

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

An Electronic Examination By The)	
Public Service Commission Of The)	
Environmental Surcharge Mechanism)	
of Kentucky Power Company for)	Case No. 2018-00076
the Six-Month Billing Period Ended)	
December 31, 2017)	

DIRECT TESTIMONY OF

AMY J. ELLIOTT

ON BEHALF OF KENTUCKY POWER COMPANY

**DIRECT TESTIMONY OF
AMY J. ELLIOTT, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

CASE NO. 2018-00076

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I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

2 A. My name is Amy J. Elliott, and I am an External Affairs Manager for Kentucky Power
3 Company (“Kentucky Power” or the “Company”). My business address is 101 A
4 Enterprise Drive, Frankfort, Kentucky 40601.

II. BACKGROUND

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
6 **BACKGROUND.**

7 A. In 2000, I received a Bachelor of Arts degree in Economics from Transylvania
8 University in Lexington, Kentucky. I worked for the Tennessee Department of
9 Commerce and Insurance as an Insurance Examiner from 2002 through late 2005
10 before moving back to Kentucky and consulting with insurance companies in
11 connection with field audits. I accepted my present position with Kentucky Power
12 in 2018. Prior to that, was employed by Kentucky Power as a Regulatory
13 Consultant 2008 to 2018. In 2012, I received a Master of Business Administration
14 degree from the University of Massachusetts at Amherst.

15 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
16 **KENTUCKY POWER?**

17 A. I am in the early stages of transitioning to a new role as External Affairs Manager.

1 During this transition I continue to support the Company's regulatory activities. As
2 part of this responsibility, I manage the Company's environmental surcharge and
3 prepare the environmental surcharge calculation forms utilized by the Company to
4 implement the surcharge. Additionally, I manage the Company's periodic
5 regulatory filings made with the Kentucky Public Service Commission
6 ("Commission").

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
8 **COMMISSIONS?**

9 A. Yes. I testified in the Company's two prior combined general rate cases and
10 requests for amendments to the Company's Environmental Compliance Plans.
11 Additionally, I filed testimony in the Company's past eight periodic reviews of the
12 Environmental Surcharge: Case No. 2014-00052, Case No. 2014-00322, Case No.
13 2015-00113, Case No. 2015-00280, Case No. 2016-00109, Case No. 2016-00336,
14 and Case No. 2017-00072, and 2017-00327. Finally, I testified before the
15 Commission in two six-month reviews of the Company's fuel adjustment clause,
16 Case No. 2013-00261 and Case No. 2013-00444.

III. PURPOSE OF YOUR TESTIMONY

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

18 A. My testimony supports the Company's monthly environmental surcharge filings
19 during the six-month review period. My testimony also address the return on equity
20 ("ROE") during the review period and going forward.

IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD

1 **Q. PLEASE DESCRIBE THE OPERATION AND CALCULATION OF THE**
2 **ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD.**

3 A. The Company operated its environmental surcharge in accordance with its Tariff
4 E.S. approved by the Commission’s June 22, 2015 Order in Case No. 2014-00396.

5 **Q. DOES THE COMPANY HAVE ANY POST-FILING ADJUSTMENTS?**

6 A. No.

V. RETURN ON EQUITY

7 **Q. WHAT ROE DID THE COMPANY USE DURING THE REVIEW PERIOD,**
8 **AND WHAT WAS THE BASIS FOR USING THAT ROE?**

9 A. During the review period, the Company used a 10.25% ROE in accordance with
10 the Commission’s Order dated June 22, 2015 in Case No. 2014-00396.

11 **Q. HAS THE ROE USED TO CALCULATE THE ENVIRONMENTAL**
12 **SURCHARGE CHANGED SINCE THE END OF THE REVIEW PERIOD?**

13 A. Yes. The Company’s current Tariff ES includes an authorized ROE of 9.7%, in
14 accordance with the Commission’s Order Dated January 18, 2018 in Case No.
15 2017-00179. Furthermore, the January 18, 2018 Order establishes a Gross Revenue
16 Conversion Factor (GRCF) of 1.352116 and Weighted Average Cost of Capital
17 (WACC) of 7.88 and requires they “remain constant until the Commission sets base
18 rates in Kentucky Power’s next base rate case proceeding”.¹ The WACC employs
19 a 9.7% ROE. Kentucky Power has been using the 9.7% ROE in its monthly

¹ Order dated January 18, 2018 in Case No. 2017-00179 at page 66.

1 environmental surcharge calculation since the Commission's January 18, 2018
2 order.

VII. CONCLUSION

3 **Q. WERE THE RATES CHARGED THROUGH THE ENVIRONMENTAL**
4 **SURCHARGE DURING THE TWO-YEAR REVIEW PERIOD IN**
5 **ACCORDANCE WITH TARIFF E.S. AND APPLICABLE COMMISSION**
6 **ORDERS?**

7 A. Yes. The environmental surcharge rates billed during the review period were fair,
8 just, and reasonable.

9 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10 A. Yes.

VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is an External Affairs Manager for Kentucky Power Company, that she has personal knowledge of the matters set forth in the forgoing testimony and the information contained therein is true and correct to the best of her information, knowledge, and belief.

Amy J. Elliott
Amy J. Elliott

Commonwealth of Kentucky)
)
County of Franklin)

Case No. 2018-00076

Subscribed and sworn before me, a Notary Public, by Amy J. Elliott this 26th day of April, 2018.

Beverida A. Stacy
Notary Public

My Commission Expires 8-12-18