

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

**In the Matter of:**

**Application Of Kentucky Power )  
Company For (1) A General Adjustment Of Its )  
Rates For Electric Service; (2) An Order )  
Approving Its 2017 Environmental Compliance )  
Plan; (3) An Order Approving Its Tariffs And )  
Riders; ( 4) An Order Approving Accounting )  
Practices To Establish Regulatory Assets And )  
Liabilities; And (5) An Order Granting All Other )  
Required Approvals And Relief )**

**Case No. 2017-00179**

**TESTIMONY OF**  
**RONALD L. WILLHITE**  
**SCHOOL ENERGY MANAGER PROJECT DIRECTOR**  
**KENTUCKY SCHOOL BOARDS ASSOCIATION**

**FILED: October 3, 2017**

1 INTRODUCTION  
2

3 **Q. Please state your name and business address.**

4  
5 A. My name is Ronald L. Willhite and business address is 260 Democrat Drive, Frankfort,  
6 KY 40601.

7 **Q. By who are you employed?**

8 A. I am employed by the Kentucky School Boards Association as Director of the School  
9 Energy Managers Project. The Kentucky School Boards Association (KSBA) is a  
10 nonprofit corporation of school boards from each public school district in Kentucky. The  
11 association, founded in 1936, now has over 75 years of serving school board members  
12 and school districts in such areas as governmental relations, board member and team  
13 development, risk management, facility planning, energy management, legal services,  
14 policy services, publications and community relations. It is governed by a 27-member  
15 board of directors made up of representatives elected as regional chairpersons or as  
16 directors-at-large. With nearly 900 school board members, KSBA is the largest  
17 organization of elected officials in Kentucky.  
18

19 **Q. Please describe your regulatory and public school experience.**

20  
21 A. In December 2001 I retired from LG&E Energy Services. Among my responsibilities  
22 during my career were the development of integrated resource plans, comprehensive  
23 analysis of energy management alternatives, tariff design and administration, sales and  
24 revenue forecasts and market research. During my tenure at the Companies I testified  
25 before this and other commissions on numerous rate and regulatory matters. In March  
26 2010 I was employed by KSBA to develop and direct the School Energy Managers  
27 Project (SEMP). From 1989 to 1998 I served on the Scott County Board of Education,  
28 the last six years as its chairman, and since 2009 have served on their Energy Committee.  
29 I graduated from the University of Kentucky in 1969 earning a B.S. in Electrical  
30 Engineering.  
31

32 **Q. Please describe Kentucky's public schools and the role of boards of education.**

33  
34 A. Kentucky has some 1233 P-12 public schools serving 675,000 students that are overseen  
35 per statute by 173 local school boards pursuant to KRS 160.290:

36 *“Each board of education shall have general control and management*  
37 *of the public schools in its district and may establish schools and provide*  
38 *for courses and other services as it deems necessary for the promotion of*  
39 *education and the general health and welfare of pupils, consistent with*

1 *the administrative regulations of the Kentucky Board of Education.*  
2 *Each board shall have control and management of all school funds and*  
3 *all public school property of its district and may use its funds and*  
4 *property to promote public education. Each board shall exercise*  
5 *generally all powers prescribed by law in the administration of its public*  
6 *school system, appoint the superintendent of schools, and fix the*  
7 *compensation of employees.”*  
8

9 **Q. What specific issues are you addressing?**

10  
11 A. I will address the following; 1) impact of the proposed increase on public schools, 2)  
12 Company proposal to discontinue the Pilot Tariff K-12 School, 3) public school energy  
13 management initiatives, 4) Company’s proposed bill format, and 5) return on equity  
14 disparity.  
15

16 **IMPACT ON SCHOOL**

17  
18 **Q. How will the requested increase impact schools?**

19 A. Kentucky’s public schools continue to be severely impacted by today’s economic  
20 conditions. After personnel, energy is typically the second highest cost for schools.  
21 Unlike businesses that can increase sales or prices to offset cost increases, public schools  
22 must either cut programs or attempt to raise taxes. Public schools cannot refuse service to  
23 a student or limit their enrollment.

24 The Company is requesting an average overall increase of 12.6 percent on Adjusted Base  
25 Current Revenue, but is requesting an increase for schools of over 14.8 percent. While  
26 schools understand the Company is faced with significant challenges the revenue increase  
27 as proposed would be extremely challenging to schools and their students. I will address  
28 options for the Commission to mitigate the impact on public schools.

29  
30 **TARIFF K -12 SCHOOL**

31  
32 **Q. Do you concur with Company Witness Vaughan that K – 12 schools would be better**  
33 **off on Rate L.G.S. than continuing to receive service on a Public School Service**  
34 **Tariff?**

35  
36 A. Absolutely not. Mr. Vaughan contends that service to schools on Tariff K -12 School is  
37 improper because it is a lesser or discounted rate than Tariff L.G.S. However as is shown

1 by Witness Buck the Tariff K – 12 School is producing a ROR some 1.57 times the  
2 Company’s jurisdictional average return.

3  
4 **Q. In what ways do public schools differ from other customers?**

5  
6 A. Public schools differ from other customers in three primary ways:

- 7  
8 1. Public schools are required to develop energy management plans by  
9 KRS160.325 and Board Policy.  
10 2. Public schools operating hours differ significantly from commercial and  
11 industrial customers.  
12 3. Public school load and usage characteristics differ significantly from  
13 commercial and industrial customers.  
14 4. Public schools provide less risk to serve than other customers served on Tariff  
15 L.G.S.  
16 5. Public schools loads are weather sensitive in contrast to many other customers  
17 served on Tariff L.G.S.  
18

19 **Q Please explain KRS160.325 and how the statute distinguishes public schools from**  
20 **other customers.**

21 A. Local school boards of education are the only entity in Kentucky that are required by  
22 statute to development and implement energy management plans. *“In an effort to reduce*  
23 *rising energy costs that are straining school budgets”* the General Assembly in 2008  
24 passed House Bill 2, which became law on July 15, 2008 as KRS 160.325. To implement  
25 the mandate of the statute boards of education adopted Energy Management Policies as  
26 shown below and began mandated reporting annually through the Kentucky Pollution  
27 Prevention Center (“KPPC”) to the Department for Energy Development and  
28 Independence (“DEDI”) and the Legislative Research Commission (“LRC”) on the status  
29 of the development of energy management plans by those boards of education and the  
30 anticipated savings to be obtained from those plans. In 2014 Boards began reporting  
31 through KSBA to the LRC and DEDI.

32 In 2010 local boards of education adopted the following energy policy:

33 **05.23 Energy Management**

34 *It is the intent of the Board that the District use energy resources in a safe*  
35 *and efficient manner with an on-going focus on identifying and*  
36 *implementing cost saving measures and developing staff and student*  
37 *commitment to identified energy management practices.*

38 *To promote this effort, the Superintendent/designee shall direct the*  
39 *development of an energy management plan (EMP) for Board approval and*

1 *oversee the implementation and maintenance of that plan, which shall*  
2 *address the following components:*

3 *1. A District level committee shall be appointed by the*  
4 *Superintendent/designee to develop and implement the energy management*  
5 *plan (EMP).*

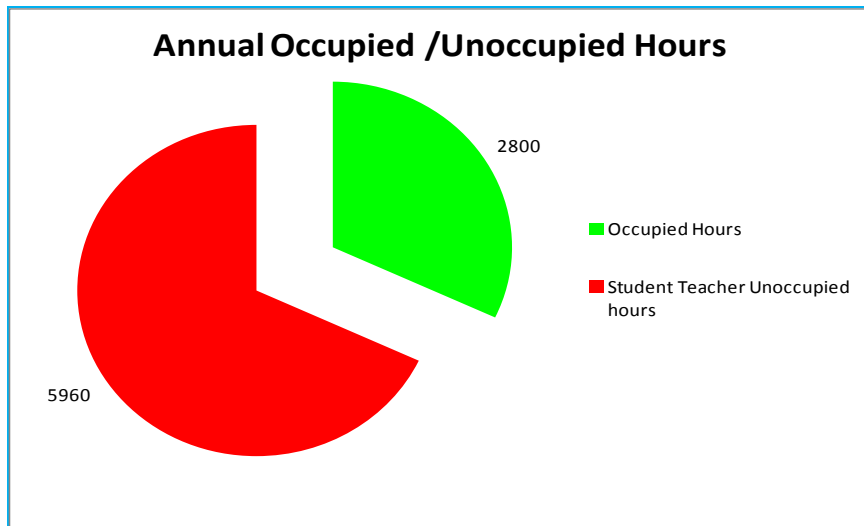
6 *2. The District level committee shall track and monitor the EMP to*  
7 *determine progress toward managing and reducing energy costs.*

8 *3. Effective with the 2011-2012 school year, the Superintendent/designee*  
9 *shall report the EMP results for each fiscal year, including annual District*  
10 *energy usage, costs and anticipated savings to KPPC – the Kentucky*  
11 *Pollution Prevention Center – by October 1<sup>st</sup> annually through the Kentucky*  
12 *Energy Efficiency Program for Schools (KEEPS).*

13 *A status report on implementation of the plan in Board-owned and Board-*  
14 *operated facilities shall be provided to the Board following the end of each*  
15 *fiscal year*

16  
17 **Q. Please explain how public schools operate different than commercial and industrial**  
18 **customers.**

19  
20 **A.** While schools, commercial and industrial customers operate on a defined schedule, those  
21 schedules are drastically different. Many industries operate 2<sup>nd</sup>, 3<sup>rd</sup> and weekend shifts  
22 while stores operate extended hours into the evening year round seven days per week.  
23 Schools typically are fully occupied from 7:30 am until 2:30 pm weekdays only nine to  
24 ten months of the year with numerous shut down periods for breaks throughout the year.  
25 Schools continue open beyond instructional periods for extra-curricular activities, but by  
26 this time automation systems and set back procedures have begun adjusting temperatures  
27 for unoccupied space. In a nutshell school load build up typically begins around 7 am,  
28 peaks by lunch time and declines at a significant pace until and after the instructional day  
29 ends in early-afternoon. RLW Exhibit 1 shows the 24-hour load profiles for schools  
30 served on Pilot Tariff K – 12 School and Tariff L.G.S. for the Company’s August and  
31 January system peak days. Below is the typical elementary school relationship of  
32 occupied to unoccupied operation hours.  
33



1  
2  
3  
4  
5

**Q. What is the mix of customers served on Tariff L.G.S?**

A. Using SIC data provided by the Company I prepared the below table which shows the number of customers by business purpose.

|                                 |            |              |
|---------------------------------|------------|--------------|
| Agriculture                     | 1          | 0.2%         |
| <b>Mining</b>                   | <b>66</b>  | <b>10.1%</b> |
| <b>Construction</b>             | <b>2</b>   | <b>0.3%</b>  |
| <b>Manufacturing</b>            | <b>56</b>  | <b>8.5%</b>  |
| <b>Transportation</b>           | <b>24</b>  | <b>3.7%</b>  |
| <b>Utilities</b>                | <b>39</b>  | <b>6.0%</b>  |
| <b>Wholesale Trade</b>          | <b>15</b>  | <b>2.3%</b>  |
| <b>Retail Trade</b>             | <b>180</b> | <b>27.5%</b> |
| <b>Finance and Insurance</b>    | <b>45</b>  | <b>6.9%</b>  |
| <b>Hotels</b>                   | <b>20</b>  | <b>3.1%</b>  |
| <b>Personal Services</b>        | <b>3</b>   | <b>0.5%</b>  |
| <b>Business Services</b>        | <b>4</b>   | <b>0.6%</b>  |
| <b>Auto Repair</b>              | <b>3</b>   | <b>0.5%</b>  |
| <b>Misc Repair</b>              | <b>4</b>   | <b>0.6%</b>  |
| <b>Motion Pictures</b>          | <b>2</b>   | <b>0.3%</b>  |
| <b>Amusement and Recreation</b> | <b>5</b>   | <b>0.8%</b>  |
| Health Services                 | 58         | 8.9%         |
| Colleges                        | 30         | 4.6%         |
| Libraries                       | 2          | 0.3%         |
| Vocational                      | 15         | 2.3%         |
| Social Services                 | 7          | 1.1%         |
| Membership Orgs                 | 22         | 3.4%         |
| Public Adm                      | 52         | 7.9%         |
| <b>Total</b>                    | <b>655</b> | <b>100%</b>  |

6

1 As shown Tariff L.G.S. is dominated by mining, manufacturing and business customers,  
2 all of which are more sensitive to economic downturn than K – 12 schools and whose  
3 operating hours are typically different than schools. As a result these customers pose  
4 more uncertainty with regard to consistency of load imposing greater risk for the  
5 Company in facility planning and financial stability.  
6

7 **Q. Is use of energy by schools weather sensitive?**  
8

9 A. Absolutely. A school’s typical energy usage is dominated by heating, air conditioning  
10 and ventilation (HVAC). Witness Vaughan acknowledges customers on Tariff L.G.S. are  
11 not materially affected by weather.  
12

13 **Q. What is your recommendation for Pilot Tariff K – 12 School?**  
14

15 A. The Commission should approve removing the “Pilot” designation and authorize Tariff K  
16 – 12 School. If there is any class of customers where the class ROR should be equated to  
17 the Company’s overall average it is K – 12 schools. Therefore Tariff K – 12 School  
18 charges should be determined to produce revenue at the final approved overall ROR in  
19 this proceeding, but in no event should the existing pilot charges be increased to increase  
20 K – 12 school revenues by more than the final approved increase for Tariff L.G.S.  
21  
22

23 **Public School District Energy Management Initiatives**

24 **Q. What are schools doing to manage energy costs?**

25 A. As described above the General Assembly via House Bill 2, which became law on July  
26 15, 2008 as KRS 160.325, directed and encouraged public schools to focus on making  
27 intelligent energy choices. In addition on July 15, 2010 KRS 157.455 became law stating  
28 that the Kentucky Department of Education and all school districts undertaking the  
29 construction of new school buildings or the major renovation of existing school buildings  
30 are strongly encouraged to:

- 31 a) Meet or exceed efficient school design standards in planning and designing all  
32 new buildings and major renovation projects;  
33 b) Use life-cycle cost analysis to evaluate different design proposals; and

- 1 c) Consider the possibility that each new school building or major renovation of a  
2 building could be a net zero building, either during the construction or renovation,  
3 or at a later date as resources become available.  
4

5 **Q. Please describe the School Energy Managers Project (SEMP).**  
6

- 7 A. In 2010, Kentucky School Boards Association (“KSBA”) created and implemented the  
8 School Energy Managers Project (“SEMP”), a state-wide school energy management  
9 infrastructure that assists public school districts with compliance with statutory and board  
10 policy requirements that direct local boards of education to focus on rising energy costs.  
11 SEMP, initially funded by a \$5 million dollar federal economic stimulus grant during  
12 FY2011 – FY2012, helped place 35 energy managers to serve 130 school districts and  
13 support existing energy managers in 14 additional districts. By fostering intelligent  
14 energy choices in new and existing buildings through implementation of energy  
15 efficiency projects Kentucky school districts since July 1, 2010 have captured more than  
16 \$123 million in savings/cost avoidance. Kentucky is 3<sup>rd</sup> in the nation as a percentage of  
17 its K-12 schools, with over 30 percent having achieved the ENERGY STAR certification.  
18 Statewide ninety-four districts have at least one ENERGY STAR school and twenty  
19 districts have all their schools ENERGY STAR certified. Six Company served districts  
20 have a total of seventeen certified schools. In 2014 and 2015 KSBA-SEMP was  
21 recognized nationally as an ENERGY STAR Partner of the Year for Energy Efficiency  
22 Program Delivery for its support and partnering with public school districts. In 2016 and  
23 2017, the program received further recognition as ENERGY STAR Partner of the Year –  
24 Sustained Excellence Award.

25 Following expiration of the stimulus funding, \$2.5 million in funding from Kentucky’s  
26 Energy and Environment Cabinet, LGE/ KU and Kentucky Power enabled SEMP to  
27 continue assisting Kentucky’s 173 public school districts through FY2016. An additional  
28 \$2.45 million of funding from LGE and KU approved in Case No. 2015-00398 enabled  
29 extending the program through FY2018 to provide support to 84 LGE/KU served districts  
30 to provide matching salary funds; analytical and technical support; and funding for  
31 energy efficient projects such as modern highly efficient LED lighting in classrooms,  
32 gyms, hallways and parking lots. Funding from Kentucky’s Energy and Environment  
33 Cabinet, Kentucky Power and KSBA facilitated continued service to remaining districts  
34 including matching salary funds for 12 energy managers serving 17 districts in the KPC  
35 service territory through FY2017.

36 KSBA-SEMP management staff assists district/partnerships in the employment,  
37 coaching, monitoring and evaluation of energy managers; procures supporting funding;  
38 provides analytical and engineering support; coordinates and provides professional  
39 development opportunities for energy managers; utilizes its outreach capacities to timely  
40 communicate success stories to board members, superintendents, governmental officials



1 and the general public; fosters best practice implementation; monitors and coordinates  
2 utility activities and relations; and develops and submits annually a Kentucky School  
3 Energy Management Report to the Cabinet and General Assembly.

4  
5 **Q. What actions have been taken by boards of education?**  
6

7 A. In addition to all 173 public school boards of education having adopted an Energy  
8 Management Policy, most districts have established an energy committee and have  
9 developed and implemented an energy management plan under the leadership and  
10 assistance by their energy manager. Recognizing that students are the future home and  
11 community energy managers, school energy managers working in conjunction with the  
12 Kentucky National Energy Education Development Project (NEED) and the Kentucky  
13 Green and Healthy School Program (KGHS) are actively involved with teachers in  
14 curriculum modifications that are being implemented to foster energy awareness. The  
15 energy managers work closely with the Company's demand-side management staff to  
16 benefit from energy audits and capture rebates from the Company's program as they  
17 install energy conservation measures such as efficient lighting.  
18

19 **Q. Please explain how Kentucky's public schools utilization of energy compares to**  
20 **schools across the nation.**  
21

22 A. Kentucky's public schools had not been ignoring energy efficiency, but KRS160.325 and  
23 SEMP have successfully facilitated an acceleration and more comprehensive focus. A  
24 common metric is the energy utilization index or "EUI" (kBtu per square foot). The  
25 national average for K-12 schools is 73, while the Kentucky school district average in  
26 FY2016 was 52, down from 65 in FY2010, the first year of the program. Kentucky's  
27 ENERGY STAR schools have increased from 12 in 2008 to 398, placing Kentucky third  
28 in the nation as a percent of K-12 eligible buildings.  
29

30 **Q. How are districts able to construct these very efficient schools?**  
31

32 A. Districts utilize the expertise of skilled architects well versed in energy efficiency  
33 methods in the design of construction projects. In addition, the Facilities Branch of the  
34 Kentucky Department of Education reviews and approves all construction projects. Use  
35 of modern wall and roof construction technologies, geothermal and variable refrigerant  
36 flow space conditioning technologies, efficient LED lighting, day-lighting and building  
37 automation control systems are primary factors contributing to highly efficient projects.  
38 However, it takes a skilled solid energy management plan lead by a skilled energy  
39 manager for facilities to daily maintain design potential.  
40

41 **Q. What is the current status of the KPC School Energy Management Program?**

1  
2 A. The Commission in Case No. 2014-00178 approved a new commercial demand-side  
3 management ("DSM") program "to help fund energy management programs for schools  
4 that are mandated by KRS 160.325 to participate in the Kentucky Energy Efficiency  
5 Program — \$75,000 in 2014 and \$50,000 in 2015". Pursuant to the Commission's Final  
6 Order in Case No. 2012-00578 the Program was available to eight eligible school districts  
7 located in Kentucky Power's service territory in Lawrence County and six contiguous  
8 counties. Subsequently, the Commission by Order of August 3, 2015 in Case No. 2015-  
9 00189 approved expansion of the initial Program by an amount not to exceed \$200,000  
10 per year for two years to (1) fund up to an additional six school energy managers as part  
11 of the expansion of the School Energy Manager Program to the Company's entire service  
12 territory; and (2) to the extent funds are available, to fund school energy efficiency  
13 projects.

14  
15 In early 2017 KSBA advised KPC that approximately \$85,000 from the expanded  
16 program would be unspent if not otherwise utilized and initiated discussions as to  
17 whether to use those funds during FY2017 to fund energy school efficiency projects or to  
18 use the funds for energy managers in FY2018. It was the consensus that the unspent  
19 funds would be best used to continue support for energy managers in FY2018. Since the  
20 unspent funds would only fund energy managers through December 2017, KPC indicated  
21 a preference to seek Commission approval for additional funding of \$95,000 to fund the  
22 energy managers through June 30, 2018. Through subsequent requests KSBA sought  
23 clarification as how to proceed and it took particular note and inquired of KPC regarding  
24 the impact of the Commission's May 4 Order in Case No. 2017-00097 on use of the  
25 unspent funds. By this time, however, KSBA and districts could not complete  
26 installation of energy efficiency projects by June 30, 2017.

27  
28 **Q. Has KPC recently updated KSBA on their plans?**

29  
30 A. Yes. Counsel for KPC on September 12 advised KSBA counsel that the Company will be  
31 requesting PSC approval in their current DSM case to extend the funds into FY2018.

32  
33 **Q. What is the Companies' response to extending their School Energy Management  
34 Program?**

35  
36 A. KSBA is certainly appreciative of KPC seeking clarification for KSBA using the  
37 "previously" approved funding into F2018. However, we believe proving energy  
38 manager funding through FY2020 would be appropriate to sustain the momentum by  
39 schools in becoming more efficient in energy usage. Simply, KSBA's is hopeful KPC  
40 will confirm KSBA can expend the unspent funds and seek approval to provide  
41 additional funding of \$95,000 for FY2018 and for \$200,000 annually for FY2019 and

1 FY2020. Districts have a need for this program and there is no demonstrable reason that  
2 the additional funding cannot be recovered through KPC's DSM Surcharge and collected  
3 from all applicable customers in their service territory.  
4

5 **Q. What's at risk if the Program is not timely expanded and extended?**  
6

- 7 A. Loss of momentum in capturing demand and energy savings beneficial to KPC and all  
8 ratepayers and the loss of energy managers to serve schools in implementation of the  
9 Commonwealth's energy efficiency initiatives. Many districts may not retain and/or  
10 rehire a non-teaching position such as an energy manager or will reassign employees to  
11 other tasks without that position being part of its operating budget which must be  
12 approved by May.  
13

14  
15 **PROPOSED BILL FORMAT**  
16

17 **Q. Please explain the Company's proposal to modify its' customer bill format.**  
18

- 19 A. Kentucky Power's current bill individually calculates and displays the following:  
20

- 21 a. Rate Billing  
22 b. Fuel Adjustment Clause  
23 c. Demand-Side Management Adjustment Factor  
24 d. Kentucky Economic Development Surcharge  
25 e. Capacity Charge  
26 f. Big Sandy 1 Operation Rider  
27 g. Environmental Surcharge  
28 h. Big Sandy Retirement Rider  
29 i. Purchased Power Adjustment  
30 j. Green Pricing Option  
31 k. School Tax  
32 l. Franchise Fee  
33 m. State Sales Tax  
34

35 The Company is proposing to combine Rate Billing, Kentucky Economic Development  
36 Surcharge, Capacity Charge, Big Sandy 1 Operation Rider, Big Sandy Retirement Rider,  
37 Purchased Power Adjustment, and Green Pricing Option (if applicable) into a single  
38 "Rate Billing" line item. The Fuel Adjustment Clause, the Demand-Side Management  
39 Factor, the Environmental Surcharge, School Tax (if applicable), Franchise Fee (if  
40 applicable), and State sales Tax (if applicable)) will continue to be displayed as  
41 individual billing line items.  
42

43 The Company also proposed improvements in the layout and composition of its billing  
44 correspondence to:

- Enhance the presentation of the information displayed in the bill.
- Give the bill a clean and more easily useable appearance.
- Make it easier for customers to identify and understand the information presented.

The Commission approved the layout and composition by Order of September 12 in this proceeding. However, the requested combining of charges remain as the Order stated “The substantive changes proposed relating to Kentucky Power's request to consolidate certain line items will be decided as part of the final Order in this matter.”

**Q. Please describe concerns you have regarding the combining of charges on the revised bill format.**

A. While I appreciate the expressed customer concerns for simpler bills, to effectively manage energy use and cost timely access to detail billing data is mandatory to identify issues, measure performance and audit bills. The Company currently combines the Service, Demand, Excess Reactive and Energy Charges. I believe these charges should be separately shown on the bill. With regard to the Demand Charge it should be denoted whether it is based on the actual meter reading or is computed applying the minimum ratchet. It is particularly important that a demand billed customer can readily see on their bill if they have been minimum billed and/or billed for reactive power in order to take action to avoid or minimize in future billings. Both the contract demand and maximum metered demand in the prior eleven months should be shown on each current bill. There appears to be plenty of space in the “Meter Details” in which to show this information.

With regard to combining the Kentucky Economic Development Surcharge, Capacity Charge, Big Sandy 1 Operation Rider, Big Sandy Retirement Rider, Purchased Power Adjustment, and Green Pricing Option riders I would suggest they be shown as a single bill line.

Willhite RLW Exhibit 2 are examples of Duke, Cooperative, LGE and KU bills. Energy and demand charges as well as minimums as applied and basis therefore are listed.

**RETURN ON EQUITY DISPARITY**

**Q. What return on equity is being requested in this case and what was granted in the Company’s last case and what?**

A. In this case the Company is requesting a 10.31 percent return on equity other than for the Rockport pass through costs which are currently based on a 12.16 percent ROE. These

1 returns compare to 9.8 percent approved in the Company's last case PSC Case No. 2015-  
2 0396. The Rockport ROE was approved by the FERC in 2012.

3  
4 **Q. How does that compare with the recent Indiana Utility Regulatory Commission**  
5 **(IURC) approval in Case 44523?**

6  
7 A. In that case the IURC approved a return on equity of 9.95 percent on Indiana Michigan  
8 Power Company's (I&M) share of certain environmental costs at the Rockport plant. This  
9 compares to 12.16 percent FERC approved in the UPA.

10  
11 **Q. Is there a pending case before the FERC?**

12  
13 A. Yes. On October 27, 2016 a group of wholesale customers<sup>1</sup> submitted a Complaint in  
14 FERC Docket Number EI 17-13 alleging that the 10.99 percent base rate on common  
15 equity currently included in the formula transmission rates of the AEP East  
16 Companies is unjust and unreasonable and should be reduced to 8.32 percent.

17  
18 **Q. Please address your concern with regard the ROE disparity?**

19  
20 A. In PSC Case No. 2015-00396 the Commission stated "As with the Commission, FERC is  
21 mandated to set rates that are fair, just, and reasonable. While the Commission may not  
22 agree with the manner in which FERC establishes ROE, we take note that the terms of a  
23 FERC-approved contract have been found to legally constitute a fair, just, and reasonable  
24 rate. We also note that FERC's methods of setting an ROE have withstood prior  
25 challenges."

26  
27 The Rockport ROE approved five years ago is certainly out of line with current granted  
28 ROE's. However, it appears this is a matter that will go unaddressed unless the Company  
29 takes the initiative.

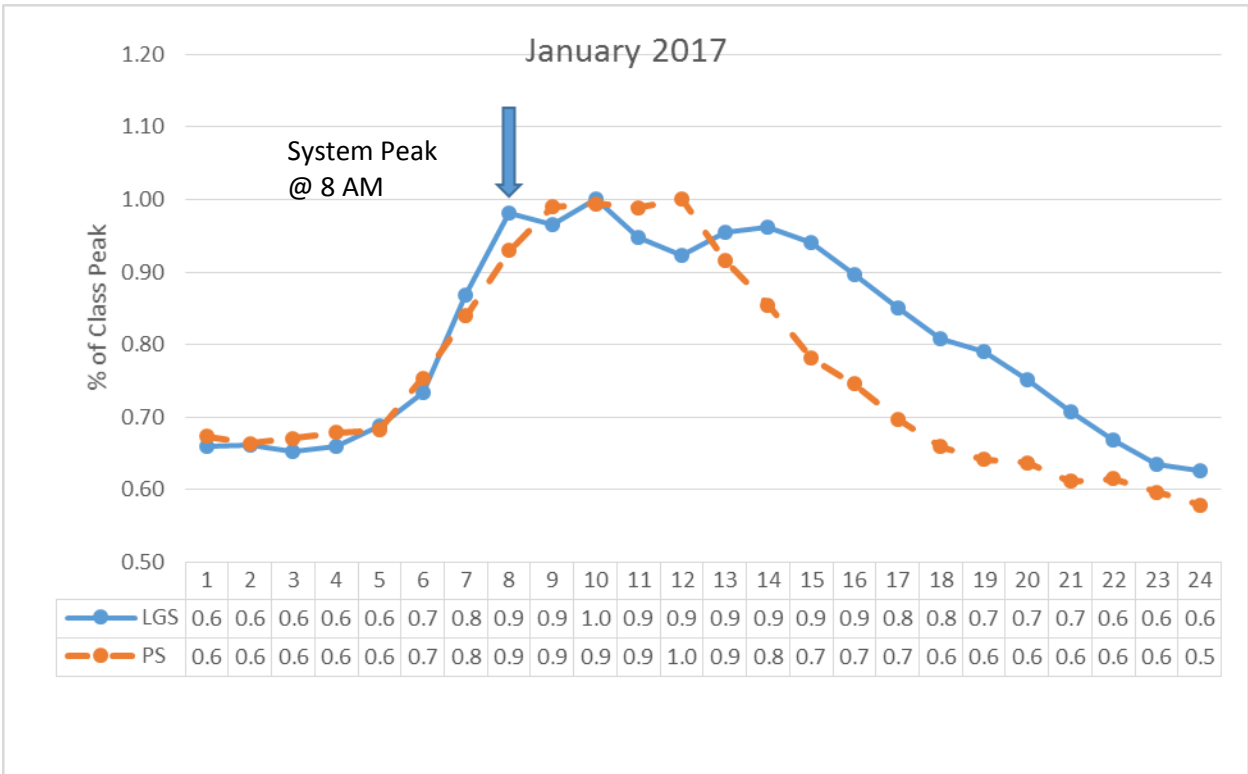
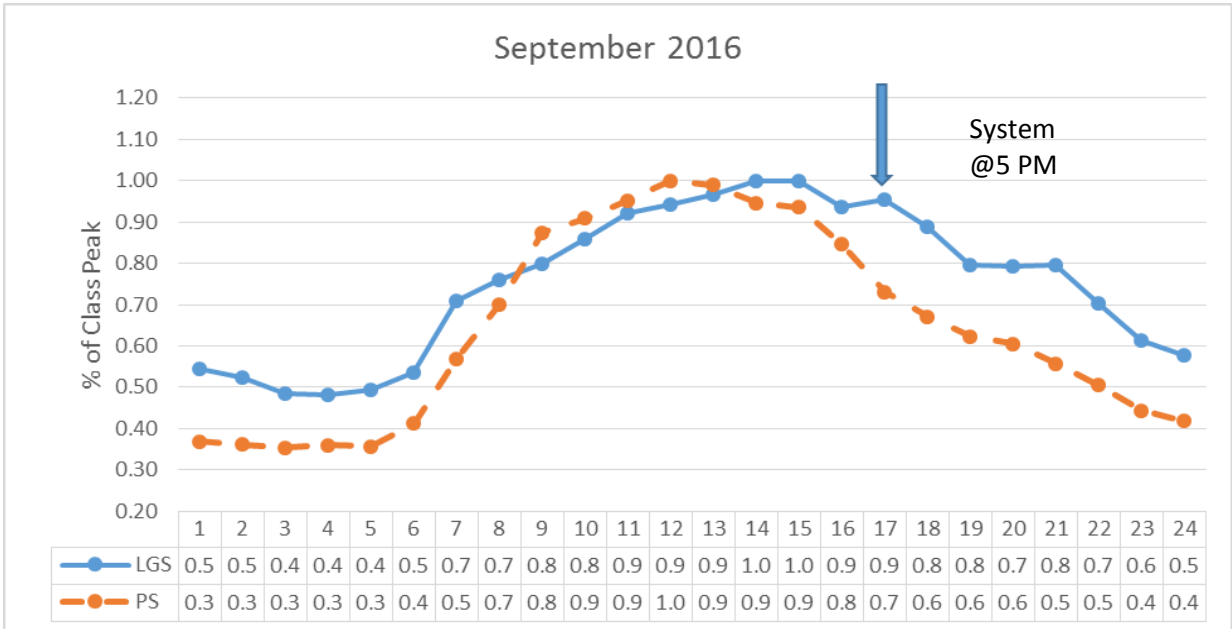
30  
31 **Q. Does this conclude your testimony?**

32  
33 A. Yes.

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<sup>1</sup> Complaint of American Municipal Power, Inc., Blue Ridge Power Agency, Craig-Botetourt Electric Cooperative, Indiana Michigan Municipal Distributors Association, Indiana Municipal Power Agency, Old Dominion Electric Cooperative, Inc. and Wabash Valley Power Association, Inc. ("Joint Complaint")

### School and L.G.S. System Peak Day Load Profiles



**Note:** PS is abbreviation for Tariff K – 12  
**Data Source:** KPCO\_R\_KPSC\_1\_73\_Attachment41\_LGS\_Sec and KPCO\_R\_KPSC\_1\_73\_Attachment50\_PS\_Sec