

- Are you familiar with the rate, IGS rates as they are reflected in the settlement agreement?
- V- yes sir, I support them
- Do you recall that at least in other jurisdictions such as Virginia and more recently West Virginia you've testified that its important to strike a balance between high and low load factor customers within a rate schedule, do you recall that testimony?
- V- Yes I do recall that and I have testified to that. The circumstances were different in Virginia, West Virginia and Kentucky, but those are my words.
- And in striking that kind of balance you were able to I think account for what you've referred to as diversity benefits within a rate class, do you recall that?
- V- Yes sir
- And could you just briefly define what you meant by diversity benefits within a rate class?
- V- a diversity benefit is generally when you have a, within the same rate class or tariff, you have different populations of load factor customers, for example we discussed this in Virginia we had some higher load factor customers and some lower load factor customers and in that instance we were talking about moving the percent full cost demand charge from 40% to upwards of 100% and what I wanted to recognize in the testimony was the higher load factor customers who would benefit from the higher percent of full cost demand charge and the rate design were receiving a cost allocation benefit from the population of lower load factor customers and so when you are trying to adjust the percent of full cost demand which would harm the lower load factor customers in that instance I say you need to strike a balance between the two rather than just saying lets go to full cost demand.
- That was a through response. All I am getting at is I just would like your testimony, do you agree that the rate IGS rates as they are reflected in the settlement, exhibit 16, are reasonable with respect to all the customers that will now be served under that new rate schedule
- V- Absolutely
- No further Questions
- 18:09/ 5:52:33- Commissioner Staff- Good Evening Mr. Vaughn, please refer to pages 6 and 7 of your rebuttal testimony
- V- Yes sir I'm there
- Okay this is addressing the Big Sandy operating rider and PJM charges and credits associated with operating Big Sandy unit 1
- V- Yes sir
- You may an argument that the PJM charges and credits related to the Operation of Big Sandy unit 1 should be recovered through the proposed (inaudible) rider is that correct?
- V- That's correct
- And as proposed in the settlement agreement, just to confirm I think it was stated earlier would the PJM charges and credits related to the operation of Big Sandy unit 1 be recovered through the BS1OR rider
- Yes sir they are not included in that 74, 75 million dollar base number because they were segregated into the company's filed case for the Big Sandy 1 operations rider because of how we interpreted paragraph 3 of the Mitchell settlement stipulation agreement

- Ok, um and at the bottom of page 6 of your rebuttal testimony, um, in response to Mr. Smith the AG's witness says concerns about issues with auditing those particular PJM charges and credits, like could flow through the BS1OR rider, you state that Kentucky Power could move Big Sandy unit 1 into its own PJM account and if it did it would receive a monthly PJM bill for only the activity associated with Big Sandy unit 1 operation is that correct?
- V- That's correct, yes sir
- Can Kentucky Power commit to creating a separate PJM account for PJM charges and credits related to Big Sandy unit 1
- V- I'm not sure I have the authority to commit to anything, I would say that I would prefer it myself because it would make the calculation of this rider easier so I would be in total agreement with moving Big Sandy unit 1 to its own PJM subaccount for visibility and audit and purposes of this rider
- Do you know if your recommendation would hold any sway with your higher ups
- V- Let me check (looks around court room)
- Going to your direct testimony, you don't have to flip to it but in your direct testimony you address the reasonableness of the proposed \$16 residential monthly service charge
- V- Yes sir
- And the reasonableness of the proposed 100% increase from \$8 current level of \$8
- V- Yes sir
- So given the companies position that a 100% increase is reasonable I would assume that you would believe that the 75% increase from \$8 to \$14 for the residential monthly service charge included in the settlement agreement is also reasonable
- Absolutely, and you have to remember the \$14 is a compromise with everything else in the settlement agreement I still believe \$16 is the right step especially when you consider the full cost is around \$40 per customer per month and no one has argued with those number no one has rebut them in any way cause they are costs so making that what you characterize as a 100% increase it is still a small step towards the cost of service of simply connecting each customer in the distribution system
- How long has it been, if you know since the \$8 residential monthly service charge was first approved by the commissioner
- V- it's at least since the 2010 rate case I'm not certain if it was established in the 2005 rate case or not
- No further questions
- 18:13/5:56:55-Lockdon- on page 15 of your direct testimony and this is referencing the settlement page 17, 13 b it lists out the PJM LSE charges and credits which are currently made up but not limited to the following I don't see anything in there in obviously it doesn't have to be since its not limited to but in my limited experience with RTO and PJM if you commit to a certain number of watts when they call that if it's not available your company any company is subject to a large penalty I know it's true for mine so I think it's true for PJM
- V- Are you speaking on a capacity or energy base
- Capacity

- V- There is no PJM charges currently related to capacity included in here there is some performance and maintenance testing charges the company could receive but in general we are, for our entity for the purpose fixed resource requirement, purpose of capacity requires and PJMs so there is no actual dollars exchanged, we don't, the company doesn't purchase from PJM and then off set it with generation it is self-supplied outside the market so we don't have capacity
- Are these all PJM terms on page 15
- V- Yes sir
- Ok
- 18:15/5:59:00 Gardner- Is it possible to compute from the information the commission has what the energy charge will be for the different classes given that we know what the customer charge is or is that just not possible
- V- We filed that in the tariffs they are attached to Mr. Winehouse' settlement testimony
- Redirect- you testified in the customer charge from \$8 to \$14 that has a corresponding offset in the amount of energy charge, the cost had to be covered through the energy charge
- V- Yes sir