

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

The Electronic Application Of Kentucky Power)
Company For: (1) Approval Of Continuation)
Of Its Targeted Energy Efficiency Program;)
(2) Authority To Recover Costs And Net Lost)
Revenues, And To Receive Incentives) Case No. 2018-00377
Associated With The Implementation Of Its)
Demand-Side Management Programs;)
(3) Acceptance Of Its Annual DSM Status Report;)
And (4) All Other Required Approvals And Relief)

DIRECT TESTIMONY OF

MATTHEW A. HORELED

ON BEHALF OF KENTUCKY POWER COMPANY

**DIRECT TESTIMONY OF
MATTHEW A. HORELED
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BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

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**DIRECT TESTIMONY OF
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BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, POSITION WITH KENTUCKY POWER**
2 **COMPANY, AND BUSINESS ADDRESS.**

3 A. My name is Matthew A. Horeled. My position is Director of Regulatory Services,
4 Kentucky Power Company. My business address is 855 Central Avenue, Suite 200,
5 Ashland, Kentucky 41101.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCE.**

8 A. I received a Bachelor of Arts, Honors degree in History from Loyola University Chicago
9 in May 2001, and a Master of Business Administration degree with a concentration in
10 Finance from Loyola University Chicago in August 2004. I was awarded a Juris Doctor
11 from Valparaiso University School of Law in May 2005.

12 I began my utility industry career with American Electric Power Service Corporation in
13 September 2007 as a Risk & Insurance Management Analyst with responsibility for
14 managing numerous insurance programs. I transferred to the Corporate Planning and
15 Budgeting Department in April 2010 as a Financial Analyst with emphasis on operating
16 company forecasts. In that role, I prepared and reviewed short-term and long-term
17 forecasts for Kentucky Power and Indiana Michigan Power (“I&M”), as well as monthly
18 analyses of budget to actual variances. In April 2014, I was promoted to Financial
19 Analyst Principal. In March 2015, I transferred to I&M as Regulatory Analysis and Case

1 Manager for I&M. In that role, I was responsible for the supervision, preparation, and
2 filing of rate and regulatory matters in Indiana and Michigan. In February 2017, I
3 transferred and was promoted to Director of Business Operations Support for Kentucky
4 Power, with responsibility for all corporate budgeting, financial management, and
5 continuous improvement for the Company. In April 2018, I assumed my current position
6 as Director of Regulatory Services for Kentucky Power. I am responsible for the
7 supervision and direction of Kentucky Power's Regulatory Services Department, which
8 has responsibility for all rate and regulatory matters.

9 **Q HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
10 **PROCEEDINGS?**

11 A. Yes. Most recently, I submitted testimony in Case No. 2018-00307 on behalf of the
12 Company in connection with the Commission's examination of Kentucky Power's
13 environmental surcharge for the six-month period ended June 30, 2018. I also filed
14 testimony in Case No. 2018-00311 supporting the Company's application to modify and
15 expand its former home energy assistance program. Earlier this year I filed testimony in
16 support of Kentucky Power's settlement agreement of Kentucky Industrial Utility
17 Customers, Inc.'s tax act complaint in Case No. 2018-00035.

II. PURPOSE OF TESTIMONY

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

19 A. The purpose of my testimony is to first request the continuance of the Targeted Energy
20 Efficiency (TEE) program. The TEE program is a demand-side management
21 weatherization program targeting low-income residential customers. Second, I would

1 like to report on the compliance to the Commission’s Order dated January 18, 2018
2 related to Case No. 2017-00097. Finally, I request all required Relief and Approvals.

III. TARGETED ENERGY EFFICIENCY PROGRAM

3 **Q. PLEASE PROVIDE A DESCRIPTION OF KENTUCKY POWER’S EXISTING**
4 **TARGETED ENERGY EFFICIENCY PROGRAM.**

5 A. Kentucky Power’s TEE program provides weatherization and energy efficiency services
6 to participating residential customers who need help reducing their energy bills. The
7 TEE program is funded by Kentucky Power and administered through Community
8 Action Kentucky (“CAK”). CAK is a statewide association representing and assisting a
9 network of 23 community action agencies. The TEE program supplements the
10 Weatherization Assistance Program offered by the local community action agency.

11 **Q. WHO IS ELIGIBLE TO PARTICIPATE IN THE TEE PROGRAM?**

12 A. The TEE program is available to residential customers receiving retail electric service
13 from the Company. To qualify, applicants must use electricity as their primary heat
14 source and must use an average of at least 700 kWh of electricity per month. Residential
15 customers without primary electric heating may also be eligible for limited efficiency
16 measures if they have electric water heating and use an average of at least 700 kWh per
17 month from November through March. To qualify, a household’s income cannot exceed
18 the applicable federal poverty guidelines.

19 **Q. IS THE COMPANY PROPOSING TO MODIFY THE TEE PROGRAM?**

20 A. No. The Company is not proposing any changes to the program for the 2019 program
21 year.

1 **Q. WHAT IS THE PROPOSED 2019 BUDGET FOR THE TARGETED ENERGY**
2 **EFFICIENCY PROGRAM?**

3 A. The Company is proposing to maintain the funding level at \$284,800 in 2019. This
4 funding level should support 129 annual TEE program participants in 2019. This target
5 number of participants was developed with input from the community action agencies.

IV. STATUS OF DSM PROGRAMS

6 **Q. WHAT IS THE STATUS OF THE DSM PROGRAM CLOSE-OUT?**

7 A. In February 2017, the Commission opened case no. 2017-00097 to investigate and review
8 the Company's Demand Side Management programs. The Commission ultimately
9 decided by Order dated November 30, 2017 that the DSM programs should be suspended
10 with the exception of the Targeted Energy Efficiency program. All DSM programs were
11 closed down by the end of 2017 but there were questions concerning incentives related to
12 certain DSM programs. The PSC held a formal hearing on January 11, 2018 related to
13 the residential Whole House program, the Commercial New Construction program, and
14 Commercial Incentive Prescriptive Custom program. The Commission approved the
15 payment of incentives of those customers on the waitlist that were either in "Pending
16 Kentucky Power Final Approval" category or in the "Review Status" category. There
17 were 194 commercial projects in those categories and a proposed budget of \$1,519,520.
18 There were 66 residential projects and approximately \$18,572 for incentive payments.

19 To facilitate the prompt payment of incentives and program closure, Kentucky
20 Power set a date of February 15, 2018 for all paperwork to be submitted to Kentucky
21 Power. This allowed the third-party vendor to review and verify each project for
22 payment and permitted a prompt termination of the programs. One hundred and eleven

1 commercial projects were timely submitted and paid by the Company. Total payments
2 for the 111 projects was \$744,938. Thirty five Whole House program projects received
3 incentives totaling \$9,388. The last payment was sent in February 2018.

4 **Q. DID KENTUCKY POWER MAKE ANY PAYMENTS NOT REFLECTED ON**
5 **THE LIST SUBMITTED TO THE COMMISSION ON DECEMBER 13, 2017?**

6 A. Yes. The third-party vendor omitted one Commercial New Construction project and two
7 CI Prescriptive Custom projects from the original list as a result of a data entry error.
8 The customers made the program expenditures in reliance upon the program and were
9 otherwise entitled to the omitted \$14,975.34 incentive payments.

10 **V. DSM SURCHARGE FACTORS**

11 **Q. IS THE COMPANY PROPOSING A CHANGE TO ITS DSM SURCHARGE**
12 **FACTORS?**

13 A. Yes. The Company is proposing to decrease the residential surcharge factor credit from
14 (\$0.001206) per kWh to (\$0.000523) per kWh. The Company also is proposing to
15 decrease the current commercial surcharge factor from a charge of \$0.002017 per kWh to
16 a credit of (\$0.000022) per kWh.

17 **Q. WHAT WILL BE THE EFFECT ON THE PROPOSED INCREASE IN THE**
18 **RESIDENTIAL DSM SURCHARGE FACTOR ON THE AVERAGE**
19 **RESIDENTIAL CUSTOMER'S BILL?**

20 A. The average residential customer using 1,300 kWh per month received a credit of (\$1.57)
21 per month on his or her bills in 2018. With the decreased credit factor, the average
22 residential customer will receive a credit of (\$0.76) per month on his or her 2019 bill.
23 This credit still allows for the continuation of the Targeted Energy Efficiency program.

1 **Q. WHY IS THE CREDIT DECREASING IN 2019?**

2 A. The Company over-collected DSM revenues in 2017 and refunded the over-collection
3 back to customers in 2018. The refund was returned to customers by a DSM credit on
4 customer's bills. The majority of the over-collection was returned to customers through a
5 DSM credit in 2018; however, due to a lag in timing between rate implementation and
6 calculation, there is a remaining over-collection that will be returned to customers in
7 2019. Because the bill credit associated with the over-collection will be smaller than it
8 was in 2018, there will be a slight increase in the residential customer's monthly bill
9 when comparing 2019 to 2018.

10 **Q. WHAT IS THE REASON FOR THE PROPOSED DECREASE IN THE**
11 **COMMERCIAL DSM SURCHARGE FACTOR?**

12 A. When the Commission cancelled the commercial DSM program, the Company was in an
13 under-collected status and continued to collect revenue from the Commercial class
14 customers through 2018. However, due to a lag in timing between rate implementation
15 and calculation, there is now a small remaining over-collection of \$94,399 that will be
16 returned to customers in 2019. The funds will be returned to commercial customers via a
17 DSM credit on their bills.

18 **Q. WHAT SUPPORT DOES THE COMPANY OFFER FOR ITS CALCULATION**
19 **OF ITS SURCHARGE FACTORS?**

20 A. "Schedule C," which is filed as Exhibit 5 to the Application, supports the Company's
21 calculation of the surcharge factors being proposed.

VI. CONCLUSION

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A. Yes.**

VERIFICATION

The undersigned, Matthew A. Horeled, being duly sworn, deposes and says he is the Director of Regulatory Services for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Matthew A. Horeled
Matthew A. Horeled

Commonwealth of Kentucky)	
)	Case No. 2018-00377
County of Boyd)	

Subscribed and sworn before me, a Notary Public, by Matthew A. Horeled this
14 day of November, 2018.

Trisha M. Young Blum
Notary Public

My Commission Expires 3-18-19

