 /23	957	(7)	951	1,089	1	1.000	1,089	1,024	0	1,468	0	1,468	9.97%	1,322	1	1,468	287	988	16.60%	32.31%	48.91%
2023 /24	955	(9)	946	1,089	1	1.000	1,089	1,029	0	1,468	0	1,468	9.97%	1,322	1	1,468	292	884	16.60%	33.04%	49.64%
2024 /25	953	(10)	943	1,089	1	1.000	1,089	1,025	0	1,468	0	1,468	9.97%	1,322	1	1,468	296	860	16.60%	33.62%	50.22%
2025 /26	952	(11)	941	1,089	1	1.000	1,089	1,023	0	1,465	0	1,465	9.96%	1,319	1	1,465	285	879	16.60%	33.57%	50.17%
2026 /27	951	(12)	939	1,089	1	1.000	1,089	1,021	0	1,465	0	1,465	9.96%	1,319	1	1,465	297	877	16.60%	33.87%	50.47%
2027 /28	950	(11)	938	1,089	1	1.000	1,089	1,020	0	1,465	0	1,465	9.96%	1,319	1	1,465	298	876	16.60%	34.01%	50.61%

Notes: (a) Based on (June 2017) Load Forecast (with implied PJM diversity factor)
 (b) Existing plus approved and projected "Passive" EE, and VVO (note: these values & timing are for reference only and are not reflected in position determination)
 (c) For PJM planning purposes, the ultimate impact of new DSM is "delayed" ~4 years to represent the ultimate recognition of these amounts through the PJM-originated load forecast process
 (d) Demand Response approved by PJM in the prior planning year plus forecasted "Active" DR
 (e) Forecast Pool Requirement (FPR) = (1 + IRM) * (1 - PJM EFORd)
 (f) Capacity Removed as part of PJM Capacity Performance Rule
 Current CP Assumptions are:
 Wind 5%, Solar 30%, ROR Hyero 25%
 Demand Response 50%

(g) GAS CONVERSION RE-RATES:
 2015/16: Big Sandy 1: 285 MW
 2015/18: Big Sandy 2
 2030/31: Big Sandy 1
 (h)
 (i) Beginning 2008/09, based on 12-month avg. AEP EFORd in eCapacity as of twelve months ended 9/30 of the previous year
 (j) Actual P-JM forecast

*Joe F Childers
Joe F. Childers & Associates
300 Lexington Building
201 West Short Street
Lexington, KENTUCKY 40507

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Honorable Mark R Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kent Chandler
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

*Kentucky Power Company
Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

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