

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>Application Of Kentucky Power Company For:</b>	)	
<b>(1) A General Adjustment Of Its Rates For Electric</b>	)	
<b>Service; (2) An Order Approving Its 2014</b>	)	
<b>Environmental Compliance Plan; (3) An Order</b>	)	<b>Case No. 2014-00396</b>
<b>Approving Its Tariffs And Riders; And (4) An</b>	)	
<b>Order Granting All Other Required Approvals</b>	)	
<b>And Relief</b>	)	

**REBUTTAL TESTIMONY OF**  
**JASON M. YODER**  
**ON BEHALF OF KENTUCKY POWER COMPANY**

VERIFICATION

The undersigned, Jason M. Yoder, being duly sworn, deposes and says he is Staff Accountant Accounting Policy and Research for American Electric Power Service Corporation and that he has personal knowledge of the set forth in the forgoing testimony for which he is identified as the witness and the information contained therein is true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Jason M. Yoder

STATE OF OHIO

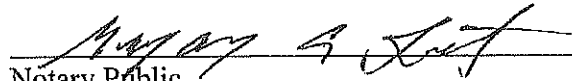
)

) Case No. 2014-00396

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Jason M. Yoder, this the 27 day of April 2015.

  
\_\_\_\_\_  
Notary Public

GREGORY A. LUTZ  
NOTARY PUBLIC - STATE OF OHIO  
Recorded in Franklin County  
My Commission Expires: Aug. 31, 2018

**REBUTTAL TESTIMONY OF  
JASON M. YODER, ON BEHALF OF  
KENTUCKY POWER COMPANY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**CASE NO. 2014-00396**

**TABLE OF CONTENTS**

I.	Introduction .....	R1
II.	Purpose of Testimony .....	R1
III.	Attorney General Proposed Adjustment For ICP.....	R2
IV.	Attorney General and KIUC Proposed Adjustments for LTIP.....	R6
V.	BSRR Revenue Requirement.....	R7

**REBUTTAL TESTIMONY OF  
JASON M. YODER, ON BEHALF OF  
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BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME POSITION AND BUSINESS ADDRESS.**

2 A. My name is Jason M. Yoder. My business address is 1 Riverside Plaza,  
3 Columbus, Ohio 43215. I am employed by the American Electric Power Service  
4 Corporation (AEPSC) as a Staff Accountant in Accounting Policy and Research  
5 (AP&R). AEPSC is a wholly owned subsidiary of American Electric Power  
6 Company, Inc. (AEP). AEP is the parent company of Kentucky Power Company  
7 (Kentucky Power or the Company).

8 **Q. ARE YOU THE SAME JASON M. YODER WHO PREVIOUSLY FILED**  
9 **DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF**  
10 **KENTUCKY POWER COMPANY?**

11 A. Yes, I am.

**II. PURPOSE OF REBUTTAL TESTIMONY**

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
13 **PROCEEDING?**

14 A. My rebuttal testimony responds to the direct testimony of Kentucky Industrial  
15 Utility Customers, Inc. (“KIUC”) witness Lane Kollen and Attorney General  
16 witness Ralph Smith related to the incentive compensation plan (ICP) or long-  
17 term incentive plans (LTIP) and the Big Sandy Retirement Rider (BSRR).

1 In their rebuttal testimonies, Company witnesses Wohnhas and Carlin explain  
2 why the Company's proposals relating to ICP, LTIP and the BSRR are appropriate  
3 and no adjustments are necessary. My rebuttal testimony is limited to identifying  
4 the proper amounts to adjust incentive compensation expense and the BSRR  
5 revenue requirement if the Commission were to adopt the KIUC and Attorney  
6 General proposals.

7 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH**  
8 **YOUR TESTIMONY?**

9 A. Yes. I prepared the following exhibits:

10 Exhibit JMY-1 – Company Response to AG 2-72

11 Exhibit JMY-2 - ICP Adjustment

12 Exhibit JMY-3 - LTIP Adjustment

13 Exhibit JMY-4 – Company Response to KIUC 1-63

14 Exhibit JMY-5 – BSRR Excluding Estimated Costs Using KIUC WACC

15 Exhibit JMY-6 – BSRR Excluding Estimated Costs Using Attorney General

16 WACC

**III. ATTORNEY GENERAL PROPOSED ADJUSTMENT FOR ICP**

17 **Q. WHAT ADJUSTMENT HAS THE ATTORNEY GENERAL PROPOSED**  
18 **RELATED TO ICP?**

19 A. Mr. Smith proposed a decrease in test year expense of \$4,067,841 to remove 75%  
20 of ICP included in the cost of service.

21 **Q. IS AN ADJUSTMENT TO ICP EXPENSE APPROPRIATE?**

1 A. No. The rebuttal testimonies of Company witnesses Carlin and Wohnhas explain  
2 why this proposal by the Attorney General is not appropriate.

3 **Q. IF THE COMMISSION ADOPTS THE ATTORNEY GENERAL'S**  
4 **PROPOSAL TO DISALLOW 75% OF THE ICP, DO YOU AGREE WITH**  
5 **THE AMOUNT THE ATTORNEY GENERAL HAS PROPOSED TO**  
6 **EXCLUDE FROM THE COMPANY'S COST OF SERVICE?**

7 A. No. As Mr. Smith recognizes on page 51 and 52 of his testimony and as further  
8 clarified in the Company's response to AG 2-72 and provided in Exhibit JMY-1,  
9 the amounts he utilized do not reflect the adjustments made separately by  
10 Kentucky Power Company in this filing for the removal of Big Sandy generation  
11 expense and the annualization of Mitchell generation expense. Thus Mr. Smith's  
12 proposed ICP adjustment double counts the removal of generation related ICP.  
13 This double-counting must be recognized and its effects eliminated if a proposal  
14 to remove any portion of the Company's ICP expense from the cost of service is  
15 approved.

16 **Q. IF THE COMMISSION ADOPTS THE ATTORNEY GENERAL**  
17 **PROPOSAL TO DISALLOW 75% OF THE ICP, WHAT IS THE**  
18 **APPROPRIATE ICP ADJUSTMENT AFTER INCLUDING THE BIG**  
19 **SANDY GENERATION EXPENSE ADJUSTMENT AND THE**  
20 **MITCHELL ANNUALIZATION ADJUSTMENT?**

21 A. To be clear, an adjustment to the Company's proposed ICP expense is not  
22 warranted. However, if the Commission were to approve the Attorney General's  
23 proposed 75% disallowance of ICP, the ICP adjustment would be a decrease to

1 expense of approximately \$2.9 million and not the \$4.6 million Mr. Smith  
2 advocates. That is, the properly calculated adjustment is \$1.7 million less than the  
3 amount proposed by the Attorney General. The details are shown in Exhibit  
4 JMY-2.

5 **Q. DID THE ADJUSTMENTS PROPOSED BY THE COMPANY TO**  
6 **REMOVE BIG SANDY GENERATION EXPENSE AND ANNUALIZE**  
7 **MITCHELL EXPENSE PROPERLY TREAT ICP EXPENSE IN THE**  
8 **COMPANY'S COST OF SERVICE?**

9 A. Yes. The Company's proposed adjustment to remove Big Sandy generation  
10 expense removed all associated costs including ICP, from the cost of service. The  
11 Company's proposed adjustment to annualize the Mitchell generation expense  
12 annualizes all costs including ICP. The Mitchell generation expenses were then  
13 evaluated in total by Company witness LaFluer to determine if the overall cost  
14 was reasonable.

15 **Q. HOW DID YOU CALCULATE THE ADJUSTMENT OF \$2.9 MILLION**  
16 **DISCUSSED ABOVE?**

17 A. To properly calculate the adjustment, it was necessary to identify which ICP costs  
18 were associated with the Big Sandy generation expense (which were removed  
19 from the test year amount) and which ICP costs were associated with Mitchell  
20 generating expense (which were annualized). The first step was to segregate the  
21 ICP costs between the generation function and the transmission and distribution  
22 functions as shown on page 1 of Exhibit JMY-2. Next, billing system data was  
23 reviewed by account number, benefiting location and cost type to identify the ICP

1 costs that were billable Mitchell costs. Identification of the billable Mitchell costs  
2 was required to segregate ICP costs between Big Sandy generation expense and  
3 Mitchell generation expense.

4 **Q. WHY IS THE BENEFITING LOCATION IMPORTANT IN THIS**  
5 **ANALYSIS?**

6 A. The Company's billing system identifies the Mitchell costs to bill by benefiting  
7 location. Generation benefiting locations are either total generation or specific to  
8 Mitchell or Big Sandy. For the total generation benefiting locations, costs were  
9 generally allocated on a capacity statistic between Mitchell and Big Sandy which  
10 was approximately a 60/40 split, respectively. Both the benefiting locations  
11 specific to Mitchell Plant and 60% of the total company generation benefiting  
12 locations are split approximately 50/50 between Kentucky Power Company and  
13 AGR during the test year.

14 **Q. WHY IS IT NECESSARY TO INCLUDE AN ADDITIONAL**  
15 **ADJUSTMENT FOR THE AEPSC ICP CHARGES FOR THE PORTION**  
16 **OF AEPSC ICP BILLED TO AGR IN THE AMOUNT OF \$416,345 AS**  
17 **SHOWN ON PAGE 1 OF EXHIBIT JMY-2?**

18 A. The AEPSC charges to Kentucky Power are billed at the operating company level  
19 which doesn't reflect the amount that is then billed to AGR during the test year.  
20 Therefore, as shown on page 1 of the Exhibit JMY-2, the amount of AEPSC ICP  
21 related to Kentucky Power Company's share of the Mitchell Plant and AGR's  
22 share of the Mitchell Plant are subtracted from the total AEPSC ICP to derive the  
23 amount relating to Big Sandy Plant.



1 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING THE**  
2 **ATTORNEY GENERAL'S PROPOSAL TO DISALLOW 75% OF ICP**  
3 **COSTS FROM THE COMPANY'S COST OF SERVICE.**

4 A. Company witnesses Carlin and Wohnhas explains why the ICP adjustment  
5 proposed by the Attorney General is unreasonable. If the Commission  
6 nevertheless were to accept the Attorney General's proposal and disallow 75% of  
7 the ICP costs, my testimony provides the appropriate amount of the adjustment of  
8 \$2.9 million which is \$1.7 million less than the Attorney General's proposal of  
9 \$4.6 million.

**IV. ATTORNEY GENERAL AND KIUC PROPOSED ADJUSTMENTS FOR**  
**LTIP**

10 **Q. WAS A SIMILAR ADJUSTMENT PROPOSED BY THE ATTORNEY**  
11 **GENERAL AND KIUC TO REMOVE THE COMPANY'S LTIP COSTS**  
12 **FROM THE KENTUCKY POWER COST OF SERVICE?**

13 A. Yes. Both Attorney General witness Smith and KIUC witness Kollen propose to  
14 remove all LTIP from the cost of service. The only difference between the two is  
15 that Attorney General witness Smith removes an additional \$15,939 of affiliate  
16 LTIP costs. In addition, similar to the ICP adjustment noted above, KIUC witness  
17 Kollen recognized on page 11 of his testimony that the adjustments for Big Sandy  
18 and Mitchell were prepared at an account level and specific amounts for the LTIP  
19 costs were not identified.

20 **Q. IS AN ADJUSTMENT TO LTIP EXPENSE APPROPRIATE?**

1 A. No. Company witnesses Carlin and Wohnhas address why this adjustment is not  
2 appropriate in their rebuttal testimony.

3 **Q. IF THE COMMISSION WERE TO ADOPT THE ATTORNEY**  
4 **GENERAL'S AND KIUC'S PROPOSAL TO REMOVE ALL LTIP FROM**  
5 **THE COST SERVICE, DO YOU AGREE WITH THEIR CALCULATION**  
6 **OF THE ADJUSTMENT?**

7 A. No.

8 **Q. HAVE YOU CALCULATED HOW MUCH LTIP SHOULD BE REMOVED**  
9 **FROM THE COST OF SERVICE IF THE COMMISSION WERE TO**  
10 **ADOPT THE ATTORNEY GENERAL'S AND KIUC'S PROPOSAL?**

11 A. Yes. My calculation of the LTIP in the test year is on Exhibit JMY-3 which  
12 shows that if the Commission were to approve a disallowance of LTIP, the LTIP  
13 adjustment would be approximately \$1.7 million which is \$0.9 million less than  
14 the \$2.6 million adjustment proposed by the Attorney General and KIUC. This  
15 adjustment was calculated consistent with the methodology discussed above for  
16 the ICP adjustment.

**V. BSRR REVENUE REQUIREMENT**

17 **Q. DO YOU AGREE WITH KIUC'S AND THE ATTORNEY GENERAL'S**  
18 **BSRR ADJUSTMENTS TO REMOVE ESTIMATED COSTS FROM THE**  
19 **REVENUE REQUIREMENT?**

20 A. No. As mentioned previously in my testimony, Company witness Wohnhas  
21 explains why the inclusion of estimated costs in the BSRR is appropriate in

1 accordance with the Commission-approved Stipulation and Settlement Agreement  
2 in Case No. 2012-00578.

3 **Q. PUTTING ASIDE THE UNREASONABLENESS OF EXCLUDING**  
4 **ESTIMATED EXPENSES, DO YOU AGREE WITH THE MANNER IN**  
5 **WHICH KIUC AND THE ATTORNEY GENERAL CALCULATED THE**  
6 **ADJUSTMENT?**

7 A. No. Neither utilized the updated information provided by Kentucky Power in  
8 response to KIUC 1-63. Exhibit JMY-4 shows the proper application of the  
9 ADIT in the BSRR calculation. As shown on Exhibit JMY-4, a corrected  
10 response to KIUC 1-63 was supplemented on April 8, 2015 to replace the  
11 incorrect response originally filed although Attachment 1 was correct as originally  
12 filed.

13 **Q. WHAT IS THE RELEVANCE OF THE UPDATED INFORMATION**  
14 **PROVIDED IN RESPONSE TO KIUC SET 1 ITEM NO. 63?**

15 A. The data response provided a number of updates to the BSRR calculation  
16 discovered by the Company. Two of the three updates addressed the ADIT offset  
17 in the filed calculation. The other update related to the WACC rate which will be  
18 based on the final WACC rate approved by the Commission in this proceeding.

19 **Q. WHY SHOULD THE ADIT UPDATES BE REFLECTED IN THE KIUC'S**  
20 **AND ATTORNEY GENERAL'S CALCULATIONS AND REFLECTED IN**  
21 **ANY DETERMINATIONS MADE BY THE COMMISSION?**

22 A. The updates reflect the proper treatment of ADIT when calculating a carrying  
23 charge and is consistent with traditional ratemaking. An ADIT is applied as offset

1 in determining rate base which is then applied to a WACC to calculate a revenue  
2 requirement. The ADIT is a balance sheet account that reverses over time and  
3 should not offset the costs to be collected as originally filed. The response in  
4 Exhibit JMY-4 clarifies the proper methodology that should be implemented to  
5 calculate the amortization of the incurred costs and the calculation of the carrying  
6 charges all of which is subject to the over/under accounting thereafter to ensure  
7 that actual costs and carrying charges are recovered.

8 **Q. HAS THE COMPANY PREPARED THE BSRR REVENUE**  
9 **REQUIREMENT EXCLUDING ESTIMATED COSTS AS PROPOSED BY**  
10 **THE KIUC AND ATTORNEY GENERAL BUT UPDATED WITH THE**  
11 **APPROPRIATE ADIT OFFSET?**

12 A. Yes. Exhibit JMY-5 and Exhibit JMY-6 provide the BSRR revenue requirement  
13 utilizing the KIUC's and Attorney General's respective proposed WACC and  
14 excluding the estimated costs originally filed. Exhibit JMY-5 shows that the  
15 BSRR proposed by the KIUC would be \$15.346 million instead of \$13.282  
16 million sponsored by KIUC. Exhibit JMY-6 shows that the BSRR proposed by  
17 the Attorney General would be \$15.578 million compared to \$11.114 million  
18 supported by the Attorney General.

19 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

20 A. Yes.