

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company)
For (1) A General Adjustment Of Its Rates For)
Electric Service; (2) Approval Of Tariffs And Riders;)
(3) Approval Of Accounting Practices To Establish)
Regulatory Assets And Liabilities; (4)Approval Of A)
Certificate Of Public Convenience And Necessity;)
And (5) All Other Required Approvals And Relief)

Case No. 2020-00174

SUPPLEMENTAL REBUTTAL TESTIMONY OF
ALEX E. VAUGHAN
ON BEHALF OF KENTUCKY POWER COMPANY

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EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
EXHIBIT AEV-SR1	<u>Supplemental rebuttal testimony workpapers</u>

**SUPPLEMENTAL TESTIMONY OF
ALEX E. VAUGHAN ON BEHALF OF
KENTUCKY POWER COMPANY
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I. INTRODUCTION

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

2 A. My name is Alex E. Vaughan, and I am employed by American Electric Power
3 Service Corporation (“AEPSC”) as Director, Regulated Pricing and Renewables.
4 My business address is 1 Riverside Plaza, Columbus, Ohio 43215. AEPSC is a
5 wholly-owned subsidiary of American Electric Power Company, Inc. (“AEP”), the
6 parent Company of Kentucky Power Company (the “Company” or “Kentucky
7 Power”).

8 **Q. ARE YOU THE SAME ALEX E. VAUGHAN WHO OFFERED DIRECT,**
9 **REBUTTAL, AND SUPPLEMENTAL TESTIMONY; SPONSORED**
10 **RESPONSES TO DATA REQUESTS; AND TESTIFIED AT THE**
11 **NOVEMBER 2020 HEARING IN THIS PROCEEDING?**

12 A. Yes.

II. PURPOSE OF TESTIMONY

13 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL**
14 **TESTIMONY?**

15 A. The purpose of my supplemental rebuttal testimony is to respond to the
16 supplemental testimonies of Messrs. McCann, Rabago, and Bills.

17 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

18 A. I am sponsoring the following exhibits:

1 Exhibit AEV-SR1 Supplemental rebuttal workpapers

III. SUMMARY OF SUPPLEMENTAL REBUTTAL TESTIMONY

2 **Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL REBUTTAL**
3 **TESTIMONY AND RECOMMENDATIONS.**

4 A. The following is a summary of my supplemental rebuttal testimony:

- 5 • I discuss a refinement to the supplemental class cost of service study (“CCOSS”)
6 that the Company made based on a KYSEIA data request;
- 7 • My testimony further supports that the Company’s process of cost allocation,
8 avoided electric utility cost determination and rate design for proposed tariff NMS
9 II is reasonable and consistent with the development of its other approved tariff
10 offerings. Mr. Rábago’s contention that the Company’s well-accepted,
11 Commission-approved ratemaking process is somehow lacking when applied to
12 prospective NMS II customer-generators both lacks any factual basis and is
13 inconsistent with the regulatory principle of consistency; and
- 14 • Nothing in the intervenors’ supplemental testimonies changes the fact that the
15 Company’s NMS II proposal provides a fair, just, and reasonable transition away
16 from full one-to-one kWh netting on all net metering system production to a cost-
17 based structure required by SB 100. Net metering customers are charged for their
18 net usage at the otherwise applicable standard tariff rates and are credited for their
19 excess generation at the Company’s actual avoided costs.

IV. NET METERING CLASS COST OF SERVICE UPDATE

1 **Q. DID THE COMPANY UPDATE ITS CLASS COST OF SERVICE STUDY**
 2 **FROM WHAT IT FILED IN SUPPLEMENTAL TESTIMONY?**

3 A. Yes. Based on the request to Kentucky Power contained in KYSEIA 4-5, I asked
 4 Company Witness Stegall to run a new version of the CCOSS filed February 25,
 5 2021 using revenues for the net metering classes based on the tariff structure of
 6 proposed Tariff NMS II rather than test year NMS revenues produced by the test
 7 year NMS customers.

8 **Q. DO THE RESULTS OF THIS NEW VERSION OF THE CCOSS VARY**
 9 **MATERIALLY FROM THE EARLIER VERSION PROVIDED BY**
 10 **COMPANY WITNESS STEGALL?**

11 A. No. The net metering customer classes' rates of return remain significantly lower
 12 than their standard tariff class counterparts, and are well below the average rate of
 13 return for all customers. This indicates that a subsidy in rates exists, is being paid
 14 to NMS customers by all other customers, and would continue to some degree to
 15 NMS II customers. This justifies on a cost of service basis the Company's NMS II
 16 proposal to bill all net billing units¹ at the otherwise applicable standard tariff rates.
 17 It also continues to support the Company's assertion that proposed tariff NMS II is
 18 a conservative step away from traditional one-to-one net metering and is a just and
 19 reasonable way to implement SB 100.

20 **Q. DOES THIS CHANGE ANY OF YOUR CONCLUSIONS CONTAINED IN**
 21 **YOUR DIRECT, REBUTTAL, OR SUPPLEMENTAL TESTIMONIES?**

¹ Units that were not netted in the TOU periods by the customer's behind the meter generation.

1 A. No, it further confirms them.

V. NET METERING RATE DESIGN AND AVOIDED COSTS

2 **Q. PLEASE COMMENT ON KYSEIA WITNESS MCCANN'S TESTIMONY**
3 **FROM PAGES 4-6.**

4 A. I agree with some of the principles stated in this section of Mr. McCann's testimony
5 such as cost causation, avoided cost rate making, and to some extent his testimony
6 urging that self-generating customers be provided the same level of financial
7 assurances as other generators. The issue with the current net metering regime
8 under the Company's NMS tariff is that customers are not receiving the same
9 financial assurances as other (larger) generators. Instead, they are receiving greater
10 financial benefits without assuming the same responsibilities and risks. This is an
11 existing inequality that the Company's proposed NMS II tariff is attempting to
12 correct on a going forward basis.²

13 **Q. PLEASE EXPLAIN THIS FINANCIAL INEQUALITY BETWEEN**
14 **LARGER GENERATORS AND NMS CUSTOMERS.**

15 A. One can simply look to the Company's COGEN/SPP I&II tariffs. These are
16 Commission-approved avoided cost tariffs that reflect the long-term avoided cost
17 of capacity (the fixed costs of a combustion turbine) and the avoided cost of energy
18 as delivered. Net metering customers could apply to sell their output, in full or just
19 the excess above their load, under COGEN/SPP I, but they do not because the
20 compensation is much higher for a customer-generator under the NMS tariff and
21 the one-to-one crediting at the full retail rate required by the NMS tariff. Customer-

² Existing NMS customers are grandfathered under the NMS tariff for 25 years, thus rendering any gradualism arguments pertaining to that rate design moot.

1 generators would also have to make commitments related to system performance
2 to receive full capacity payments under COGEN/SPP, a requirement that does not
3 exist in tariff NMS.

4 I estimate that a typical residential net metering system would be compensated at
5 roughly 5 cents per kWh³ for its output under the Commission-approved
6 COGEN/SPP I tariff if the customer chose the TOU option for its higher on-peak
7 capacity price. The same residential net metering system is compensated for all
8 output at the full retail rate of roughly 10 cents per kWh under the existing NMS
9 tariff. What customer wouldn't pick the double avoided cost payment rate with
10 fewer commitments? This further illustrates the large rate subsidy embedded in the
11 Company's current NMS tariff. Tariff NMS II is a step toward reducing this
12 subsidy in a just and reasonable fashion in this proceeding. It also is critical to
13 recognize this subsidy does not exist in a vacuum. It is borne by other customers.

14 **Q. HOW DOES THE COGEN/SPP PRICE COMPARE TO THE PROPOSED**
15 **AVOIDED COST RATE UNDER NMS II?**

16 A. It is actually higher than the \$3.6-\$3.8 cents per kWh.⁴ This difference reflects the
17 lesser commitment made by customer generators under the net metering construct
18 versus being compensated more closely akin to a utility generator, such as in
19 COGEN SPP.

20 **Q. PLEASE COMMENT ON JOINT INTERVERNORS' WITNESS**
21 **RABAGO'S NSPM-DER PROCESS.**

³ Assumes an as delivered LMP of \$30/MWh. Vaughan Supplemental Rebuttal exhibit AEV SR1

⁴ Vaughan rebuttal exhibits AEV R5 and AEV R6

1 A. Generally speaking it is administratively burdensome, unwarranted, and not
2 required by SB 100. The Commission and all interested parties have ample
3 information to judge true electric utility avoided costs, shifted costs, and proposed
4 tariff revenues under Tariff NMS II in this proceeding. There is no need to spend
5 additional time and resources on a value of solar study such as that proposed by
6 Mr. Ràbago. The electric utility cost of service benefits and costs of net metering
7 customers' generation, excess generation, and load have been quantified in my
8 direct testimony, further developed in my rebuttal testimony, further validated in
9 the Company's supplemental testimony, and updated in supplemental rebuttal. Any
10 further analysis is simply unnecessary and duplicative.

11 **Q. REFERRING TO MR. RÀBAGO'S TESTIMONY AT PAGE 6, HAS THE**
12 **COMPANY PROVIDED "COMPETENT" EVIDENCE IN SUPPORT OF**
13 **ITS NMS II PROPOSAL?**

14 A. Yes. The Company has provided a great deal of fact-based cost of service
15 information in the nine plus months of this proceeding. In fact, no other party has
16 provided any cost of service information. The Company has provided various test
17 year studies related to NMS generating system avoided utility costs, engaged in
18 multiple net metering customer load and peak coincidence analyses,⁵ including
19 multiple full class cost of service studies, and answered a voluminous amount of
20 discovery on the subject. Mr. Ràbago's characterization is both unsupported and
21 contrary to the record. In fact, more evidence, discussion and analysis has been
22 performed and taken place for future customers of the NMS II tariff than for all of

⁵ Vaughan Rebuttal, Stegall and Vaughan Supplemental, and Stegall and Vaughan Supplemental Rebuttal.

1 the Company's existing tariff customers for which the Commission has already
2 approved just and reasonable rates in its January 13, 2021 Order.

3 **Q. DOES MR. RÀBAGO OFFER HIS OWN COST OF SERVICE STUDY?**

4 A. No. Mr. Ràbago confirmed in his response to the Company's data request that he
5 has never developed a full class cost of service study. Instead, he simply reviews
6 such studies and then provides commentary in proceedings like this one in his
7 capacity as a solar advocate.

8 **Q. ARE THE COMPANY'S PROPOSED NMS II TARIFF AND RATES**
9 **PUNITIVE AND CONFISCATORY, AS MR. RÀBAGO ASSERTS AT**
10 **PAGE 7 OF HIS TESTIMONY?**

11 A. No, they are not in any way. Hyperbole is not an adequate substitute for the
12 multiple cost of service studies of record in this case. The Company's proposed
13 tariff NMS II rates are based on approved rate design and Kentucky cost allocation
14 methods and principles. Mr. Ràbago's contention requires the Commission to
15 reconcile how the same process used to establish just and reasonable rates for the
16 Company's existing customers suddenly becomes punitive and confiscatory when
17 applied to future potential net metering customers. Furthermore, no one is forcing
18 a prospective NMS II net metering customer to invest in a behind the meter solar
19 facility. That is a personal economic choice that the customer would make with
20 full knowledge of NMS II. Prospective NMS II customers should not be subsidized
21 by other customers thereby further compounding the fact that non-net metering
22 customers are forced to pay NMS customers subsidies under the current NMS tariff
23 and its provisions.

VI. CONCLUSION

1 **Q. DOES THE COMPANY'S NMS II PROPOSAL CONTINUE TO BE FULLY**
2 **SUPPORTED IN ACTUAL COST OF SERVICE ANALYSIS, AND DOES IT**
3 **REPRESENT A REASONABLE WAY TO IMPLEMENT SB 100?**

4 A. Yes. The Company's NMS II proposal, as modified by my rebuttal testimony, is
5 fully supported by actual cost of service analysis and is a fair, just, and reasonable
6 means to implement SB 100.

7 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL**
8 **TESTIMONY?**

9 A. Yes.



Vaughan NMS Testimony.docx

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E-Signature Summary

E-Signature 1: Alex E Vaughan (AEV)

March 25, 2021 06:36:29 -8:00 [3487B407C716] [167.239.2.88]
 aevaughan@aep.com (Principal) (Personally Known)

E-Signature Notary: Brenda Williamson (BW)

March 25, 2021 06:36:29 -8:00 [F2D5F32EE0C2] [167.239.2.88]
 bgwilliamson@aep.com
 I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is a Director-Regulatory Pricing & Renewables for American Electric Power Service Corporation that he 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 his information, knowledge and belief after reasonable inquiry.

Alex E Vaughan
Signed on 2021/03/25 06:36:29 -8:00
Alex E. Vaughan

STATE OF OHIO

)

) Case No. 2020-00174

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Alex E. Vaughan, this ____ day of March 2021.
03/25/2021

Brenda Williamson
Signed on 2021/03/25 06:36:29 -8:00
Notary Public

Brenda G. Williamson
Commission # 2016-RE-579446
Electronic Notary Public
State of Ohio
My Comm Exp. Apr 25, 2021
Notary Stamp 2021/03/25 06:36:29 PST F2D5F32EE0C2

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