

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)
the Six-Month Billing Period Ended)
December 31, 2018.)

Case No. 2019-00140

DIRECT TESTIMONY OF
BRIAN K. WEST
ON BEHALF OF KENTUCKY POWER COMPANY

**DIRECT TESTIMONY OF
BRIAN K. WEST
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1

I. INTRODUCTION

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

3 A. My name is Brian K. West. My position is Director of Regulatory Services,
4 Kentucky Power Company (“Kentucky Power” or the “Company”). My business
5 address is 855 Central Avenue, Suite 200, Ashland, Kentucky 41101.

6

II. BACKGROUND

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND.**

9 A. I received an Associate’s degree in Applied Science (Electronics Technology) and
10 a Bachelor’s degree in Business Management, both from Ohio University in 1987
11 and 1988, respectively, and a Master of Business Administration degree from Ohio
12 Dominican University in 2008.

13 I began my utility industry career with Ohio Power Company in
14 Portsmouth, Ohio in 1989 as a Customer Services Assistant. This was a supervisor-
15 in-training position as I worked in each area of the office (*e.g.*, cashiering, new
16 service and credit and collections) to gain knowledge and experience with every
17 aspect of managing an area office. After completing the training program, I initially
18 supervised meter readers in the Portsmouth office until being promoted to office
19 supervisor in 1993. In 1997, when the area offices were closed, I transferred to

1 Chillicothe, Ohio and accepted the position of customer services field supervisor,
2 with responsibility for managing customer field representatives, who primarily
3 worked with customers on high-bill and other inquiries.

4 In 2000, after American Electric Power Company, Inc. (“AEP”) merged
5 with Central and South West Corporation (“CSW”), I moved to Columbus, Ohio,
6 where I held various positions in Customer Operations, mostly in process
7 improvement and supporting regulatory filings. In 2008, I transferred to Regulatory
8 Services and began supporting various filings before public service commissions
9 in Arkansas, Indiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and
10 West Virginia, as well as the Public Service Commission of Kentucky
11 (“Commission”).

12 In 2010, I was promoted to case manager with responsibility for energy
13 efficiency/demand response filings, integrated resource plan filings and various
14 renewable filings across AEP’s service territory. In 2016, I moved to a case
15 manager role with primary responsibility for most Appalachian Power Company
16 filings before the Public Service Commission of West Virginia, the Virginia State
17 Corporation Commission, and the Tennessee Public Utility Commission. In
18 February 2019, I assumed my current position as Director of Regulatory Services
19 for Kentucky Power.

20 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
21 **KENTUCKY POWER?**

1 A. I am responsible for the supervision and direction of Kentucky Power's Regulatory
2 Services Department, which has responsibility for all rate and regulatory matters,
3 including the Company's periodic regulatory filings made with the Commission.

4 **III. PURPOSE OF YOUR TESTIMONY**

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

6 A. My testimony supports the Company's monthly environmental surcharge filings
7 during the six-month review period. In addition, my testimony addresses the return
8 on equity ("ROE") during the review period and going forward.

9 **IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE**

10 **DURING THE REVIEW PERIOD**

11 **Q. WHAT IS THE REVIEW PERIOD FOR THIS CASE?**

12 A. The review period for this case is the six-month billing period from July 1, 2018,
13 through December 31, 2018.

14 **Q. PLEASE DESCRIBE THE OPERATION AND CALCULATION OF THE**
15 **ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD.**

16 A. The Company operated its environmental surcharge in accordance with its Tariff
17 E.S. approved by the Commission's January 18, 2018 Order in Case No. 2017-
18 00179, as well as pursuant to the Commission's July 24, 2018 Order in Case No.
19 2018-00076.

20 **Q. DID THE OPERATION OF THE ENVIRONMENTAL SURCHARGE**
21 **DURING THE REVIEW PERIOD REFLECT ANY OTHER**
22 **COMMISSION-ORDERED CHANGES?**

23 A. No.

1 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS IN**
2 **CONNECTION WITH THIS PROCEEDING?**

3 A. No. The Company is not proposing any adjustments in connection with this
4 proceeding. Kentucky Power previously identified an under-recovery totaling
5 \$11,275 in connection with two items: urea in transit (FERC Account 1540023)
6 and limestone in transit (FERC Account 1540022) for the expense months of March
7 2018 through January 2019.

8 **Q. HOW WAS THE UNDER-RECOVERY IDENTIFIED?**

9 A. Kentucky Power management requested an internal audit by American Electric
10 Power Service Corporation personnel of the environmental surcharge. The audit
11 was requested as part of management's regular efforts to ensure compliance with
12 all regulatory and financial reporting requirements. The audit discovered that the
13 Company's then-current ES forms did not provide for the recovery of limestone in
14 transit. It also discovered that the urea in transit line on the Commission-approved
15 form was linked to an incorrect account. The limestone in transit line item should
16 have been added to the form to conform to the Commission's January 18, 2018
17 Order in Case No. 2017-00179 which amended the Company's Environmental
18 Compliance Plan (ECP) to allow a return on consumables used in conjunction with
19 approved ECP projects.

20 **Q. WERE ANY OTHER ENVIRONMENTAL SURCHARGE OVER-**
21 **RECOVERIES OR UNDER-RECOVERIES DURING THE REVIEW**
22 **PERIOD IDENTIFIED BY THE AUDIT OR BY KENTUCKY POWER?**

23 A. No.

1 **Q. WHAT WAS THE CURRENT REVIEW PERIOD UNDER-RECOVERY**
2 **ASSOCIATED WITH THESE TWO ITEMS?**

3 A. The under-recovery for these two items for the current review period was \$7,136.

4 **Q. HOW DID KENTUCKY POWER ADDRESS THE UNDER-RECOVERY?**

5 A. The Company notified the Commission of the under-recovery in its March 2019
6 and April 2019 environmental surcharge filings. Kentucky Power also proposed in
7 those two filings to address the under-recovery in its May 2019 filing.

8 The Company's May 20, 2019 environmental surcharge filing (expense
9 month April; billing month June) reflected the total under-recovery of \$11,275 as
10 an adjustment shown on Form 1.0, Line 6a.

11 **V. RETURN ON EQUITY**

12 **Q. WAS THE ROE USED IN CONNECTION WITH THE COMPANY'S**
13 **ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD**
14 **REASONABLE?**

15 A. Yes. The Company's current Tariff E.S. provides for an ROE of 9.7% as required
16 by the Commission's January 18, 2018 Order in Case No. 2017-00179. The
17 January 18, 2018 Order also established a Gross Revenue Conversion Factor
18 (GRCF) of 1.352116 and Weighted Average Cost of Capital (WACC) of 7.88 using
19 an ROE of 9.7%. The January 18, 2018 Order in Case No. 2017-00179 also
20 requires that the GRCF and WACC "remain constant until the Commission sets
21 base rates in Kentucky Power's next base rate case proceeding".¹ Kentucky Power

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

1 used the Commission-mandated 9.7% ROE in its monthly environmental surcharge
2 calculation beginning with service rendered on and after January 18, 2018.

3 **VI. CONCLUSION**

4 **Q. DID KENTUCKY POWER REASONABLY APPLY AND ADMINISTER**
5 **ITS TARIFF E.S. DURING THE REVIEW PERIOD?**

6 A. Yes. The surcharge was administered in conformity with applicable Commission
7 orders and Tariff E.S. The environmental surcharge rates billed during the review
8 period were fair, just, and reasonable.

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

10 A. Yes.

VERIFICATION

The undersigned, Brian K. West, 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.



Brian K. West

Commonwealth of Kentucky)
) Case No. 2019-00140
County of Boyd)

Subscribed and sworn before me, a Notary Public, by Brian K. West this
18th day of June, 2019.



Notary Public

My Commission Expires March 19, 2023

