

1 VICE-CHAIRMAN GARDNER: Okay. That's all I have.
2 Thank you.

3 Any other questions?

4 MR. NGUYEN: No, Your Honor.

5 VICE-CHAIRMAN GARDNER: You're free to go. Thank
6 you, Mr. McManus.

7 A. Thank you.

8 MR. OVERSTREET: Mr. Vice-Chairman, I apologize
9 for that fifth cup of coffee this morning.

10 VICE-CHAIRMAN GARDNER: I looked at you rather
11 than Mr. Gish, so --

12 MR. OVERSTREET: We would like to call Ranie K.
13 Wohnhas as the Company's next witness, please. Thank
14 you.

15 RANIE K. WOHNHAS, having been first duly sworn,
16 testified as follows:

17 VICE-CHAIRMAN GARDNER: Please have a seat.
18 State your full name, please.

19 THE WITNESS: Ranie K. Wohnhas.

20 VICE-CHAIRMAN GARDNER: And, Mr. Wohnhas, with
21 whom are you employed?

22 THE WITNESS: I'm employed with Kentucky Power
23 Company, 101A Enterprise Drive, here in Frankfort,
24 Kentucky.

25 VICE-CHAIRMAN GARDNER: And what is your position

1 with them?

2 THE WITNESS: I am the Managing Director of
3 Regulatory and Finance.

4 VICE-CHAIRMAN GARDNER: Okay. You may ask, Mr.
5 Overstreet.

6 MR. OVERSTREET: Thank you, Mr. Vice-Chairman.

7 DIRECT EXAMINATION

8 By Mr. Overstreet:

9 Q. Mr. Wohnhas, did you cause to be filed in the
10 record of this proceeding direct testimony and rebuttal
11 testimony?

12 A. I did.

13 Q. And do you have any corrections or modifications
14 to those two pieces of testimony?

15 A. I do not.

16 Q. And did you cause to be filed in the record of
17 this proceeding data request responses?

18 A. I did.

19 Q. And do you have any corrections or updates to
20 those filings?

21 A. I do not.

22 Q. And then on last Thursday, April 30th, did you
23 file in the record of this proceeding testimony in
24 support of the settlement agreement among Kentucky
25 Power, the Kentucky School Boards Association, and

1 Kentucky Industrial Utility Customers, Inc.?

2 A. I did.

3 Q. And do you have a clarification with respect to
4 that testimony?

5 A. I do. On page 41 of that testimony I speak about
6 the approval, and it states the proposed tariff IGS.
7 And the intent of that, for clarification, was the
8 proposed modified rate design of tariff IGS as --
9 versus what was initially filed by the Company in its
10 original application.

11 Q. So, just so that I understand, your statement,
12 first of all, related to an anticipated statement to be
13 filed by Walmart?

14 A. That is correct.

15 Q. And has that statement been filed?

16 A. It has.

17 Q. And the clarification was, to make clear if I'm
18 understanding what you're saying, that you anticipated
19 that Walmart would say that it had no objection to the
20 approval of the rate design of the tariff IGS as
21 appended as Exhibit 16 to the settlement?

22 A. That is correct.

23 Q. With that clarification, do you have any further
24 corrections, modifications, or supplementations of that
25 April 30 testimony?

1 A. I do not.

2 MR. OVERSTREET: The witness is available.

3 MR. WILLIAMSON: I do have a couple of questions,
4 Mr. Vice-Chairman.

5 VICE-CHAIRMAN GARDNER: Proceed.

6 CROSS-EXAMINATION

7 By Mr. Williamson:

8 Q. Good morning, Mr. Wohnhas.

9 A. Good morning.

10 Q. I'm Derrick Williamson representing Walmart.

11 With respect to the revision you just made to
12 your supplemental testimony, page 41, the Company's
13 as-filed case proposed a system average increase on a
14 percentage basis of about 12.5 percent, correct?

15 A. That is correct.

16 Q. And the Company, as a part of the Mitchell
17 settlement, had committed to make a proposal to combine
18 the current QP rate class and the CIP TOD rate class
19 into what is now a proposed rate IGS, correct?

20 A. As part of that settlement, we had agreed to
21 propose that before the Commission, yes.

22 Q. And in your as-filed case for the QP customers
23 that were now being combined into rate IGS, they would
24 have seen a rate increase of roughly about 15 percent,
25 correct?

1 A. Roughly.

2 Q. And under the settlement agreement as filed, per
3 your Exhibit 1 to the settlement agreement, the system
4 average increase under the settlement is about 8.1
5 percent?

6 A. 8.1 percent.

7 Q. And would you agree with me for the QP customers
8 in the now modified rate IGS with a different
9 allocation and a different rate design, the QP
10 customers in that new IGS would see a rate increase of
11 about 8.14 percent, correct?

12 A. Yes. Depending on the voltage, you know,
13 anywhere from -- actually the QP secondary would be
14 5.97, QP primary 8.02, and the QP sub 8.27, so it's
15 much closer to the overall 8.1.

16 Q. And so the modification you made this morning,
17 you would accept that Walmart actually supports that
18 aspect of the settlement with respect to the settlement
19 rate design and revenue allocation?

20 A. Absolutely.

21 MR. WILLIAMSON: All right. Thank you. That's
22 all I have.

23 VICE-CHAIRMAN GARDNER: Thank you.

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CROSS-EXAMINATION

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By Mr. Cook:

Q. Good morning, Mr. Wohnhas.

A. Good morning, Mr. Cook.

Q. As to the settlement which is currently before the Commission, there is included in there provisions regarding the Big Sandy 1 Operating Rider, correct?

A. Yes, there is.

Q. All right. If that is approved by the Commission, would there be any PJM costs remaining in the rider?

A. Yes, it is -- as currently in the settlement, it is as was filed, which includes PJM costs related to Big Sandy Unit 1.

Q. Okay.

A. The actual cost for the -- for the test year.

Q. Okay. Thank you. And is it -- then is it your understanding too that into the future there will also be some PJM costs in that rider?

A. Yes, as -- the way the Big Sandy 1 Operation Rider works is as -- it'll be updated annually, but it'll look at just the actual O&M costs that are incurred, because the Big Sandy 1 rider is kind of a temporary rider up until the next rate case because of the settlement of pulling out all the coal-related

1 costs of Big Sandy, and so any O&M costs, which would
2 include the PJM costs associated with Big Sandy 1,
3 would be flowed through the Big Sandy 1 Operation
4 Rider.

5 Q. Okay. Thank you. Now, could you turn to your --
6 the testimony you filed in support of the test -- of
7 the stipulation?

8 A. Yes, sir.

9 Q. At page 37. And just let me know when you're
10 there.

11 A. I'm there.

12 Q. Okay. Thank you. And could you read lines 14
13 through 19 into the record, please?

14 A. This was on page 37, correct?

15 Q. Yes, sir.

16 A. Okay.

17 MR. OVERSTREET: And just for my clarification,
18 you've moved on to cybersecurity now, Mr. Cook?

19 MR. COOK: Yes.

20 MR. OVERSTREET: Okay.

21 A. (Reading) Under the settlement agreement, a
22 tariff will not be established. Instead, the Company
23 will track and defer for future recovery any post
24 June -- June -- any post June 30th, 2015, incremental
25 costs incurred by Kentucky Power in complying with new

1 NERC compliance or cybersecurity requirements. These
2 are the same incremental costs described by Mr. Wohnhas
3 at pages 27 and 28 of his direct testimony and include
4 costs arising from both new requirements and new
5 interpretations of existing requirements.

6 Q. Okay. And as to those new interpretations of
7 existing requirements, who is going to make those
8 interpretations?

9 A. Those will be based on NERC. As far as any
10 revisions that -- that they make, they will issue
11 those, and so if there is a brand-new requirement, or
12 they would also issue if there was a revision to a
13 previous requirement that we had to -- are required to
14 comply with.

15 Q. So I take it by this, then, you're not saying
16 that this would be Kentucky Power or AEP Servco
17 interpretations?

18 A. That would be correct.

19 Q. All right. And then if you could -- since you
20 have your settlement testimony open there, could you
21 turn to page 42, please?

22 A. I'm there, sir.

23 Q. Okay. Thank you. And then could you read lines
24 23 through 27 into the record, please?

25 A. (Reading) Tariff PPA is amended to -- is amended

1 to permit the Company to recover through tariff PPA the
2 full cost of purchased power unrelated to forced
3 generation or transmission outages, even if at a price
4 in excess of the peaking unit equivalent. The Company
5 also expressly recognizes that the cost of purchases
6 recovered under this revised tariff will be subject to
7 periodic Commission review.

8 Q. Okay. Is there currently a limit on purchased
9 power costs based on the price of a peaking unit
10 equivalent?

11 A. Could you -- could you ask that one more time,
12 please?

13 Q. Sure. Is there currently a limit on purchased
14 power costs based on the price of a peaking unit
15 equivalent?

16 A. I would say there's not a limit, no.

17 Q. Okay. Do you know how many -- one moment.

18 About how many purchases above the peaking unit
19 equivalent has Kentucky Power had, say in the test
20 year, do you know?

21 A. In the data request -- I don't have for the test
22 year. I think in the data requests, roughly for 2014,
23 was approximately \$600,000 worth of purchases that
24 would have flowed through -- were not allowed to be
25 flowed through the fuel clause because of the peaking

1 unit equivalent.

2 Q. Okay. I understand. Do you know how many such
3 purchases Kentucky Power is expecting? From whom is --

4 A. Sure. You know, because of -- I think it's
5 important to understand that because of the termination
6 of the pool that AEP was -- had for so long, which
7 terminated at the end of 2014, and with the overlap
8 period of having both Mitchell and Big Sandy going away
9 at the end of May of this year, and Kentucky Power
10 being a stand-alone company, clearly the Company will
11 be at more risk than in the past of the possibility of
12 having those purchases. We don't have an estimate for
13 how many of those purchases.

14 You know, as -- you know, currently Mitchell
15 units are down for scheduled maintenance on the
16 shoulder months of the year, and so that will always
17 happen. And with that happening, we will be at the
18 market, you know, for those purchases during that time.
19 To have a number specifically, I don't have one.

20 Q. Okay.

21 A. But I do -- we do anticipate that you will have
22 more of these purchases in the future because of the
23 situations I just described.

24 Q. And do you have any kind of estimate of the
25 expected additional annual cost impact to ratepayers?

1 A. You know, those costs will flow through -- I
2 mean, I don't have because I don't have an amount of
3 how many purchases we have. Or that we anticipate.
4 I'm sorry.

5 Q. Okay. So if I understand correctly, it sounds
6 like this modification, if approved, could result in
7 Kentucky Power getting some higher-priced power
8 purchases charged through the PPA.

9 A. You know, as part of the PPA that was currently
10 there, we are -- effective when Big Sandy Unit 2
11 retires, you know, the PPA we'll use to flow through
12 PPA costs related to forced outages. And what this
13 addition to the tariff is to be consistent across not
14 only forced outages but other outages that, based on
15 the peaking unit equivalent, are higher than that
16 peaking unit -- peaking unit equivalent, and those will
17 be concurrently recovered by the Company.

18 Q. Okay. Will this proposed modification alter the
19 application of the fuel adjustment clause in any
20 manner?

21 A. No, sir. The uniform -- the fuel clause will
22 still be uniform across all the utilities as prescribed
23 by the regulations.

24 Q. Okay. And turning to the stipulation. I believe
25 it's on page 21, if I'm not mistaken.

1 MR. OVERSTREET: We're looking at the agreement
2 now, Mr. Cook?

3 A. You're talking specific settlement?

4 MR. COOK: It's the agreement. Yes. Thank you.

5 A. Page 21.

6 Q. And I believe there's a paragraph there that's
7 (f).

8 A. (F).

9 Q. Small -- yeah. Is that where it's discussed, the
10 PPA?

11 A. Yes. Tariff PPA, yes.

12 Q. Okay. All right. And I think the last sentence
13 states, (Reading) Kentucky Power agrees the costs
14 recovered through tariff PPA shall be subject to
15 periodic review and approval by the Commission,
16 correct?

17 A. That is correct.

18 Q. All right. And how would the -- how do you
19 envision that the Commission would review these items
20 and how frequently?

21 A. We haven't made a specific request of -- it was
22 really to work with the Commission to determine, you
23 know, if it is something that is -- it's going to be
24 filed prior to it going into effect as we do like the
25 fuel clause or the environmental surcharge.

1 We were going to work with the Commission and
2 whomever to determine whether or not that needs to be
3 similar to the fuel clause, a six-month review, as the
4 environmental. We're really open to whatever seems
5 appropriate for all the parties.

6 Q. Okay. Now, this -- the proposed change in tariff
7 PPA was filed in the original application, and then you
8 included it again in the package of materials that were
9 submitted together with the proposed settlement
10 agreement, correct?

11 A. Yes, sir.

12 Q. Okay. Are there any changes between the original
13 as filed and the most recent version?

14 A. Not for the PPA.

15 Q. Okay.

16 A. No.

17 Q. All right. Now, Mr. Wohnhas, isn't it true that
18 over the past ten years the Company's base rates have
19 increased approximately 73 percent?

20 A. I don't -- I mean, they've -- I don't have that
21 for ten years. They have been going up. I couldn't
22 tell you if that's the exact amount or not.

23 Q. And this current rate case, it's the third one in
24 the past ten years, correct?

25 A. That would be correct.

1 Q. Not counting the case in 2013 that was withdrawn?

2 A. That -- that was just -- that was withdrawn.

3 That would be correct.

4 Q. I'd like to ask you some questions about the
5 impact of the proposed agreement, stipulation on
6 residential bills. We've seen from discovery responses
7 that Kentucky Power calculates that the average
8 residential customer in its service territory consumes
9 roughly 1,362 kilowatt hours per month and pays \$138
10 per month, correct?

11 A. Yes.

12 Q. Okay. Looking at the stipulation that's
13 currently before the Commission, when we consider the
14 revenue increase together with the increase in the
15 monthly customer charge from the current \$8 to the
16 amount that was proposed in the stipulation of \$14,
17 isn't it true that this results in an increase for the
18 average residential customer of 9.89 percent?

19 A. That's the amount that we have calculated, yes.

20 Q. Okay. And if the proposed settlement is
21 approved, do you know how much, in terms of dollars and
22 cents, the average residential customer's bill would
23 increase?

24 A. I didn't make that calculation.

25 Q. Okay.

1 A. I'm sorry.

2 Q. Could you provide that in a post-hearing data
3 request?

4 A. We could.

5 Q. Thank you very much.

6 MR. OVERSTREET: Mr. Cook, that's based upon that
7 approximately 1,300 kWh?

8 MR. COOK: Yes. Correct. Yeah.

9 MR. OVERSTREET: Okay. Thank you.

10 Q. Now, I want to distribute to you a tariff sheet
11 that was in your original filing, and I'll wait till
12 you get it until I ask questions.

13 VICE-CHAIRMAN GARDNER: Mr. Cook, do you want
14 this marked as --

15 MR. COOK: Please.

16 VICE-CHAIRMAN GARDNER: AG 1.

17 MR. COOK: Yes, Mr. Vice-Chairman.

18 VICE-CHAIRMAN GARDNER: Did you hear?

19 MS. HARWOOD: Thank you.

20 Q. Okay. Here you have up in front of you, I
21 believe, is it sheet 2-12, tariff sheet 2-12?

22 A. Yes.

23 Q. Okay. And this basically is the information that
24 is included on residential bills; is that correct?

25 A. Yes. This is for -- a residential bill form,

1 yes.

2 Q. Okay. And it contains a number of line items
3 proposed by the Company; is that correct?

4 A. It does.

5 Q. Okay. And on the current customer bills, I
6 believe it's true, there's a line item called the asset
7 transfer rider; is that correct?

8 A. That is correct.

9 Q. Okay. And do you know how much the average
10 residential customer is paying under that as of today?

11 A. In dollars and cents?

12 Q. Yes.

13 A. Is that what you're asking?

14 Q. Yes.

15 A. I don't have that amount.

16 Q. Okay. Could you include that, then, in the -- in
17 the post-hearing data request?

18 A. So are you asking -- just to be clear, you know,
19 the asset transfer rider is a percent that has
20 fluctuated up and down over a 12-month period, so are
21 you looking for what the average for that period is?

22 Q. Yes, please. Thank you.

23 A. Okay.

24 Q. Thank you very much for clarifying that.

25 And then after churning up the \$44 million

1 approved by the Commission as a result of the Mitchell
2 transfer, this rider is going to be eliminated,
3 correct?

4 A. The rider will be eliminated and the costs go
5 into base rates. I mean, that's -- we need to make
6 sure we're clear, because that was just partial
7 recovery of the Mitchell asset. That was a recovery
8 through the rider for a period of time.

9 So, you know, once we get this reconciled to the
10 amount that was approved, as a rider, as a line item,
11 it will be eliminated, and it'll be then base rates in
12 the -- in this residential case in the cents per
13 kilowatt hour.

14 Q. And then the next phase, so to speak, will be the
15 Big Sandy Retirement Rider, which will add a
16 yet-to-be-determined line item sum on the average
17 residential customer's bill, correct?

18 A. That is correct.

19 Q. Okay. And does Kentucky Power anticipate the --
20 can I call it the BSRR?

21 A. Yes. That's what we call it.

22 Q. Thank you. Does Kentucky Power anticipate the
23 BSRR line item charge being higher or lower than the
24 current ATR charge?

25 A. Well, I mean, it should be lower in the fact that

1 the asset transfer rider in total was collecting 44
2 million. The BSRR as -- as modified is only collecting
3 16 million, so in theory it would be less.

4 VICE-CHAIRMAN GARDNER: Excuse me. And that's
5 annually, correct?

6 A. That's annually, yes.

7 VICE-CHAIRMAN GARDNER: It's not over the
8 17-month period, it's annually?

9 A. That's annually. Yeah.

10 VICE-CHAIRMAN GARDNER: Okay.

11 A. That is correct, Vice-Chairman.

12 Q. And the BSRR will be recovered for a 25-year
13 period, as approved by the Commission in the Mitchell
14 transfer case; is that correct?

15 A. Yes. Over 25. It'll be in existence 25 years.

16 Q. Okay. And the Company is proposing the Big Sandy
17 1 operations rider, of course, which will add a sum of
18 approximately -- I believe this is correct, correct me
19 if I'm wrong -- \$4.50 per month for the average
20 residential customer? Does that sound right?

21 A. Where are you getting \$4.50?

22 Q. On -- let's see. I think it was on one of the
23 subsequent pages following this on -- let's see.

24 MS. HANS: Page 187.

25 Q. Page 187, I'm sorry, of Exhibit JAR 9.

1 MR. OVERSTREET: Do you have that in front of
2 you, Mr. Wohnhas?

3 MS. HANS: It's tariff sheet 39-1.

4 MR. COOK: Tariff sheet 39-1.

5 MR. OVERSTREET: Do you have it?

6 A. No. So are you taking the .0033 --

7 Q. Yes.

8 A. -- times the thirteen sixty-two?

9 Q. Yes.

10 A. Okay. If that's what it calculates out to, then
11 yes.

12 Q. Okay. So it's approximately \$4.50, \$4.49?

13 A. That would be fine.

14 Q. Okay. And this rider is intended to remain in
15 effect for the 35-year useful life of the Big Sandy
16 natural gas facility, correct?

17 A. For the 35-year life?

18 Q. Is that what the anticipated lifespan is?

19 A. I think it's 15.

20 Q. Oh, 15?

21 A. But the answer to that is no either way, whether
22 it's 15 or 35. The Big Sandy 1 Operation Rider will
23 only be in effect between -- assuming the Commission
24 approves it in this settlement, between then and the
25 next base rate case.

1 Again, the purpose of this, we asked and part of
2 the settlement was to remove all the Big Sandy
3 retirement costs and all the coal-related costs of Big
4 Sandy Unit 1.

5 At the time we had the settlement, we still did
6 not have any approval as such of converting Big Sandy 1
7 to gas, and in doing that, we went back, as Company
8 Witness McManus just stated, and asked for a year's
9 extension on Big Sandy 1, and so that created a problem
10 in trying to get those costs out.

11 So we -- in trying to be transparent, the Company
12 created Big Sandy 1 OR as a way to remove those costs,
13 track those costs, and be very transparent with all the
14 parties as to what those costs were.

15 Once Big Sandy Unit 1 is converted to gas, so
16 whenever the next base rate case after that is, we will
17 take all those costs and put them back into base rate.

18 So the Big Sandy 1 OR is just an interim rider
19 for a short period of time, whereas the Big Sandy --
20 the BSRR is for 25 years.

21 Q. All right.

22 A. So there is a time difference on both of them.

23 Q. Okay. Now, earlier we touched upon the NERC
24 cybersecurity costs. And basically, if I understand
25 the stipulation correctly, initially those costs are

1 going to be deferred, and then at some point in the
2 future a rider will be created for those costs; is that
3 correct?

4 A. No, not quite. You know, we asked originally for
5 a rider. As part of the settlement, we agreed to defer
6 those costs, to provide annual updates of those costs
7 in advance each year, and then what would happen, at
8 the time of the rate case, those costs then,
9 assuming -- the Commission could look at those and then
10 would -- we would get to recover those, amortize those
11 over a five-year period.

12 So right now there is no rider being established
13 at any point in time.

14 Q. Okay. I understand. Now, will any of those
15 costs appear as a line item on customers' bills or not?

16 A. I don't anticipate that it will be a line item
17 because it's an amortization like we would do storm
18 costs or other amortization items, so I do not see that
19 as now.

20 Q. So it would go into base rates?

21 A. Yes, it would be part of your base rates.

22 Q. Do you know how much the average residential
23 customer will pay per month for the Mitchell FGD costs
24 under the ECR mechanism?

25 A. ECR mechanism?

1 Q. Environmental surcharge.

2 A. Oh. The E -- okay. Okay. Ask your question. I
3 get --

4 Q. Sure.

5 A. ECR threw me. It's -- I call it an ES, and
6 that's what threw me. That's all right.

7 Q. Okay. Do you -- do you know how much the average
8 residential customer will end up paying for the
9 Mitchell FGD costs?

10 A. I don't have that broken out. We could provide
11 that, but I don't have that.

12 MR. COOK: Okay. If you could provide that in a
13 post-hearing data request, we would appreciate that.

14 Q. And then the proposed economic development rider,
15 that's going to add \$0.15 per meter per month for
16 residential customers; is that correct?

17 A. That's correct.

18 Q. And that will be a line item?

19 A. Yes. As it shows -- yes, it would be a line item
20 if approved.

21 Q. Okay. And already there is a line item for the
22 Home Energy Assistance charge of \$0.15 per meter; is
23 that correct?

24 A. That is correct, sir.

25 Q. That's paid -- all \$0.15 comes from ratepayers;

1 is that correct?

2 A. Well, the HEAP is only on the residential.

3 Q. Correct.

4 A. All right. Whereas the economic development
5 surcharge is against all the customers. So, for
6 instance, a residential is 143, roughly, thousand, we
7 have 172,000 total customers, so the -- the economic
8 development surcharge will be applied against all
9 customers.

10 Q. Right. But under the HEA, shareholders don't
11 make any contribution there, do they?

12 A. Under the HEAP?

13 Q. Yeah.

14 A. Yeah, we match it as well.

15 Q. Oh, it is? By how much?

16 A. \$0.15.

17 Q. \$0.15? So the total -- when we look in the -- at
18 the broad perspective of all-in rates, when we look at
19 the increase, it's approaching somewhere in the range
20 of 15 percent; is that -- does that sound correct?

21 A. No. It's 9.89 percent.

22 Q. You're thinking of the base rates, but when I'm
23 thinking --

24 A. No, no. The 9.89 is all in.

25 Q. Oh, it's all in?

1 A. It is all in. Yes.

2 Q. Okay. Thank you. All right. And if I read your
3 rebuttal testimony correctly, it sounds like the
4 Company is removing the negative short-term debt from
5 its capitalization; is that correct?

6 A. In my rebuttal testimony we agreed that -- that
7 negative -- that the -- through -- due to adjustments,
8 the short-term debt goes negative, that it should be
9 set to zero.

10 Q. Okay. And we talked earlier about the BSRR, the
11 Big Sandy Retirement Rider, and if the Commission
12 authorizes a return on equity that is below what is
13 assumed in the settlement related to the BSRR, would
14 that not mean that the BSRR revenue requirement would
15 be revised to reflect the Commission-authorized return
16 on equity?

17 A. Well, if the Commission had some type of order
18 that was different than the settlement, you know, we
19 would have to, number one, make sure that we would
20 agree with those modifications, but if that was part of
21 it and it was reflected, we would reflect that through
22 there.

23 Q. Okay. Now, referring to the Big Sandy Unit 1
24 Operation Rider, Kentucky Power incurred PJM costs for
25 the entire year of 2014, did it not?

1 A. Yes.

2 Q. And in response to AG2-114, Kentucky Power was
3 unable to provide such PJM costs for 2014; isn't that
4 correct?

5 A. I'd have to see 2-114. I'm sorry.

6 Q. Okay. We can hand that to you.

7 A. Okay.

8 VICE-CHAIRMAN GARDNER: AG Number 2.

9 Q. There -- you should have in front of you the --

10 A. Yeah, I'm reading it. If I can take a moment to
11 read that.

12 Q. Absolutely.

13 A. Thank you. Okay. I've read this, and they refer
14 to a lot of exhibits and stuff that I don't have in
15 front of me, so --

16 Q. I understand. I think the only question I had
17 was that it appears from this response to AG2-114 that
18 the Company was saying that it did not perform the
19 analysis for the entire historic test year as to the
20 amount of PJM costs; is that correct?

21 A. Well, I think what I'm going to do here, because
22 Mr. Vaughan is here and going to be questioned, and it
23 was his answer to this, so that we don't have something
24 incorrect in the record, ask for that to Mr. Vaughan,
25 if that would be okay.

1 Q. (Mr. Cook nodded head.)

2 A. Thank you.

3 Q. I want to ask you a question about interest
4 synchronization. Looking at your rebuttal exhibit, I
5 believe it was RKW-R1.

6 A. Yes, sir.

7 Q. Okay. Correct me if I'm wrong. It appears -- it
8 appears to me that the Company is now including an
9 interest calculation for accounts receivable financing.
10 Can you confirm that?

11 A. I can confirm that.

12 Q. Thank you. Also, in your rebuttal, can you turn
13 to page 14, please? Let me know when you're there.

14 A. I am there.

15 Q. Can you read lines 14 through 19 into the record,
16 please?

17 A. And that's the question on that page, correct?

18 Q. Correct. Yes.

19 A. Okay. (Reading) Do you agree with Mr. Smith's
20 contention that the Commission should retroactively
21 amend its order authorizing the Company to acquire the
22 Mitchell generation station's assets to eliminate
23 liability in the event of some future incident at the
24 Connor Run ash pond?

25 Q. Isn't it true that that question mischaracterizes

1 Mr. Smith's testimony?

2 A. Not that I'm aware of.

3 Q. Can you point to the place in his testimony,
4 please, where he made that recommendation?

5 A. Not in front of me.

6 Q. Yeah. The point is that you cannot because he
7 never made that recommendation.

8 I'd like to ask you about deferred costs. The
9 Company's application as filed contained several items
10 of deferred costs for which the Company was seeking
11 amortizations, and these included the Big Sandy FGD
12 preliminary engineering costs, the CCS FEED study
13 costs, the IGCC costs, and the Carrs Site costs; isn't
14 that correct?

15 A. That's correct.

16 Q. Okay. If the Commission should approve the
17 stipulation, what is the status of those items?

18 A. None of those costs will be requested to be
19 recovered in any future proceeding.

20 Q. And isn't it true that as to those items, the
21 Company has written off those costs?

22 A. Those costs were put in a reserve to be -- to be
23 written off in its final accounting process after the
24 termination in this case, so with that we will write it
25 off completely.

1 Q. Okay. And that includes, of course, the
2 preliminary engineering costs for the Big Sandy FGD
3 project as well?

4 A. Yes.

5 Q. Okay. Just -- almost finished here. We have --
6 in our testimony, we have referred to a series of costs
7 that we call miscellaneous costs. These included items
8 such as sports tickets, advertising and donations,
9 charitable and public relations donations, and also the
10 lobbying portion of the salaries for both Mr. Pauley
11 and for Mr. Hall. It also included employee gifts and
12 awards and membership dues. Do you -- do you recall
13 those?

14 A. I do recall that.

15 Q. Okay. For each one of those items, isn't it true
16 that the Company agreed to not seek cost recovery?

17 A. As part of the answer to a data request for the
18 original application, yes.

19 Q. Okay. And as a result of the stipulation, what
20 would -- if the Commission approved the stipulation,
21 I -- am I correct in assuming that those items would
22 not be --

23 A. The settlement is a black box settlement part of
24 it, so there's no mention specifically about -- you
25 know, other than the items are there, it's just a black

1 box.

2 Q. But you would no longer be specifically
3 requesting recovery for those items?

4 A. It's part of the black box.

5 Q. Right.

6 MR. COOK: That's all the questions, Mr.
7 Vice-Chair.

8 VICE-CHAIRMAN GARDNER: Thank you.

9 Mr. Kurtz.

10 MR. KURTZ: Thank you, if I could.

11 CROSS-EXAMINATION

12 By Mr. Kurtz:

13 Q. Good morning, Mr. Wohnhas.

14 A. Good morning.

15 Q. Just a question about the purchase power tracker.
16 If the Company incurs prudently-incurred purchased
17 power expenses, those costs are recoverable in rates,
18 are they not?

19 A. Yeah, if it meets the peaking unit equivalent,
20 those get recovered through the fuel adjustment clause.

21 Q. I mean, either it's going to be fuel adjustment,
22 the purchased power tracker, or base rates. Somewhere
23 a utility that buys power to serve native load is
24 allowed to recover the cost?

25 A. That is true. The PPA -- one of the advantages

1 of PPA is that you collect no more, no less. If you
2 have it in base rates, depending on the amount of
3 purchases and -- that you have versus what's in the
4 test year, you could have more or less --

5 Q. Right.

6 A. -- and the PPA lines that up much more
7 efficiently.

8 Q. Exhibit 1 to the settlement agreement is the rate
9 increase by rate schedule; is that correct?

10 A. Exhibit 1 to what, sir? I'm sorry.

11 Q. The settlement. The settlement agreement. It
12 shows an 8.1 percent system average increase.

13 A. The 8.1, yes.

14 Q. Okay. That's -- you originally asked for a 12
15 and a half percent rate increase?

16 A. 12.48, yes.

17 Q. Okay. So you asked for 12.48 and you're getting
18 8.1 percent increase?

19 A. Yes.

20 Q. Okay. And that increase includes a \$23 million
21 base reduction, plus all the riders are included in
22 Exhibit 1, right?

23 A. That is correct. It is all in.

24 Q. What are -- what are consumers getting for this
25 rate increase? What are -- what are we paying for?

1 A. Well, I think that for the residential customers,
2 they are getting the benefit of the vegetation
3 management system. That's part of the settlement.

4 Q. About \$10.6 million?

5 A. \$10.6 million of additional to get the Company on
6 the five-year cycle. That also -- we have seen the --
7 already the improvements in our reliability. The
8 customers have seen it. We want to continue that.

9 It provides updated depreciation rates, except
10 for in the settlement that the distribution was held
11 constant.

12 The beauty of the riders is that we are not --
13 the riders don't add to, it's just a different way of
14 collecting the money, and I think that's important for
15 everyone to understand. Just because it's a rider,
16 it's not an addition. It's -- if everything could have
17 been collected through the base rates properly, it
18 probably would have, but it provided a way of doing
19 something that is -- wasn't able to do in base rates,
20 but also very transparent, and I think that it provides
21 not only the customers, but all the Commission, the
22 Staff, the intervenors, you know, a chance to look at
23 those.

24 The economic development surcharge is a way to
25 help the -- our area, and it's just -- you know,

1 initiate a lot of different things.

2 So those are just some of the benefits of the
3 settlement.

4 Q. So included in the rate increase is retiring Big
5 Sandy Unit 2?

6 A. That is correct.

7 Q. Converting Big Sandy Unit 1 to natural gas?

8 A. That's correct.

9 Q. Putting all of Mitchell in the rates, all
10 780 megawatts of Mitchell in the rates?

11 A. That is correct.

12 Q. An extra 10 -- 10.6 million of vegetation control
13 to improve reliability?

14 A. Yes.

15 Q. Right. You mentioned that one?

16 A. Yes.

17 Q. That's 25 percent of the rate increase, isn't it,
18 almost?

19 A. Yes. Ten of -- yes.

20 Q. You're expanding the DSM School Energy Manager
21 Program?

22 A. Those are other benefits, yes.

23 Q. And we're settling any myriad of fuel cases to
24 give consumers the certainty that that \$54 million fuel
25 order will not be changed on appeal?

1 A. As part of the settlement package, yes.

2 Q. So there is real value for -- the consumers are
3 getting in exchange for the rate increase, would you
4 agree?

5 A. I would agree, yes.

6 MR. KURTZ: Thank you.

7 VICE-CHAIRMAN GARDNER: Mr. Malone.

8 MR. MALONE: No questions.

9 VICE-CHAIRMAN GARDNER: Mr. Nguyen.

10 MR. NGUYEN: Yes. Thank you, Your Honor.

11 CROSS-EXAMINATION

12 By Mr. Nguyen:

13 Q. Good morning, Mr. Wohnhas.

14 A. Good morning.

15 Q. Can you refer to page 6 of your settlement
16 testimony, lines 17 to 19?

17 A. I'm there.

18 Q. Okay. Lines 17 through 19, you indicate that the
19 settlement agreement, as a result there's not going to
20 be an increase in base rates but that there is actually
21 a decrease in base rates of \$23 million; is that
22 correct?

23 A. That is correct.

24 Q. Okay. Can you confirm that this is only true if
25 the change in base rates is netted with a reduction in

1 the asset transfer rider revenues of approximately 44
2 million?

3 A. Yes.

4 Q. Okay.

5 VICE-CHAIRMAN GARDNER: Could I -- I'm sorry. I
6 thought that 44 million was going to be included in
7 base rates.

8 A. But the impact -- I mean, it is, but the way the
9 filing is is that we exclude it and we do this, that
10 \$44 million, because it nets out. So when we talk
11 about this 23 million, it's talking about everything
12 but that asset transfer rider.

13 VICE-CHAIRMAN GARDNER: Go ahead.

14 MR. NGUYEN: Okay.

15 Q. (By Mr. Nguyen) The only rate specified in the
16 settlement is the \$14 residential monthly service
17 charge; is that correct?

18 A. Could you state that again, please?

19 Q. The only rate specified in the settlement
20 agreement is the \$14 monthly residential service
21 charge; is that correct?

22 A. Specifically, yes.

23 Q. Okay. Otherwise the base revenue reduction
24 agreed to in the settlement was spread over all the
25 rate classes to achieve the settlement total revenue as

1 shown on Exhibit 1 to the settlement agreement. Is
2 that correct as well?

3 A. Yes.

4 Q. Can you generally explain the process you used to
5 arrive at the settlement rates that are included in the
6 settlement tariff that was filed last Friday? For
7 example, most of the customer charges Kentucky Power
8 had originally proposed were decreased as a result of
9 the settlement, but some of the energy charges were
10 increased, in particular for the SGS, LGS, and MGS rate
11 schedules.

12 A. I think as part of the settlement discussions and
13 the -- and the black boxes, those were modified, you
14 know, to, you know, number one, the total rate impact,
15 and then through the discussions determining with --
16 across the board where and whom the amounts that they
17 paid as an increase.

18 You know, for instance, as I state on -- I
19 believe it's page 8 of my testimony about the idea of a
20 modest decrease of the subsidization for the
21 residential from the other classes so that -- you know,
22 as was discussed and presented by Andrew Melnykovich at
23 the public hearings, that it was the Commission's
24 desire over time to reduce those subsidies. So that
25 was included in the rate design. It was different than

1 what was originally proposed.

2 So, I mean, it was just discussions among the
3 parties determining what those -- how those -- the
4 final allocations were.

5 Q. Okay. If you were to compare the settlement
6 billing analysis provided as Exhibit 4 to your
7 testimony, which is the same as Exhibit 1 to the
8 settlement agreement.

9 A. So what's the question now?

10 Q. Okay. If you were to take a look at that
11 exhibit --

12 A. Yes.

13 Q. -- and compare that to the billing analysis
14 originally provided with the application, what kind of
15 shifts in revenue allocation among classes would you
16 say took place as a result of the settlement?

17 MR. OVERSTREET: And, Mr. Nguyen, may I give him
18 that --

19 A. Can I -- yeah, can I see the original?

20 Q. Sure. Sure.

21 MR. OVERSTREET: Do you remember where that
22 billing analysis was?

23 MR. NGUYEN: Can you give us one second?

24 MR. OVERSTREET: Sure.

25 MR. NGUYEN: Your Honor, how about we do this?

1 We can just go back to that question later, when we --

2 A. Or if we want to, I could take a quick
3 five-minute break, if that's okay, just for me.

4 Q. That would be fine as well.

5 A. Just go straight --

6 VICE-CHAIRMAN GARDNER: Sure.

7 A. While they look for that.

8 VICE-CHAIRMAN GARDNER: Okay. Let's take a
9 five -- let's take a five-minute break.

10 Before I do that, Mr. Cook, do you want to admit?

11 MR. COOK: Yes, I'd like to move for admission of
12 those exhibits.

13 VICE-CHAIRMAN GARDNER: Any objections?

14 MR. GISH: No objections.

15 MR. OVERSTREET: No objections.

16 VICE-CHAIRMAN GARDNER: So ordered.

17 (AG Exhibits 1 and 2 received.)

18 VICE-CHAIRMAN GARDNER: Okay. So we'll take a --
19 come back around quarter till.

20 (Recess from 11:40 a.m. to 11:46 a.m.)

21 VICE-CHAIRMAN GARDNER: Okay. We're back on the
22 record.

23 MR. OVERSTREET: Do you have a copy of the
24 notice? Excuse me.

25 A. No.

1 MR. NGUYEN: Your Honor, I think we've located
2 where it's -- the notice that was published as part of
3 the application.

4 VICE-CHAIRMAN GARDNER: Yeah, and let me just --
5 since we're talking about the notice, I mean, I don't
6 believe I asked. Was -- notice been given of this --
7 of the entire hearing?

8 MR. OVERSTREET: Yes, Your Honor, and that was
9 filed a week ago today in the Commission record.

10 VICE-CHAIRMAN GARDNER: Okay. Thank you.

11 Q. (By Mr. Nguyen) Mr. Wohnhas, I'll just restate my
12 question for you.

13 A. Please. Thank you.

14 Q. If you look at -- if you look at either Exhibit 1
15 or Exhibit -- Exhibit 1 to the settlement agreement or
16 Exhibit 4 to your settlement testimony and compare that
17 to the notice that was filed as part of the rate
18 application, can you explain what kind of shifts in
19 revenue allocation among classes would you say took
20 place as a result of the settlement?

21 A. Well, if you look at most of those and -- let's
22 go with those that are nonresidential for a moment.
23 The numbers go from 13 percent for most of the tariffs.
24 SGS was thirteen six eight, MGS was thirteen one four
25 and such, and you'll see now that most of those are 8.8

1 something. So, you know, approximately five percent
2 across each of those nonresidential type classes.

3 And if you look at the residential, it went from
4 12.61 to 9.89, which is roughly a little over two
5 percent. And the reason you see that that reduction is
6 not similar to the other classes is because we moved
7 some of the subsidization from the SGS, MGS, LGS to the
8 residential, as I said earlier, approximately 13
9 percent.

10 So in the -- and from the time it was filed to
11 what's in the settlement, you see that the residential
12 did not decrease as much as the other classes.

13 Q. Okay. But in terms of the return for each class,
14 there's now been less subsidization of the residential
15 class with respect to all the other --

16 A. Yes.

17 Q. -- all the nonresidential classes?

18 A. That is correct.

19 Q. And is that set forth in -- if you just take a
20 look at Exhibit 1 to the settlement agreement, there's
21 a column that says settlement ROR percentage. Is that
22 reflective of that type of shift --

23 A. Yes, it is.

24 Q. -- in that column?

25 A. Yes, it is.

1 Q. According to the settlement agreement, an ROE of
2 ten and a quarter percent would be used for the
3 environmental surcharge, the Big Sandy Retirement Rider
4 tariff, and the Big Sandy 1 Operating Rider tariff; is
5 that correct?

6 A. That is correct.

7 Q. Okay. Do the settlement rates filed in the
8 settlement tariff include this reduction in ROE from
9 what was initially included in the original
10 application?

11 A. The WACC that is -- that was used to come up with
12 the overall, you know, did include a calculation of
13 10.25.

14 Q. Okay. Okay. It appears that the Big Sandy 1
15 Operating Rider tariff rates, for example, are the same
16 as were originally included in Kentucky Power's
17 application. Is that because the Big Sandy 1 Operating
18 Rider tariff currently -- rates currently do not
19 include any return related to capital costs associated
20 with the conversion to natural gas for that unit?

21 A. It's the O&M costs only that come -- that are
22 flowing through.

23 Q. Okay. And now if you can turn to page 30 of your
24 settlement testimony, and in particular lines 8 through
25 10.

1 A. Yes, sir.

2 Q. Okay. You state that the review period in the
3 two-year FAC review case that's currently pending
4 before the Commission includes only the first ten
5 months of the overlap period and that the remaining
6 seven -- seven months of the overlap period will be
7 subject to future FAC cases; is that correct?

8 A. Yes.

9 Q. Okay. Can you confirm that Kentucky Power did
10 not or will not include Mitchell no-load costs for
11 recovery in its FAC filing in those seven months that
12 will be subject to future FAC review cases?

13 A. Yes. When -- beginning with November of 2014, we
14 ceased having the no-load costs in the -- in the FAC
15 calculation, and then we will run -- cease to do that
16 through May of 2015.

17 Q. Okay. Can you turn now to the next page of
18 the -- your settlement testimony, page 31, lines 2
19 through 6?

20 A. Yes, sir.

21 Q. What you're asking here is for the Commission not
22 to wait until it issues a final order in the two-year
23 FAC review case, Case Number 2014-450, to order refunds
24 of Mitchell no-load costs for the months of May 2014
25 through October 2014, but to do so in the final order

1 in this proceeding; is that correct?

2 A. That's correct.

3 Q. Okay. Can you turn now to page 34 of your
4 settlement testimony, and in particular lines 12
5 through 18?

6 A. I'm sorry. What lines?

7 Q. Twelve through 18.

8 MR. GISH: I'm sorry, Mr. Nguyen. What page was
9 that again?

10 MR. NGUYEN: Page 34.

11 MR. GISH: Thank you.

12 Q. And then with your other hand, can you flip to
13 Exhibit RKW-2?

14 A. Yes.

15 Q. Okay. This is in reference to the Biomass Energy
16 Rider tariff. Okay?

17 A. Yes.

18 Q. Page 34 of your testimony, your settlement
19 testimony, you describe how the revised formula will
20 work with the revised Biomass Energy Rider tariff. You
21 state that the residual demand charge for
22 nonresidential customers will be calculated by
23 subtracting the total residential demand costs from the
24 total demand costs; is that correct?

25 A. Yes.

1 Q. Okay. And then you also state that the
2 nonresidential energy charges are calculated by
3 subtracting the energy charge for residential customers
4 from the energy charge -- from the total energy charge
5 and then allocating -- allocating the difference based
6 on nonresidential energy; is that correct?

7 A. That is correct.

8 Q. Okay. Now, refer to settlement Exhibit RKW-2.

9 A. Yes, sir.

10 Q. Okay. This exhibit does not calculate a
11 residential demand cost and a resident -- residential
12 energy cost; is that correct?

13 To the extent that your testimony differs from
14 how the formula is shown in the settlement exhibit,
15 RKW-2, and the proposed BER tariff, would you agree
16 that the tariff would control?

17 A. Would I agree with the tariff what?

18 Q. That the tariff would have governing authority in
19 terms of the calculation of --

20 A. Yes.

21 Q. -- the Biomass Energy Rider tariff? Okay.

22 A. Yes.

23 Q. Okay. Now, if you go down to line 17 of that
24 exhibit, RK dash -- RKW-2, the amount calculated for
25 the C&I biomass energy charge is .003132 per kWh?

1 A. Yes.

2 Q. Do you have a calculator on hand?

3 A. I do. I have an iPhone that has a calculator, if

4 that's -- it's on silent, so --

5 Q. So can you make that calculation? And the

6 formula is to the right on the F column; is that

7 correct?

8 A. Yep.

9 Q. It's OA, which is line 11, all other

10 applications --

11 A. Let me get to my calculator.

12 Q. Okay. Sure.

13 A. I had a BlackBerry till three weeks ago, and I'm

14 still working on this.

15 MS. HARWOOD: Do you want mine?

16 A. That's okay. Okay.

17 Q. Okay. So if you can just make that calculation

18 to see if that -- that number is correct.

19 A. You mean the calculation to get to the .003132?

20 Q. Yes, sir.

21 A. Okay. Yes.

22 Q. Did that come out to .00026?

23 A. That's what I calculate.

24 Q. Okay. Just wanted to confirm that. So the

25 formula there is correct; is that -- is that right?

- 1 A. When you say "the formula" --
- 2 Q. It's on column F.
- 3 A. Yeah.
- 4 Q. That formula to derive that value --
- 5 A. Yeah.
- 6 Q. -- the C&I biomass energy charge, the formula is
- 7 accurate? I'm asking you to confirm that. Is that --
- 8 A. Yeah. Okay. I see what you're saying.
- 9 Q. Okay.
- 10 A. I believe the formula is accurate, yes.
- 11 Q. Okay. But the -- but the product that --
- 12 A. That's --
- 13 Q. The result that arrive --
- 14 A. Yeah. We'll have to -- yeah, it's -- it's not --
- 15 Q. It's not --
- 16 A. -- it's not consistent.
- 17 Q. Okay. So it should be .0026 based upon the
- 18 formula.
- 19 A. Based on the formula.
- 20 Q. Okay.
- 21 A. I mean, let us see what we can do to reconcile
- 22 that.
- 23 Q. Sure. Sure.
- 24 VICE-CHAIRMAN GARDNER: Let's make that a
- 25 post-hearing request one way or the other, so --

1 MR. OVERSTREET: Yes, Your Honor, we'll do that.

2 Q. Okay. Now, if you can refer to page 39 of your
3 settlement testimony.

4 A. Yes, sir.

5 Q. Okay. Lines 10 through 11.

6 A. Yes.

7 Q. And then I'll also reference Exhibit RKW-3,
8 which -- to your settlement testimony, which is the
9 tariff, the revised tariffs, pages 70 through 77. I'm
10 sorry, 70 through 73 of that exhibit.

11 A. Seventy through 73. Yes.

12 Q. Okay. In your settlement testimony you refer to
13 the tariff K-12 as a pilot program; is that correct?

14 A. That is correct.

15 Q. Okay. But the designation does not appear in the
16 proposed tariff attached to your testimony; is that
17 correct?

18 A. That's true.

19 Q. Okay. Do you think that the proposed tariff
20 should be identified as being a pilot?

21 A. I do.

22 Q. Okay. And then refer to page 73 of the exhibit.

23 A. That same Exhibit 3?

24 Q. Yes, sir.

25 A. Okay. Thank you.

1 Q. Okay. Under the -- are you there?

2 A. I am. Thank you.

3 Q. Under the special terms and conditions section of
4 the tariff, it states that, quote, this tariff is
5 available for resale service to mining and industrial
6 customers who furnish service to customer-owned camps
7 or villages where living quarters are rented to
8 employees and where the customer purchases power at a
9 single point for both his power and camp requirements.

10 Can you explain why this language is included in
11 the tariff?

12 A. It's an oversight. As I say, we were taking off
13 of the LGS, and that should come out of there.

14 Q. Okay. Okay.

15 VICE-CHAIRMAN GARDNER: Could you identify that
16 again, please, which tariff?

17 MR. NGUYEN: It's Exhibit RKW-3 to the settlement
18 testimony of Mr. Wohnhas on page 73.

19 VICE-CHAIRMAN GARDNER: Okay. Thank you.

20 MR. OVERSTREET: Mr. Nguyen.

21 MR. NGUYEN: Yes.

22 MR. OVERSTREET: With the Commission's
23 permission, we'd like to just simply file a revised
24 version of the pilot tariff identifying it as a pilot
25 tariff and also removing that --

1 MR. NGUYEN: Sure. I think what we --

2 MR. OVERSTREET: -- anachronism.

3 MR. NGUYEN: -- typically do is, pursuant to the
4 final order, we'll direct the Company to file the
5 tariff according to the --

6 MR. OVERSTREET: All right. Thank you.

7 VICE-CHAIRMAN GARDNER: So you don't need that as
8 a post-hearing --

9 MR. NGUYEN: No. I think the final order should
10 take care of that.

11 VICE-CHAIRMAN GARDNER: Nor the prior one? What
12 about the prior one, the pilot designation with respect
13 to tariff --

14 MR. NGUYEN: Well, let's go ahead and get that in
15 as post-hearing -- responses to post-hearing data
16 requests just in case.

17 MR. OVERSTREET: The revised tariff?

18 MR. NGUYEN: Yes.

19 MR. OVERSTREET: Thank you.

20 VICE-CHAIRMAN GARDNER: But not the last one?

21 MR. NGUYEN: For both.

22 VICE-CHAIRMAN GARDNER: Okay.

23 MR. NGUYEN: For both.

24 VICE-CHAIRMAN GARDNER: Okay. All right. We'll
25 go through these at the end and make sure.

1 MR. OVERSTREET: Surely.

2 Q. (By Mr. Nguyen) Okay. Can we switch now to the
3 settlement agreement itself?

4 A. Yes.

5 Q. Okay. Paragraph 1(a) of the settlement
6 agreement.

7 A. On page 4?

8 Q. Let me flip to that real quick. Yes, on page 4.

9 A. Yes.

10 Q. Okay. Under the heading General Rate Change.

11 A. Yes.

12 Q. It states that new retail rates are to be
13 effective June 30th, 2015, resulting in a decrease of
14 20 -- \$23 million in the amount to be recovered through
15 base rates; is that correct?

16 A. Yes.

17 Q. Can you explain why there is a decrease of
18 \$23 million in base rates?

19 A. Overall why there's a decrease?

20 Q. Yes.

21 A. I mean, it's part of the black box of different
22 things that change from initial \$4 million to the
23 \$23 million. That was there -- if you go to the -- and
24 look at, there was pieces of the different riders that
25 were positive, and then, I mean, you look at

1 \$45.4 million, the black box is the \$23 million
2 reduction.

3 Q. Okay. Can you now go down to paragraph 1(b) of
4 the agreement, where it states that the proposed
5 tariffs will generate an additional \$45.4 million in
6 retail rates?

7 A. Yes.

8 Q. Okay. Can you provide, or if you know, what the
9 annual amounts to be collected through the Big Sandy
10 Retirement Rider and the Big Sandy 1 Operating Rider --

11 A. Yes, I have those. It's --

12 Q. Okay.

13 A. For the BSRR would be 16.7 million.

14 Q. And that was what was mentioned earlier; is that
15 correct?

16 A. Yeah. That was -- yeah, it was initially filed
17 at 21 and it was 16.7.

18 Q. Okay.

19 A. For the Big Sandy 1 Operation Rider, it would be
20 18.3 million.

21 Q. And what was it as filed?

22 A. 18.3.

23 Q. Okay. So --

24 A. That one stayed the same.

25 Q. Okay.

1 A. For the recovery of the Mitchell FGD through the
2 environmental surcharge is 33.1 million, and that's a
3 reduction of about \$1.2 million due to -- or about
4 \$1.3 million due to the change in the WACC and one
5 other small component.

6 And then the fourth piece is the economic
7 development surcharge, which is .3 million. So those
8 three add up to the 68.4 million, and then when you
9 subtract the 23 million, you come back to the
10 \$45.4 million.

11 Q. Turn now to paragraph 6(d).

12 A. Six, you say?

13 Q. Yeah, 6.

14 A. (B) as in boy?

15 Q. (D) as in delta.

16 A. Oh, I'm sorry. Yes.

17 Q. Okay. This is regards to the BSRR. And (d)
18 states that the monthly BSRR revenues that exceed the
19 current month pretax weighted average cost of capital
20 carrying charges on the unamortized balance of the BSRR
21 regulatory asset, which includes both the unamortized
22 BSRR costs initially included in the BSRR revenue
23 requirement and the post June 30, 2015, actual
24 retirement-related costs subsequently deferred, those
25 will be -- those will be used to reduce the unamortized

1 BSRR costs to be recovered.

2 Can you explain what would happen if there were
3 an underrecovery of such costs in any year?

4 A. If there -- I'm sorry, you tailed off at the end.
5 Underrecovery?

6 Q. If there were underrecovery of such costs in
7 any -- in any year. In the event of there being any
8 underrecovery of those particular costs.

9 A. Well, I don't think it -- because of the costs
10 are going to continue to go up, that that -- that would
11 happen.

12 Q. So you don't contemplate any scenario where the
13 costs would --

14 A. You know, I can't, you know, because, you know,
15 the idea behind this -- the change is that, you know,
16 because there's no estimates or such, we're only -- we
17 will be increasing the costs when they incur. The idea
18 of that scenario -- would be hard for it to work out.

19 You know, if it did, you know, I think that --
20 and be consistent, that we would ask for that to be
21 as -- you know, be included going forward.

22 Q. Okay. Okay. And for the Big Sandy 1 Operating
23 Rider, you said that that was a temporary rider that
24 will be in place only until the Big Sandy 1 unit has
25 been fully repowered to use gas, and then those costs

1 will be recovered in the next base rate case; is that
2 correct?

3 A. It will stay in effect up until the next base
4 rate case is -- the order has been completed.

5 Q. Okay.

6 A. So, just for example, if Big Sandy 1 is converted
7 as expected in the May-June time frame of 2016 --

8 Q. Right.

9 A. -- and the Company -- that -- the BS1OR will stay
10 in effect past that up until the next base rate, so if
11 our next base rate is at the end of 2016, I mean, the
12 rates will be effective roughly July of '17, the BS --
13 BS1OR would stay in effect up until July of '17.

14 Q. Okay. So that would be the logical sequence --

15 A. Yes, sir.

16 Q. -- for when the BS1OR rider would then be
17 terminated --

18 A. Terminated and all the numbers --

19 Q. -- and those numbers would be rolled into base
20 rates?

21 A. Yes, sir.

22 Q. Okay. With respect to the conversion, the
23 repowering of Big Sandy Unit 1, what's the status?

24 A. At this time we are on target both for costs and
25 for meeting the timeline. The -- Columbia Gas was

1 awarded the contract to build the line, the pipeline to
2 the Big Sandy unit, and that -- they have acquired all
3 the right-of-way easements and such, and they're on
4 target to build that line up to the Company.

5 The -- from the standpoint -- as Mr. McManus
6 stated earlier, in the November time frame Big Sandy 1
7 is now scheduled to go down, and then we will work
8 towards having the -- what needs to be done inside of
9 our unit, as we say, inside the fence, completed by the
10 May time frame. So it's on target.

11 Q. So as it stands right now, all the work that's
12 being done is, as you said, outside the fence, or is
13 there any work that's done --

14 A. There's engineering work that's being -- you
15 know, for our engineers to be prepared for when, you
16 know, it shuts down, but there's no construction.

17 Q. Okay. Refer to paragraph 12 of the settlement
18 agreement. I'm sorry, page 12 of the settlement
19 agreement, paragraph 8.

20 A. Page 12, and where at? I'm sorry.

21 Q. Paragraph -- it's 8(f).

22 A. 8(f). Okay.

23 Q. That subparagraph discusses refunds to be made in
24 2019 related to excess vegetation management funds.
25 The total annual refund would be approximately

1 \$11 million -- \$11.8 million; is that correct?

2 A. That's -- all right. That's -- I just want to --
3 that's really not a refund. I mean, what that is -- it
4 is, I just want to make sure. We are reducing --

5 Q. Sure.

6 A. -- okay, rates to the customers effective at that
7 time for \$11.8 million.

8 Q. Can you explain how base rates would change in
9 order to effect this reduction? For example, would it
10 be through a reduction in the energy charge, demand
11 charge, or a combination thereof?

12 A. Yeah, it would be as those costs were -- you
13 know, assuming, you know, that we're not in for base
14 rates in between this period of time, just to make the
15 example clear, however we applied those rates to
16 develop the -- you know, the allocations, then we would
17 reverse the same thing.

18 So in other words, we said that the \$10.7 million
19 that was part of the initial -- the additional money
20 was mainly given to primary/secondary voltages,
21 delivery-type residential customers, so more of that
22 would be then reduced from the residential class, but
23 it would be also spread across all the primary and
24 secondary as we implemented it in the rate design for
25 this case.

1 Q. Okay. Would that go towards an allocation that
2 is made between class schedules and not within a class
3 schedule itself?

4 A. I'm not sure I understand the question. I
5 apologize.

6 Q. The allocation methodology that you just
7 explained, where it would be a reverse allocation of
8 how those funds were initially applied in the first
9 instance, would that be -- would that also involve an
10 allocation within a rate class as opposed to
11 allocations amongst rate -- rate classes?

12 A. It very well could, yes.

13 Q. Okay. Can you turn now to pages 15 and 16 of the
14 settlement agreement? It's paragraph 11(e).

15 A. Yes.

16 Q. Okay. This paragraph describes the allocation of
17 fuel costs to be used following the end of what is
18 termed the overlap period, which is January 1, 2014,
19 through May 31st, 2015.

20 Can you confirm that the allocation methodology
21 described in this paragraph is the same as that
22 currently used by Kentucky Power?

23 A. It is.

24 Q. Okay. And then turn now to page 21 of the
25 settlement agreement, paragraph 19(f). This is the

1 tariff PPA provision?

2 A. Yes, sir.

3 Q. Okay. Kentucky Power is requesting a change in
4 the PPA tariff to allow for recovery of power purchases
5 in excess of the peaking unit equivalent; is that
6 correct?

7 A. For those that aren't recovered through the fuel,
8 yes.

9 Q. For those that's not recovered through the FAC?

10 A. That is correct.

11 Q. Okay. And the reason Kentucky Power is allowed
12 to use a peaking unit equivalent is because at that
13 time it did not have a combustion turbine like the
14 other jurisdictional electric utilities; is that
15 correct?

16 A. And that's correct.

17 Q. Okay. After Big Sandy 1 is converted to natural
18 gas and becomes operational, would Big Sandy 1 replace
19 the peaking unit equivalent as the limit for purchased
20 power recovery through the FAC?

21 A. I'm not sure. You know, it could be. You know,
22 we're discussing that. It could be a possibility that
23 it could be used as that, but it's not a normal full
24 gas combined cycle unit and so it may not work. So
25 other than it's being discussed, I don't have much more

1 than that.

2 Q. Okay. Do you know when a determination will be
3 made as to whether or not -- when Big Sandy Unit 1 is
4 repowered, it will be the peaking unit equivalent?

5 A. I don't. I mean, I don't.

6 Q. Okay. Okay. Can you refer to Exhibit 1 of the
7 settlement agreement now?

8 A. One of the settlement agreement?

9 Q. Yes, sir. Sorry. I'm sorry. Scratch that.
10 That's -- you've already provided --

11 A. Okay.

12 Q. -- that answer.

13 Can you switch to Exhibit 4 of the settlement
14 agreement?

15 A. And that's the calculation of the monthly base
16 amount for environmental costs?

17 Q. Yes. Column 7 is the Mitchell non-FGD costs; is
18 that correct?

19 A. Yes, it is.

20 Q. Okay. For each month of the test year. Can you
21 provide a supporting schedule as part of a response to
22 a post-hearing data request in electronic form showing
23 how the amounts in column 7 were determined?

24 A. Yes.

25 MR. OVERSTREET: We will provide that.

1 MR. NGUYEN: Okay.

2 Q. And now can you go to Exhibit 8 of the settlement
3 agreement, which is the Big Sandy 1 Operating Rider
4 tariff?

5 A. Yes, sir.

6 Q. Okay. At the top of the page, BS1D -- I'm sorry.

7 A. Which page of the --

8 Q. I'm sorry. On page 2 of 2.

9 A. Okay. Thank you.

10 Q. On the second page. Do you see at the top of the
11 page where BS1D is defined as the actual annual retail
12 Big Sandy Unit 1 demand-related costs?

13 A. Yes.

14 Q. Okay. And then BS1E is the actual annual retail
15 Big Sandy Unit 1 energy-related costs?

16 A. Yes.

17 Q. Okay. Can you tell us how it will be determined
18 which costs are demand-related and which are
19 energy-related?

20 A. I mean, we have -- I guess it would be better
21 for -- if you don't mind, for a post-hearing data
22 request on that so that --

23 Q. Okay.

24 A. -- I can tell you properly how those are going to
25 be exactly determined. I mean, I know Energy, O&M, I

1 just don't know the details behind those.

2 Q. Okay.

3 A. And I'll give it to you properly.

4 Q. Perfectly reasonable. Can you switch back to --
5 can give me one second?

6 Can you turn to your settlement testimony,
7 Exhibit RKW4? That's the proof of revenue spreadsheet.

8 A. Yes.

9 Q. Okay. Are you there?

10 A. Yes, I am.

11 Q. Okay. Question about the calculation of the
12 environmental surcharge revenue for each of the rate
13 classes. And I'll -- I'll just use the residential
14 rate class as an example. So there's a -- there's a
15 spreadsheet for residential underneath the combined
16 schedule, the summary schedule.

17 A. Yes.

18 Q. Okay. If you go to that residential worksheet,
19 you can see on top of this page that the Big Sandy
20 Retirement Rider and the environmental surcharge are
21 both based on a percentage of revenue calculation; is
22 that correct?

23 A. They are.

24 Q. Okay. And you can also see that the calculation
25 for the environmental surcharge does not include the

1 BSRR revenues.

2 A. That is correct.

3 Q. Okay. Can you explain why that is?

4 A. The Company -- the Big Sandy 1 -- I'm sorry. The
5 BSRR is in recovering the amount of -- the
6 environmental -- the environmental surcharge, and I
7 apologize, the Company doesn't believe should be tacked
8 onto the costs of retiring Big Sandy -- the retirement
9 costs of there, thus we're using the same revenue
10 requirement so that you're not adding on top of the
11 environmental costs to be recovered.

12 Q. And why is that?

13 A. Don't think it's appropriate, you know, to have
14 those costs -- I think that's providing too much
15 recovery of the environmental cost.

16 Q. Okay. Okay. Are any of the costs associated
17 with the -- switching gears now. Going to the Connor
18 Run ash pond. If you know, are any costs associated
19 with the Connor Run ash pond included in the proposed
20 2014 environmental compliance plan?

21 A. They are not.

22 Q. They are not. Going back to the settlement
23 agreement. I'm sorry. Last question.

24 A. That's okay.

25 Q. Regarding the off-system sales sharing that's

1 agreed to nonunanimous -- presented in the nonunanimous
2 settlement agreement to share 75/25, 75 percent going
3 to the ratepayers and 25 percent going to Kentucky
4 Power's shareholders above what is embedded in base
5 rates, the level of off-system sales, that's embedded
6 in base rates; is that correct?

7 A. Yes.

8 Q. Okay. What's the proposed level of off-system
9 sales that's to be included in base rates?

10 A. \$15.136 million.

11 Q. Okay. And I assume that you think that that's a
12 reasonable splitting arrangement, sharing arrangement?

13 A. As part of the settlement and the idea of, you
14 know, compromise amongst the parties, you know, balance
15 of the whole settlement discussions, yes, we believe
16 it's fair, just.

17 Q. Okay. From the -- from Kentucky Power's
18 perspective, why do you think that that's reasonable?
19 Beyond -- from Kentucky Power's perspective, as a
20 result of the settlement, why do you think that that's
21 reasonable?

22 A. Why do we think that's reasonable?

23 Q. Yes.

24 A. The initial number that we had in there was 14 --
25 about 800,000 less than that number, and it was

1 adjusted for weather and stuff with the polar vortex,
2 so it's very close to the number we initially had in
3 our proposal, so it seems reasonable.

4 MR. NGUYEN: Thank you. Those are all the
5 questions I have.

6 EXAMINATION

7 By Vice-Chairman Gardner:

8 Q. Good afternoon, Mr. Wohnhas.

9 A. Good afternoon.

10 Q. I'm going to ask a few questions related to
11 results of the -- during the 17-month period between
12 Mitchell -- the Mitchell case and where we are today.

13 So the prior settlement -- the prior settlement
14 had that the Mitchell fuel costs would be lower --
15 expected to be lower than the Big Sandy fuel costs
16 going forward, and, in fact, the settlement actually
17 said that it was expected or anticipated.

18 It says, (Reading) Based on 2012 jurisdictional
19 kilowatt hour sales of 6.7 gigawatts, the benefits are
20 estimated to total 16.75 million annually.

21 In other words, that's how much in the long run
22 the customers of Kentucky Power would benefit by having
23 Mitchell for generation rather than Big Sandy?

24 A. Yes.

25 Q. Okay. What I'd like you to do, since we have, I

1 guess, maybe a 16-month period now, since the 17-month
2 is May, is I'd like to see, in however -- whatever
3 methodology was used to compute that 16.75 million, I'd
4 like you -- I'd like to see what that cost was in those
5 16 months.

6 In other words, how much, you know, was -- so I
7 can get at how much Mitchell fuel costs were, how much
8 Big Sandy fuel costs were, realizing there's going to
9 be different kilowatt hours, you know, so -- but just
10 using whatever methodology you did to --

11 A. So the cost of the coal that was burned at
12 Mitchell versus the cost of coal that's burned at Big
13 Sandy for the -- for this 16-month period.

14 Q. Right. Assuming that's how -- what you-all did.
15 Okay. Let me write that.

16 Okay. The -- let me make sure I understand the
17 off-system sales. So prior to Mitchell, there was in
18 the neighborhood of 15 million and change or 14 million
19 and change in base rates for off-system sales; is that
20 right?

21 A. Approximately.

22 Q. Okay. And above -- during the pre-Mitchell,
23 above that, consumers got -- customers got 60 percent
24 of the benefit and liabilities and the Company got
25 40 percent, right?

1 A. That's correct.

2 Q. And then in the Mitchell settlement, the -- that
3 15 or so was left there, but the Company got all of the
4 off-system sales above that 15 million?

5 A. That's correct.

6 Q. Okay. I'd like to see, during that 16-month
7 period, what those numbers were by month.

8 A. Okay.

9 Q. Okay. The -- during the 17-month period, or
10 16-month, the Mitchell case set the environmental
11 surcharge mechanism at zero for that period?

12 A. That's correct.

13 Q. And I'm -- this is a rough number. Is it -- is
14 it approximately right that there was 40 million
15 embedded in base rates at that point?

16 A. I don't have -- I don't have that number.

17 Q. Okay.

18 A. So --

19 Q. So --

20 A. -- that -- that one I don't know off the top of
21 my head.

22 VICE-CHAIRMAN GARDNER: Okay. So if we could
23 have -- I mean, I don't know if a witness can do that
24 or you want to provide that in post-hearing data
25 requests, but I'd like to see that.

1 MR. OVERSTREET: We'll -- I think we can
2 certainly do it in post-hearing data requests.

3 VICE-CHAIRMAN GARDNER: Okay.

4 Q. And then, whatever that number is, I'd like to
5 know what the environmental costs were during the
6 16-month period above or below that baseline. Does
7 that make sense?

8 A. It does.

9 Q. Okay. Okay. The -- and unfortunately I'm going
10 to be jumping some now, so -- although in the -- as one
11 of the terms, actually in paragraph 19 of the Mitchell
12 settlement, the Company agreed to do an RFP for a
13 hundred megawatts of wind. Do you remember that?

14 A. I do remember that.

15 Q. And it --

16 A. An RFI, I believe it said.

17 Q. Right.

18 A. RFI.

19 Q. Right. What did I say?

20 A. I thought you said RFP --

21 Q. Yeah, yeah, yeah.

22 A. -- but I think it's RFI.

23 Q. Yes. And you did -- and then you said you'd have
24 to have that in the -- as part of your IRP, your next
25 IRP, and it --

1 A. And it was --

2 Q. -- in fact, and it was --

3 A. -- it was in the IRP that --

4 Q. And it --

5 A. -- was filed, yes.

6 Q. You're correct. It was in the IRP. Also in the
7 IRP -- one second here. And the IRP was 2013-475.
8 You-all also had -- in Exhibit 4-15, you had
9 indicated -- you had this table. I'm just going to ask
10 in general, but -- and you got with respect to Big
11 Sandy 1, Big Sandy 2, Mitchell, Mitchell, new capacity
12 additions, and then you had your -- what you were
13 proposing in 2009 and then what you were proposing for
14 your 2013 IRP. Okay?

15 A. Uh-huh.

16 Q. That table. And it does -- and it says -- one of
17 the provisions says, (Reading) Assumes addition of
18 100 megawatts of wind starting in 2015.

19 So I'm -- so I would like to know now what the
20 status of that is, if you know, or where -- because
21 this was the 2013 IRP.

22 A. Yeah. We have not entered into anything for
23 wind. The one -- the RFI had -- you know, the
24 possibility gave us indicators. We also, as you are
25 aware, have a biomass facility that was approved that's

1 in -- it's in current litigation.

2 And so even though that was in there as a
3 possibility, we have not moved forward as of yet on
4 that wind. It's on -- still in the -- out there as a
5 possibility, but we have not done anything.

6 Q. And it also says, (Reading) Adds distributed
7 solar beginning in 2016. It -- with respect to those
8 matters, even including -- because it's got listed the
9 ecoPower 58.5 megawatts.

10 Is part of the issue that demand or load has not
11 increased as much as you-all were anticipating with the
12 2013 IRP?

13 A. That's definitely part of it. As we look at --
14 as -- you know, we are now stand-alone, you know,
15 Kentucky Power, because of the pool terminating, and so
16 we currently have -- you know, when Big Sandy 2 is
17 retired, you know, have a reserve margin, depending on
18 whether you use PJM to whatever, but somewhere 15 to
19 20 percent.

20 And so as you look towards, you know, investing,
21 knowing that we're going to bring on Big Sandy Unit 1
22 as a gas facility, and it's planned for the next, you
23 know, hopefully 15 -- 10 to 15 years, you know, how
24 much -- you know, our load is not increasing right now
25 due to the -- what we have lost specifically in the

1 mining industry, and so -- which is part of why we have
2 pushed so much for the economic development, to
3 encourage something else to take the place of that.

4 And so we continue to monitor, continue to
5 review, and we have those, you know, looking for, you
6 know, opportunities that may be even better than that
7 as we go forward, you know, looking at solar and wind,
8 but that encompasses all last year.

9 Q. Okay. Let me ask you a question about the -- I
10 want to follow up because I think I understood what you
11 said. It's the -- if you'd look to page 8 of your
12 settlement testimony, and at the same time look at the
13 general rate change. I guess that's page -- it's
14 paragraphs 1 -- paragraph 1(a) and (b) which Commission
15 counsel asked you about. This is basically the
16 numbers, how the numbers were arrived.

17 So your answer to what Mr. Nguyen asked you was
18 not what I -- how I figured the -- these numbers, so
19 let me ask this: First, with respect to the 44
20 million, previously it was in a rider approved by
21 the -- by the Commission in the Mitchell case.

22 A. That is correct.

23 Q. Okay. And what you -- now, when you were
24 determining what base rates were and the \$23 million
25 decrease in base retail rates, were you including that

1 44 million as part of base rates even though it was a
2 rider?

3 A. Yeah. And let me kind of --

4 Q. For this calculation.

5 A. Right. And let me just kind of go through the
6 steps. I didn't do a good job of explaining that
7 earlier. Is that, you know, the ATR was a rider.

8 Q. Right.

9 A. And so the first step is to move that rider
10 dollars into base rates. So that's the first step
11 there.

12 Then what happens is, you look at the rest of --
13 you know, once that's in there, we look at what we
14 filed in the case, and originally that was \$4 million
15 as a base decrease, and -- but, you know, with the
16 settlement that's \$23 million that the -- that the
17 customers -- because they were already paying
18 \$44 million, and so that's why, when we talk about base
19 rates, that to move from -- the movement from a rider
20 to base rates is a first step and why we don't use that
21 and say, you know -- again, trying to be transparent.
22 It's not part of -- because they were already paying
23 it.

24 Q. Okay. So --

25 A. So the 23 million is after moving the \$44 million

1 to base rates.

2 Q. So does that mean that -- okay. So the 44
3 million was moved, and then the 23 million was a
4 reduction of whatever base rates were plus the 44
5 million?

6 A. Yes.

7 Q. Okay.

8 A. Yes, sir.

9 Q. And I think one of the -- so from what -- from
10 what were base rates, does that mean the new rates are
11 comparing apples to apples? Does that mean it was
12 really a \$67 million reduction in base rates compared
13 to base rates, you know, two months ago, if you have --
14 because the rider was a separate charge on the bill,
15 right?

16 A. Yeah. And that -- and that's where it gets a
17 little confusing when you think about --

18 Q. Is that correct?

19 A. -- base -- you know, we look at -- we look at the
20 riders being separate from base rates, so --

21 Q. Except in this case.

22 A. You know, but they're already paying, you know,
23 \$44 million, and normally you don't -- you know, so
24 you're transferring that over, you know.

25 Q. But --

1 A. The perspective -- I understand what you're
2 saying, but that's --

3 Q. Is that right? So sort of other than the 44
4 million, there was a \$67 -- 67 million reduction in
5 base rates to come up with the \$23 million? That's one
6 way of looking at it?

7 A. Well, if that's -- yes.

8 Q. Okay. And on your -- by your own knowledge and
9 then also listening to --

10 A. Can I -- you know, I don't -- I think I'm going
11 to -- I'm not sure I agree with that. I understand
12 what you're saying, but, you know, I think we need to
13 be careful, and I'm just trying to make sure that we
14 don't --

15 Q. Okay. So --

16 A. -- put something in there you -- you know, the
17 customers was paying \$44 million through a rider.
18 Okay. Now, if -- at the time of the rates, you know,
19 again, the first step, they continue to pay \$44 million
20 instead of --

21 Q. It's just now in base rates?

22 A. It's just now in a -- instead of being in a -- in
23 a rider line, it's in a cents per kilowatt hour under
24 your energy charge. All right. And then with that --
25 you know, so the -- you now have 23 million, then you

1 have \$23 million of base reduction.

2 So, you know, I think the better way to look at
3 it is you have a net, you know, to base rates. If you
4 really want to talk base rates, all right, you have a
5 net of 23, 33, a \$17 million increase, but I have a
6 \$44 million decrease over here from that one line item.

7 Q. Okay.

8 A. Does that make more sense?

9 Q. It -- they all make sense --

10 A. Okay.

11 Q. -- but that's -- I didn't understand that before
12 today --

13 A. That's okay.

14 Q. -- what was going on.

15 So was one of the -- well, you heard Mr. McManus
16 indicate that there really wasn't any difference in the
17 expectations as far as environmental liabilities with
18 respect to Mitchell. Is that your understanding too?

19 A. Yes.

20 Q. Okay.

21 A. I can -- I can give an update. It was asked
22 earlier with Connor Run with the idea of Murray. You
23 know, it hasn't been signed, they're still in
24 negotiations, and, you know, we had an informal
25 conference with the Commission where we -- and the

1 parties to this case where we explained that, and, you
2 know, that still has not been completed, you know, but
3 they are -- we, with Murray, are still working on the
4 language to complete that.

5 Q. Okay. In this, one of the things that we're
6 being asked to approve is, in effect, approving the
7 \$12 million in deferred costs over a five-year period
8 from storm -- previous storm damage where we had
9 already, in a prior case, approved those for regulatory
10 asset.

11 In this case were we provided all the details of
12 where that 12 million came from? Because wouldn't that
13 have been -- pardon me.

14 A. That's -- yeah, we provided it in this case.

15 Q. Okay. Are you aware of the Commission having
16 done anything related -- it's got two components to it.
17 Where there is an RTO cost deferral tied to ROE. Are
18 you aware of the Commission having done anything like
19 that before?

20 A. I am not aware; no, sir.

21 Q. And are you aware of NERC compliance,
22 cybersecurity deferral, doing anything like that
23 before?

24 A. Not -- no, I'm not -- not in this -- in the
25 Kentucky Commission, no.

1 Q. Okay. Sorry. Do you -- do you believe -- and in
2 your testimony, your original direct testimony, you
3 talked about -- you talked about the Big Sandy BSRR
4 rider being approved with a different name in the
5 Mitchell case.

6 A. I do remember that, yes.

7 Q. And you specific -- in your direct testimony you
8 specifically make reference to the Mitchell case and
9 what paragraphs. Do you remember that?

10 A. I do.

11 Q. Okay. Then when you described the Big Sandy
12 operating rider in your direct testimony, you make no
13 reference to the Mitchell settlement agreement. Is
14 there -- did you -- do you believe that that wasn't
15 specifically mandated or required or discussed in that
16 case and that's why you didn't mention it?

17 A. There -- you know, as we looked at the Mitchell
18 settlement, it was clear, and we called it the AR --
19 ATR-2, which we felt was confusing, so we asked that it
20 be changed to BSRR.

21 In other words, there was specific language
22 around recovering the retirement costs, coal-related
23 retirement costs, so that was straightforward.

24 Q. And that would go in with the retirement costs of
25 Big Sandy 1?

1 A. Big Sandy -- well, 2 and --

2 Q. Excuse me. Big Sandy 2 --

3 A. And the coal-related of Big Sandy 1.

4 Q. Right. Right. Right.

5 A. Yes.

6 Q. Would go in with the retirement of Big Sandy 2?

7 A. Right.

8 Q. Okay.

9 A. At the time that that settlement was signed and
10 such, it -- the plan still was, because we had not
11 received permission -- approval to move forward with
12 converting Big Sandy 1 to gas, was that Big Sandy 1
13 would also retire pretty much at the same time. So
14 that being said, we could have pulled all the
15 coal-related, the ongoing operations could have stayed
16 in base rates.

17 When we received permission to -- when --
18 approval to move forward with the CPCN of the Big Sandy
19 Unit 1 gas conversion, we also asked for, from the
20 state, a one-year extension to burn it as coal, then it
21 was upon us, how do I take out --

22 Q. Because the --

23 A. -- those costs --

24 Q. Because you were converting it?

25 A. That's right. And we still -- and we would still

1 be operating as coal during -- longer than we
2 anticipated, and then it was the Company, as we looked
3 at it, how do I show those costs, and so this rider was
4 the Company's way of trying to break those out, be in
5 the spirit of the Mitchell settlement, but it did not
6 specify it out because it didn't anticipate that, and
7 then being transparent with those costs.

8 You know, it's not increasing the costs, it's
9 moving those costs out of base rates into a rider
10 temporarily, and then it will temp -- then we'll move
11 it back.

12 Q. So --

13 A. It was just in the spirit of the Mitchell, but it
14 was not in -- you know, specified specifically in that
15 settlement.

16 Q. The way it was --

17 A. That's --

18 Q. -- with respect to the retirement costs of Big
19 Sandy 2?

20 A. Absolutely, sir.

21 Q. Okay. And in several places -- I guess in a
22 couple places in your testimony, basically you say that
23 if this doesn't -- if we do not approve this particular
24 rider, that you-all will have to file another base rate
25 case in order to recover those costs. Is that not a

1 fair statement?

2 A. I don't know that we said we have to file -- you
3 know, to move those back into base rates becomes very
4 difficult, all right, because of the continuing to
5 operate as coal.

6 I don't -- I don't believe I said we'd have to
7 file another base rate case, but we'd have to -- you
8 know, the base rates would have to change somehow to
9 incorporate those, because they're -- you know, they
10 are proven costs that are going to be incurred, and the
11 current layout is those to be ran through a rider, and
12 so if that's denied, then, you know, they have to go
13 back into base rates.

14 Q. Okay. Well, I won't make everybody wait, but --
15 well, one of the things you say is -- and this is in
16 your rebuttal on page 11. You say, (Reading) By
17 allowing the Company to recover these costs when
18 incurred, the BS10R will eliminate the need for a base
19 rate case proceeding following the conversion.

20 A. Yes, and that has to do with what part of the
21 BS10R is flowing through the -- through that. The --
22 once that unit goes in service, we will get a return on
23 and of that investment up until whenever we do file a
24 base rate case.

25 So, for instance, as far as a CPCN filing, Big

1 Sandy is estimated to be \$50 million to convert Big
2 Sandy. That was the number that was in that filing
3 that the Commission approved.

4 Let's assume that it hits the \$50 million target.
5 We would then -- once it goes into service as part of
6 the BS10 -- BS10R, we would recover a return on that
7 going forward, which would then -- by getting that
8 recovery then, would then push out when we'd have to --
9 some costs of what we'd have to push out for the next
10 base rate case.

11 Q. But it is fair, if we don't approve it, it will
12 accelerate the time in which you likely would be filing
13 a rate case?

14 A. If you -- that portion of that, it could bring it
15 in sooner, yes.

16 Q. Okay. The -- okay. Let me ask you what you know
17 about the -- are you -- again, there are so many cases.
18 I think I counted seven before this one or eight before
19 this one.

20 In the Mitchell case, one of the things we
21 wanted -- we were concerned about was what -- how it
22 was performing during this interim period and how --
23 and what the status of environmental regulations were.

24 A. I do.

25 Q. And you-all -- and we required you-all to file

1 reports.

2 A. Yes, we file an annual report.

3 Q. Right. And I've got a couple questions relating
4 to what appears to be a discrepancy in the budgeting
5 between those two -- between the 2014 report that you
6 filed and the 2015. Are you someone that I should ask
7 that and maybe let the --

8 A. Well, you could ask, I may, and if not, you know,
9 Witness LaFleur is here --

10 Q. Okay.

11 A. -- and he very possibly, if I can't, may be able
12 to.

13 Q. It's not -- it's not the environmental expense
14 that I had the question about. There were tables as to
15 what would be the Mitchell plant capital investments
16 and the Mitchell plant O&M, and there was actuals,
17 budget, and then you budgeted 2014.

18 In other words, the first time you gave actuals
19 for O&M and capital for 2013, and then with each of
20 those you did a budget for 2014.

21 For example, for O&M your budget was 42 million.
22 So this is the 2013 report that you filed in early
23 2014. You budgeted 42,745,000 for O&M.

24 A. All right.

25 Q. And then when I looked at the report that you-all

1 filed in 20 -- 2014 -- excuse me, for 2014 and early
2 2015 --

3 A. Yes, sir.

4 Q. -- the O&M that you've got listed for budget for
5 Mitchell for O&M was 20,000,468. So it appears that
6 there was a -- the budget for O&M was half of what you
7 said it was going to be. Likewise --

8 A. No, go ahead.

9 Q. And likewise, when we look at capital for
10 Mitchell, you said it was going to be 89 million, and
11 the next budget ended up being 38 million. Excuse me.
12 44 million.

13 So I'm wondering what -- if I'm reading those two
14 tables right or if something was different that you
15 know or --

16 A. Sure. I can't speak to specifics of the budget
17 changes, I can tell you the budget process, and then
18 maybe Witness LaFleur will know the specifics.

19 But, you know, when we -- the timing of when
20 those budget dollars are, we -- we do a lot of budgets
21 in advance, and so the 2014 would have -- could have
22 been the best we knew at that time, and then as we got
23 through -- later on we adjust those budgets for things
24 that become more relevant that need to be changed.

25 Q. So --

1 A. All right. So you could have -- and it -- you
2 know, a budget set at -- and we do sometimes two and
3 three years in advance. You set something, and then as
4 you get closer to that, you adjust those budgets based
5 on things that have changed.

6 Q. So --

7 A. So it's very possible that the first report had a
8 budget at so much, but then as we got there --

9 Q. A year later --

10 A. -- we --

11 Q. -- the budget for that year --

12 A. Would change.

13 Q. Okay.

14 A. Now, as far as why, you know, the specifics
15 around that, I wouldn't have those available.

16 Q. Well, I don't --

17 A. But that's the process --

18 Q. Okay.

19 A. -- that happens.

20 Q. Well, I'll ask that question. I believe I just
21 have one more couple questions -- or questions on one
22 more topic, and that has to do with the Mitchell
23 purchase by what we thought was going to be Appalachian
24 Power and it ended up being Wheeling.

25 And in looking at the agreement, it was difficult

1 to see what the -- what consideration -- what the net
2 fair market value was paid for by Wheeling for that
3 50 percent.

4 Is there anyone here who could answer some
5 questions related to the -- what was paid and what was
6 shown? I know it -- I know that they delayed some of
7 it going into rate base, maybe 17 percent or 19
8 percent, but I'm -- in looking at the agreement, I
9 didn't see.

10 So is there anyone here who I could ask that, or
11 should I do that by --

12 MR. OVERSTREET: We're certainly happy to answer
13 by post-data -- post-hearing data request, but I'm --
14 my cheat sheet suggests that maybe Mr. LaFleur could
15 answer that question.

16 VICE-CHAIRMAN GARDNER: Okay. I'll ask him that
17 and we'll see where we are at that point.

18 That's all I have. Thank you, Mr. Wohnhas.

19 A. Thank you, sir.

20 VICE-CHAIRMAN GARDNER: Do you have any redirect,
21 Mr. Overstreet?

22 MR. OVERSTREET: Well, I have a little bit of
23 redirect. Were we planning on taking a break or not?
24 I'm happy to go and then we'll take a break or -- I
25 just don't want to wear him out.

1 VICE-CHAIRMAN GARDNER: Sure. It's -- I'll let
2 you-all decide. I mean, we can --

3 MR. OVERSTREET: We'll --

4 VICE-CHAIRMAN GARDNER: -- we can finish him
5 and -- or we can take a break now for lunch.

6 MS. HANS: We have no additional questions at
7 this time, Your Honor.

8 MR. COOK: No.

9 MR. KURTZ: I would like to ask one question.

10 MR. OVERSTREET: Go ahead.

11 RE CROSS-EXAMINATION

12 By Mr. Kurtz:

13 Q. Mr. Wohnhas, Kentucky Power filed this case two
14 different ways, your filed case, with the PJM tracker
15 and without the PJM tracker. Correct?

16 A. With the transmission -- oh, not the -- not the
17 tracker. That was --

18 Q. Okay. Well -- okay.

19 A. -- the two differences, yes.

20 Q. And with the P -- and your preference was to get
21 the PJM OATT tracker approved?

22 A. That is correct. And the transmission set
23 consistent with FERC, yes.

24 Q. Okay. And that is not part of the settlement.
25 There is no P -- there is no OATT tracker?

1 A. That is correct. And the rates, and when we look
2 at the -- when you look at the 12.61 percent, you know,
3 looking at strictly the residential versus 16.04, and
4 the numbers we show show that without the transmission.

5 Q. That's what I wanted to ask you.

6 A. And we -- so we've -- everything in the -- in the
7 settlement -- in my settlement testimony and in the
8 settlement document itself are without the transmission
9 adjustment.

10 Q. But under your preferred case, with the Open
11 Access Transmission Tracker, the residential increase
12 would have been 16.04 percent versus the 9.89 percent
13 under the settlement?

14 A. Yes.

15 MR. KURTZ: Okay.

16 REEXAMINATION

17 By Vice-Chairman Gardner:

18 Q. Okay. So the 74 million does stay the -- in base
19 rates and you're only looking at the number above that,
20 that -- is that correct, as far as what was in -- what
21 ended up doing with respect to PJM costs?

22 A. Okay. Could you ask -- I'm sorry, I'm -- the --
23 you said the 74 million that we initially -- was part
24 of the ride -- that was the three components.

25 Q. Okay. So you said in your testimony on page 36,

1 and maybe I need to ask --

2 A. Okay. Which testimony, sir? I'm sorry.

3 Q. I'm sorry. It is the settlement testimony.

4 A. Okay. Thank you.

5 Q. Sure. And I'm looking at lines 9 through 15.

6 So --

7 A. Sure.

8 Q. So tell me what -- tell me how this works, then,

9 and what --

10 A. Sure.

11 Q. Because I didn't pick up on that distinction that

12 Mr. Kurtz made.

13 A. The \$74.856 million is, you know, those that was

14 in the test year and part of base rates. And so the

15 way that this deferral will work is that -- and let's

16 just give an example I think is the best way to

17 understand it.

18 First of all, we would have to incur, on an
19 annual basis, a level of PJM costs that exceeded this
20 seventy-four eight fifty-six. So let's just assume for
21 safety's sake that we incurred 80 million, to make the
22 number simple.

23 Well, then the second step is that we would then
24 look at our book return on equity. If that return on
25 equity bookwise was above ten percent, nothing happens.

1 Q. Right.

2 A. All right. If that book ROE, let's just say,
3 again, make it simple, was nine percent, then what we
4 would do is we would make the calculation of how much
5 of that difference between the seventy-four eight
6 fifty-six and the \$80 million actually incurred would
7 be needed to move from nine to ten percent.

8 If not all of it, let's say that it would only
9 need 3 million of it to get to ten percent, then we
10 would only defer 3 million, not the whole difference
11 between, in my example, 80 and 74.

12 But the -- but if -- let's say that we actually
13 needed 10 million to get to that one percent, I'm only
14 going to defer, though, the difference between 80 and
15 74, because that's only PJM costs. I'm not going to
16 defer other costs just to get me to a ten percent ROE.

17 Q. And can you then explain to me what you-all had
18 originally requested relating to the --

19 A. Sure.

20 Q. -- OATT, the PJM OATT charges?

21 A. The difference, you know, is that that is a
22 deferral. What I just explained is a deferral that at
23 the next rate case will be presented, approved, and
24 then amortized over five years.

25 What we initially asked for is -- was a rider,

1 which, what would happen is, in my example, if you had
2 dollars above 74 point -- 74.8, we would flow those
3 through to the customers concurrently. If less -- I
4 mean charge them. If it was less than that, we would
5 credit that to them. So instead of that concurrent
6 recovery --

7 Q. Right.

8 A. -- we're recovering just the difference over a
9 period of time.

10 Q. Okay. That works.

11 A. Does that help?

12 Q. Yeah. Yeah. Thank you. Thank you.

13 VICE-CHAIRMAN GARDNER: Do you have any --

14 MR. KURTZ: No further questions.

15 VICE-CHAIRMAN GARDNER: Mr. Malone.

16 MR. MALONEY: No questions, Your Honor.

17 VICE-CHAIRMAN GARDNER: Okay. Mr. Overstreet.

18 MR. OVERSTREET: Thank you, Mr. Vice-Chairman.

19 REDIRECT EXAMINATION

20 By Mr. Overstreet:

21 Q. Mr. Wohnhas, let me -- this is something that
22 I've struggled with in the last two rate cases, so help
23 me out here.

24 Mr. Kurtz was asking you about the transmission
25 adjustment. Do you remember those questions?

1 A. I do.

2 Q. Okay. That transmission adjustment is separate
3 and distinct, is it not, from the PJM deferral that you
4 were discussing with Vice-Chairman Gardner?

5 A. It is.

6 Q. Okay. 'Cause those are -- those are two
7 separate --

8 A. They are.

9 Q. Okay. And with respect to the transmission
10 adjustment that Mr. Kurtz was discussing with you,
11 that -- on our filed case, that was our proposal; is
12 that not correct?

13 A. That is correct.

14 Q. And what would have been the increase for
15 residential customers if the Commission had granted us
16 that transmission adjustment?

17 A. 16.04 percent.

18 Q. And under the settlement, what is the increase?

19 A. 9.89.

20 Q. Okay. Now, Mr. Cook was discussing with you
21 the -- what I think is (c) of paragraph 2 of the PPA,
22 of tariff PPA. Do you remember that discussion, the
23 long --

24 A. Yes, I do.

25 Q. A galaxy far, far away. And he was addressing

1 with you the question of PPA costs above the peaking
2 unit equivalent. Do you remember that -- those
3 questions?

4 A. I do. I do.

5 Q. Okay. Are those costs recoverable by the Company
6 in one form or the other?

7 A. Yes.

8 Q. And how are they recovered currently?

9 A. Currently those above would be recovered through
10 base rates.

11 Q. Through base rates. And what is the advantage to
12 the customer of having it -- if any, of having those
13 costs recovered through a rider or tracker such as
14 we're proposing?

15 A. Because the PPA only recovers the actual costs
16 incurred, if you look at -- and part of my explanation
17 was not knowing the level of those purchases with the
18 termination of the pool and not having the excess of
19 Big Sandy Unit 2.

20 When you look at a test period, you could have a
21 low level or a high level in the test period, and one
22 way or the other the customer could be hurt if you had
23 a high level of PPA costs, but then actually incurred
24 few PPA costs that were above the peaking unit
25 equivalent.

1 With a PPA you're only going to flow through the
2 actual cost.

3 Q. No more, no less?

4 A. No more, no less.

5 Q. Okay. And just for clarification, Mr. Cook asked
6 you about the economic development surcharge. Is that
7 surcharge limited to residential customers?

8 A. No. It is for -- it is -- \$0.15 is on every
9 bill, industrial, commercial, residential.

10 Q. So all customers would pay that surcharge?

11 A. All customers pay that.

12 Q. And that's different from the HEAP?

13 A. From the HEAP, where it's just against the
14 residential, yes.

15 Q. And with respect to the Big Sandy 1 Operating
16 Rider, assuming that is in effect following the
17 conversion of Big Sandy 1 from a coal-fired unit to a
18 gas-fired unit, do you have an anticipation of what Big
19 Sandy 1's -- how Big Sandy 1's operate -- excuse me.
20 O&M costs will change following that conversion?

21 A. Yes. We anticipate, when it's converted from
22 coal to gas, that the O&M -- O&M costs will go down.
23 So with the BS1OR in effect as a rider, we will be able
24 to flow through those costs of a reduced O&M cost
25 immediately versus waiting for a base rate case.

1 And the reason for those costs being less is,
2 number one, you have a new gas portion in a new
3 construction, and then second -- secondly, that the
4 unit is not anticipated to run at the same level it did
5 as a full load coal unit. So those costs then would
6 flow through to the customer sooner through the BS1OR
7 than through base rates.

8 Q. Okay. And Vice-Chairman Gardner was asking you
9 about the BS1OR and then contrasted that with the BSRR,
10 noting that the BSRR is specifically identified, albeit
11 by a different name, in the Mitchell stipulation; is
12 that correct? Do you remember that?

13 A. Yes. Yes, I do.

14 Q. Okay. And while -- is it also correct that
15 although the Mitchell stipulation doesn't have a BS1OR
16 rider, if I understand your testimony, isn't it also
17 correct that paragraph 3 of that stipulation, which
18 requires that all coal-related costs be removed from
19 base rates, is the -- is the reason for this rider?

20 A. Yes.

21 Q. Okay. And can you turn to -- it appears several
22 places, but let's say Exhibit 1 to the settlement
23 agreement.

24 A. Yes, sir.

25 Q. And this shows the -- shows the tariff classes.

1 And I believe Vice-Chairman Gardner was asking you
2 about changes in the -- in the percentage -- or maybe
3 it was Mr. Nguyen was asking you questions about
4 changes in the percentage increases for the -- for the
5 various classes. Do you remember that?

6 A. I do.

7 Q. Okay. What I'd like to focus on is not that
8 column but the column to the left, the settlement ROR
9 column.

10 A. Right.

11 Q. And what is the settlement ROR column for
12 residential customers under this agreement?

13 A. 4.25. That's the term that the settlement --
14 that that class of customer earns for the Company.

15 Q. Okay. And could you contrast that, for example,
16 with SGS or MGS ROR?

17 A. Yes. I mean, there it shows 13.1 for SGS and
18 14.15 for MGS, so those -- those tariff class provide
19 more return to the Company through their rates than the
20 residential class.

21 Q. And the overall settlement ROR on, I guess, an
22 aggregate basis is what?

23 A. 6.96 percent.

24 Q. And what does the fact that the residential ROR
25 is less than that tell you about the existence of a

1 subsidy for residential customers?

2 A. That there still is subsidies by the other tariff
3 classes.

4 Q. And so you had testified that there had been
5 movement towards reduction of that subsidy, but that
6 subsidy still exists?

7 A. It still does exist, yes.

8 Q. All right. And there was some discussion about
9 the environmental surcharge and whether there would be
10 a possibility of an overrecovery. Do you remember
11 that? If you don't, that's fine.

12 A. I do.

13 Q. Okay. Is that -- under the environmental
14 surcharge, is that overrecovery returned to the
15 customers?

16 A. It is. It's -- there is an over/under mechanism.

17 Q. And the -- there's been discussion from several
18 persons concerning Connor Run at the Mitchell facility.

19 A. Yes, sir.

20 Q. Is it your understanding that sometime this year,
21 upon the consummation of the agreement with
22 Murray/Consolidated, that that facility will be
23 transferred and no longer be the property of Kentucky
24 Power?

25 A. If the -- as the discussions are today with

1 Murray, yes, that would be the outcome.

2 MR. OVERSTREET: That's all the questions I have,
3 Mr. Vice-Chairman.

4 VICE-CHAIRMAN GARDNER: Okay. I'm sorry, I've
5 gotta ask one follow-up --

6 MR. OVERSTREET: Oh, absolutely.

7 VICE-CHAIRMAN GARDNER: -- on what you said.

8 REEXAMINATION

9 By Vice-Chairman Gardner:

10 Q. It had to do with the Big Sandy 1 operating, and
11 Mr. Overstreet asked you the question about, you know,
12 removing coal operating expenses and -- from Big Sandy
13 1. And the actual language says, (Reading) The Company
14 agrees to remove all coal-related operating expenses
15 related to Big Sandy 1 and all operating expenses
16 related to Big Sandy 2 from the cost of service study.
17 The Company further agrees to remove all coal-related
18 plant and other capitalized costs, fuel, inventory,
19 etcetera, related to Big Sandy 1, and all plant and
20 capitalized costs, fuel, inventories related to Big
21 Sandy 2 from -- and instead recover these costs in the
22 manner set forth in paragraph 14 of this settlement
23 agreement.

24 Paragraph 14 is the --

25 A. BSRR.

1 Q. -- BSRR.

2 A. That's correct.

3 Q. Okay.

4 A. Yes, sir.

5 VICE-CHAIRMAN GARDNER: That's all.

6 So let's -- who are you calling next?

7 MR. OVERSTREET: Let me -- let me just check.

8 We -- refresh my memory, Larry, is --

9 MR. COOK: I think it's okay if you want to go
10 with Avera. I think that would be --

11 MR. OVERSTREET: It doesn't -- our ROE -- our ROE
12 witness would be next.

13 VICE-CHAIRMAN GARDNER: And then John Rogness is
14 next; is that right?

15 MR. OVERSTREET: That is correct, Your Honor.

16 VICE-CHAIRMAN GARDNER: Okay. All right. That's
17 good.

18 Let's break for lunch and come back at 2:30.

19 MR. KURTZ: Thank you.

20 MR. WILLIAMSON: Thank you.

21 (Recess from 1:14 p.m. to 2:32 p.m.)

22 WILLIAM E. AVERA, called by Kentucky Power
23 Company, having been first duly sworn, testified as
24 follows:

25 VICE-CHAIRMAN GARDNER: Please state your name.