COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC 2019 INTEGRATED RESOURCE PLANNING REPORT OF KENTUCKY POWER COMPANY	)) CASE NO. 2019-00443)

* * * * * * * *

KENTUCKY POWER COMPANY'S COMMENTS ON COMMISSION STAFF'S REPORT ON THE 2019 INTEGRATED RESOURCE PLAN OF KENTUCKY POWER COMPANY AND RESPONSE TO INTERVENOR COMMENTS

Kentucky Power Company ("Kentucky Power" or the "Company") appreciates the opportunity to provide comments on the Staff Report entered into the record of this case pursuant to 807 KAR 5:058, Section 11(3), and to respond to the Attorney General for the Commonwealth of Kentucky, By and Through the Office of Rate Intervention's ("AG") and Kentucky Industrial Utility Customers, Inc.'s ("KIUC") (jointly, "AG/KIUC") Joint Review of Kentucky Power's 2019 Integrated Resource Plan ("AG/KIUC Comments"), in accordance with the Commission's Order dated February 15, 2021. Neither AG/KIUC nor Commission Staff questions the Company's compliance with 807 KAR 5:058 in preparing its integrated resource plan ("IRP"), and therefore the Company's comments will be limited to recommendations and observations relevant to the preparation of the Company's next IRP, due to be filed no later than December 20, 2022.

Specifically, the Company's comments address the following six topics:

1. The anticipated additional costs associated with Staff's recommendation to obtain alternative forecast scenario data (*See* Staff Report at 11-12);

2. The limitations on the Company's ability to provide the annual and seasonal peak information by class recommended to be included in the Company's next IRP (*See* Staff Report at 12);

3. The fact that by the time the Company's next IRP is filed in 2022 it will be (a) moot to perform the analysis Staff recommends regarding the impact of the Steam Electric Power Generating Effluent Guidelines ("ELG Rule") on the Company's supply-side plan to meet its PJM reserve margin requirements and its anticipated winter capacity and demand requirements, and (b) unnecessary to compare Fixed Resource Requirements ("FRR") or Reliability Pricing Model ("RPM") election analysis scenarios assuming the Mitchell generating station's retirement or continued operation beyond 2028 (*See* Staff Report at 26-27);

4. The limitations on the Company's ability to provide the information recommended to be included regarding base generation merchant plants located in or near Kentucky Power's service territory, and the costs and benefits of acquiring renewable generating resources through purchase power contracts or through the construction of facilities, given that such information can only be modeled by proxy (as it has been done in the 2019 and previous Company IRPs) or by use of Requests for Proposals ("RFPs") or Requests for Information ("RFIs") that are not suitable to provide reliable information (*See* Staff Report at 27);

5. The fact that AG/KIUC's recommendations would expose Kentucky Power's customers to greater risks associated with uncertainty and market volatility (*See* AG/KIUC Comments generally); and

6. The observation that the conflicting recommendations in the Staff Report, the public comment recommendations of the Southern Renewable Energy Association ("SREA"), and the

AG/KIUC Comments illustrate that the approach the Company took in its 2019 IRP strikes a reasonable balance among the options available in the Company's analyses.

I. RESPONSES TO COMMENTS

Kentucky Power agrees with the Staff Report's overall conclusion, namely that the Company's 2019 IRP adequately addressed previous recommendations and meets the requirements of 807 KAR 5:058 (*e.g.*, Staff Report at 31). The Staff Report makes a number of recommendations that the Company will strive to satisfy in its next IRP, including the following:

(a) provide a more detailed description of the different load forecast scenarios including how the base case assumptions were changed, how they differ from the base case, and a table depicting all the various results;

(b) continue to provide an update on Kentucky Power's economic development efforts including the impact on its load and employment in its service territory;

(c) include discussion and analysis of the potential for and any increases in distributed energy resources on the load forecasts, including behind the meter generation at residential, commercial and industrial customer locations, evaluated separately and cumulatively including discussion of drivers encouraging and discouraging such development;

(d) continue to scrutinize the results of each existing demand-side management ("DSM") program measure's cost-effectiveness tests and provide those results in future DSM cases, along with detailed support for future DSM program expansions and additions after the Rockport Unit Power Agreement ("UPA") capacity is no longer available;

(e) evaluate the marginal benefits and costs, including opportunity costs of Volt/Var Optimization ("VVO") and demand response ("DR") programs;

(f) examine additional low-income programs that allow for more participants and easier access to energy efficiency ("EE") alternatives; and

(g) continue to monitor the distributed generation ("DG") additions.

The Company notes that its 2019 IRP already reflects consideration of most if not all of these items, and that they will be included in the next IRP, consistent with their relative impact on the overall IRP at the time.

On the other hand, some of the recommendations in the Staff Report require additional comment, as discussed below.

1. The Recommendation To Include Alternative Forecast Scenario Data Likely Will Result In Additional Costs That May Not Be Justified At The Time The Next IRP Is Prepared.

The Staff Report recommends that the Company:

> [P]rovide a more detailed description and explanation of the county level historical, and forecast data obtained from Moody's Analytics (or any other source) and the process employed to tailor data to specific counties and to Kentucky Power's service territory. The explanation should also include a description of any alternative forecast scenarios provided by Moody's Analytics, such as optimistic and pessimistic growth scenarios reflecting different economic and demographic assumptions, which may influence the ultimate forecast data used by Kentucky Power (Staff Report at 11-12).

Although the Company does not object to Staff's interest in alternative forecast scenario information available from Moody's Analytics and for information tailored more granularly to specific counties in the Company's service territory, the Company notes that obtaining access to such additional information would likely double the cost of the subscription fees involved, without adding corresponding value. The forecasts and information the Company used in preparing its 2019 IRP adequately reflect the realities of the forecast for the Company's service territory. In preparing its 2022 IRP, the Company will abide by Staff's information-related recommendation if the Commission so desires, but the Company notes that such additionally detailed and more expensive information was not necessary to prepare the 2019 IRP, and may not be justified at the time the 2022 IRP is prepared.

2. The Annual And Seasonal Peak Information By Class Recommended For The Company's Next IRP Has Limitations.

The Staff Report recommends that the Company should:

> [P]rovide a comparison of the annual and seasonal peak forecasts of the residential, commercial, and large commercial and industrial sales classes with actual results for the period following the 2019 IRP (Staff Report at 12).

The Company does not object to providing the requested forecast information, but the Company does not have actual load data available by class. Such information is not measurable without more advanced interval metering, such as Advanced Metering Infrastructure ("AMI").

3. Some Of The Analysis And Information That The Staff Report Recommends For The 2022 IRP Will Be Moot By The Time The 2022 IRP Is Prepared.

The Staff Report recommends that the Company should:

> [M]odel the impact to the Mitchell Plant due to the publication of the final ELG rule along with any impacts to Kentucky Power's preferred supply side plan to meet its PJM reserve margin requirements and its anticipated winter capacity and demand requirements (Staff Report at 27).

The Company respectfully notes that this issue will become moot prior to the due date of the 2022 IRP. Plans specific to the ELG rule must be determined in advance of the ELG Rule's October 13, 2021 compliance date.

Similarly, the Staff Report recommends that the Company should:

> [P]rovide a detailed cost benefit study demonstrating why it should continue to participate in PJM as an FRR versus RPM, and discussing the advantages of remaining an FRR company; [and] if not already included in the prior study, conduct a separate FRR versus RPM cost benefit study similar to the first, except that the analyses should explicitly assume the Mitchell station will continue generating beyond 2028 and then assume the Mitchell station will retire in 2028. (Staff Report at 26-27).

The Company's election to participate in PJM as an RPM entity instead of an FRR entity cannot be reversed on a short-term basis; such election has a five-year duration. This, coupled with the already-noted October 2021 date for ELG compliance notification, will render moot the analysis requested. The Company already is required under the Commission's January 18, 2018 Order in Case No. 2017-00179 to file annually an FRR/RPM election analysis. Each annual analysis only considers the forward-looking three year period associated with PJM auction rules. The Company anticipates making such a filing in 2022 roughly contemporaneously with its 2022 IRP filing, which will consider the period through the 2024/2025 delivery year. Whether the Mitchell Plant will operate until or beyond 2028 will not impact the Company's 2022 plan with respect to its FRR or RPM election.

4. Some Of The Information That The Staff Report Recommends For The 2022 IRP Is Of Limited Quality.

The Staff Report recommends that the Company should:

> [E]xplicitly describe its evaluation of the inclusion of Kentucky base generation merchant plants and how those costs compare to other alternate supply-side resources [and] explain the costs and benefits of acquiring renewables through purchased power contracts or through the construction of the facility itself generally and specifically in support of any renewable capacity additions (Staff Report at 27).

The type of information necessary for a meaningful analysis of these types of resources beyond what the Company already provides in its IRPs would require issuing RFPs and/or RFIs. However, the information that can be obtained using these methods is simply not meaningful if the market participants responding to the RFPs and RFIs know, as they necessarily would, that the Company is not issuing the RFP or RFI in order to identify actual proposals for real projects and transactions, but instead simply to obtain indicative information from the market without an intention to enter into a transaction. Because of this critical limitation, the appropriate way to evaluate the alternatives identified in the Staff Report would be to establish a reasonable proxy for this type of resource, and conduct the analysis accordingly. This approach is precisely what the Company did in its 2019 IRP and in previous IRPs.

Similarly, the Staff Report also recommends that the Company should:

> [E]xplain the costs associated with upgrading the transmission system so to accommodate any renewable generation capacity (Staff Report at 27).

Other than a few existing resources assumed to remain in place, available or potential resources modeled and analyzed in the context of the Company's IRPs are generic. It follows that their location is not specific, which in turn makes it impossible to estimate in any meaningful way the costs associated with required transmission upgrades that may in practice be necessary to interconnect them, which may vary quite significantly even within relatively small geographic areas, let alone in the larger footprint of PJM, where any resource could be located. Although, as a general rule interconnection costs (including the cost of upgrades required for interconnection) are paid for by the generators interconnecting to the grid. Additional transmission upgrade costs are possible, and the Company already includes proxy costs that are a reasonable estimate for a generic project (including renewable generation capacity, which could be located anywhere in PJM) without an actual physical location on the transmission grid.

5. AG/KIUC's Recommendations Would Expose Customers To Increased Risk Of Higher Costs And Volatility.

AG/KIUC's comments generally advocate for a significantly greater reliance on short-term market purchases of capacity, as opposed to the less risky approach in the Company's 2019 IRP of securing capacity via Company-owned assets. There is no dispute that the 2019 IRP (and the future 2022 IRP, for that matter) presents only informative analyses and does not contain proposals for approval of specific approaches, contracts, or projects. In that context, AG/KIUC's comments enjoy the safety of abstract discussion without the real life risks associated with actual decisions about significant capital projects or the material risk exposure that their approach would bring to Kentucky Power's customers. In real life, an approach such as that suggested by AG/KIUC, while possible, could result in significant, perhaps even crippling, spikes in costs for customers, and illustrate an unacceptable short-term view of the Company's long-term obligation to provide reliable service to its customers and its service territory communities.

6. The Company's 2019 IRP Presents A Balanced View, As Illustrated By The Conflicting Recommendations Of Staff, AG/KIUC's Comments, And SREA's Public Comments.

Although AG/KIUC fault the Company for estimates that "favor" the identification of renewable resources, the public comments of SREA argue that the Company's estimates are hostile toward renewable resources. Although Staff faults the Company for not emphasizing an isolationist view of its winter capacity needs, the AG/KIUC fault the Company for not relying to a greater degree on market purchases to address the same needs.

These discrepancies provide a vivid illustration of the competing priorities that the Company balances both in its IRPs and when faced with timely critical decisions about how to address the long-term needs of its customers. The Company's 2019 IRP takes a reasonable and balanced approach to the analysis required by 807 KAR 5:058, one that neither favors nor hinders any particular source of generation, and one that optimizes a long-term view of how to serve its customers through a combination of its own resources and those available from the market.

III. CONCLUSION

As required by 807 KAR 5:058, Kentucky Power evaluated its future resource planning obligations building on reasonable load forecasts, demand-side resource options, as well as supply-side alternatives. Following its review and evaluation, Kentucky Power included its preferred resource plan that represents a balanced generation portfolio. Kentucky Power's 2019 IRP Report demonstrates that it complied with the requirements of 807 KAR 5:058.

Respectfully submitted,

____

Mark R. Overstreet
Katie M. Glass
STITES & HARBISON PLLC
421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477
moverstreet@stites.com
kglass@stites.com

COUNSEL FOR KENTUCKY POWER
COMPANY