

1 COMMONWEALTH OF KENTUCKY
 2 BEFORE THE PUBLIC SERVICE COMMISSION
 3

4 In the Matter of:

5 ELECTRONIC APPLICATION OF KENTUCKY)
 6 POWER COMPANY FOR (1) A GENERAL)
 7 ADJUSTMENT OF ITS RATES FOR ELECTRIC) CASE NO.
 8 SERVICE; (2) APPROVAL OF TARIFFS AND) 2020-00174
 9 RIDERS; (3) APPROVAL OF ACCOUNTING)
 10 PRACTICES TO ESTABLISH REGULATORY)
 11 ASSETS AND LIABILITIES (4) APPROVAL)
 12 OF A CERTIFICATE OF PUBLIC)
 13 CONVENIENCE AND NECESSITY; AND (5))
 14 ALL OTHER REQUIRED APPROVALS AND)
 15 RELIEF)

16 VOLUME III

17 Transcript of November 19, 2020, hearing
 18 before Chairman Michael J. Schmitt at the Kentucky
 19 Public Service Commission, 211 Sower Boulevard,
 20 Frankfort, Kentucky 40602-0615, with Vice Chairman
 21 Kent A. Chandler, Commissioner Talina R. Mathews,
 22 counsel, and witnesses attending via GoToMeeting.

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1 (Hearing commenced at 9:03 a.m.)

2 CHAIRMAN SCHMITT: All right. We're back. I
3 guess we'll begin our third day of the Kentucky
4 Power rate hearing. Is everyone present? I see
5 Mr. Wolffram.

6 Mr. Wolffram, will you be conducting the
7 direct examination of Ms. Keaton this morning?

8 MR. WOLFFRAM: Yes, Your Honor, we will.

9 CHAIRMAN SCHMITT: Okay.

10 MR. WOLFFRAM: Or I will.

11 CHAIRMAN SCHMITT: All right. If everyone is
12 ready, I think the next witness is Allyson M.
13 Keaton.

14 Mr. Wolffram, you may introduce the witness
15 and, upon swearing, conduct a direct examination.

16 MR. WOLFFRAM: Your Honor, before we get
17 started this morning, the Company would like to
18 bring up one administrative concern that we would --
19 if that would be appropriate at this time?

20 CHAIRMAN SCHMITT: Yes. Fine.

21 MR. WOLFFRAM: Your Honor, as some may have
22 seen, Franklin County, Ohio, which is where we have
23 the Company's -- most of the Company's witnesses
24 currently in the AEP building in Franklin County,
25 issued an advisory, a stay-at-home order for the

1 county, so the Company would ask if it would be
2 appropriate to allow witnesses that the Commission
3 does not plan to recall to be excused, that are
4 located locally, to their homes after they are
5 testifying -- after they testify. We can make those
6 witnesses available within a couple hours' notice,
7 but, again, just as the rate of COVID exposure has
8 increased in Franklin County, and because of that
9 advisory, we would just ask if it would be
10 appropriate to allow witnesses that do not plan --
11 or there's no plans to have them recalled at this
12 time to be excused to their homes, and we can,
13 again, allow -- or make them available within a
14 couple hours' notice to be recalled.

15 CHAIRMAN SCHMITT: And I think that would be
16 okay, but let me ask Vice Chairman Chandler and
17 Dr. Mathews whether they have any present thought
18 about recalling any of the witnesses who have
19 previously testified over the last two days today.
20 You may want to do it, you know, tomorrow or some
21 other time, but today, or would two hours' notice be
22 sufficient if you wanted to call somebody, recall
23 someone?

24 Mr. Chandler, your thoughts?

25 VICE CHAIRMAN CHANDLER: I'm trying to think.

1 It's still very early, Chairman. No one comes to
2 mind that certainly we would need within two hours,
3 and, you know, I certainly defer to the Company
4 whether they would -- and especially on recalling
5 witnesses, as short of questioning as it would
6 likely be, if that was the case, whether they would
7 even want to, you know, bring them back in to do so
8 or just have them participate remotely. I would
9 leave that up to them.

10 CHAIRMAN SCHMITT: Commissioner Mathews, any
11 thoughts, any objections?

12 COMMISSIONER MATHEWS: I don't have any
13 objections. I would be fine if they wanted to make
14 those -- anybody that we -- if we deemed that we
15 needed to hear someone else, or hear someone again,
16 to have them available at home.

17 CHAIRMAN SCHMITT: Okay. All right. Well,
18 Mr. Wolffram, then your motion or suggestion is
19 sustained, and those witnesses who have previously
20 testified may go to their homes but remain available
21 for recall within two or three hours' notice. We'll
22 try to give you more than that. Okay?

23 MR. WOLFFRAM: Thank you, Your Honor. We
24 appreciate it. And, yes, that was certainly a
25 consideration, if any should to be recalled, we can

1 work with them, and if they have the capability to
2 testify from home remotely, we will. I know there
3 may be a couple witnesses that, you know, would need
4 to be in the building for technology reasons, but
5 those that have the ability, we will certainly
6 explore that. Thank you.

7 CHAIRMAN SCHMITT: Okay. Thank you.

8 All right. Ms. Keaton, would you please
9 raise your right hand? Do you solemnly swear or
10 affirm, under penalty of perjury, that the testimony
11 you are about to give will be the truth, the whole
12 truth, and nothing but the truth?

13 THE WITNESS: I do.

14 CHAIRMAN SCHMITT: Okay. Mr. Wolfram, you
15 may ask.

16 Ms. Keaton, let me -- let me caution you,
17 like every other witness. You're really going to
18 need to be close to the microphone, because if you
19 aren't, I guess because of the size of the room or
20 whatever, it's difficult to hear, and Kentucky Power
21 has a third-party court reporter here who's taking
22 down the testimony, recording the testimony, and
23 sometimes she can't hear unless you speak up. All
24 right?

25 THE WITNESS: Okay.

1 CHAIRMAN SCHMITT: All right. Thank you.

2 THE WITNESS: Yes.

3 CHAIRMAN SCHMITT: All right. Mr. Wolffram,
4 you may ask.

5 MR. WOLFFRAM: Thank you, Your Honor.

6 ALLYSON M. KEATON, having been first duly
7 sworn, testified as follows:

8 DIRECT EXAMINATION

9 By Mr. Wolffram:

10 Q. Ms. Keaton, will you please state your name
11 and business address for the record?

12 A. Yes. My name is Allyson Keaton, and I'm at
13 1 Riverside Plaza, Columbus, Ohio 43215.

14 Q. And by whom are you employed and in what
15 position?

16 A. I'm employed by American Electric Power
17 Service Corporation and I'm a tax analyst principal.

18 Q. Did you cause in this case to be filed direct
19 and rebuttal testimony, as well as discovery
20 responses?

21 A. Yes, I did.

22 Q. Do you have any changes, modifications, or
23 corrections to those testimonies or the discovery
24 responses at this time?

25 A. No, I do not.

1 Q. Okay. Were those discovery responses and
2 testimony prepared by you or under your supervision?

3 A. Yes, they were.

4 Q. And if I were to ask you the questions
5 presented in the discovery responses in testimony
6 this morning, would your answers be substantially
7 the same?

8 A. Yes.

9 MR. WOLFFRAM: At this time, Your Honor, the
10 witness is available for cross-examination.

11 CHAIRMAN SCHMITT: Thank you. Ms. Vinsel,
12 cross-examination?

13 MS. VINSEL: Yes. Thank you, Chairman.

14 CROSS-EXAMINATION

15 By Ms. Vinsel:

16 Q. Good morning, Ms. Keaton. I --

17 A. Good morning.

18 Q. I need to ask you a few questions to clarify
19 one of the responses you sponsored in a data
20 request.

21 MS. VINSEL: I'm going to ask --

22 A. Okay.

23 MS. VINSEL: -- Zach if he'll bring this up
24 on the screen so that -- just to make it easier for
25 everybody. Zach, can you bring up, it's Attorney

1 General KIUC second data request. Thank you. And
2 yes, it's item 16.

3 Zach, do you mind to make the response a
4 little bigger? I think the technical word is resize
5 it.

6 CHAIRMAN SCHMITT: We want to use the proper
7 terminology, we get confused otherwise.

8 MS. VINSEL: There you go.

9 Q. Okay. So, Ms. Keaton, what we need some
10 clarification about is, in the -- make sure it's the
11 second sentence. You referenced the ADIT that's
12 related to the net prepaid pension and OPEB, that's
13 O-P-E-B, contra assets that are --

14 A. Yes.

15 Q. -- included in rate base. And then in the --
16 after the comma, you reference that if the
17 Commission allows the two prepaid assets to be
18 included in rate base with no offset for the two
19 related contra assets, then the asset ADIT related
20 to the two contra assets should also be excluded
21 from rate base.

22 So I'm -- again, I don't want to oversimplify
23 this, but I want to understand if this is the case.
24 If you will, I hate to use the word "buckets," but
25 I'm going to use buckets here.

1 A. Okay.

2 Q. We have assets, contra assets. So we've
3 got -- in the assets, we've got the prepaid pension,
4 prepaid OPEB, and then ADIT related to that; is that
5 correct?

6 A. That's correct.

7 Q. And then that second bucket of the contra
8 assets, so there we have the contra asset for
9 prepaid pension, prepaid OPEB, and ADIT in that
10 bucket also; is that correct?

11 A. That is correct.

12 Q. So essentially, if we allow -- let me make
13 sure I'm saying this right. If we allow the prepaid
14 assets, all -- the two assets and the ADIT, and we
15 don't make a similar adjustment for the contra
16 assets, we're basically skewing the results; is that
17 a fair statement?

18 A. The ADIT should always follow cost of
19 service, so if the two prepaid pension and OPEB are
20 included in rate base, then so should the ADIT. If
21 the contra -- the contra accounts are not included
22 in rate base, then the ADIT contra accounts should
23 not be included in rate base.

24 Q. And I apologize. I'm having to text one of
25 my coworkers who, of course, is not in the building,

1 to make sure that I've gotten the answer for you.
2 I'm going to move on to something else right now,
3 and if I hear back in time --

4 A. Okay.

5 Q. -- I will let you know, and thank you for
6 your patience with that.

7 A. Oh, you're welcome.

8 Q. In regard to the blended state income tax,
9 when it's calculated, is each state's tax rate
10 weighted for a portion of expense that's related to
11 that state? So essentially, when you blend the tax
12 rate, I guess the underlying question is: How do
13 you do it? Are you using a proportion of expenses
14 in each state, or are you just using the tax rate?

15 A. We use the tax rate, and we also use an
16 apportionment for each of the states that Kentucky
17 Power is in.

18 Q. Okay.

19 A. For example, the blended state rate that we
20 use in this case and other cases for Kentucky, we
21 have included Illinois and West Virginia, because --
22 well, Illinois and Michigan because of electricity
23 sales, and we've also included West Virginia because
24 they have -- Kentucky Power has property and payroll
25 in that state, as well as Kentucky, of course.

1 Q. I'm sorry. Can you -- can you say that
2 again? I know that I was listening, but I don't
3 know that I quite followed everything.

4 A. Okay. We include apportionment from other
5 states. For example, the blended rate includes
6 Illinois and Michigan, which has electricity sales,
7 and we also include West Virginia because of
8 property and payroll in that state, as well as
9 Kentucky, and this is all for Kentucky Power only.

10 Q. Okay. I think I understand. Let me -- let
11 me ask a couple more questions to make sure I
12 understand. So I know that in your testimony, or --
13 yeah, your rebuttal testimony, you referenced that
14 Kentucky Power incurs this income tax liability in
15 connection with, as you mentioned, the electricity
16 sales in Illinois and Michigan, payroll in West
17 Virginia, property in West Virginia.

18 So when you calculate the blended rate, are
19 you then considering the apportionment of, for
20 example, those electric sales in Illinois and
21 Michigan and then making a calculation for the
22 income tax rate that -- apportionment to create the
23 blended rate based on those electric sales?

24 A. Yes. That is correct.

25 Q. Okay. Okay. I --

1 A. We -- oh, I'm sorry.

2 Q. No, no, please go ahead.

3 A. Okay. I was just going to say that Kentucky
4 Power has done this in previous cases as well.

5 Q. And as you know, the Kentucky corporate
6 income tax rate was reduced, just like the federal,
7 and I think that's why there may be a difference
8 from past years, but I understand what you're
9 saying. And --

10 A. Okay. Great.

11 Q. -- I've got -- and I apologize, I -- and
12 again, I'm clarifying something with a coworker.
13 Going back to the prepaid pension, OPEB, and the
14 ADIT, are the contra assets currently excluded from
15 rate base?

16 A. No, in the case they were included. However,
17 I realized that they should not have been, and ADIT
18 should always follow cost of service, and I
19 corrected that in my data request.

20 Q. And was this the data requests that we're
21 referencing here, or is there a different request
22 where that was corrected?

23 A. No, the one that you referenced is the one
24 that I'm talking -- referring to.

25 Q. Okay. Thank you.

1 A. You're welcome.

2 Q. Okay.

3 MS. VINSEL: I think Staff has no further
4 questions. Thank you very much.

5 THE WITNESS: Oh, you're welcome. Thank you.

6 CHAIRMAN SCHMITT: Office of Attorney
7 General, any cross-examination, Mr. Cook?

8 MR. COOK: Yes.

9 CROSS-EXAMINATION

10 By Mr. Cook:

11 Q. Good morning, Ms. Keaton. Lawrence Cook here
12 for the AG. I have a -- just a couple questions for
13 you about the blended tax rate, state tax rate
14 that --

15 A. Yes.

16 Q. -- Kentucky Power is trying to get in this
17 case. So -- and help me out here if I miss
18 something, but my understanding was, I -- when I did
19 research, I could not find any specific orders from
20 rate cases in which the Commission expressly
21 approved any prior use of a blended state tax rate.
22 Am I correct?

23 A. We have -- we did use the blended rate, I
24 know -- I know in the last two cases, and I believe
25 that it was not -- it was not questioned or brought

1 up.

2 Q. Okay. So in other words, in a litigated rate
3 case, there's no language in the final order that
4 expressly approved using that blended state tax
5 rate, correct?

6 A. I'm not sure on that.

7 Q. Okay. Shouldn't the Commission be consistent
8 and treat Kentucky Power as a stand-alone entity for
9 the purpose of calculating state income tax expense,
10 just the same way it does with federal income tax
11 expense?

12 A. Yes. Yes, I agree, and the blended rate is a
13 Kentucky Power rate only. It does not include any
14 affiliates or any AEP consolidated members. It is
15 Kentucky Power only.

16 Q. Okay. Could you help me understand that,
17 then? You say --

18 A. Okay.

19 Q. -- it's Kentucky Power only, and does not
20 include affiliates, but you're bringing in tax rates
21 from these other states; Illinois, 9 percent,
22 Michigan at 6, and West Virginia at 6.5 percent,
23 correct?

24 A. Correct. But we have property, payroll, and
25 sales in those states.

1 Q. Okay.

2 A. That's why we are including them for Kentucky
3 Power.

4 Q. Okay.

5 MR. COOK: Chairman, that's all the questions
6 I have at this time.

7 CHAIRMAN SCHMITT: Mr. Kurtz,
8 cross-examination?

9 MR. KURTZ: No. No, Chairman. Thank you.

10 CHAIRMAN SCHMITT: Ms. Grundmann on behalf of
11 Walmart, any questions?

12 MS. GRUNDMANN: No cross, Your Honor.

13 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo,
14 Kentucky Solar, questions?

15 MR. SPENARD: Good morning, Mr. Chairman. No
16 questions.

17 CHAIRMAN SCHMITT: Mr. FitzGerald, any
18 questions?

19 MR. FITZGERALD: No questions. Good morning,
20 Your Honor. No questions.

21 CHAIRMAN SCHMITT: All right.

22 MR. FITZGERALD: Thank you.

23 CHAIRMAN SCHMITT: Mr. Miller for Sierra
24 Club, any questions of this witness?

25 MR. MILLER: Good morning, Mr. Chairman.

1 Good morning, everybody. No questions, thank you.

2 CHAIRMAN SCHMITT: And Mr. Frye?

3 MR. FRYE: Good morning, Mr. Chairman. No
4 questions at this time.

5 CHAIRMAN SCHMITT: Okay. Vice Chairman
6 Chandler, any questions?

7 VICE CHAIRMAN CHANDLER: Thank you, Chairman.

8 EXAMINATION

9 By Vice Chairman Chandler:

10 Q. Good morning, Ms. Keaton.

11 A. Good morning.

12 Q. I do have a couple questions about that
13 blended state tax rate.

14 A. Okay.

15 Q. So I think I have that the Illinois and
16 Michigan are included because there are electricity
17 sales in those states?

18 A. That is correct.

19 Q. Okay. Can you explain that to me?

20 A. It is sales from PJM are include -- are the
21 reason why we include those states. We have sales
22 in those states because of PJM.

23 Q. Okay. So what generation is located in
24 Michigan in which Kentucky Power is using that asset
25 to sell into PJM?

1 A. I'm not sure. That would be -- that would be
2 a better question for another witness.

3 Q. Okay. Do you know which witness, because
4 you're telling me that they incurred -- well, let me
5 ask it this way: Did -- does Kentucky Power, right,
6 let's say during the test year, did they actually
7 incur Michigan sales tax for those electricity
8 sales?

9 A. Yes, they did.

10 Q. Okay. And they also incurred Illinois sales
11 tax for sales from some activity in the state of
12 Illinois in the test year?

13 A. Yes.

14 Q. Okay.

15 A. Correct.

16 Q. And I guess it makes sense, the state tax
17 rate applies to the sale of electricity. Can you
18 explain to me, or are you saying -- and I genuinely
19 don't know this, but I'm trying. That state sales
20 tax applies to payroll?

21 A. No. No, no, no. I'm saying that there's
22 sales, payroll, and property apportionment, and so
23 sales is separate, payroll is separate, property is
24 separate. So payroll, we have payroll in West
25 Virginia and we have property in West Virginia, so

1 that is the reason why we included West Virginia. '
2 Because we have employees in West Virginia and we
3 have the Mitchell Plant in West Virginia, so that's
4 why we include them. We include sale -- we include
5 Illinois and Michigan because of electric sales, and
6 then Kentucky, obviously.

7 Q. Okay. And do you know -- do you know whether
8 the sales tax apply -- well, let me ask this: How
9 does the sales tax apply to energy sales in PJM? Is
10 it where the energy is sold or where the energy is
11 produced?

12 A. I cannot answer that question, I'm sorry. It
13 would be -- it would probably be more for -- I'm not
14 sure. The PJM. I don't know if that witness is
15 Horton, Witness Horton.

16 Q. Yeah, I don't know if Mr. Horton -- I think
17 Mr. Vaughan is used to having questions thrown at
18 him, I don't know that Mr. Horton is.

19 I don't -- I guess I struggle with, I'm
20 attempting to understand the relationship between
21 Kentucky Power Illinois & Michigan as it relates to
22 the sales -- sale of electricity during test year,
23 particularly if the sales are going into PJM. I
24 don't know, you know, if there is a bilateral
25 purchase or whatever, bilateral sale or direct sale

1 into PJM. I'm struggling to understand how those
2 transactions actually occur to determine whether
3 this makes -- this makes sense.

4 So you would recommend Mr. Horton be the
5 person that maybe could provide that -- I guess what
6 I'm asking is: You've given me the tax
7 implications, right? That's what you're testifying
8 on?

9 A. Yes, that's what I'm testifying on. I am the
10 tax expert, correct.

11 Q. And who gave you the information on where the
12 sales occur and can explain the sales?

13 A. Okay. Good question. We had received -- for
14 the payroll, property, and sales, we get information
15 from our accounting department, and they designate
16 what state that the particular sales and payroll and
17 property come from. So maybe the -- maybe the
18 witness would be Witness Whitney, then, because she
19 is accounting.

20 Q. Okay.

21 VICE CHAIRMAN CHANDLER: And, Chairman, if
22 you don't mind, can I ask Mr. Wolffram if counsel
23 may know if there's an additional witness that may
24 be able to answer that question?

25 CHAIRMAN SCHMITT: Sure. Mr. Wolffram, do

1 you know --

2 VICE CHAIRMAN CHANDLER: Yes, sir.

3 CHAIRMAN SCHMITT: -- if there is an
4 additional witness who would be able to address that
5 subject?

6 MR. WOLFFRAM: Yeah. And, you know, I know
7 we invoked his name quite a bit, but I believe
8 Company Witness Vaughan may also be able to clarify
9 some of the questions related to the PJM sales that
10 are included in the Company's cost of service.

11 VICE CHAIRMAN CHANDLER: Thank you --

12 MR. WOLFFRAM: And I'll also -- yeah, I'll
13 also just clarify a few additional items with
14 Ms. Keaton on redirect as well. Thank you.

15 VICE CHAIRMAN CHANDLER: Okay.

16 Q. So that -- so I just want to make sure that
17 I'm clear, finally, that blended state tax rate,
18 when you-all are referring to that, that is not just
19 sales tax?

20 A. No. That is property and that is payroll.

21 Q. Okay. And the payroll is in West Virginia,
22 the property is in West Virginia?

23 A. Correct.

24 Q. And the sales in electricity were exclusively
25 in Illinois and Michigan -- or not exclusively.

1 Excuse me. Were at some point, some proportion in
2 the test year to Illinois and Michigan?

3 A. That is correct.

4 Q. Okay. And to understand those, the nexus to
5 Illinois and Michigan, I would need to talk to
6 Ms. Whitney or Mr. Vaughan?

7 A. That is correct.

8 Q. And those would be the witnesses, for
9 instance, that could tell me whether, beyond the
10 test year moving forward, there may be sales in
11 those states as opposed to different states?

12 A. Yes.

13 Q. Okay. Thank you, Ms. Keaton.

14 VICE CHAIRMAN CHANDLER: That's all I have,
15 Chairman.

16 CHAIRMAN SCHMITT: Dr. Mathews, questions?

17 COMMISSIONER MATHEWS: I think I'm going to
18 have to listen to the follow-up on the tax issue
19 with regards to sales tax. I understand completely
20 West Virginia payroll and property. I'm not sure I
21 understand the Illinois and Michigan when it
22 would -- unless it is something unusual about the
23 way Illinois and Michigan tax electricity sales. So
24 I will hold my questions for Mr. Vaughan or
25 Ms. Whitney.

1 CHAIRMAN SCHMITT: Okay. Mr. Wolffram,
2 redirect?

3 MR. WOLFFRAM: Thank you, Your Honor. Just a
4 couple questions.

5 REDIRECT EXAMINATION

6 By Mr. Wolffram:

7 Q. First, Ms. Keaton, I'd like to go back to a
8 couple questions that I believe Mr. Cook asked
9 regarding the Commission's approval, or lack
10 thereof, related to the use of a blended tax rate in
11 Kentucky's previous proceedings.

12 Do you remember those questions?

13 A. Yes, I do.

14 Q. Is it your understanding that the blended tax
15 rate is -- was included in the Company's cost of
16 service in those proceedings?

17 A. Yes, I do.

18 Q. And the Commission approved the Company's
19 cost of service in those proceedings, which would
20 have included the blended tax rate; is that correct?

21 A. That is correct.

22 Q. Okay. I would like to move now to a couple
23 quick questions that Vice Chairman Chandler
24 mentioned about the PJM sales.

25 Is it your understanding that the tax related

1 to -- that is incurred in both Illinois and Michigan
2 are related to Kentucky Power sales to PJM in those
3 states?

4 A. Yes.

5 Q. Okay.

6 A. That is correct.

7 Q. And just one final clarification. The state
8 tax apportionment, were those -- were the state tax
9 apportionment rates included in Kentucky Power's
10 schedules in this case?

11 A. Yes, they were.

12 MR. WOLFFRAM: I have no further questions
13 for this witness, Your Honor. Thank you.

14 CHAIRMAN SCHMITT: Thank you.

15 Ms. Keaton, you may step down. Thank you.

16 THE WITNESS: Thank you.

17 CHAIRMAN SCHMITT: Okay. Mr. Wolffram, I
18 guess you'll need five minutes or so to clean the
19 witness area, correct?

20 MR. WOLFFRAM: Well, Your Honor, I think
21 we've adopted an expedited process, so we're going
22 to try it out to see -- and I will be the attorney
23 sponsoring Ms. Kaiser as well, so if you give us
24 just one second.

25 CHAIRMAN SCHMITT: Yes.

1 MR. WOLFFRAM: Thank you.

2 CHAIRMAN SCHMITT: Are you ready? Ready to
3 proceed, Mr. Wolffram?

4 MR. WOLFFRAM: Yes, Your Honor. At this time
5 the Company would call Witness Kimberly Kaiser to
6 the stand, please.

7 CHAIRMAN SCHMITT: Ms. Kaiser, would you
8 please raise your right hand? Do you solemnly swear
9 or affirm, under penalty of perjury, that the
10 testimony you are about to give will be the truth,
11 the whole truth, and nothing but the truth?

12 THE WITNESS: I do.

13 CHAIRMAN SCHMITT: Okay. Thank you.

14 Mr. Wolffram, you may ask.

15 MR. WOLFFRAM: Thank you, Your Honor.

16 KIMBERLY KAISER, having been first duly
17 sworn, testified as follows:

18 DIRECT EXAMINATION

19 By Mr. Wolffram:

20 Q. Ms. Kaiser, will you please state your name
21 and business address for the record?

22 A. Yes. It's Kimberly Kaiser, 1 Riverside
23 Plaza, Columbus, Ohio 43215.

24 Q. And by whom are you employed and in what
25 position?

1 A. American Electric Power Service Corp, and I
2 am the director of compensation.

3 Q. And did you cause to be filed in this
4 proceeding testimony -- direct testimony, rebuttal
5 testimony, and discovery responses?

6 A. Yes, I did.

7 Q. Do you have any changes, modifications, or
8 corrections to either your direct, rebuttal, or
9 discovery responses at this time?

10 A. Yes, I have one minor change to my direct
11 rebuttal -- or, I'm sorry, my direct testimony. On
12 page 6, line 19, the sentence should read: The AEP
13 system has exceeded the 1.0 score in eight of the
14 last ten years. So instead of nine of the last ten
15 years, it should say eight of the last ten years.

16 Q. Do you have any additional corrections,
17 modifications, or changes to your testimony or your
18 discovery responses at this time?

19 A. No, I do not.

20 Q. Subject to the one change that you
21 referenced, if I were to ask you the same questions
22 that appear in the discovery responses and your
23 testimony today, would your answers be substantially
24 the same?

25 A. Yes, they would.

1 Q. And were the discovery responses and your
2 testimony prepared by you or under your supervision?

3 A. Yes, they were.

4 MR. WOLFFRAM: At this time, Your Honor, the
5 witness is available for cross-examination.

6 CHAIRMAN SCHMITT: Ms. Vinsel, questions?

7 MS. VINSEL: Yes. Thank you, Chairman.

8 CROSS-EXAMINATION

9 By Ms. Vinsel:

10 Q. Good morning, Ms. Kaiser.

11 A. Good morning.

12 Q. In the 2017 rate case the Commission asked
13 the Kentucky Power witness about contributions,
14 Kentucky Power contributions to a defined benefit
15 and defined compensation plan. At that time the
16 witness testified that Kentucky Power was not making
17 payments into both the defined comp -- defined
18 benefit and defined compensation plan, and that is
19 because the defined benefit plan had ended in 2000
20 and that benefits were frozen in 2010.

21 Are you following me so far?

22 A. Yes, but I don't believe I addressed any of
23 that in my direct or my rebuttal.

24 Q. No, and that's exactly why I'm going to ask
25 you the next question. Is that still the case?

1 A. I can't answer that question. That would be
2 a question for Witness Carlin.

3 Q. And Witness Carlin is not here today; is that
4 correct?

5 A. No, he's here. He's on the witness list.

6 Q. I'm sorry. Witness Carlin is on the witness
7 list?

8 A. He is available. He is here in the building
9 and available. He submitted data requests but did
10 not submit testimony in this case.

11 Q. Okay. So I need to ask Witness Carlin.
12 We'll get those logistics with Kentucky Power
13 counsel afterwards.

14 A. Okay.

15 Q. You can testify to the incentive plans; is
16 that correct?

17 A. That is correct.

18 Q. Okay. What we'd like to do is just walk
19 through the short-term incentive plan, the long-term
20 incentive plan, and both the funding metrics and the
21 performance metrics.

22 A. Okay.

23 Q. And to the degree you can, we wanted to
24 double-check about 2019 versus 2020, because as I
25 recall, in your testimony there was a change. So

1 let's start with the short-term incentive plan.

2 Can you tell me what the breakout is -- for
3 short-term incentive plan, what is the breakout for
4 the funding metrics between financial metrics and
5 nonfinancial metrics?

6 A. Okay. For 2019 it was 70 percent EPS,
7 20 percent strategic initiatives, and 10 -- I'm
8 sorry, 10 percent safety and compliance. And for
9 2020, it's a hundred percent EPS.

10 Q. And when you say strategic initiative, can
11 you tell me a little more about what that is?

12 A. Yes. Just give me a moment, please.

13 Q. Sure.

14 A. I don't seem to have a copy of the short-term
15 incentive plan in front of me to give you the
16 details of those.

17 Q. That's fine. Let me ask you, I just want to
18 verify that the strategic initiative, would that --
19 those would be nonfinancial or financial metrics?

20 A. Those are nonfinancial.

21 Q. Nonfinancial. Okay. Thank you.

22 So let -- now let's turn from the short-term
23 incentive plan to the performance metrics. Can you
24 give me the breakout for those in 2019?

25 A. Yes. For 2019, I -- there is a table in my

1 rebuttal, Table 3 --

2 Q. Uh-huh.

3 A. -- that lays those out and all the individual
4 incentives, or all the individual goals. It's --
5 for 2019, it was 90 percent nonfinancial, 10 percent
6 financial, and that is -- I don't provide a table,
7 but for 2020 it's 85 -- I'm sorry, 80 percent
8 financial. I'm sorry, I said that backwards.
9 80 percent nonfinancial and 20 percent financial.

10 Q. Okay.

11 A. So it's 90 and 10 and 80 and 20.

12 Q. Okay. Thank you. And for the long-term
13 incentive plan, let's start with funding. Can you
14 give me the breakout for funding metrics, and for
15 2019?

16 A. For 2019 it's 50 percent EPS, 50 percent
17 total shareholder return.

18 Q. And the performance metrics for the long-term
19 incentive compensation?

20 A. I'm not -- I'm not sure I understand what you
21 mean, performance metrics. It's -- the three-year
22 long-term plan, those are cumulative measures that
23 at the end of the three-year period are calculated,
24 and then therefore, you know, the equity would be
25 whatever that amount would be based on those

1 metrics.

2 Q. No, I understand completely. We wanted to
3 make sure that that was the case. So for 2020, the
4 funding for the long-term incentive plan?

5 A. Let me make sure I get -- it was -- we added
6 the ten percent metrics for nonemitting generation.

7 Let me just validate something for a second.

8 Q. Okay.

9 A. So it's -- the metrics for 2020 is the
10 50 percent EPS, 40 percent TSR, and then the 10
11 percent for the new nonemitting generation capacity.

12 Q. I think you've answered all the questions,
13 then, that Staff have for you.

14 MS. VINSEL: I think at the -- at the end,
15 Chairman, if it's acceptable to you, after all the
16 parties have had an opportunity, do you mind if I
17 consult with Mr. Wolffram to find out about
18 Mr. Carlin's availability?

19 CHAIRMAN SCHMITT: No, I think that would be
20 fine. If Mr. Carlin is available, I'm sure they
21 would submit him.

22 All right. Mr. Cook, or Attorney General's
23 office, any questions for this witness?

24 MR. COOK: Yes, thank you, Chairman.

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CROSS-EXAMINATION

1
2 By Mr. Cook:

3 Q. Good morning, Ms. Kaiser. Lawrence Cook on
4 behalf of the AG.

5 A. Good morning.

6 Q. I just want to -- Staff did get into a lot of
7 the questions that I wanted to ask, so I'm going to
8 try to piece through some of this here, just to ask
9 something to clarify, to help my understanding.

10 So if I understand correctly, both total
11 shareholder returns and earnings per share, they are
12 both financial performance metrics; isn't that
13 correct?

14 A. That's correct.

15 Q. Okay. And during the test year, the LTIP
16 compensation was paid in the form of both
17 performance share incentives and restrictive stock
18 units; is that correct?

19 A. That's correct.

20 Q. And the PSIs were based solely on a
21 combination of AEP's earnings per share and target
22 metrics for the total shareholder returns; isn't
23 that correct?

24 A. The performance shares, yes, they were.

25 Q. Okay. And both the earnings per share and

1 the total shareholder returns are measures of AEP's
2 financial performance; isn't that true?

3 A. That's true.

4 Q. Okay. The LTIP's restrictive stock unit
5 incentive comp is based on the stock price of AEP at
6 the grant date; isn't that correct?

7 A. That is correct.

8 Q. Okay. And isn't AEP's stock price a measure
9 of AEP's financial performance?

10 A. Yes, it is, which -- I mean, it is common
11 with long-term incentive plans.

12 Q. Okay. And the purpose of LTIP is to
13 incentivize AEP executives and managers to enhance
14 shareholder value; isn't that correct?

15 A. I don't think I would fully agree with that
16 statement. It is true that that's who receives
17 long-term incentives. That is market driven. As to
18 who receives long-term incentive as part of their
19 total compensation package, the financial
20 performance is certainly going to be indicative of,
21 you know, meeting certain goals, and it's going to
22 be the ultimate, you know, score, if you will, of
23 success. But really, the focus on that is making
24 long-term decisions that are around efficiencies,
25 savings, maintaining assets. I mean, it's not just

1 about focusing on the financials of it, it's the
2 goals that get us there.

3 Q. Okay. I understand. And the incentive
4 compensation plan was implemented to reward
5 employees for achieving or exceeding targets for
6 AEP's earnings per share, as well as certain
7 operations and safety metrics. Is that a correct
8 statement?

9 A. Yes, that would be a correct statement.

10 Q. Okay. And isn't it true that during the test
11 year, the Company included a total of \$5.631 million
12 in incentive compensation, and when broken down,
13 that consists of 1.164 million in LTIP expense and
14 4.467 million in ICP expense?

15 A. Subject to check, those sound like the
16 correct amounts, yes.

17 Q. I understand. Subject to check. Right.

18 And when that \$5.632 million sum is grossed
19 up for bad debt expense and regulatory fees, the
20 total becomes 5.666 million, is that correct,
21 subject to check?

22 A. That would not be in my area of expertise. I
23 can't answer that question.

24 Q. Okay. What I'd like to do now is to move on
25 to ask you some questions about supplemental

1 executive retirement program, or SERP.

2 Which employees are eligible for SERP
3 payments?

4 A. I cannot tell you exactly what the cutoff is,
5 but it is a very small portion of the compensation.

6 Q. Do you know how the determination is made
7 about who participates in SERP?

8 A. Well, I guess the simple answer would be
9 that, you know, the SERP is simply allowing these
10 people to -- you know, we use the same formula for
11 all employees, but what happens with a certain level
12 of compensation, you know, there's IRS limits for
13 the tax benefits, and so it is just something
14 that -- you know, that you pay on top of that, but
15 it's treating them the same as we're treating all
16 employees. It just goes beyond, you know, what the
17 defined benefit is.

18 Q. Okay. And in your rebuttal, I believe you
19 stated that SERP is part of the market competitive
20 total rewards package; is that correct?

21 A. That's correct.

22 Q. And so based on your rebuttal in general, it
23 sounds like you're saying essentially that SERP
24 expense is incurred to attract, retain, and reward
25 highly-compensated employees; is that correct?

1 A. That would be a correct statement, and it
2 would also be a correct statement for all employees
3 at AEP.

4 Q. And isn't it true that the interests of SERP
5 recipients are aligned more closely with
6 shareholders than are the interests of, for example,
7 a lineman, whose interests are clearly more closely
8 aligned with Kentucky Power ratepayers?

9 A. I'm not sure I understand your question.

10 Q. Okay. Well, let me see if I can rephrase it,
11 then. The more highly compensated executives, they
12 have to report to and are responsible for certain
13 shareholder goals; isn't that correct?

14 A. Shareholder goals such as what?

15 Q. How the Company performs financially.

16 A. Well, it wouldn't just be limited to the SERP
17 individuals, it would be anybody that participates
18 in LTIP, for example.

19 Q. Okay. But employees such as linemen and
20 linewomen, they certainly don't -- aren't
21 responsible for those types of programs; isn't that
22 correct?

23 A. That's correct. They're not responsible for,
24 you know, focusing on the stock price at AEP.

25 Q. Okay. So isn't it true that the Company

1 could provide safe and reliable utility service
2 without seeking to recover SERP expense from
3 ratepayers?

4 A. No, because, you know, just like with base
5 pay and incentive compensation, you know, for the
6 line workers, which is their total compensation,
7 SERP is part of total compensation for these
8 executives at a certain level.

9 Q. Well, and the Company could pay all the SERP
10 it wanted to if it was a shareholder expense; isn't
11 that correct?

12 A. The -- but the Company wouldn't do that.
13 We -- like I said, we use the same formula for them
14 as we do all employees. It's not just a random
15 amount.

16 Q. Okay. So those who are eligible for SERP
17 payments also participate in and are eligible for a
18 defined benefit plan in the form of a pension; isn't
19 that correct?

20 A. That's correct.

21 Q. And for those who are eligible for SERP, they
22 also are eligible to participate in a 401(k) plan;
23 is that correct?

24 A. Yes, all employees can participate in 401(k).

25 Q. And is a portion of the 401(k) plan funded by

1 the employer?

2 A. Yes, it is.

3 Q. Okay. So SERP, if I understand correctly,
4 is -- it's a nonqualified retirement plan for IRS
5 purposes; isn't that correct?

6 A. That's correct.

7 Q. And SERP can be structured as either a
8 defined benefit or a defined contribution plan;
9 isn't that correct?

10 A. I don't really know how to answer that
11 question. That would also be a question that
12 Witness Carlin could answer.

13 Q. Okay. Do you know whether -- for AEP,
14 whether SERP is a defined benefit or a defined
15 contribution plan?

16 A. No, it is not.

17 Q. Okay. So you're saying that it is -- it is
18 not a defined contribution plan?

19 A. I'm sorry. I'm sorry. I was thinking
20 nonqualified.

21 Q. Okay.

22 A. So I would -- I would ask Witness Carlin
23 further questions. He's really the expert on SERP.

24 Q. Okay. I understand. Thank you.

25 So AEP files a consolidated federal tax

1 return on behalf of all of its operating companies,
2 including Kentucky Power; isn't that correct?

3 A. I don't know. That is not in the area of
4 compensation.

5 Q. Okay. Do you know whether AEP has the
6 ability to deduct SERP expense as a business expense
7 when the SERP benefits are paid?

8 A. No, I do not.

9 Q. Would it surprise you that -- or not, that at
10 some point in time the SERP expenses are going to be
11 deducted?

12 A. I can't answer that.

13 Q. Okay. So bottom line, executives who receive
14 SERP have a salary and benefits package whose
15 monetary worth exceeds that of employees who do not
16 receive SERP; is that fair to say?

17 A. That's fair to say, because only people that
18 are qualified for SERP that would be over the IRS
19 limit would be the more highly compensated
20 employees.

21 Q. Okay. Thank you.

22 MR. COOK: Mr. Chairman, that's all the
23 questions I have at this time.

24 CHAIRMAN SCHMITT: Mr. Cook, do you intend
25 to -- along with Ms. Vinsel, would you like to ask

1 Mr. Carlin to clarify some of this or not? If you
2 would, I guess at some point in time when we take a
3 break, anyone who would -- maybe you and Ms. Vinsel
4 could get on the line with Mr. Wolffram and we could
5 do two things: One, see when Mr. Carlin could be
6 available, and, two, give him enough information
7 about the specific issues you'd like to speak with
8 him about so that he would have time to prepare.
9 Okay? If you would.

10 MR. COOK: Yes. That's fine. Thank you.

11 CHAIRMAN SCHMITT: All right. Mr. --

12 MS. VINSEL: Chairman --

13 CHAIRMAN SCHMITT: -- Kurtz, your
14 cross-examination?

15 MR. WOLFFRAM: Your Honor -- Your Honor,
16 before we -- if I may, before Mr. Kurtz asks any
17 questions, Mr. Carlin is available. He's in the
18 room and he has been watching the proceedings, so he
19 is here.

20 CHAIRMAN SCHMITT: Okay. Well, we'll -- I
21 don't know, maybe somebody would want to put him on
22 next. I'll leave that up to counsel.

23 MS. VINSEL: Chairman.

24 CHAIRMAN SCHMITT: Yes.

25 MS. VINSEL: I want to make sure that none of

1 the other parties are objecting to this. There may
2 be a potential objection to have -- calling
3 Mr. Carlin. I want to make sure that --

4 CHAIRMAN SCHMITT: Okay.

5 MS. VINSEL: -- counsel is given the
6 opportunity.

7 CHAIRMAN SCHMITT: When you say someone, one
8 of the other parties may object. All right. Well,
9 let's see.

10 MS. VINSEL: Yes. There's Ms. Grundmann.

11 MS. GRUNDMANN: Your Honor, I guess I have
12 more of a procedural question that maybe you could
13 weigh in on. This is obviously not a subject that
14 Walmart addressed in any of its testimony, but the
15 Commission did ask the Company to file its witness
16 order with the Commission in advance of the hearing,
17 and although there are a great number of witnesses
18 there, Mr. Carlin is not among them.

19 And so I just guess my question: Obviously
20 the Company has the ability to make its case as it
21 sees fit, and it didn't see fit to name Mr. Carlin,
22 so I guess I'm just curious about the
23 appropriateness of identifying him at this late date
24 for certain subjects that they haven't named a
25 witness who is able to answer questions on a given

1 subject for which they are seeking rate relief from
2 Kentucky ratepayers.

3 CHAIRMAN SCHMITT: I think you make a good
4 point. Unless parties to the existing -- to the
5 proceeding, if someone says, well, there's another
6 witness and we'd like an opportunity to examine some
7 details about the witness of another -- about
8 another witness who apparently is unable to testify,
9 so I can understand your point.

10 I guess the question is, I thought that the
11 previous witness, Ms. Keaton, may have said that
12 Mr. Carlin provided information but didn't sign the
13 responses to data requests. So I don't know what he
14 did or what he didn't do. But you make a good
15 point, but this is a regulatory proceeding, and if
16 there's some issue -- I guess you say why would you
17 want to help the Company make its case? I don't
18 know if that's what we're doing or not, if that's
19 what counsel intends to do, but you're correct, he
20 wasn't on the witness list, and probably, if there
21 was a strong objection, we would sustain that
22 objection.

23 MS. GRUNDMANN: Your Honor, I can't claim to
24 have a strong objection. I think what I would
25 request for future proceedings is that the Company

1 be better prepared with its witness list. To the
2 extent, for example, that it has an individual sign
3 discovery requests, it's quite possible that that
4 individual should have been named as a witness for
5 purposes of these proceedings since I'm not sure how
6 they can authenticate those discovery requests
7 absent that individual taking the stand.

8 So I just think it would be more helpful for
9 the parties to plan cross and questions upon a
10 variety of subjects if, you know, we had an accurate
11 list of who was going to testify to which subjects.

12 CHAIRMAN SCHMITT: I --

13 MR. WOLFFRAM: Your Honor, can I --

14 CHAIRMAN SCHMITT: I would agree a hundred
15 percent. I don't know if you've been in any of
16 these other rate cases involving electric utilities,
17 but there seems to be a problem along those lines,
18 because we -- it's not uncommon for something like
19 this, unfortunately, to occur.

20 Does anyone, any of other counsel have any
21 opinion, expression, or objection to Mr. Carlin
22 being asked questions about the subjects, at
23 least -- or any other subject anyone else might want
24 to bring up who later may conduct a
25 cross-examination of this witness or of Ms. Keaton?

1 Anyone else have any thoughts or objections on
2 Carlin?

3 MR. WOLFFRAM: Your Honor, this is -- this is
4 Tanner Wolffram from the Company. We would respond,
5 but it would be appropriate for us to respond after
6 the --

7 CHAIRMAN SCHMITT: Yeah, yeah. Let's hear
8 what everybody else -- anybody else who has a
9 question.

10 Mr. Kurtz, do you have any thoughts?

11 MR. KURTZ: We don't have any objection at
12 all. If Staff wants more information for the
13 record, I think it's a good idea to put him on.
14 Same with the Attorney General. But we have no
15 questions for this witness or for the supplemental
16 witness.

17 CHAIRMAN SCHMITT: Mr. Spenard,
18 Mr. FitzGerald, any questions?

19 MR. SPENARD: Good morning, Mr. Chairman.
20 KSIA has no objections to Staff or the other parties
21 questioning the witness, that they -- that they --
22 the Carlin that they propose to bring in.

23 CHAIRMAN SCHMITT: Okay. Mr. Frye,
24 Mr. Miller, any objection to Mr. Carlin being
25 brought in and asked questions? I suppose -- I

1 guess he could go a little beyond the questions that
2 have been asked, but I think it ought to be limited
3 to what -- to the issues raised at least during the
4 initial cross-examination.

5 MR. MILLER: Your Honor, Sierra Club has no
6 objections to that.

7 CHAIRMAN SCHMITT: Mr. Frye?

8 MR. FRYE: SWVA takes no position on this and
9 has no objection, Your Honor.

10 CHAIRMAN SCHMITT: All right.

11 MS. GRUNDMANN: And just to be clear, Your
12 Honor, I don't know that I need to launch into a
13 formal objection, I just want it to be clear for the
14 record that I thought it was amusing to me that
15 Mr. Carlin was invoked as the appropriate witness to
16 testify to a large number of subjects but hadn't
17 been identified as a witness on the Company's list.
18 And as we're only halfway through the Company's
19 list, I just have concerns to the extent that that
20 arises in the context of other subjects moving
21 forward.

22 CHAIRMAN SCHMITT: I understand your concern,
23 and I -- as an old practicing lawyer myself, I
24 under -- believe me, I understand.

25 VICE CHAIRMAN CHANDLER: Chairman, can I

1 ask -- can I ask a question of Mr. Wolffram? Is
2 there anyone else that answered a data request or
3 that was a data request respondent that is not
4 included in the Company's witness list?

5 MR. WOLFFRAM: Yeah, Mr. Jason Cash did
6 sponsor some data responses, but he has been
7 excused. Mr. Carlin has been made available for the
8 Commission's request to have any witness that's
9 sponsored a data request. He is -- he has been
10 involved in the proceeding and has been made
11 available, and he did sponsor and verify responses,
12 data responses to SERP-related questions, which is,
13 you know, what the subject of his -- or Ms. Kaiser's
14 deferral to Mr. Carlin would be.

15 So again, per the Commission's order, the
16 Company has made Mr. Carlin available. The Company
17 just did not anticipate calling Mr. Carlin as a
18 witness for this case.

19 CHAIRMAN SCHMITT: Now let's continue with
20 the cross-examination of this witness, and then
21 we'll see when Mr. Carlin, and perhaps the -- the
22 other witness, if something comes up that's within
23 the area of his knowledge or expertise, might be
24 called.

25 Mr. Kurtz, do you have cross-examination?

1 MR. KURTZ: Chairman, no, I do not. Thank
2 you, sir.

3 CHAIRMAN SCHMITT: Okay. Ms. Grundmann,
4 cross-examination?

5 MS. GRUNDMANN: No cross-examination, Your
6 Honor.

7 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo,
8 questions?

9 MR. SPENARD: No questions, Mr. Chairman.

10 CHAIRMAN SCHMITT: Mr. FitzGerald, I can
11 anticipate your response, but I need to ask anyway.

12 MR. FITZGERALD: Mr. Chairman, no questions,
13 but I wanted to clarify the -- Mr. Cash was --
14 answered a data request for my clients, and I had
15 raised the issue of the fact that he wasn't on the
16 witness list. I was assured that the other person
17 who answered the same question would be able to
18 answer any questions on that data request, so that
19 was the reason he -- we didn't insist on Mr. Cash
20 being here.

21 CHAIRMAN SCHMITT: Okay. All right. Thank
22 you.

23 Mr. Miller?

24 MR. MILLER: No questions, Your Honor. Thank
25 you.

1 CHAIRMAN SCHMITT: Mr. Frye?

2 MR. FRYE: No questions, Your Honor.

3 CHAIRMAN SCHMITT: Vice Chairman Chandler?

4 VICE CHAIRMAN CHANDLER: Yes. Thank you,
5 Chairman.

6 EXAMINATION

7 By Vice Chairman Chandler:

8 Q. Good morning, still, Ms. Kaiser. Just a
9 couple quick questions on the -- is it the ICP, is
10 that the -- the correct term for one of the plans?

11 A. Yes, that's our short-term plan.

12 Q. And under the short-term plan, the 2020
13 metrics were -- the funding metric was moved to
14 100 percent EPS from a previous funding metric in
15 2019 of 10 percent safety, 20 percent strategic
16 initiatives, and 70 percent EPS; is that right?

17 A. That's correct. That change was made in May.
18 You know, we were initially going with the same
19 70/20/10 split. That adjustment was made in May due
20 to the economic uncertainty that we're all facing.

21 Q. Okay. And who participates in the ICP?

22 A. All of our employees participate in ICP.

23 Q. Okay. So with the -- with the, what we're
24 calling performance measures -- if I call them
25 performance measures, you'll know what I'm referring

1 to, that Table 3 that's in your rebuttal testimony?

2 A. Yes.

3 Q. Okay. So if, as Mr. Cook said a second ago,
4 a lineman or, you know, a customer service
5 representative in any portion of Kentucky Power's
6 operations in 2020 did their absolute best to hit or
7 to help the Company hit all of these different
8 performance metrics and the management of AEP was
9 unable to hit the EPS metrics laid out for the
10 funding mechanism, what happens to the payouts to
11 those employees who did their utmost and maybe hit
12 every single one of the performance measures? What
13 happens?

14 A. So the way it works, you know, the E -- you
15 know, a hundred -- so a hundred percent EPS for
16 2020, that is going to be the funding mechanism for
17 the entire company, then each business unit has
18 their own scorecard. For example, Table 3 is the
19 operating company's scorecard, and that's what the
20 payouts for the Kentucky Power employees, for
21 example, would be based on.

22 So, you know, there's the funding mechanism
23 which is then disbursed to the business units based
24 on all of their performance relative to each other,
25 but if the EPS -- so if the goal was hit, we could

1 still pay out a portion. It wouldn't be a hundred
2 percent funding, but it could still pay out a
3 portion as long as we hit the threshold for EPS.

4 Q. Okay. Yeah, but my -- the scenario I asked
5 assumes that management was unable to hit the EPS
6 threshold. If the Kentucky Power operating
7 customer -- or the Kentucky Power operating company
8 from Mr. Mattison down hit every single one of the
9 performance measures and the EPS threshold for
10 funding was not met, what do they get paid in terms
11 of the ICP?

12 A. There would be no payouts for anyone in the
13 company in that scenario.

14 Q. There would be no payout. Would you agree
15 that if -- similar scenario. Would you agree that
16 if Kentucky Power's assumed test year amount of the
17 incentive compensation plan payment was included and
18 recovered from customers and rates and management
19 was unable to meet the EPS thresholds for the
20 funding, that that would be a recovery of an expense
21 that the Company never actually incurs and pays out?

22 A. Yes. Just one moment, please. Yes, that
23 would be true, but as I pointed out at the beginning
24 with my correction, that has only happened twice in
25 the last ten years.

1 Q. Okay. And I think the correction was -- I
2 just want to make sure I'm -- I didn't get a chance
3 to write it down, but it was eight of the last ten
4 years that threshold has been met?

5 A. I'm sorry. That what goal was met?

6 Q. That eight of the last ten years that EPS or
7 the funding threshold was met; is that what your
8 corrected testimony indicated?

9 A. No, my corrected testimony --

10 Q. That eight --

11 A. Not --

12 Q. Sorry. Go ahead. Go ahead.

13 A. Not to be -- not -- well, the -- it was eight
14 of the last ten years we paid out at over 1.0.

15 Q. 1.0. So the funding was in excess and the
16 payment was in excess?

17 A. In those eight years?

18 Q. Okay. Yes.

19 A. Yes, sir.

20 Q. Okay.

21 A. Yes.

22 Q. And I guess I'm -- I want to make sure I
23 understand your rebuttal, is that it's your
24 testimony that because the Commission has previously
25 said that the focus, I think you quote that you --

1 do you remember quoting the 2014 order on the
2 funding versus performance measures?

3 A. Yes, I do.

4 Q. Okay. And so that applies -- at least in
5 response to your rebuttal, that applied -- you
6 applied that to the ICP, right?

7 A. That's correct. From 2014, the recovery was
8 the nonfinancial, which was 85 percent --

9 Q. Okay.

10 A. -- for ICP.

11 Q. Okay. And why should that not apply to the
12 LTIP?

13 A. I'm sorry. Why should what not apply to the
14 LTIP?

15 Q. Well, so if the LTIP -- funding and
16 performance is effectively the same thing in the
17 LTIP, right? There is no distinction between a
18 funding mechanism and a performance mechanism; is
19 that -- that's my understanding; is that correct?

20 A. That's correct. You could say that.

21 Q. Okay. Okay. And so if -- whether it gets
22 paid out or not, the performance measure is the
23 basis for the recovery of the ICP, or is it your
24 basis for the recovery of the -- what is it, the --
25 let me make sure I get this right -- your Table 3

1 here of 90 percent of the ICP, right,
2 nonperformance -- nonfinancial performance metrics.
3 That's your testimony, right?

4 A. That's correct.

5 Q. If that's the basis is the Commission's 2014
6 order, are you taking the position that the 20 --
7 the language in the 2014 order shouldn't apply to
8 the long-term incentive plan?

9 A. Well, the Company's position would be, you
10 know, a hundred percent recovery of the expenses
11 that we incurred for the labor costs. I was
12 pointing out that in 2014 there was agreement. You
13 know, we don't focus on the EPS funding measure, but
14 that the Commission agreed that the -- or at least
15 for ICP, that 85 percent that wasn't tied to
16 financial would be allowed.

17 Q. Okay. So going back to ICP, are you-all
18 proposing a hundred percent recovery or proposing it
19 in accordance with the 2014 Commission order?

20 A. We are supporting a hundred percent recovery.

21 Q. So you used the order as a way to -- as a way
22 to defend against the portion related to denying it
23 based on funding, but then the second part of the
24 Commission order where it denied it on performance,
25 you're just not proposing that? You're proposing to

1 ignore that second half of the Commission's order?

2 A. I wouldn't say I am proposing to ignore it.
3 I was pointing out that, you know, we're very
4 deliberate about figuring out what market
5 competitive, that dollar amount means.

6 Q. Oh, excuse me. Excuse me, Ms. Kaiser. Do
7 you mind repeating that answer? You cut out. For
8 the benefit of the court reporter.

9 A. Sure. I'm sorry. Yeah, we're very
10 deliberate about figuring out what it means to be
11 market competitive and what dollar amount goes with
12 that amount. And as I said, that includes base pay
13 and incentive pay, both in the forms of short-term
14 and long-term. And the logical thing to do would be
15 recover a hundred percent of our targeted expense,
16 which would be a hundred percent recovery.

17 Just pointing out, though, in my testimony
18 that the Commission did agree, because the focus on
19 the intervenor testimony was on the financial versus
20 nonfinancial. So just pointing out that at least,
21 you know, the Commission in the 2014 case agreed
22 with the nonfinancial performance measures. And
23 then I know in the 2017 case it was reduced by a
24 portion, but it was part of a settlement, and that
25 shouldn't necessarily be the precedent either.

1 Q. Okay. So you're asking, effectively, for the
2 Commission to overturn their precedent in the 2014
3 case, but only as it relates to the performance
4 measures?

5 A. No, I'm not asking that they overturn
6 anything.

7 Q. Okay. But the Commission in the 2014 case
8 said specifically that it should be the financial
9 performance -- that the financial performance
10 measures should be excluded for ratemaking, correct?

11 A. That is -- that is what the order in the 2014
12 case said, yes.

13 Q. Okay. And you-all are proposing to recover
14 100 percent, correct?

15 A. The -- that is correct.

16 Q. Okay. I'm just curious about the change in
17 the -- we'll call it funding and performance
18 measures, since we sort of agreed that they're
19 the -- they're one and the same in the LTIP.

20 The change from 2019, where it was 50 percent
21 EPS and 50 percent total shareholder return, and now
22 in 2020 it's 50 percent EPS, 10 percent nonemitting
23 generation, and 40 percent TSR.

24 Do you remember that?

25 A. Yes, that's correct. That's for the

1 performance shares.

2 Q. What is this nonemitting generation
3 performance measure?

4 A. Well, I'm certainly not an expert on it, but
5 what it is is a -- it's where, you know, the -- I
6 mean clean energy. It is the portion of our
7 generation assets that would be solar, hydro, the
8 clean energy.

9 Q. Okay. Who -- can Mr. Carlin speak to that
10 more directly?

11 A. Mr. Carlin can certainly speak to that.

12 Q. Okay. Do you know who the best person to
13 talk to about the basis or how that -- how that
14 metric is measured? Are you the best witness for
15 that?

16 A. No, I would not be the best witness for that.

17 Q. Do you --

18 A. That would also be Mr. Carlin.

19 Q. Mr. Carlin. Okay.

20 And you were asked a question earlier about
21 the 20 percent in 2019, the funding mechanism for
22 the ICP that is strategic initiatives. I remember
23 your response was something like you didn't have
24 that plan in front of you, but -- and that's okay,
25 you don't have to have it in front of you. All I'm

1 going to ask -- all I'm going to ask you is: Is
2 that plan in the record?

3 A. Yes, it is. It was a data request.

4 Q. It was a data request response. Do you by
5 any chance know in response to which party? It's a
6 pretty big record.

7 A. Yes. It -- well, the request is AG KIUC
8 1-25.

9 Q. 1-25. And that would explain what the
10 strategic initiatives are and how they're -- how
11 they're funded, how it's met, how that metric would
12 be met in 2019?

13 A. Yes.

14 Q. Okay. And finally, and if there's another
15 witness that is better to answer this, please --
16 please let me know. Do you -- can you provide more
17 color around why the Company in midyear of 2020
18 changed the funding mechanism for the ICP to
19 100 percent EPS and took out 10 percent safety?

20 A. Yes. So, you know, that was -- you know,
21 after the pandemic hit, the discussion was that we
22 have to make sure that we are focusing on
23 operational efficiencies, cost reductions, and that
24 in these -- you know, and the word has been
25 overused, but in these unprecedented times, we have

1 to make sure that AEP is financially healthy enough
2 before any payouts are made, regardless of anything
3 else that happens.

4 What happened to the rest of the goals that
5 make up the other, you know, 20 and 10 percent,
6 those are still being measured as planned. You
7 know, as far as targets were set, we're keeping
8 track of those measures, and they will be used as
9 discretionary adjustments, if needed, either
10 positively or negatively, based on, you know, how
11 the Company is still performing against those
12 strategic goals in safety and compliance.

13 But if the EPS measure is not met, with
14 everything that's going on, it doesn't make sense
15 to, you know, necessarily say that we're going to be
16 obligated to make payouts if it doesn't make sense.

17 Q. Well, let me ask on that. If the folks at
18 Kentucky Power that are the CSRs and the linemen and
19 the meter readers and everybody else are continuing
20 to do their job safely and are continuing to hit the
21 performance measures for proactive safety
22 performance, culture action plans, saving, work
23 plans customized by operation company, if they're
24 continuing to do those things, if we're talking
25 about an overall compensation package and a fair

1 compensation package, then why, regardless of
2 whether AEP doesn't meet their EPS in a 100-year
3 pandemic, do those people deserve not to be paid out
4 those amounts?

5 A. Well, it's because it's a part of the
6 corporate plan. You know, Kentucky Power doesn't
7 just operate independently and fund their own
8 plan --

9 Q. So let me ask this --

10 A. -- but --

11 Q. -- are the plans on a calendar-year basis, or
12 is there a separate fiscal year that they run?

13 A. No, the short-term plan is on a calendar-year
14 basis.

15 Q. So in May of the calendar-year basis, the --
16 AEP decided to change the funding mechanism for all
17 customer short-term incentive plans?

18 A. Yes, that's -- that is correct, for the
19 funding for the short-term incentive plans for
20 everyone.

21 Q. Okay.

22 VICE CHAIRMAN CHANDLER: All right. Thank
23 you very much, Ms. Kaiser.

24 CHAIRMAN SCHMITT: Dr. Mathews, questions?

25 COMMISSIONER MATHEWS: I don't have any.

1 CHAIRMAN SCHMITT: Mr. Wolffram, any
2 redirect?

3 MR. WOLFFRAM: Thank you, Your Honor. Just a
4 few questions.

5 REDIRECT EXAMINATION

6 By Mr. Wolffram:

7 Q. Ms. Kaiser, I'd like to take you back. There
8 was some discussion regarding the Company's payout,
9 and I believe it was Vice Chairman that was asking
10 in years that the Company did not -- or the earnings
11 per share goal was not met in two of the ten years
12 that you provided in your testimony.

13 Do you remember that discussion?

14 A. Yes, I do.

15 Q. Is it your understanding that in the years
16 that the EPS target was not funded, or completely
17 funded through EPS, that the short-term incentive
18 was funded to the 1.0 target by shareholder funds?

19 A. I'm sorry. Could you -- could you repeat the
20 question?

21 Q. Sure. So we established that there were two
22 years within that ten-year period that the 1.0
23 target for STI was not -- or the EPS funding target
24 was not met, correct?

25 A. Correct.

1 Q. And so in those two years, isn't it true --
2 or is it true that the remaining 1.0 target, up to
3 the 1.0 target, was funded by shareholder dollars?

4 A. Well, the -- I mean, the -- let me find the
5 table. One second here. I mean, the payouts in
6 2011 were 97.8 percent, and 92 percent in 2017. So
7 that was -- that was the expense those years.

8 Q. Right. And at least some of that was
9 contributed by shareholder funds, correct?

10 A. Correct.

11 Q. If I could take you back, there was -- and I
12 know that Mr. Carlin is going to talk a little bit
13 about SERP expense, it sounds like, later, but there
14 was some discussion, I believe with Mr. Cook, about
15 the SERP expense being tied to, quote, unquote,
16 highly compensated members of the Company.

17 Do you remember that discussion?

18 A. Yes, I do.

19 Q. Is the SERP expense in addition to or above
20 what I'll call market competitive incentive or
21 employee compensation?

22 A. Not for those individuals, no.

23 Q. And that is based on -- and could you just
24 expand on that a little bit and explain why it's not
25 in addition to market competitive pay for those

1 individuals?

2 A. Sure. As I mentioned before, you know, we do
3 multiple surveys. We have outside consultants that
4 we work with to determine what market competitive
5 pay looks like for all of our employees, and we use
6 that information to determine what total
7 compensation packages should look like for each
8 employee, including these highly compensated
9 individuals.

10 Q. And finally, just one more line of
11 questioning. You had a conversation with the Vice
12 Chairman about the -- sorry. Let me -- let me go
13 back just a quick second. Okay. About the funding
14 mechanism versus the performance metric payout of
15 STI. Do you remember that conversation?

16 A. Yes, I do.

17 Q. And in that discussion, there was discussion
18 about the 20 -- the Company's 2014 rate case and the
19 order in that case.

20 Do you remember that discussion?

21 A. Yes, I do.

22 Q. And it's your understanding that the order as
23 it relates to STI only was where the distinction was
24 drawn between the performance metric versus the
25 funding mechanism of the STI specifically, correct?

1 A. Correct.

2 Q. And it's your understanding that the LTIP
3 expense in that case was -- or let me ask you: Do
4 you -- are you aware -- or what is your
5 understanding of the -- how the LTIP expense was
6 treated in that case? Was it excluded or included,
7 if you know?

8 A. In 2014?

9 Q. Yes, ma'am.

10 A. It was excluded.

11 MR. WOLFFRAM: I have no further questions
12 for this witness, Your Honor.

13 CHAIRMAN SCHMITT: It's probably time for us
14 to take the morning break.

15 Mr. Wolffram, will you be presenting
16 Mr. Carlin, or will that be another attorney?

17 MR. WOLFFRAM: I will be the attorney
18 presenting Mr. Carlin, yes.

19 CHAIRMAN SCHMITT: Okay. If Mr. Carlin is
20 available, would he -- if we take a 10-, 15-minute
21 break, would Mr. Carlin be available as soon as we
22 come back off that break?

23 MR. WOLFFRAM: Yes, Your Honor.

24 CHAIRMAN SCHMITT: All right. So let's take
25 a break now until 20 minutes until 11:00, that's

1 15 minutes, at which time Mr. Carlin will be
2 presented for cross-examination. And then when we
3 get through with him, we can go back to the regular
4 order, which I guess would be what, Mr. Bishop?

5 MR. WOLFFRAM: That's correct, Your Honor.
6 Thank you.

7 CHAIRMAN SCHMITT: All right. We'll be in
8 recess until 20 minutes until 11:00 o'clock.

9 (Recess from 10:25 a.m. to 10:42 a.m.)

10 MS. SACRE: We are on, Chairman.

11 CHAIRMAN SCHMITT: Okay. We're back on the
12 record. Is everyone -- counsel for all the parties
13 here? Can you tell, Candace, is everybody is there?

14 MS. SACRE: Kentucky Power is present. It
15 looks like Mr. Carlin and Mr. Wolffram, is all -- is
16 all that --

17 CHAIRMAN SCHMITT: Mr. Wolffram --

18 MS. SACRE: -- I seem to see.

19 CHAIRMAN SCHMITT: -- can you hear me?

20 MS. SACRE: They can hear us. I think
21 everybody has to populate first, the airwaves calm
22 down. The airwaves are jammed.

23 CHAIRMAN SCHMITT: COVID's attacked our
24 system is what's --

25 MS. SACRE: There's one. I think when

1 everybody gets on probably. Vice Chairman, we still
2 need him.

3 CHAIRMAN SCHMITT: Yeah, I guess our screen
4 is limited, you -- but you know everybody who's on
5 even if they're not on the video, correct? Somebody
6 knows that, I don't.

7 MS. SACRE: Oh, I don't know that. I don't
8 know that, other than the list I have written down
9 that they're supposed to be here. I guess people
10 are having a hard time getting on because we're
11 missing everybody.

12 CHAIRMAN SCHMITT: Do you have an idea,
13 Nancy, what the situation is here? Is it just
14 people haven't gotten back yet or --

15 MS. VINSEL: I can't -- I can't tell what it
16 is, but I can go check with Anthony.

17 CHAIRMAN SCHMITT: That would probably be
18 best.

19 MS. VINSEL: I'll do that. I'll be right
20 back.

21 PSC PERSONNEL: I'll do it.

22 MS. VINSEL: Thank you, Stephanie.

23 MS. SACRE: We're not getting everybody on
24 the screen, Anthony.

25 MS. VINSEL: They -- they -- well --

1 CHAIRMAN SCHMITT: Do we know if everybody is
2 on or off or --

3 MS. VINSEL: We'll know from the control room
4 in the back. And Stephanie has gone to check on
5 that for us.

6 MS. SACRE: He says we're on, it's just
7 taking everyone --

8 CHAIRMAN SCHMITT: Are all of the attorneys
9 now back -- back on? Can you hear? All right.
10 We're not always sure, so that's why we were
11 checking.

12 Mr. Wolffram, are you ready to -- ready to
13 introduce Mr. Carlin?

14 MR. WOLFFRAM: Yes. Your Honor. At this
15 time the Company calls Andy Carlin to the stand.

16 CHAIRMAN SCHMITT: Okay. Mr. Carlin, will
17 you please raise your right hand? Do you solemnly
18 swear or affirm, under penalty of perjury, that the
19 testimony you are about to give will be the truth,
20 the whole truth, and nothing but the truth?

21 THE WITNESS: I do.

22 CHAIRMAN SCHMITT: Okay. Please be seated.

23 Mr. Wolffram, I think how we ought to proceed
24 here is beginning with Ms. Vinsel, Staff Counsel, to
25 let her question Mr. Carlin, and then we'll go down

1 the list. And then if there's anything you need to
2 clarify or clear up, you can do that at the end. Is
3 that okay?

4 MR. WOLFFRAM: Yes, Your Honor. Thank you
5 very much.

6 CHAIRMAN SCHMITT: All right.

7 Ms. Vinsel, questions of Mr. Carlin?

8 MS. VINSEL: Yes. Thank you, Mr. Chairman.

9 ANDREW R. CARLIN, having been first duly
10 sworn, testified as follows:

11 CROSS-EXAMINATION

12 By Ms. Vinsel:

13 Q. Good morning, Mr. Carlin. I'm going to have
14 a data request brought up first.

15 MS. VINSEL: Zach, can I ask you to bring up
16 the PSC's fourth data request? This is -- to help
17 you, this is document number 104 in the hearing
18 documents.

19 And just to explain to all the parties, when
20 I refer to something as a document number, that's
21 simply for internal Commission use to identify
22 documents.

23 While Zach is bringing this up, I'll point
24 out that this is Kentucky Power's response to
25 Commission Staff's fourth request for information,

1 item 10, which asks to explain -- here it is.

2 Zach, can you go to data request 10? It is
3 PDF pagination 197. Thank you, Zach.

4 Q. Mr. Carlin, in this data request we asked
5 about whether Kentucky Power provides a retirement
6 and a security plan in tandem with the 401(k) plan,
7 and as you can see, this response was sponsored by
8 you and by Ms. Kaiser, but she was unable to speak
9 to the underlying question, and that is simply this:
10 I believe it was -- in the 2017 rate case, I believe
11 it was you that testified that Kentucky Power had
12 locked and frozen its defined benefit program.

13 Do you recall that?

14 A. It locked and frozen its original defined
15 benefit program. We still have a cash balance
16 program that will eventually grow to supersede the
17 value of the original final average pay formula
18 defined benefit plan. And so we are still providing
19 both a retirement savings plan benefit, a defined
20 contribution plan, and a defined benefit plan going
21 forward for the foreseeable future.

22 Q. And I -- is it the case that Kentucky Power
23 is providing matching funds to employees on both
24 plans?

25 A. The 401(k) contributions are matching. The

1 defined benefit contributions are entirely the
2 Company's, there's no employee contribution.

3 Q. As you probably recall, over the past several
4 years the Commission has made adjustments for cases
5 when a utility is providing -- or paying for both a
6 defined benefit and a defined compensation plan.

7 A. I do recall that some adjustments were made,
8 but not in the Company's case, because we were able
9 to show that in combination, they provide market
10 competitive benefits to employees, where you -- you
11 know, and we provided some testimony to that in this
12 case as well.

13 The -- these two plans were designed
14 together. And I'm going to use the analogy I used
15 in the 2017 case. They were designed together to
16 provide a market competitive benefit, but with two
17 components. In other words, this is the -- this is
18 the same size -- this is an ice cream analogy --
19 same size cup or cone, but instead of chocolate or
20 vanilla, we've got a swirl of the two kinds of
21 flavors, but the same size ice cream, which is the
22 market competitive size.

23 Q. I think what we're -- what Staff will do is
24 probably submit post-hearing data requests to ask
25 additional clarifying information. I will point

1 out, to reiterate what one of our former
2 Commissioners had made the point that I think is
3 particularly appropriate with Kentucky Power, and
4 this is why I really want to get to the bottom of
5 this, and that is: For a lot of the ratepayers,
6 they barely have one retirement program. The
7 Commission, over the past few years, has made sure
8 that ratepayers are not paying for a utility to
9 provide -- again, that -- I don't want to use the
10 word "double-dipping," but that is what comes to
11 mind right now.

12 So I think in our post-hearing data requests
13 we will ask some questions to clarify these.

14 A. Well, so -- and that's fine. We'll respond
15 to any post-hearing data requests. The point,
16 though, is that they -- these benefits are market
17 competitive in total, and they were designed that
18 way, and they remain market competitive in total.
19 It's not so much whether you have one, two, or five
20 plans, it's what each of those plans provides
21 towards a market competitive post-retirement benefit
22 package and how that compares to the market for that
23 type of stuff. And ours compares quite well. It's
24 right near the middle.

25 Q. I appreciate that. I think we may be talking

1 past each other and it's probably not productive to
2 continue at this point with my questions.

3 MS. VINSEL: So Staff will have -- we'll just
4 follow up with post-hearing data requests.

5 CHAIRMAN SCHMITT: All right. For the
6 Attorney General's office, Mr. Cook, do you have
7 questions?

8 MR. COOK: Yes, Chairman. Thank you very
9 much.

10 CROSS-EXAMINATION

11 By Mr. Cook:

12 Q. Good morning, Mr. Carlin.

13 A. Good morning.

14 Q. I have just a couple questions for you. So
15 using your analogy of the swirl, isn't it true that
16 essentially SERP is a third swirl?

17 A. No. SERP is part of, you know, either the
18 chocolate or vanilla, take your pick, but it's the
19 same formula. In the Company's plan, anyway, it's
20 the exact same formula that we provided to other
21 employees as a percentage of their pay as the
22 underlying qualified plan, it's just an amount that
23 exceeds an arbitrary IRS limit.

24 Q. And isn't it true that, in essence, AEP can
25 have ten swirls, if it chose to, as long as it

1 follows whatever the Commission guidelines are for
2 what ratepayers pay for? Isn't that correct?

3 A. Well, I suppose if we didn't follow the
4 Commission guidelines and they disallow the expense,
5 but we could have as many different varieties as we
6 wanted. But the real important point, again, is
7 that we've designed our benefit program to be market
8 competitive in total, and that's what we've got.

9 Q. Is SERP a nonqualified retirement plan for
10 IRS purposes?

11 A. It is.

12 Q. Okay. And again, for IRS purposes, SERP can
13 be structured, hypothetically, as either a defined
14 benefit or a defined contribution plan; isn't that
15 correct?

16 A. We -- so I would say nonqualified plans can
17 be structured that -- to be either. SERP typically
18 refers to a defined benefit plan rather than a
19 savings-type program. But that's our parlance. I'm
20 not a hundred percent sure how everybody else thinks
21 about it.

22 Q. I understand. So if I understand correctly,
23 then, for AEP, and by extension Kentucky Power, SERP
24 is essentially a defined benefit plan; is that true?

25 A. SERP is -- exactly, that when we use the term

1 "SERP," we think of it as the excess portion of our
2 defined benefit pension plan which has those two
3 formulas I was referring to earlier, the frozen and
4 locked final average pay formula, which is still in
5 existence but it's frozen and locked, and the cash
6 balance version of the defined benefit pension,
7 which is the one that's going forward.

8 Q. Okay. Thank you.

9 And AEP files a consolidated federal tax
10 return on behalf of all the operating companies,
11 including Kentucky Power; isn't that correct?

12 A. I'm not in the tax department, but I do
13 believe that's correct.

14 Q. Okay. And isn't it true that AEP has the
15 ability to deduct SERP expense as a business expense
16 when the SERP benefits are paid?

17 A. Correct.

18 Q. Okay.

19 MR. COOK: Mr. Chairman, I believe that's all
20 the questions I have at this time.

21 CHAIRMAN SCHMITT: Mr. Kurtz?

22 MR. KURTZ: Thank you, Your Honor.

23 CROSS-EXAMINATION

24 By Mr. Kurtz:

25 Q. Mr. Carlin, good morning. Vice Chairman

1 Chandler was asking questions earlier about a ten
2 percent clean energy metric with respect to these
3 plans. Are you familiar with that?

4 A. I am.

5 Q. What is it?

6 A. All right. Well, it's a metric in our
7 long-term incentive plan that has a ten percent
8 weight, as you mentioned, for nonemitting generating
9 capacity. And what it is is a measure of the
10 percentage of our total AEP capacity that is from a
11 nonemitting source. So that would include wind,
12 solar, hydro, nuclear, energy efficiency programs,
13 demand management programs, and it includes both
14 owned and PPA capacity.

15 And so we compare what percentage of our
16 capacity is in those categories as opposed to fossil
17 fuels. Sort of at the beginning of the period, we
18 had -- we had a percentage. Let's just take a round
19 number. Say 28. And then there's a threshold
20 target, a MAC, over the three-year long-term
21 incentive period that -- let's say 30, 31, and 32.
22 So as we improve the percentage of the Company's
23 capacity that's from a nonemitting source, we do
24 better against that goal.

25 Q. How long has that been part of the plan?

1 A. Less than a year.

2 Q. Okay. So I know you don't IRP. You don't do
3 the IRP part for the Company, but it sounds like
4 there's a financial incentive for Kentucky Power or
5 any of the AEP companies to get approval to do solar
6 self-build or solar PPAs as opposed to a fossil fuel
7 solution.

8 A. Well, there is, but remember, these things
9 are -- change slowly, A. B, we do have the ability
10 to work with our Commission to get those into the
11 IRP, and we also have a competitive business. We
12 are counting the renewables from our competitive
13 business in this measure. So there's a lot of
14 different factors, and I forgot one big one, which
15 is, as we close plants, either early or on schedule,
16 in accordance with the IRP, those count too. So
17 that reduces the fossil capacity if we close a coal
18 plant.

19 So there's a lot of factors in here, and we
20 took most of those factors into account in setting
21 the goal, and what it does -- and the whole point is
22 to encourage the Company to change its capacity mix
23 going forward to be more renewable, more
24 sustainable, and better for our customers and the
25 environment, which is what our customers care about.

1 Q. If the net present value of a solar
2 self-build was exactly the same as a market purchase
3 to meet capacity or energy needs, then the Company
4 would have a financial incentive, the employees, to
5 go with the solar project?

6 A. Well, we're allowed to -- or we include PPA,
7 so it doesn't matter whether we own it or we buy the
8 power from it.

9 Q. But I meant, I guess, a market purchase from
10 PJM. A market purchase of energy from PJM versus
11 solar PPA, there would be a financial incentive to
12 do the solar PPA even if the market purchase was
13 cheaper for consumers?

14 A. I don't -- I don't think so. Well, first
15 off, that would cause problems in other areas, such
16 as rate recovery. But secondly, it's shrinking our
17 overall capacity because we're not going to, in all
18 likelihood, shrink the solar or wind capacity. It
19 would help. It wouldn't necessarily hurt because
20 the denominator gets smaller.

21 Q. And to sort of compound that, the utility
22 will not earn a profit margin or rate of return on a
23 market purchase. Are you aware of that?

24 A. Yeah. I'm aware of that, but we, I assume,
25 are in the profit margin on renewables, so -- that

1 we own, so -- and we already own a bunch, so, you
2 know, we could focus our investments more on that,
3 and we could focus them more on the competitive
4 business. I mean, I think it's -- we are fairly
5 neutral between whether we achieve this goal in the
6 regulated environment, which would be our
7 preference, or in the competitive environment.

8 We have a certain amount to invest to
9 maintain our credit ratings and our -- and our
10 earnings growth, and if we can't do it in the
11 regulated environment, we've got other options.

12 Q. How does the ten percent clean energy metric
13 correspond with the ESG, environmental -- is it
14 environmental, social, and governance metric that
15 Wall Street uses that was part of the earnings
16 report that we discussed on the first day of the
17 hearing?

18 MR. WOLFFRAM: Your Honor, at this point we
19 would object as outside the scope of Mr. Carlin's
20 discovery responses, which is what he's here to
21 testify about.

22 CHAIRMAN SCHMITT: I'm going to allow him to
23 ask the question.

24 Go ahead, Mr. Kurtz.

25 Witness, you must answer.

1 A. Can you repeat the question, please?

2 Q. How does the ten percent clean -- do you know
3 the ESG metric that AEP has implemented? Do you
4 know what ESG is?

5 A. Yes, I do know what ESG is, and my -- we
6 developed it in-house. We didn't develop it to meet
7 a Wall Street standard, and I have not checked to
8 see the degree to which it does meet the
9 requirements of that. And, in fact, it may predate
10 what came out in the Wall Street Journal. So I
11 don't know.

12 Q. Can you give me a dollar order of magnitude?
13 Ten percent of what? What -- how much money are we
14 talking about?

15 A. I don't know the Kentucky Power portion
16 that's LTIP. AEP-wide, LTIP is about 40 -- 40
17 million a year, so 4 million a year on an AEP-wide
18 basis.

19 Q. So from that perspective, it's not a lot of
20 money?

21 A. Not a huge amount. It's more symbolic, but I
22 think it's important symbolically.

23 Q. And \$40 million AEP-wide is what? You just
24 said the ten percent --

25 A. 40 million -- 40 million is the total annual

1 cost of the LTIP program assuming target
2 performance, approximately. That's a -- you know,
3 give me a wide margin on that number since I'm
4 pulling it out of thin air, but that's an
5 approximation. So ten percent of that would be
6 about 4 million, so that gives you an order of
7 magnitude --

8 Q. Okay.

9 A. -- of the (indiscernible).

10 Q. That's what I wanted.

11 MR. KURTZ: Thank you, sir. No further
12 questions.

13 CHAIRMAN SCHMITT: Ms. Grundmann, questions?

14 MS. GRUNDMANN: No questions, Your Honor.

15 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo,
16 questions?

17 MR. SPENARD: No questions, Mr. Chairman.

18 CHAIRMAN SCHMITT: Mr. FitzGerald?

19 MR. FITZGERALD: No questions, Mr. Chairman.
20 Thank you.

21 CHAIRMAN SCHMITT: Mr. Miller?

22 MR. MILLER: Thank you, Your Honor. No
23 questions.

24 CHAIRMAN SCHMITT: Mr. Frye?

25 MR. FRYE: No, no questions, Your Honor.

1 CHAIRMAN SCHMITT: Okay. Vice Chairman
2 Chandler?

3 VICE CHAIRMAN CHANDLER: Yeah, thank you,
4 Your Honor.

5 EXAMINATION

6 By Vice Chairman Chandler:

7 Q. Good -- check the clock every time. Good
8 morning, Mr. Carlin.

9 Let me ask a straightforward question: Does
10 Kentucky Power or AEP as it allocates to Kentucky
11 Power contribute to defined benefit and 401(k)
12 matching plans concurrently?

13 A. Yes, we have both.

14 Q. Okay.

15 VICE CHAIRMAN CHANDLER: So I just want to
16 pull up on the screen here, and I think this is the
17 order, and correct me if I'm wrong, Chairman, the
18 order that the Commission took -- that we took
19 administrative notice of yesterday. It's the
20 January, I believe, 18th order in Case Number
21 2017-179, Kentucky Power's most recent rate case.

22 Q. Please let me know when you can see my
23 screen, Mr. Carlin.

24 A. I can see it.

25 Q. Okay. So do you see that this is page 15 of

1 that order?

2 A. Yes.

3 Q. Okay. And do you see that this is the part
4 described as savings plan expense?

5 A. Yes.

6 Q. Okay. Do you mind to read the part there
7 that says "In rebuttal"? And before you read it,
8 would you note that that when it's responding here,
9 there's at least citations in 36 to your initial
10 testimony in that case?

11 A. I see that, yes.

12 Q. Okay. Do you mind to read there on --
13 starting with the -- the paragraph that starts with
14 "In rebuttal"?

15 A. (Reading) In rebuttal, Kentucky Power
16 explained that participation in the defined benefit
17 plan ended in 2000 and benefits were frozen in 2010.

18 Do you want the whole paragraph?

19 Q. Yes, please.

20 A. (Reading) Therefore, Kentucky Power does not
21 contribute to a defined benefit plan and 401(k)
22 matching plan at the same time. The Commission has
23 disallowed such matching contributions when both the
24 defined benefit plan and a 401(k) matching
25 contribution exist currently. This is not the case

1 with Kentucky Power.

2 Q. Was the Commission's order in error in the
3 last case, in that conclusion?

4 A. I -- without reading it in more detail, I
5 cannot say one way or the other. I would need to
6 read the whole --

7 Q. Well, I think it's a fairly straightforward
8 question. If the Commission said in the order that
9 Kentucky Power does not contribute to a defined
10 benefit plan and a 401(k) matching plan at the same
11 time, but you just said that Kentucky Power does do
12 those things at the same time, concurrently,
13 correct?

14 A. It would seem that there's a misunderstanding
15 about that, but I -- again, without reading the
16 whole order, I'm not sure where in the order this
17 statement is being made, and I can't comment on
18 whether or not it's accurate or inaccurate without
19 delving into it more deeply.

20 Q. Okay. So let's read the next paragraph.

21 (Reading) Kentucky Power included 1.662 -- 2 -- 975
22 dollars in its jurisdictional revenue requirement
23 for savings plan expense for employees who
24 participate in a defined benefit plan and have
25 matching 401(k) contributions from Kentucky Power.

1 Do you see that?

2 A. It just got smaller on me.

3 Q. Okay. I apologize. How about now?

4 A. Yeah. So yes, I do see that.

5 Q. And it goes on to say (Reading) The Attorney
6 General proposed a Kentucky jurisdictional
7 adjustment of \$1,102,496 for savings plan expense
8 for employees who participated in a defined benefit
9 plan and have matching 401(k) contributions from
10 Kentucky Power.

11 Do you see that?

12 A. Yeah.

13 Q. And then, the section you just read,
14 (Reading) In rebuttal, Kentucky Power explained that
15 participation in a defined benefit plan ended in
16 2000 and the benefits were frozen in 2010.
17 Therefore, Kentucky Power does not contribute to a
18 defined benefit plan and a 401(k) matching plan at
19 the same time. The Commission has disallowed such
20 matching contributions when both a defined benefit
21 plan and 401(k) matching contribution exist
22 concurrently. This is not the case with Kentucky
23 Power. The Commission finds that the Kentucky
24 Power's savings plan expense is reasonable and
25 should be allowed for ratemaking purposes.

1 Do you see that, going on to page 16, that's
2 the end of that section?

3 A. Yes.

4 Q. Okay. So, just to make very clear -- and
5 I'll stop sharing here.

6 So, just to make very clear, you would agree
7 that Kentucky Power does contribute to both defined
8 benefit plans and 401(k) matching plans
9 concurrently?

10 A. I do.

11 Q. Okay. And --

12 A. Just let me explain the paragraph --

13 Q. And I -- and I -- I just want to ask one more
14 question, Mr. Carlin. I apologize. If Commission
15 Staff asked in a post-hearing data request for the
16 amount included in the test year for both of those
17 contributions, or for both of the costs from the
18 Company, would you or somebody else on behalf of the
19 Company be able to provide those amounts?

20 A. Somebody would be able to provide those
21 amounts, I assume.

22 Q. Okay. I'm sorry. Please proceed.

23 A. Yeah. So we did freeze the final average pay
24 formula, and I talked about this on the stand, and a
25 lot of people remember it because I used the word

1 "swirl cone." We froze that formula. We did not
2 freeze the entire pension plan because there is
3 another formula that is going forward. It is a cash
4 balance formula. It looks very much like a
5 savings-plan-type benefit, but it is still
6 technically a defined benefit plan, which is why
7 there may be confusion around this.

8 That formula, it's a cash balance formula,
9 which, you know, you get a cash balance
10 contribution, looks like a -- looks a lot like a
11 defined contribution benefit except that its
12 governed under the ERISA rules around defined
13 benefit plans. So that's probably part of what the
14 confusion is here.

15 But we do technically have, and have always
16 had, a defined benefit plan as well as a savings
17 plan. And again, they're all part of the same
18 market competitive goal, postretirement benefit
19 package.

20 Q. Yeah, and I appreciate that. I just want to
21 make sure that I'm clear that you have both of those
22 and some employees have both of those and you
23 contribute to both of those on behalf of those
24 employees, correct?

25 A. Yes.

1 Q. And just to be clear, we can ask for those
2 amounts for the test year and the Company would be
3 able to provide those contributions?

4 A. I would be surprised if they haven't already
5 been provided somewhere.

6 Q. Okay. I appreciate that.

7 VICE CHAIRMAN CHANDLER: And I think
8 Commissioner Mathews may cover the rest of my
9 questions. So I appreciate it, Mr. Carlin. Thank
10 you. Thank you for making yourself available.

11 CHAIRMAN SCHMITT: Let me ask a question,
12 Vice Chairman, before -- and I may have made an
13 erroneous note on it. Was Mr. Carlin a witness who
14 was supposed to have information about sales in
15 Illinois or Michigan, or was that, once again,
16 Mr. Vaughan?

17 VICE CHAIRMAN CHANDLER: Chairman, I have
18 from my notes that will be Ms. Whitney or
19 Mr. Vaughan.

20 CHAIRMAN SCHMITT: All right. Thank you.

21 All right. Doctor Mathews, questions?

22 COMMISSIONER MATHEWS: Yes. Yes.

23 EXAMINATION

24 By Commissioner Mathews:

25 Q. Good morning, Mr. Carlin. Let's talk about

1 that ten percent clean energy goal, if you don't
2 mind.

3 A. Certainly.

4 Q. Would you agree that one of the drivers for
5 this case, as the Company has made the assertion, is
6 that it's driven by the lack of economic development
7 in the service territory of Kentucky Power? Is that
8 one of the drivers for the rate case?

9 A. I've been on the periphery of some of the
10 meetings where we discussed the main drivers of the
11 rate case, but I presume that that's at least part
12 of it.

13 Q. Would you agree, and I -- this is not asking
14 you to be an economist or anything other than just
15 an observer of the service territory. Would you
16 believe that -- would you agree that some of that
17 economic downturn has been driven by a lack of
18 coal sales and the closure of many coal mines and
19 coal-mine-related industries?

20 A. Certainly, to the extent I watch the news,
21 that is accurate.

22 Q. Okay. And you said that the \$40 million for
23 LTIP per year was symbolic, was largely a symbolic
24 gesture that was related --

25 A. Per --

1 Q. -- to clean energy?

2 A. Symbolic, it has a symbolic meaning to it,
3 yes.

4 Q. Right.

5 A. I didn't say that was its only intent.

6 Q. Well, but do you agree that the symbolism to
7 the folks of Eastern Kentucky, who are being asked
8 to pay a proportion of this, is also -- I'm just
9 going to say it's -- I'm trying to come up with a
10 word. The symbolism is troubling, that you have
11 customers in a service territory who have been
12 impacted by the decrease in the coal industry and
13 you're providing long-term incentive pay for a
14 further degradation of that coal industry.

15 A. I don't think that's the case, and I don't
16 think the customer should do or should feel that
17 way, because the impact on coal and coal-fired power
18 generation has been largely economic. Some of it's
19 been due to regulation, but --

20 Q. Then it doesn't need to be incentivized.

21 A. I'm sorry, I didn't hear that. I wasn't
22 done, though. The -- so we've got the -- you know,
23 we're a price takers, just -- and our -- a lot of
24 our coal-fired generation hasn't been in the market
25 like it was for at least 30 or 40 years of life. So

1 it hasn't been running as much.

2 And we're investors, and we're -- that's
3 where our investment dollars are more likely to be
4 going. We're -- you know, I don't think there's
5 very many coal-fired power plants being built, if
6 any, right now, and this is symbolic around our
7 future investment.

8 It's not really -- we would have to -- if we
9 were going to close a coal plant, it would be part
10 of the IRP process and discussed through this kind
11 of hearing. So that's not really what's going on
12 here. It's about future investment, changing that
13 portfolio mix to clean up the environment. There
14 are a lot of customers that appreciate that and want
15 that, and we were willing to do that in Kentucky as
16 well, as well as other economic development
17 activities in Kentucky. So, you know, if the right
18 opportunity arises, we would be there with some
19 investment dollars.

20 So that's what this is about. And it can
21 improve the economy of Kentucky, so -- from a
22 symbolic point of view, it's a good thing.

23 Q. If it's due to economics, it's not something
24 that needs to be incentivized, would you agree?

25 Are you providing an incentive for someone to

1 do something they would do anyway because the cost
2 of solar power is now lower than the cost of
3 coal-fired generation?

4 A. They are not mutually exclusive. So, you
5 know, that depends. If you -- sometimes you have
6 other reasons to do it even if the economic
7 incentives are already there, symbolism being one of
8 them.

9 Q. And it -- you said it was an investment
10 decision?

11 A. It is -- these are largely investment
12 decisions. Where are we going to put our -- you
13 know, our annual investment dollars towards? The
14 Company does invest for its future, and, you know,
15 usually in our sector, so we would like to invest in
16 a regulated environment, that is certainly our
17 preference, but we have other options.

18 Q. I believe that Kentucky Power has a rather
19 significant excess capacity. Is that still true, at
20 least through the end of the Rockport agreement? I
21 don't --

22 A. I --

23 Q. -- the last three cases it was in the 30s?

24 A. I don't know. It's not my area.

25 Q. Okay. Well, if you took -- or believe me

1 that Kentucky has excess capacity, Kentucky Power
2 has excess capacity, it doesn't need additional
3 capacity of any color, green or otherwise?

4 A. That may be true. It wouldn't need it for
5 its integrated resource plan, but there may still be
6 economically valuable opportunities to invest in
7 power in Kentucky, either regulated or unregulated.
8 So I don't know that landscape. And I do know
9 that --

10 Q. Okay. That's fine. That's fine. How does
11 this incentive affect the decision of closing a coal
12 plant early? I believe you said we may close a coal
13 plant early and replace it with renewable energy.

14 A. Well, it would certainly encourage us to look
15 at that. If the economics of the coal plant are --
16 of a coal plant are such that it doesn't look like
17 it's in ours and customers' interests to maintain it
18 for its scheduled life, it would encourage us to
19 take action to close it earlier than the expected
20 closure date through the appropriate regulatory
21 process.

22 Q. And if we talk about that appropriate
23 regulatory process, does the Kentucky Public Service
24 Commission have to approve closure of a coal plant?

25 A. I don't know the answer to that.

1 Q. I will -- I will answer. We do not. We can
2 deal with the regulatory cost implications and so
3 forth, but there is no -- the Kentucky Public
4 Service Commission does not approve the closure of a
5 coal plant. It can determine on what happens to
6 the undepreciated value that's left, it can make
7 decisions based on the reasonableness of your
8 generation options, but does not weigh in on the
9 closure of a coal plant. So --

10 A. That is the case --

11 Q. -- our process is not as stringent as it
12 might be in other states.

13 A. That's -- those are some very large economic
14 levers that the Commission still has.

15 Q. That's true. And I just wanted to respond to
16 a few of your comments there and suggest --
17 highlight the symbolism of the reason this rate --
18 one of the reasons this rate case is before us has
19 been purported that it's the poor economic
20 environment of Eastern Kentucky in your service
21 territory and that the downturn of the coal industry
22 has been a large reason for the poor economic
23 conditions in that area, and that the long-term
24 incentive pay being tied to a ten percent clean
25 energy goal had some symbolism as well.

1 COMMISSIONER MATHEWS: So that's all,
2 Mr. Chairman.

3 CHAIRMAN SCHMITT: I had asked during Vice
4 Chairman Chandler's testimony for Ms. Vinsel to look
5 at Mr. Carlin's rebuttal testimony in the 2017 case.
6 I don't know if she has any questions or not, but I
7 want to ask her at this time: Have you had an
8 opportunity, Ms. Vinsel, to look at that? I mean,
9 if it's possible, if we can reconcile what
10 Mr. Carlin's rebuttal testimony was as compared with
11 the order, page 15 or so of the order that was read
12 into the record a minute ago.

13 MS. VINSEL: Yes, Your Honor. I've not been
14 able to complete my review, so I don't have my
15 question completed at this time. Is it possible to
16 take --

17 CHAIRMAN SCHMITT: Well, here's what we can
18 do --

19 MS. VINSEL: Okay.

20 CHAIRMAN SCHMITT: -- let me ask --
21 Mr. Wolffram, you may redirect the witness, but I
22 guess upon reviewing -- once counsel has an
23 opportunity to review Mr. Carlin's rebuttal
24 testimony, we may want to call him again for some
25 limited purpose, just to try to understand the

1 confusion or whatever occurred in the -- in the
2 last -- in the order in the last rate case.

3 So do you have redirect of Mr. Carlin?

4 MR. WOLFFRAM: Yeah, just a few questions,
5 Your Honor, if I may.

6 REDIRECT EXAMINATION

7 By Mr. Wolfram:

8 Q. Mr. Carlin, there has been some discussion
9 about the ten percent renewable goal that is
10 included in the LTIP program. Do you remember that
11 conversation?

12 A. Yes, I do.

13 Q. And has -- well, let me ask it this way: Is
14 that ten percent goal in the LTIP program the only
15 consideration that the Company would consider or
16 that employees of the Company would take into
17 account when determining whether or not to invest in
18 additional clean energy programs and/or closing
19 existing, you know, coal and/or gas or combined
20 cycle plants?

21 A. Certainly not. There's -- you know, all the
22 things that we would have considered before we had
23 this goal are still in place. We didn't -- you
24 know, we didn't turn over management or our brains
25 to this goal. So, you know, this is -- this is just

1 in addition to all the management practices, all the
2 Commission practices, and all of the economic
3 practices we would consider in making this decision.

4 Q. And you may not be the witness to speak to
5 this, but there was some discussion about, you know,
6 the potential implications of the loss of coal jobs,
7 including, you know, mining facilities, etcetera.

8 Do you remember that conversation?

9 A. I do.

10 Q. Are you aware of any mitigation measures that
11 Kentucky Power has taken to offset the overall -- or
12 are you just generally familiar with any measures
13 that Kentucky Power has taken to mitigate the loss
14 of coal mining and related jobs within its service
15 area, repurposing coal mining property and economic
16 development opportunities within those -- within
17 those areas?

18 A. Yeah, I'm aware that we are repurposing coal
19 mining facilities. I know we have a strong economic
20 development team down there that is -- really has a
21 lot of good projects that they're working on and
22 have completed. And, you know, we are open to other
23 ideas. So I'm sure we are working diligently to --

24 Q. And just one final question, or maybe line of
25 questioning, I'll say. Do you remember

1 conversations regarding specifically the potential
2 inclusion or exclusion of SERP, SERP expense or
3 compensation expenses?

4 A. I do.

5 Q. Could you just provide an explanation of the
6 potential implications, if there are any, of
7 exclusion of related SERP expense or other incentive
8 compensation practices that the Company employs to
9 pay employees market competitive levels of
10 compensation?

11 A. Yes. Thank you for that. So we're -- you
12 know, I mentioned earlier we're a price taker, and
13 we are a price taker for employees as well. We have
14 to pay market competitively to attract and retain
15 the suitable employees we need to provide service to
16 our customers. And if we can't do that and recover
17 our costs, then something needs to change, because
18 that's not sustainable.

19 So one of the things that I know we're
20 gradually changing and taking a step into is
21 short-term incentive compensation. We will be
22 moving a portion of that into base pay, a small
23 portion for the physical and craft workforce.
24 It's -- our base pay for that group will still --
25 our total pay for that group won't change and the

1 base pay for that group will still be market
2 competitive, but we'll be able to recover a little
3 bit more of our costs as a result. The same is true
4 for long-term incentive compensation and SERP.

5 And I kind of bemoan these changes, because I
6 know that these programs have value to the Company
7 and our customers, because they encourage a
8 high-performance culture that will eventually erode,
9 or gradually erode, as the value of these incentive
10 programs is reduced. But we -- you know, we have to
11 market competitively and we need to be able to
12 recover our costs, and so it leaves us in a position
13 where, as we gradually chip away at these types of
14 programs, or the cost recovery is chipped away at,
15 we need to find ways to adjust. And that's a strong
16 message that's being sent if those costs are
17 disallowed.

18 MR. WOLFFRAM: I have no further questions
19 for this witness, Your Honor. Thank you.

20 CHAIRMAN SCHMITT: Okay. Thank you.

21 MR. WOLFFRAM: At this time.

22 CHAIRMAN SCHMITT: You may step down,
23 Mr. Carlin.

24 Let's see if we can get Mr. Bishop on the
25 stand here before lunch, and before we take a lunch

1 break, maybe we can complete that witness.

2 MR. WOLFFRAM: If Your Honor will just give
3 us one second while we clean the witness table --

4 CHAIRMAN SCHMITT: Oh, sure.

5 MR. WOLFFRAM: -- and the attorney station
6 and we will call Mr. Bishop. Thank you.

7 CHAIRMAN SCHMITT: Okay. Ms. Glass, are you
8 ready? Okay. Would you please introduce your next
9 witness? Okay.

10 MS. GLASS: Sorry about that. Yes, Your
11 Honor. Our next witness is Scott Bishop.

12 CHAIRMAN SCHMITT: Mr. Bishop, will you
13 please raise your right hand? Do you solemnly swear
14 or affirm, under penalty of perjury, that the
15 testimony you are about to give will be the truth,
16 the whole truth, and nothing but the truth?

17 THE WITNESS: I do.

18 CHAIRMAN SCHMITT: Thank you.

19 Counsel, you may ask.

20 SCOTT E. BISHOP, having been first duly
21 sworn, testified as follows:

22 DIRECT EXAMINATION

23 By Ms. Glass:

24 Q. Mr. Bishop, can you please state your name,
25 business address, and employer for the record,

1 please?

2 A. My name is Scott E. Bishop. My business
3 address is 1645 Winchester Avenue, Ashland, Kentucky
4 41101. And I am employed with Kentucky Power.

5 Q. Can you please state your position with
6 Kentucky Power?

7 A. I am a regulatory consultant.

8 Q. And did you cause to be filed into the record
9 of this proceeding direct testimony and responses to
10 data requests?

11 A. Yes.

12 Q. Do you have any corrections to either your
13 direct testimony or responses to data requests?

14 A. I have one minor correction to my direct
15 testimony. On page 4 of my direct testimony, on
16 line 5, the amount of the nonrecoverable business
17 expense currently reads 27551, and it should read
18 27556.

19 Q. Do you have any other corrections?

20 A. No, that was my only correction.

21 Q. With the exception of that correction, if I
22 were to ask you the same questions contained in your
23 direct testimony and responses to data requests
24 today, would you give the same answers?

25 A. Yes, I would.

1 Q. Thank you.

2 MS. GLASS: Your Honor, the witness is
3 available for cross-examination.

4 CHAIRMAN SCHMITT: Ms. Vinsel, any
5 cross-examination?

6 MS. VINSEL: Yes, Your Honor, just a few
7 things.

8 CROSS-EXAMINATION

9 By Ms. Vinsel:

10 Q. Good morning, Mr. Bishop. How are you?

11 A. I'm doing fine.

12 Q. I'd like to start with the discussion of
13 Kentucky Power has requested to recover the PJM
14 billing line item 1999 costs through the Fuel
15 Adjustment Clause, and in this case, this was --
16 these costs, the most immediate costs are predicated
17 on allocating costs from the default of GreenHat
18 Energy, LLC; is that correct?

19 A. That is correct.

20 Q. And I -- is it correct Kentucky Power has
21 been allocated those charges since mid -- about
22 mid-2018?

23 A. I'm sorry. Could you restate that for me,
24 please?

25 Q. Kentucky Power first was allocated those

1 costs beginning in about mid-2018; is that correct?

2 A. From my understanding, PJM started allocating
3 those costs in 2 -- in the mid-2018. The best
4 person to ask regarding the GreenHat default would
5 probably be Company Witness Horton.

6 Q. Okay. But in your direct testimony you also
7 discussed this line item in the background; is that
8 correct?

9 A. That is correct.

10 Q. Okay. So I'm just going to ask you to speak
11 to your direct testimony, then. Okay?

12 A. Okay.

13 Q. And also, I believe is it correct -- I feel
14 like I need to double-check this. In your direct
15 testimony, is it correct that these costs will be
16 allocated through approximately June 2021?

17 A. That is my understanding, yes.

18 Q. Okay. And it looks like probably the total
19 amount collected since 2018 projected to 2021 is
20 going to be about \$335,000, and is that correct?

21 A. I am not sure what the total projected amount
22 of the GreenHat default is going to be when it
23 finishes. I believe in Company Witness Horton's
24 rebuttal -- Horton's rebuttal testimony, he stated
25 the current balance was about \$348,000.

1 Q. Did you not include an amount in your direct
2 testimony?

3 A. My direct testimony, there was a balance of
4 about 335,000 --

5 Q. Okay.

6 A. -- through June.

7 Q. So then, yes, you can confirm what I asked,
8 but you would clarify it that Mr. Horton has
9 provided a revised number; is that correct?

10 A. Yeah. He would have the updated number, yes.

11 Q. Okay. Thank you.

12 Now, in your direct testimony, you said that
13 it was possible that there could be future costs
14 allocated through PJM billing line item 1999, and
15 these costs would be in addition to the GreenHat
16 default; is that correct?

17 A. If there are more defaults within PJM that
18 would be allocated out, yes, it could be in addition
19 to the GreenHat default.

20 Q. And as of today, are you aware of any -- of
21 potential for additional defaults or costs to be
22 allocated to Kentucky Power going forward?

23 A. I am not aware of any potential defaults, no.
24 We're putting the PJM billing line item -- line item
25 in place, if approved, for potential defaults that

1 happen in the future.

2 Q. So the purpose of including it, then, is not
3 simply to recover on the current GreenHat default,
4 but also just as a hedge against future defaults?

5 A. Yes, it's kind of a protection for us to be
6 able to allocate the cost directly.

7 Q. And is it correct that currently this line
8 item is being recovered through -- for the customer
9 portion, part, through base rates?

10 A. I'm sorry. Could you restate that for me,
11 please?

12 Q. How are you recovering the costs right now?

13 A. I know that the Company has set up a
14 regulatory -- tried to set up a regulatory asset,
15 and that has been set aside. I'm sorry. We have
16 proposed in a different case to set up the
17 regulatory asset, which was denied.

18 The accounting aspect of handling the
19 GreenHat default I'm not familiar with. That would
20 probably be -- might be able to be answered by
21 Company Witness -- Witness Horton or someone in the
22 accounting aspect, like Company Witness Whitney.

23 Q. Okay. Let's see if we can do this without
24 having to bring up -- well, actually, no. I think
25 we may have to bring up some screen share, but I'm

1 going to wait and see if we can answer it without
2 that, if you can answer it without that.

3 I believe -- you sponsored some responses to
4 data requests that addressed the EEI invoice.

5 A. Yes.

6 Q. Okay. Let me first ask you -- and this is
7 just for your reference. In response to Staff's six
8 requests for information, item 20, you referenced
9 that Kentucky Power was allocated -- I'm just going
10 to round around here -- a little over \$104,000 for
11 the test period for the EEI invoice.

12 Does that sound about right?

13 A. Yes. Yes, it sounds about right.

14 Q. And as I understand it, and please correct me
15 if I'm wrong, that this allocation is based upon
16 Kentucky Power's percentage of total customers,
17 electric revenues, and owned capacity, and that's as
18 comparison to the entire AEP system?

19 A. That is correct, yes.

20 Q. And of that \$104,000, how much was excluded
21 from rate base?

22 A. Company Witness Whitney might be the best
23 person to request that, but I believe it was not
24 included in the base rate case. I believe it was
25 removed.

1 Q. So you believe it was excluded, but you don't
2 know for sure?

3 A. I couldn't point exactly where it was at, but
4 I do know the EEI was removed from the base -- from
5 the test year.

6 Q. Well, Staff also was unable to locate any
7 corresponding adjustment in this case record, and
8 that was the next thing I was going to ask you, but
9 you're telling me that you're unable to answer that
10 question?

11 A. I could not point exactly where in -- where
12 in the adjustment lines it would be. Company
13 Witness Whitney should be able to answer that
14 question. I was not able.

15 Q. And Witness Whitney was excused, so I -- let
16 me -- let me decide whether or not we want to recall
17 her. I won't make that decision right now. Let me
18 move on to another matter.

19 Kentucky Power initially proposed to modify
20 its terms and conditions of service in regard to
21 underground service. In particular, there was an
22 issue about recovery of cost -- the cost
23 differential between overhead and underground
24 facilities if a city or town had required
25 underground facilities.

1 Do you recall that modification?

2 A. Yes, I do.

3 Q. And do you recall that in responses to data
4 requests, Kentucky Power revised its plans for how
5 it would recover the costs?

6 A. What do you mean by revise?

7 Q. Initially Kentucky Power proposed to recover
8 the costs directly from customers that lived in the
9 city or town that required the underground
10 facilities. Subsequently, in data requests,
11 Kentucky Power discussed collecting it from the
12 municipal government itself and would even agree to
13 a payment system.

14 Does that refresh your memory?

15 A. Yes, that refreshes my memory.

16 Q. Kentucky Power has not filed a revised tariff
17 that would align with these proposals that were set
18 forth in data requests. Does Kentucky Power propose
19 to revise the tariff along those lines?

20 A. We put language in our terms and conditions
21 and in our franchise tariffs as part of our
22 submittal in the application for the base case. The
23 reason we were requesting that language change was
24 due to us looking at the tariffs, seeing if there's
25 holes, potential risks to the Company and things we

1 might want to fix in the future. And we had heard
2 of a potential -- or another utility being required
3 to install underground facilities and move their
4 overhead facilities to underground, and we saw that
5 as a potential risk because how would Kentucky Power
6 recover the costs.

7 Q. And, Mr. Bishop, I don't want to interrupt
8 you, but -- I appreciate the background to this, but
9 it doesn't answer my question. And that is:

10 Kentucky Power has made a proposal that revises the
11 tariff at least in data requests, so my question is:
12 Will Kentucky Power be filing a revised tariff that
13 reflects the revisions set forth in the data
14 requests?

15 A. Yes, we would.

16 Q. Okay. And just to be sure, I will include in
17 a post-hearing data request for -- ask for a copy of
18 that revised tariff.

19 A. Okay.

20 Q. I've got a few more questions, but they're
21 really more appropriate set forth in post-hearing
22 data requests, and just to give you an ahead-of-time
23 clue, we asked that -- and you submitted some
24 information about nonrecurring charges in a
25 post-hearing data request. We're going to ask for

1 the underlying cost calculations and some
2 clarifications, so you can expect that to be coming.

3 MS VINSEL: And one moment. May I check
4 something, one moment, Chairman, in the record?

5 CHAIRMAN SCHMITT: Yes.

6 MS. VINSEL: Thank you. I apologize for the
7 delay, Chairman.

8 CHAIRMAN SCHMITT: No, no apology necessary.

9 MS. VINSEL: I can bring this up pretty
10 quickly.

11 Q. Okay. Mr. Bishop, let's circle back to where
12 the adjustment for EEI was made. Let me make sure
13 here. Okay.

14 You filed a response to the Attorney General,
15 KIUC's second request for information, it's item 44.
16 I'm just going -- we don't need to screen share, I'm
17 just going to ask you to bring it up. And you're
18 the sponsor of this, correct?

19 A. Yes.

20 Q. Okay. So in question A the Attorney General
21 asked you to identify precisely where in the
22 application they can be found, and by "they," I'm
23 referring to organizations to which Kentucky Power
24 pays dues, including, but not limited to, Edison
25 Electric Institute, EEI. And I note that in your

1 response you said refer to the application, section
2 5, page 287.

3 I will simply point out that there is no
4 adjustment that would indicate specifically that
5 that adjustment was made. So as a post-hearing data
6 request, we are going to ask that Kentucky Power
7 provide the exact location of where this adjustment
8 was made and how much the adjustment was.

9 A. Okay.

10 MS. VINSEL: Chairman, Staff has no further
11 questions.

12 CHAIRMAN SCHMITT: Okay. Mr. Cook for
13 Attorney General, do you have any questions?

14 MR. WEST: I don't have --

15 CHAIRMAN SCHMITT: Oh, Mr. West.

16 MR. WEST: Yes.

17 CHAIRMAN SCHMITT: A substitute. Questions?

18 MR. WEST: That's right. No, not for this
19 witness, Your Honor. Thank you.

20 CHAIRMAN SCHMITT: Mr. Kurtz?

21 MR. KURTZ: No questions, Your Honor. Thank
22 you.

23 CHAIRMAN SCHMITT: Okay. Ms. Grundmann?

24 Ms. Grundmann, do you have questions for this
25 witness? We'll come back. She may have been

1 disconnected.

2 Mr. Spenard, questions?

3 MR. SPENARD: KYSEIA -- no, Mr. Chairman,
4 KYSEIA has no questions.

5 CHAIRMAN SCHMITT: You do not? I'm sorry, I
6 couldn't hear.

7 MR. SPENARD: I apologize, Mr. Chairman. No,
8 KYSEIA does not have any questions.

9 CHAIRMAN SCHMITT: Okay. Thank you.

10 Mr. FitzGerald?

11 MR. FITZGERALD: Mr. Chairman, at the risk of
12 sitting between everyone and lunch, I do have some
13 questions.

14 CHAIRMAN SCHMITT: Okay.

15 MR. FITZGERALD: I was going to -- you know,
16 I was -- I was staying out for ten witnesses, but
17 then Ms. Glass threw Mr. Bishop under the bus.

18 CROSS-EXAMINATION

19 By Mr. Fitzgerald:

20 Q. So, Mr. Bishop, Tom FitzGerald. Can you hear
21 me okay?

22 A. Yes, I can.

23 Q. Wonderful. Ms. Glass mentioned yesterday
24 that you would be the witness familiar with the DSM
25 program offerings at Kentucky Power; is that

1 correct?

2 A. That is correct.

3 Q. Okay. And do you mind if I ask you some
4 questions about that? I know you've moved on to a
5 different area, but I think you used to work in the
6 DSM programs; is that correct?

7 A. Yes. I worked with them, yes.

8 Q. Oh, wonderful. Okay. Could you explain
9 briefly, what is the purpose of an energy efficiency
10 or DSM program?

11 A. It is -- the DSM program is designed to help
12 customers reduce usage on the system, reduce their
13 use.

14 Q. Reduce their usage?

15 A. Yes.

16 Q. Okay. It would seem counterintuitive to me
17 that a company that is seeking a rate increase due
18 to lost load and declining customer usage would want
19 to incentivize further reduction in energy usage by
20 remaining customers.

21 Is KPC compensated for the revenue that's
22 lost due to the DSM program offerings?

23 A. According to the statutes, we are able to
24 recover as lost revenue on DSM program -- on DSM
25 programs two to three years.

1 Q. Okay. So that's how you're made whole?

2 A. I believe so, in my understanding, yes.

3 Q. Okay. Am I correct that the only DSM program
4 that's currently available to residential customers
5 is the Kentucky Power targeted energy efficiency
6 program, which is the weatherization and energy
7 efficiency program?

8 A. Yes. That's our low-income weatherization
9 program.

10 Q. Okay. And that's only available to
11 residential customers with electric heat that use
12 over 700 kilowatt hours a month or, on a more
13 limited basis, customers with electric water heating
14 who use more than that?

15 A. Correct. They have to have a minimum usage
16 of 700 kilowatt hours.

17 Q. Okay. And in an average year, do you know
18 how many KPC customers are served through that
19 program?

20 A. Through the weatherization program? No, I do
21 not know how many customers are served through that.

22 Q. Okay. Do shareholders contribute to that DSM
23 program cost, or are the costs paid by the
24 residential ratepayers?

25 A. The costs are paid by the residential

1 ratepayers of the DSM tariff.

2 Q. Okay. Okay. Thanks. And so that monthly
3 charge is not just imposed on people who are
4 participating, it's imposed on all of the
5 residential customers?

6 A. Yes, it is.

7 Q. Okay. Thank you. And do you know what the
8 cost is on a monthly basis right now for that
9 program?

10 A. I believe it's roughly -- oh, I don't know.
11 I don't recall that.

12 Q. Okay. Does 20 --

13 A. (Indiscernible).

14 Q. -- 29 cents -- I'm sorry.

15 A. Yeah. I was going to say it's around maybe
16 24 cents is my recollection.

17 Q. Okay. Would 29 cents be something that you
18 think is around there?

19 A. Yes.

20 CHAIRMAN SCHMITT: I'm looking --

21 Q. Okay.

22 CHAIRMAN SCHMITT: I just happened to be
23 looking at my bill, Mr. FitzGerald. It was 30 cents
24 in October.

25 MR. FITZGERALD: Okay.

1 CHAIRMAN SCHMITT: I got -- I got my latest
2 bill yesterday, but I haven't had a chance to look
3 at it. But it was 30 cents in the DSM row.

4 MR. FITZGERALD: Thank you, Mr. Chairman.
5 Thank you.

6 Q. Is it fair to state, Mr. Bishop, that your
7 nonparticipating customers who use less energy are
8 subsidizing those who are participating in the DSM
9 programs and who are deriving benefits from that
10 participation that aren't available to everybody
11 else?

12 A. Since everyone pays into the system, into the
13 DSM surcharge, that is -- sounds about accurate,
14 yes.

15 Q. Okay. And given the expression -- the
16 express concern of Mr. Mattison when I was asking
17 him about solar, I guess two days ago, that
18 nonparticipating customers shouldn't be subsidizing
19 those taking net metering service, how does Kentucky
20 Power justify charging all residential customers for
21 programs like this that socialize the cost of the
22 program but are only available to a targeted group
23 of members in the class?

24 A. Well, the DSM surcharge was set up before the
25 Commission discontinued it. So before the other

1 programs were discontinued, everyone had access to
2 DSM and energy efficiency programs.

3 Q. Okay. But these programs, they don't get
4 them, but yet they are still paying for them; is
5 that correct?

6 A. I'm sorry. What was that again? You cut out
7 a little bit.

8 Q. I'm sorry. So -- but this program is not
9 available to everybody, yet everyone is still paying
10 for it; is that right?

11 A. This is -- it's available to low-income
12 customers, yes, low income only. Everyone else,
13 yes, is paying for it.

14 Q. Okay. And are there other benefits that the
15 nonparticipating customers get from having a DSM
16 program?

17 A. There are benefits across the system, because
18 as customers use less energy, it becomes cheaper
19 for -- those savings are passed along across the
20 grid as a whole. Though all the customers may not
21 receive a lot of benefit, there is at least a little
22 bit of benefit as long as customers are reducing
23 their usage.

24 Q. Okay. Is that part of the justification for
25 spreading the cost of DSM, that everybody benefits a

1 little bit at least?

2 A. Yes.

3 Q. Okay. And --

4 A. Kind of spread the cost -- we kind of spread
5 the cost over everybody, and it just happens to be a
6 Kentucky Power situation as we only have the one
7 program.

8 Q. Okay. But before you had it spread,
9 everybody had access to most of the programs, right?

10 A. Yes.

11 Q. Okay. When you were working with the DSM
12 programs -- and I'm almost done, I promise, and so
13 we can all get lunch and you don't have to listen to
14 me any longer.

15 When you were working with the DSM programs,
16 did you-all estimate how much electricity was saved
17 overall by the individual program offerings?

18 A. Yes, we -- the energy saved, yes, we did.

19 Q. Okay. And if --

20 A. I'm sorry.

21 Q. Go ahead.

22 A. Yeah, that -- those savings are usually in
23 the annual DSM filings in the status report that we
24 file with the Commission.

25 Q. Wonderful. Thank you. Last couple of

1 questions.

2 If I'm a customer who, either through a
3 Company-sponsored EE or DSM program or through my
4 own energy efficiency measures, I just decide to go
5 out, put in windows or, you know, upgrade my HVAC
6 system, if I'm able to cut my usage, then is it
7 correct that I'm paying less of the fixed costs that
8 are embedded in the volumetric rates?

9 A. Less of the fixed costs? The fixed costs
10 would always be consistent because you would be
11 paying less of the cost on an energy charge usage.

12 Q. Okay. But the energy charge also has some of
13 your embedded fixed costs; is that correct?

14 A. I believe so, yes.

15 Q. Okay. So if I'm using less electricity, then
16 I'm paying less towards that than somebody who uses
17 more; is that correct?

18 A. That is correct.

19 Q. Okay. But you're still charging both
20 customers the same, right? You don't say, okay,
21 that person's more efficient so we're going to raise
22 their electric rate in order to compensate for the
23 lost fixed charges that they're not paying that
24 are -- that are part of the energy charge?

25 How's that for confusing? Let me try it

1 again.

2 A. I was going to say, I'm a little confused.

3 Can you restate that?

4 Q. Sure. Sure. The -- so we've established
5 that if I use less electricity that I'm paying less
6 of the fixed costs that are over on the volumetric
7 side, right? Some of the fixed costs are on the
8 metered charge, some are on the other side?

9 A. I believe so, yes.

10 Q. Okay. So if I use less, then I'm paying less
11 of that percentage or that amount that's over on the
12 volumetric side than somebody who uses more?

13 A. I believe that would be, I believe, correct.

14 Q. Okay. And you are not charging the more
15 efficient user more for their electricity to try to
16 recover those lost fixed charges, are you?

17 A. No, it's the same rate.

18 Q. Okay. That's all I needed, Mr. Bishop.

19 Thank you.

20 MR. FITZGERALD: Mr. Chairman, thank you for
21 your indulgence. I am no longer standing in the way
22 of lunch.

23 CHAIRMAN SCHMITT: Mr. Miller, questions?

24 MR. MILLER: Thank you, Mr. Chairman, nothing
25 to add to that. Appreciate it.

1 CHAIRMAN SCHMITT: Okay. Mr. Frye?

2 MR. FRYE: No questions, Your Honor.

3 CHAIRMAN SCHMITT: Vice Chairman Chandler.

4 VICE CHAIRMAN CHANDLER: I do not, thank you,
5 Your Honor. Thank you, Chairman. Sorry. Just to
6 clarify, I do not have any questions.

7 CHAIRMAN SCHMITT: Oh. Dr. Mathews,
8 questions?

9 COMMISSIONER MATHEWS: I do not have any
10 questions for the witness.

11 CHAIRMAN SCHMITT: All right. Ms. Glass, do
12 you have any redirect examination for this witness?

13 MS. GLASS: I do, Your Honor.

14 CHAIRMAN SCHMITT: All right. Thank you,
15 Mr. Bishop. You may step down.

16 MS. GLASS: Oh, I'm sorry. Your Honor, I
17 said that I do.

18 CHAIRMAN SCHMITT: Oh, I thought you said you
19 did not. I'm sorry.

20 MS. GLASS: Thank you.

21 REDIRECT EXAMINATION

22 By Ms. Glass:

23 Q. Mr. Bishop, Kentucky Power is not currently
24 recovering GreenHat default charges currently,
25 correct?

1 A. Correct.

2 Q. And they are a fuel-related cost of service,
3 correct?

4 A. That is correct.

5 Q. And it sought approval to recover them
6 through Tariff FAC in Case Number 2017-179 and was
7 denied, correct?

8 A. Could you restate that question? I believe
9 your reference is incorrect.

10 Q. Sure. So it's correct that it sought
11 approval to recover them through Tariff FAC in Case
12 Number 2017-179 and was denied? And if it helps
13 you, that's the two-year FAC case.

14 A. The case number for the two-year FAC is
15 2017-00097.

16 Q. You are right. Please substitute that case
17 number in my question. Thank you for the
18 correction.

19 A. Okay. And restate your question for me,
20 please.

21 Q. Sure. So it's correct that the Company
22 sought approval to recover the GreenHat default
23 charges through Tariff FAC in the case number you
24 just stated -- I'm sorry, I've already forgotten
25 it -- and was denied?

1 A. That is correct.

2 Q. Thank you. And it filed a request to defer
3 those charges for future recovery in Case Number
4 2020-34, and that was denied, correct?

5 A. That is correct.

6 Q. And it's not currently collecting those
7 amounts through Tariff FAC, correct?

8 A. That is correct.

9 Q. And it's not currently collecting them
10 through base rates either, correct?

11 A. That is correct.

12 Q. Regarding the questions about the EEI dues,
13 those are addressed in Company Witness West's
14 rebuttal testimony, correct?

15 A. Yes, it is.

16 Q. And he confirms that those are excluded from
17 the Company's cost of service, correct?

18 A. Yes, he did.

19 Q. So can he further discuss those questions
20 that were directed at you about the EEI dues?

21 A. Yes, he would probably be the better person
22 to ask on those EEI dues.

23 Q. Okay. Thank you. And I just have one more
24 question.

25 Regarding the Company's P program, the DSM

1 program, it is an approved statutory program,
2 approved by the Kentucky Public Service Commission,
3 correct?

4 A. That is correct. And they get annual reports
5 on the status of that program.

6 Q. And when I refer to a statutory program, it
7 is governed by KRS 278.285, and in that subsection,
8 is it correct that subsection E, the Commission
9 looks at whether the plan results in any
10 unreasonable prejudice or disadvantage to any class
11 of customers, correct?

12 A. That is correct.

13 MS. GLASS: Those are all my questions.

14 Thank you.

15 CHAIRMAN SCHMITT: Thank you. Mr. Bishop,
16 you may step down.

17 At this time we'll recess until 1:00 o'clock,
18 at which time I think Mr. Horton will be the next
19 witness.

20 (Recess from 12:01 p.m. to 1:09 p.m.)

21 CHAIRMAN SCHMITT: Okay. We're now back on
22 the record. We have a new court reporter change.
23 We have one in the morning and another coming in the
24 afternoon.

25 And I guess at this point, Commissioner

1 Mathews, would you say something for the record so
2 that we can see if the reporter can properly hear?

3 Mr. Overstreet, on behalf of Kentucky Power,
4 are you in a position to call your next witness?

5 MS. VINSEL: Chairman --

6 MR. OVERSTREET: Yes, I am, Your Honor.
7 Before we proceed, let me know if that is an
8 appropriate time. Yesterday afternoon we talked
9 about perhaps extending the schedule into the
10 evening, and I didn't know whether you and Dr.
11 Mathews --

12 CHAIRMAN SCHMITT: We haven't discussed it,
13 but I can't go beyond 6:00.

14 MR. OVERSTREET: Thank you, Your Honor.

15 CHAIRMAN SCHMITT: We have today, the rest of
16 today, tomorrow, and Monday. And, if we can't do it
17 then, we'll just keep going until we do. But we can
18 go to 6:00 this evening.

19 MR. OVERSTREET: Thank you, Mr. Chairman.

20 CHAIRMAN SCHMITT: Ms. Vinsel has something
21 to say.

22 MS. VINSEL: I'm sorry, Mr. Overstreet. I
23 didn't mean to speak over you.

24 We have an echo in this room that we'll need
25 to get fixed.

1 CHAIRMAN SCHMITT: Yeah. Apparently, there's
2 an echo on the sound here in the hearing room. So
3 we'll need to see if we can get our IT person to fix
4 that maybe before we proceed.

5 VICE CHAIRMAN CHANDLER: Mr. Chairman, you
6 may want to ask the court stenographer to turn their
7 microphone off.

8 CHAIRMAN SCHMITT: It's off. Her microphone
9 is off. Did that fix it?

10 MS. VINSEL: We still have that going. So
11 are the speakers off also?

12 CHAIRMAN SCHMITT: I can hear it now. It
13 comes over the --

14 MS. VINSEL: I'm making sure my tablet is
15 off.

16 CHAIRMAN SCHMITT: A lot of people back here
17 come out, and we see what they can do?

18 VICE CHAIRMAN CHANDLER: Yes.

19 CHAIRMAN SCHMITT: All right. Ms. Vinsel is
20 seeking help, technological expertise.

21 In the meantime, Counsel, Mr. Overstreet, we
22 -- after looking at Mr. Carlin's rebuttal testimony
23 in the previous case, I think we know how that part
24 of, I guess, sentence or paragraph and maybe on page
25 15 of the order was -- how that was drafted, and we

1 will not need Mr. Carlin to testify again. I think
2 we resolved how that worked out.

3 MR. OVERSTREET: Thank you, Mr. Chairman.

4 CHAIRMAN SCHMITT: So let Mr. Carlin know we
5 will not be asking him to come in and discuss his
6 testimony in light of what was in the order.

7 MR. OVERSTREET: Thank you, Mr. Chairman.
8 We'll let him know.

9 MS. VINSEL: Mr. Harrod is working on it. He
10 thinks he may have a solution. I can tell it's not
11 kicked in yet.

12 CHAIRMAN SCHMITT: The problem is being
13 worked on. So in the meantime I guess we just need
14 to wait until we can see if it can be resolved.

15 MS. VINSEL: I was going to say we might try
16 to say something occasionally.

17 CHAIRMAN SCHMITT: Well, it's still echoing,
18 coming through the speaker here or something.

19 MS. VINSEL: Do you have the GoToMeeting
20 microphone on? Let me double-check, if you don't
21 mind. You might want to ut your mask on. Okay.
22 Where is your -- it's showing it's muted.

23 I'll be right back, Chairman. We're going to
24 try it again. It's still here.

25 I do have to ask, we have discovered that some

1 of the participants who are using a phone have both
2 their computer and their phone microphone on. We're
3 going to ask that, if you're using your phone for
4 the audio, please make sure the computer's settings
5 are turned off.

6 CHAIRMAN SCHMITT: I know at the beginning we
7 went through a list of a number of things that could
8 cause feedback. Perhaps there's a witness or
9 something who's somewhere that maybe didn't hear
10 that.

11 MS. VINSEL: I will be right back again. See
12 what I can do.

13 Okay. We're going to try one more time.

14 CHAIRMAN SCHMITT: No, still hear it. When a
15 witness speaks, can we -- is it the same thing, or
16 is it just coming from speech in this hearing room?

17 MS. VINSEL: Let me try.

18 Vice Chair Chandler, do you mind to say
19 something?

20 VICE CHAIRMAN CHANDLER: Can you hear me,
21 Ms. Vinsel?

22 CHAIRMAN SCHMITT: There is no feedback when
23 you speak.

24 MS. VINSEL: So the feedback is only in the
25 hearing room?

1 CHAIRMAN SCHMITT: I can hear it -- when I
2 speak, do you hear feedback?

3 MS. VINSEL: Yes, I can.

4 CHAIRMAN SCHMITT: It's coming from the
5 hearing room, then. At some point --

6 VICE CHAIRMAN CHANDLER: Just as a check, can
7 we ask Mr. Overstreet to speak?

8 MR. OVERSTREET: This is Mark Overstreet.

9 CHAIRMAN SCHMITT: No feedback.

10 MS. VINSEL: Okay. We need to make sure,
11 Jenny, that all of your speakers are turned off in
12 GoToMeeting and the PC speaker.

13 VICE CHAIRMAN CHANDLER: Thank you,
14 Mr. Overstreet.

15 CHAIRMAN SCHMITT: We're making one last
16 attempt. Ms. Vinsel is bringing all her powers to
17 bear on the subject. If not, apparently there's no
18 feedback coming from anybody but here. And if
19 necessary we'll have to move forward with it the way
20 it is.

21 MS. VINSEL: Yes, indeed, we've got it fixed.
22 We're good.

23 CHAIRMAN SCHMITT: All right. Ms. Vinsel now
24 has demonstrated her prowess as an IT person, and
25 we're ready to go.

1 Q. And did you cause to be filed in the record
2 of this proceeding rebuttal testimony?

3 A. Yes, sir.

4 Q. And do you have any corrections or updates to
5 that rebuttal testimony?

6 A. I do not.

7 Q. And, if you were asked the questions in your
8 rebuttal testimony today, would your answers be the
9 same as they were in the filed rebuttal testimony?

10 A. Yes.

11 Q. Thank you, Mr. Horton.

12 MR. OVERSTREET: Mr. Chairman, the witness is
13 available.

14 CHAIRMAN SCHMITT: Thank you.

15 Ms. Vinsel, cross-examination?

16 MS. VINSEL: Staff has no questions for
17 Mr. Horton.

18 CHAIRMAN SCHMITT: Office of Attorney
19 General. Any questions for this witness, Mr. West?

20 MR. WEST: No questions for this witness,
21 Your Honor.

22 CHAIRMAN SCHMITT: Mr. Kurtz.

23 MR. KURTZ: No questions, Your Honor.

24 CHAIRMAN SCHMITT: Ms. Grundmann.

25 MS. GRUNDMANN: No questions, Your Honor.

1 CHAIRMAN SCHMITT: Mr. Spenard or Mr. Strobo,
2 questions?

3 MR. SPENARD: No questions, Mr. Chairman.

4 CHAIRMAN SCHMITT: Mr. Fitzgerald.

5 MR. FITZGERALD: No questions, Mr. Chairman.
6 Thank you.

7 CHAIRMAN SCHMITT: Mr. Miller.

8 MR. MILLER: None from Sierra Club,
9 Mr. Chairman. Thank you.

10 CHAIRMAN SCHMITT: Mr. Frye.

11 MR. FRYE: No questions at this time,
12 Mr. Chairman.

13 CHAIRMAN SCHMITT: Vice Chairman Chandler.

14 VICE CHAIRMAN CHANDLER: Yes. Thank you,
15 Chairman. I do have some.

16 EXAMINATION

17 By Vice Chairman Chandler:

18 Q. Good afternoon, Mr. Horton.

19 A. Good afternoon.

20 Q. How are you?

21 A. Great.

22 Q. Can I ask you a question? Are you aware of
23 the Company's FRR plan for PJM?

24 A. Yes.

25 Q. Okay. And does the Company have its own FRR

1 plan, or is it a single FRR plan for the entire AEPE
2 system?

3 A. Well, PJM sees it as a single FRR plan for
4 within PJM.

5 Q. Okay.

6 A. I think for the three operating companies in
7 AEP that are part of the FRR plan.

8 Q. Okay. And just so that we're clear, is it
9 Appalachian, Kentucky Power, and I&M that are FRR
10 entities in PJM?

11 A. Yes.

12 Q. Okay. And Ohio Power Company is not?

13 A. Correct.

14 Q. Okay. So, as part of that plan, it's your
15 understanding that there's a -- is it an IRR, an
16 internal -- or an IRM, internal reserve margin, that
17 the companies -- can we say "the companies" and you
18 know what I mean?

19 A. Yes.

20 Q. Okay. And they have to meet an IRM as part
21 of that FRR plan?

22 A. Right.

23 MS. VINSEL: I believe Ms. Grundmann needs to
24 mute her phone.

25 CHAIRMAN SCHMITT: Hey, Ms. Grundmann? You

1 may need to mute your phone.

2 MS. GRUNDMANN: It's muted now.

3 CHAIRMAN SCHMITT: Okay. Thank you.

4 Q. As part of that FRR plan, the companies have
5 to meet an IRM of some percentage?

6 A. Yes.

7 Q. And is that approximately 15 percent?

8 A. Yeah. That's what I was thinking. It varies
9 a little bit year to year, but it's around 15
10 percent.

11 Q. Okay. And in order to meet that, they meet
12 that with generation based on a UCAP basis.

13 Is that your understanding?

14 A. That is also correct. If we were to go down,
15 way down the rabbit trail, there's a UCAP
16 calculation, and they adjust the target reserve
17 margin to account for that. But yes. Short answer
18 to your question.

19 Q. Great. And that's -- instead of an installed
20 reserve margin, that's a -- or an installed
21 capacity, that's a capacity calculation that takes
22 into account the unforced outages and forced outages
23 -- the availability of the installed capacity. Is
24 that fair?

25 A. Yes, that's correct.

1 Q. Okay. And are you aware of -- were you
2 following the conversation with Mr. Carlin where we
3 were generally talking about the 10 percent portion
4 of the funding for -- for the ICPE plan that related
5 to sort of an incentive to invest in renewable
6 energy? Do you remember that?

7 A. I was listening to that conversation, yes.

8 Q. Okay. And do you understand that, as a
9 general matter, renewable energy -- a lot of terms
10 are thrown out, but we can agree that, as a general
11 matter, solar and wind power, without being co-sided
12 with battery, is nondispatchable energy?

13 A. Yeah, that's -- that's generally the case,
14 agreed.

15 Q. Yeah. And not to be derogatory or anything
16 to the characteristics of it, but in a sense it
17 produces when whatever fuel, right, solar or wind is
18 is available?

19 A. Yes, and that's a generally true statement.
20 You can adjust some of the wind a little bit by
21 fanning the blades. But, yes, for your discussion,
22 yes.

23 Q. Okay.

24 A. If the wind is blowing, the power is
25 producing.

1 Q. And would you also agree, as a general
2 matter, solar power produces closer to its capacity
3 when it's sunny out and, as a general matter, wind
4 seems to have a capacity factor the colder it is,
5 although the extreme can, of course, affect that,
6 and generally the wind blows better at night as it
7 relates to wind production?

8 Are you aware of those generalizations?

9 A. I have heard those generalizations. Any
10 farther down and that's out of my league, but I have
11 heard generally what you're saying there.

12 Q. Yeah. And I think that's -- thankfully for
13 both of us, that's as far into the details on those
14 that we necessarily need to go.

15 My question is getting to this: In -- in
16 calculating or finalizing the Company's FRR plan,
17 would you agree that the FRR plan is dedicated to
18 meeting the necessary capacity on a UCAP basis and
19 considering the installed reserve margin required by
20 PJM on PJM's peak?

21 A. We're talking about meeting it based on
22 coincident summer peak?

23 Q. Yeah. That the FRR is based on PJM's peak
24 rather than the individual utilities that have the
25 plan.

1 A. Yes, that is correct.

2 Q. Okay. And that, I think for the most part,
3 is going to be the entirety that I'm going to ask
4 about the solar and wind.

5 So I just want to make sure we're on the same
6 place about how the FRR plan, right, is required to
7 meet a PJM requirement, whereas you would agree that
8 if the individual utilities are vertically
9 integrated, for instance, that they still are
10 required to meet their own demand, regardless of
11 whether that demand may be coincident with PJM?

12 A. Well --

13 Q. Let me withdraw the question and ask this
14 question: Would you agree that Kentucky Power
15 conducts an IRP?

16 A. I'm going to have to punt on the Kentucky
17 Power doing its own IRP. I do not get involved with
18 that at all.

19 Q. Okay. That's fair.

20 Your testimony in this case, the rebuttal
21 testimony, deals primarily with AEP's participation
22 in PJM, right?

23 A. Right.

24 Q. And do you know of the mix of AEP operating
25 companies or even AEP affiliates that had to seek

1 jurisdictional -- state jurisdictional approval to
2 join PJM?

3 A. I'm not familiar with the state
4 jurisdictional approval process. So that was back
5 in '04 when we joined PJM. I don't know -- I don't
6 recall what
7 was -- what we had to go through with the individual
8 states.

9 Q. Yeah, I'll just ask specific to Kentucky. Do
10 you remember if Kentucky Power had to seek
11 Commission approval to join PJM?

12 A. I believe so. I was not directly involved in
13 that approval process, but I believe that there was
14 discussions with the Kentucky Commission at that
15 time on joining PJM.

16 Q. Okay. And have you been following the
17 hearing in this case through the first two days
18 prior to today?

19 A. Yes.

20 Q. Okay. And do you remember when I was asking
21 Mr. Mattison questions about the Commission's 2017
22 order as it relates to Kentucky Power's involvement
23 in PJM?

24 A. If that was the second appearance by
25 Mr. Mattison, I was listening there. I did not

1 attend the morning where he was on. So I don't
2 recall the 2017 line of questions.

3 Q. Well, there was a -- just one second,
4 Mr. Horton. I apologize. Let me share my screen
5 here with you. I'll just go back to that 2017 order
6 so that we're all on the same page about what we're
7 discussing.

8 I was asking -- can you see my screen there?

9 A. Yes, yes.

10 Q. I was asking Mr. Mattison about the -- that
11 final full paragraph on that page of the 2017 -- the
12 January 18, 2017 -- 2018 order in case number
13 2017-179. I'll give you a chance to read that last
14 sentence that has the highlight on PJM.

15 A. Are we talking about where it says "last, the
16 Commission strongly encourages"?

17 Q. Yes. Sorry. Sorry. Let me bring it back
18 up.

19 A. "Last, the Commission strongly encourages
20 Kentucky Power to recognize that it must make a
21 determination regarding its participation in PJM
22 that aligns with the interests of Kentucky Power and
23 its ratepayers."

24 Q. I'll stop sharing there. Let me know when
25 that's off your screen now.

1 A. It's off.

2 Q. Okay. Were you aware of any concern by the
3 Kentucky Commission that Kentucky Power's
4 participation in PJM may not necessarily be aligned
5 with its ratepayers but rather other Kentucky Power
6 affiliates?

7 A. I was not aware until just preparing for
8 this, this most recent rate case.

9 Q. Okay. And on that note -- and I think that
10 this is going to make this set of questions a lot
11 easier.

12 Are you aware of any instance in which
13 Kentucky Power has asked you to, let's say, forge a
14 different path on their behalf than maybe with the
15 other AEP affiliates on a particular issue with PJM?

16 A. No. It's -- we talk with the Kentucky Power
17 staff. And to my recollection, we've pretty much --
18 we've been in alignment with -- with the other
19 operating companies in AEP when we represent PJM --
20 at PJM.

21 Q. Okay. Would you agree that you discussed in
22 your rebuttal testimony the -- and this is my
23 characterization, so I don't want to put words in
24 your mouth, but just my understanding, the power
25 that AEP or Kentucky Power individually have within

1 PJM?

2 I mean, that was the basis of the testimony:
3 The control over the actions, the tariffs, the
4 rules.

5 A. Yes. When it comes to sector voting. Is
6 that where you're going?

7 Q. I think that was part of your testimony,
8 right? You discussed primarily the second --

9 A. Oh, absolutely.

10 Q. -- RC and the MC, correct?

11 A. Absolutely, yes.

12 Q. So I have a couple questions about that.
13 And, if I go too fast, please let me know, but I'm
14 just trying to think these out.

15 So there's the MC -- the members committee --
16 and the MRC, which is the markets and reliability
17 committee, right?

18 A. Right.

19 Q. And there's the MIC, the markets
20 implementation committee; is that right?

21 A. Right.

22 Q. And the OC, the operating committee, and the
23 PC, the planning committee, correct?

24 A. Yes.

25 Q. Okay. And those are the primary two largest

1 -- the two -- I think there's a name for them, but
2 the two bigger committees, right, the MC and the
3 MRC.

4 And then the three primary subcommittees, the PC,
5 OC, and MIC.

6 A. Correct, yes. You've got it, yes. There's
7 the two top committees that have sector voting.
8 That's where everything comes up through those two
9 upper committees.

10 Q. Okay. Great. And only members are allowed
11 to vote at the members committee in the MRC,
12 correct?

13 A. Correct.

14 Q. And there's about a thousand members?

15 A. Well, that's -- that's where it gets a
16 little -- we have to talk a little bit about that.
17 At the upper-level committees, yes. If you looked
18 at the PJM roster, there are a thousand members.
19 It's over a thousand now. Most of those are
20 affiliate members.

21 For example, AEP, when it comes to the voting
22 at the MRC and members committee, the upper-level
23 committees, we have one vote. But if you go into
24 the roster of a thousand, there's 20 AEP affiliates
25 in there.

1 Q. And that is -- Mr. Horton, I think you've
2 made our day a little shorter because that's what I
3 wanted to get to. Right? So there's a thousand
4 members, but Kentucky Power, Ohio Power, Kentucky
5 Transmission Company, none of those get their own
6 individual vote at the MRC or the MC, correct?

7 A. Correct. We get to vote at the -- we get 20
8 votes at those lower-level committees, but when it
9 comes to the upper level, they call it sector
10 voting, that's where we get one.

11 Q. And that's where each sector -- five sectors.
12 Each sector is weighted, and it's out of five. And
13 it has to be, what is it, 3.67 for something to
14 pass? Something like that?

15 A. It has to be 66 and two-thirds percent to
16 pass, yes.

17 Q. Perfect. So you were talking about within
18 the sector voting that you're just one of 14 -- AEP
19 is just one of 14 of five sectors, right?

20 A. Right. One of 14 within the -- we pick the
21 transmission sector. And so we're one of 14 within
22 that sector, and then each of the five sectors gets
23 20 percent of the vote. So we're 1/14 of 20
24 percent.

25 Q. Yeah. And you had the choice of a number of

1 sectors, and you chose the sector in which there
2 were the smallest number of members so that,
3 ultimately, you represent a larger proportion of the
4 votes at PJM, correct?

5 A. Yes, yes.

6 Q. And so --

7 A. Because -- I'm sorry. Go ahead.

8 Q. I was going to say, you would agree that the
9 14 transmission owners at those -- at the MRC and MC
10 sector have the largest proportion of vote
11 individually as a single entity, correct? Each one
12 of them has the same amount, but that's still the
13 largest of any of the other members may have in
14 those senior committees.

15 A. I think the answer is yes because, for
16 example, say the generation sector has 40 voting
17 members, and so if we had chosen the generation
18 sector, which we could have, we'd have been one of
19 40 versus one of 14.

20 Q. Your vote would have been watered down. Is
21 that fair?

22 A. That is correct, yes.

23 Q. Okay. And at the lower committees -- the
24 operating committee, the planning committee, and the
25 MIC -- you-all participate in all three of those

1 subcommittees, right?

2 A. Correct.

3 Q. Right. And you vote on behalf of your
4 affiliates in those subcommittees?

5 A. Yes.

6 Q. So let's talk about -- and would you agree,
7 then, that -- Dave Anders would be very proud that
8 we're talking about this -- but the way the process
9 works at PJM is that, as a general matter, issues
10 are resolved bottom up, correct? Is that your
11 experience?

12 Would you like me to --

13 A. I think the answer is yes. What's your
14 thinking of bottom up? I'm not quite sure.

15 Q. Yeah. That often proposals are brought at
16 the subcommittees, voted on, and then those
17 proposals, after they move from the subcommittees,
18 are brought to the MRC and MC for a larger
19 stakeholder vote.

20 A. Yeah, that's generally the way it's done.
21 That's the way it's designed to be done. And then
22 how we re -- kind of redesigned the governance
23 rules -- I don't know -- five to seven years ago to
24 make that process a little more collaborative in the
25 lower-level committees.

1 Q. And the consensus-based -- I think it's
2 referred to as the CBER (phonetic spelling) process,
3 right?

4 A. Yes.

5 Q. Okay. And so you often vote at the planning
6 committee. Is that fair?

7 A. I'm sorry. Can you repeat?

8 Q. You often vote --

9 A. Yes.

10 Q. You often vote at the planning committee?

11 A. Yes.

12 Q. Okay. And are you aware of generally how
13 many votes in a -- you know, an ordinary matter, how
14 many votes are cast on an ordinary planning
15 committee proposal? Would you say it's about a
16 hundred?

17 A. That's a -- that's a reasonable estimate
18 depending on the interest in the issue, but rule of
19 thumb, it's probably a little over 100 on most of
20 the issues. Let's call it 120 to 140.

21 Q. Okay. So of the planning committee, then,
22 with your 20 affiliates, right, which would include
23 the operating companies, the transmission companies,
24 AEP renewables, the different affiliates you have,
25 that would be approximately one-sixth to one-seventh

1 of the votes cast on an ordinary ballot at the
2 planning committee.

3 A. Yes, that's a fair assessment.

4 Q. And is it -- let me ask it this way: Is that
5 the general case for the operating committee and the
6 MIC as well?

7 A. The MIC tends to get more of the -- the
8 nonsector votes, more of the affiliate votes because
9 the MIC usually attracts a broader cross section of
10 participants from the other supplier sector, from
11 the end-use customer sector.

12 The planning committee and the operating
13 committee are usually a little smaller, a little
14 more focused on technical-type issues and so attract
15 a fewer number of voters.

16 Q. Okay. So we've got your participation in the
17 subcommittees and the higher-up committees.

18 Are you aware if -- if the transmission owners
19 generally or AEP generally reserved any of its 205
20 filing rights when it joined PJM? Let me ask it
21 this way --

22 A. Reserved its AEP 205 rights?

23 Q. Let me withdraw that. Are you aware of any
24 PJM-related, right, or issues dealing with PJM,
25 like -- let's say transmission planning.

1 Transmission planning, would you agree, has been a
2 big conversation at PJM over the last two or three
3 years particularly?

4 A. Yes.

5 Q. And you would agree that it's at least
6 focused on these end-of-life projects at least
7 recently, correct?

8 A. That has been a big focus, yes.

9 Q. And AEP and -- or some of its affiliates, but
10 AEP and the other transmission owners, for instance,
11 made a filing at FERC -- time doesn't matter
12 anymore -- but six, eight months ago on the issue of
13 end of life planning, correct?

14 A. Correct.

15 Q. And that's a right that those transmission
16 owners reserved when they joined PJM, is the ability
17 to still file those types of things on their own
18 behalf?

19 A. That is correct.

20 Q. And as a -- please go ahead if you have
21 additional.

22 A. Yeah, that may be the end of my useful
23 knowledge on it. I am aware of the CTOA agreement
24 and these 205 rights. I was not involved in that
25 original -- how that was set up, but I do know what

1 you're talking about there.

2 Q. I just have one more question on the issue
3 because I think we may exhaust both of our knowledge
4 on the issue, but are you aware that -- is it your
5 understanding that most other members don't have
6 that right, for instance, to still file things, you
7 know, to their benefit or to their credit at FERC on
8 issues that still deal with them as members of PJM?

9 A. Yes. This -- this 205 rights that are
10 retained by the transmission owners -- and
11 understand that's not -- being in the transmission
12 sector is different from being a transmission owner.
13 It sounds the same, but being part of a transmission
14 sector is merely for governance and the voting
15 purposes.

16 But if you are a transmission owner and you
17 own transmission assets, yes, you're part of that
18 205 -- that special 205 agreement where you can file
19 with FERC for transmission rates within your system.

20 Q. Okay. And have you ever heard of a document
21 called the joint reliability coordination agreement
22 that's between PJM and TVA that may have been
23 recently brought to the TOAC, Transmission Owners
24 Advisory Committee?

25 A. I -- I don't remember anything about that. I

1 do -- I am aware of it, and that's about it. I'm
2 not aware that it was brought to the TOAC recently.

3 Q. Well, just very quickly, can you tell me what
4 the TOAC is?

5 A. Transmission Owners Advisory -- I think it's
6 Advisory Committee, but it is where the -- the
7 owners of transmission, they talk about various
8 transmission issues and usually with PJM involved
9 too. And it's more of a -- I haven't attended one
10 of those in probably ten years, but I do know they
11 exist.

12 Q. Okay. Then I won't ask you any more
13 questions other than you know it exists, and you
14 know that
15 they -- are you aware that the TOAC reserves some
16 rights as it relates to transmission planning and
17 cost allocation after the transmission owners'
18 participation or joining PJM?

19 A. I'm not aware of the relationship between the
20 CTOA, that agreement, and the TOAC.

21 Q. That's fair.

22 A. So I'm not aware of the relationship.

23 Q. Just bear with me for one second, Mr. Horton.

24 And I would just ask, as it relates to FTRs or
25 markets in general that are administered by -- well,

1 withdraw that.

2 You would agree that there is an FTR market
3 administered by PJM, correct?

4 A. Correct.

5 Q. In addition to an energy market; is that
6 right?

7 A. Yes.

8 Q. And a capacity market?

9 A. Yes.

10 Q. Okay. And an ancillary benefits. There's
11 also a market for ancillary benefits, right?

12 A. Ancillary services?

13 Q. Services, yeah. Excuse me.

14 A. Yes.

15 Q. Are you aware of any other markets that they
16 run?

17 A. Well, in -- there are other financial markets
18 that they run, the virtual transactions, the up-to
19 congestion transactions. So those -- those
20 financial markets are in play also.

21 Q. Okay. And is it your understanding that AEP
22 Service Company -- or I think it's service company,
23 but AEPSC, insofar as Kentucky Power is involved in
24 any FTR markets, AEPSC does that -- AEPSC is the
25 entity that has that involvement on Kentucky Power's

1 behalf? Is that your understanding?

2 A. Yes. Our commercial operations people are
3 involved with making those choices, yes.

4 Q. And let me ask, has the level of involvement
5 by you or anyone else at the AEPSC on behalf of
6 Kentucky Power changed following the GreenHat
7 default with regards to FTRs?

8 A. I'll start to answer your question,
9 Mr. Vice Chair. As far as specifically the activity
10 that we do within the FTR markets, no, it has not
11 changed. Our change in involvement in PJM is we
12 have been actively involved with the -- the new
13 chief risk officer and all of the task force and
14 committee discussions that have taken place
15 subsequent to the GreenHat default to reshape the
16 credit and collateral rules, as well as the upcoming
17 discussions on changes in the FTR market.

18 Q. And I -- again, it was an inartful question:
19 I'm getting used to asking those. I meant
20 specifically at PJM in regard to the stakeholder
21 process.

22 Would you say that the involvement has
23 increased since the default of GreenHat?

24 A. Short answer, yes.

25 Q. Yes. Have you all hired additional people at

1 AEP to address maybe some of the shortcomings
2 you-all may have or to add additional manpower to
3 have additional oversight or insight into those PJM
4 rules?

5 A. I'm not aware of hiring additional people. I
6 think we've had more discussions between commercial
7 operations, the RTO representatives, and our credit
8 and collateral people in light of the GreenHat
9 default.

10 Q. And, you know, meetings like the FRMSTF, the
11 financial risk mitigation senior task force, that
12 was created or at least coincident or in response to
13 the default of GreenHat, right?

14 A. Yes.

15 Q. And you-all are participating in those
16 meetings?

17 A. Yes.

18 Q. Okay. And so have you -- I know you couldn't
19 answer about whether you've hired more people or AEP
20 has hired more people to provide additional insight
21 or oversight over the issue. Have you changed
22 internal processes in response to the PJM GreenHat
23 default or any rules internally so that you-all have
24 more insight or additional oversight over your
25 participation in PJM?

1 A. I'm -- I am not aware if we've changed any
2 credit collateral policies within PJM. I don't
3 believe we've changed the way we do our FTR
4 selections. I do not know the -- I'm not aware of a
5 change in our credit -- our own credit and
6 collateral policies that we have undertaken because
7 of GreenHat.

8 Q. And I think this is the last question.
9 Taking a big step back, has AEP changed their
10 participation in PJM in any way related to
11 attempting to identify or ultimately address any
12 shortcomings of rules or regulations that emanate
13 from PJM that may affect its customers or its
14 participation since the GreenHat default?

15 A. Could you repeat the question, Mr. Vice
16 Chair?

17 Q. Yeah. And maybe it will be better to ask it
18 a little differently.

19 Would you agree that the GreenHat default was
20 an issue with PJM rules?

21 A. Yes.

22 Q. And would you agree that it would seem from
23 the studies done on that default that very few
24 people knew that the rules were no good?

25 A. Yes. That's exactly what the report

1 indicated at the time of the default.

2 Q. So let me ask -- excuse me. I'm sorry.

3 And let me ask this, and I'll ask it as simply
4 as possible. Is AEP doing anything different moving
5 forward to ensure that AEP is able to find and
6 change, for their own behalf, right, find and change
7 rules at PJM that are no good?

8 A. I think we've had a very active involvement
9 with the FRMSTF, the financial risk management
10 senior task force, by our credit and collateral
11 people, and so we're more proactive now than before
12 for GreenHat.

13 We were participating in the credit and
14 collateral senior task force at that time. The
15 GreenHat default really emphasized the importance of
16 the credit rules in place. And so I know we've
17 increased our participation, we've got more people
18 participating in those -- in those discussions. And
19 so yes.

20 Q. Yeah. But I guess I was asking, even beyond
21 the FTR issue, have you-all taken a step back and
22 said maybe we need to be more -- we need to be more
23 in the weeds, right? Or we need to be following
24 things closer, or we need to dedicate more resources
25 to our participation because there is a significant

1 downside risk to all the different markets we
2 participate.

3 Has that occurred at the AEP level as it
4 relates to PJM since the GreenHat default?

5 A. I do not know, Mr. Vice Chair.

6 VICE CHAIRMAN CHANDLER: Okay. All right. I
7 appreciate it, Mr. Horton. Thank you very much.

8 CHAIRMAN SCHMITT: Dr. Mathews, questions?

9 COMMISSIONER MATHEWS: I don't have any
10 questions. Thank you.

11 CHAIRMAN SCHMITT: Mr. Overstreet, any
12 redirect examination?

13 MR. OVERSTREET: Just a little bit, Your
14 Honor.

15 REDIRECT EXAMINATION

16 By Mr. Overstreet:

17 Q. Mr. Horton, in connection with your
18 discussions with the Vice Chairman, do you have an
19 opinion whether AEP has any oversight shortcomings
20 with regard to the PJM rules?

21 A. If we have any oversight shortcomings?

22 Q. Right. In connection with the manner in
23 which the service corp participates in PJM and
24 monitors the PJM rules, do you think that the
25 service corp's procedures, methods, et cetera, allow

1 the Company to keep abreast of those rules and act
2 appropriately?

3 A. In my opinion, yes, I think we've got a
4 robust credit and collateral group that we talk to
5 regularly and have talked to regularly about the
6 changing PJM landscape.

7 And so we keep them informed of all the
8 changes in the overall rules that are coming along,
9 and I know that they -- they appreciate our -- our
10 interchange and that they are actively reviewing our
11 risk policies and how they -- they affect our -- how
12 we operate in PJM.

13 So, yes, they are active. I don't know that
14 they're more active now than before GreenHat.
15 Obviously, it does focus their attention, but
16 they've always been a robust group in overseeing our
17 risk positions.

18 Q. Thank you.

19 And were there any shortcomings on AEP's part
20 that in any way contributed to the GreenHat default?

21 A. I don't think so. We -- how our regulated
22 side of the house -- and even -- even mostly on the
23 deregulated side of the house, we do not actively
24 trade in the FTR markets. We use the FTRs as they
25 are allocated to us by PJM to manage the congestion

1 risk for our -- to meet our own load in Kentucky
2 Power and all our operating companies.

3 So we had no high-risk activity in the FTR
4 market where we were actively trading with GreenHat
5 or even -- even trading to the extent that we knew
6 that there was a GreenHat out there.

7 Q. And the independent consultant's report that
8 you talk about in your rebuttal testimony, at whose
9 feet did the independent consultant lay the blame
10 for the GreenHat default?

11 A. Well, it was clearly on PJM and PJM senior
12 management, and I think we saw the fallout from that
13 from resignation of several of the senior managers
14 at PJM, including the CEO and the chief financial
15 officer.

16 Q. And did the independent market monitor detect
17 and report the GreenHat issue?

18 A. No, the market monitor did not. And the
19 independent consultant report did interview and talk
20 to the market monitor, evaluated his contract, and
21 the consultant report did not -- did not, I guess,
22 blame the market monitor for missing the GreenHat
23 situation.

24 Q. And you and the vice chairman were talking
25 about the -- I think he called them the two big

1 committees where there's sector voting?

2 A. Yes.

3 Q. Which type of interest have the greatest
4 sector voting power?

5 A. Well, in a lot of cases the -- there are two
6 sectors, the end-use customer sector and the energy
7 delivery sector, which is the MUs and co-op. They
8 have mostly a very unified position, and they also
9 have two of their representatives who carry a large
10 number of proxy votes.

11 And so you get a couple of individuals that
12 come to the members committee and the MRC committee
13 that carry a large number of votes that essentially
14 carry those two sectors and then unanimity.

15 So there's kind of a lock on 40 percent of the
16 vote by -- largely by even a couple of participants.
17 And transmission sector usually will vote in unison,
18 but not -- not -- anymore, even the transmission
19 sector gets split up a lot as a number of the
20 transmission owners are divesting of generation, and
21 the generation sector has various interests too with
22 renewables versus fossil generation.

23 So it's -- having a kind of a lock by a number
24 of folks on those two sectors by proxy voters is a
25 big deal anymore.

1 Q. And I think you testify in your rebuttal
2 testimony that, in this sector voting, AEP is a
3 single vote; is that correct?

4 A. Single vote within the transmission sector.

5 Q. And if -- if Kentucky Power -- let me go
6 about it this way.

7 Were you here yesterday when there was
8 discussion about Kentucky Power becoming its own
9 transmission zone?

10 A. Yes.

11 Q. And if Kentucky Power became its own
12 transmission zone, would it have its own vote in the
13 sector voting?

14 A. No. The way PJM looks at sector voting is if
15 a company falls within or under the umbrella of a
16 holding company, it only gets one vote. And a most
17 recent example might be when Exelon took over
18 Baltimore Gas & Electric. Essentially one vote went
19 away because Baltimore Gas & Electric no longer had
20 their own vote. It got absorbed into the Exelon
21 sector vote.

22 Q. And then what about the case of FirstEnergy
23 where a number of its operating companies are in
24 different transmission zones?

25 A. It's the same -- same effect. FirstEnergy,

1 when it comes to sector-weighted voting, gets one
2 vote despite having transmission zones in New Jersey
3 and eastern Pennsylvania, as well as Ohio.

4 MR. OVERSTREET: Thank you, Mr. Chairman. I
5 think that's all the questions I have now.

6 CHAIRMAN SCHMITT: All right. Mr. Horton,
7 you may step down. Thank you for your testimony.

8 MR. OVERSTREET: Mr. Chairman, our next
9 witness is Jason Stegall, and Mr. Stegall is going
10 to join us remotely. So I believe he can be
11 available right now. He's on the screen.

12 CHAIRMAN SCHMITT: Okay. Mr. Stegall, will
13 you please raise your right hand? Do you solemnly
14 swear or affirm under penalty of perjury that the
15 testimony you're about to give will be the truth,
16 the whole truth, and nothing but the truth?

17 THE WITNESS: I do.

18 CHAIRMAN SCHMITT: Thank you. Mr.
19 Overstreet, you may ask.

20 JASON STEGALL, called by the Kentucky Power
21 Company, having been first duly sworn, testified as
22 follows:

23 MR. OVERSTREET: Your Honor, Ms. Glass is
24 going to ask.

25 CHAIRMAN SCHMITT: Ms. Glass, you may

1 interrogate your witness.

2 MS. GLASS: Thank you, Your Honor. I'll need
3 one minute to sanitize this area.

4 Sorry for the delay.

5 DIRECT EXAMINATION

6 By Ms. Glass:

7 Q. Mr. Stegall, can you please state your name,
8 business address, and employer.

9 A. My name is Jason Stegall. My business
10 address is 1 Riverside Plaza, Columbus, Ohio 43215,
11 and my employer is AEP Service Corporation.

12 Q. And can you please state your position with
13 AEPSC.

14 A. I'm the manager of regulatory pricing and
15 analysis.

16 Q. Thank you. And did you cause to be filed
17 into the record of this case direct testimony and
18 answers to data requests?

19 A. Yes, I did.

20 Q. Do you have any corrections to those answers?

21 A. I do not.

22 Q. Or to your direct testimony?

23 A. No, I do not.

24 Q. Thank you.

25 So if I were to ask you those same questions

1 today, would you have the same responses?

2 A. Yes, I would.

3 MS. GLASS: Thank you. The witness is
4 available for cross-examination.

5 CHAIRMAN SCHMITT: Thank you.

6 Ms. Vinsel, cross-examination?

7 MS. VINSEL: Thank you, Chairman.

8 Good afternoon, Mr. Stegall.

9 THE WITNESS: Good afternoon.

10 MS. VINSEL: I do not have any questions for
11 you today.

12 CHAIRMAN SCHMITT: Mr. West or anyone on
13 behalf of Attorney General's Office, any questions
14 of this witness?

15 MR. WEST: None for this witness, Your Honor.
16 Thank you.

17 CHAIRMAN SCHMITT: Mr. Kurtz, questions?

18 MR. KURTZ: No, Your Honor.

19 CHAIRMAN SCHMITT: Ms. Grundmann?

20 MS. GRUNDMANN: No questions, Your Honor.

21 CHAIRMAN SCHMITT: Mr. Spenard? Questions?

22 MR. SPENARD: No questions, Mr. Chairman.

23 CHAIRMAN SCHMITT: Mr. Fitzgerald, questions?

24 MR. FITZGERALD: No, Mr. Chairman. Thank
25 you.

1 CHAIRMAN SCHMITT: Mr. Miller?

2 MR. MILLER: Yes, Mr. Chairman. I do have a
3 few questions.

4 CROSS-EXAMINATION

5 By Mr. Miller:

6 Q. Hi, Mr. Stegall. How are you?

7 A. All right. How are you doing?

8 Q. Good. Thanks. My name is Matt Miller. I
9 represent Sierra Club here. We're going to pray
10 that my computer stays alive through this series of
11 questions because it crashed not too long ago. So
12 my apologies if that happens again. Knock on wood.

13 Mr. Stegall, I wanted to ask you some
14 questions to better understand the methodology in
15 place for the decision whether and how the Mitchell
16 coal units are committed to dispatch in PJM, and in
17 particular the decision whether to self-schedule
18 versus market- or economic-commit.

19 So just -- just to get us going for some
20 high-level context and definitions, is it correct to
21 define "self-scheduling," you know, in a few words
22 as a generator and an RTO signaling to the market
23 operator a day ahead of time that a unit is going to
24 operate regardless of the prevailing market price,
25 so it will dispatch and take whatever is the

1 prevailing price for its energy that day?

2 A. I'm going to -- I'm going to be clear. When
3 we talk about dispatching -- you can hear me,
4 correct?

5 Q. You know, I can make it out, but it's a
6 little rough coming through to me anyway. I'm not
7 sure of other folks.

8 CHAIRMAN SCHMITT: Yeah, sometimes the audio,
9 Mr. Stegall, isn't what it should be. So if you
10 could speak up or maybe get closer to the
11 microphone.

12 THE WITNESS: Is this better?

13 MR. MILLER: You know, maybe try again. That
14 was actually a little rougher for me.

15 THE WITNESS: All right. Is this better?

16 MR. MILLER: Oh, that's crystal clear.
17 Crystal clear.

18 THE WITNESS: All right. Perfect.

19 MR. MILLER: Thank you.

20 A. So going back to your question about
21 dispatching, I want to be clear, when we talk about
22 unit dispatch, there's the making sure that the unit
23 is on, which is committing the unit in the day ahead
24 as a must-run, and then there's the dispatch, which
25 dispatches the unit from the economic minimum up to

1 whatever we've identified as the economic maximum.

2 Q. Great. I appreciate that. That is -- that's
3 a good distinction. And I think what I was getting
4 at with the self-scheduling being the decision to --
5 to make the units available and make them price
6 takers regardless of what the market price is going
7 to be that next day. Is that right?

8 A. And so that's -- you mean turning the unit on
9 or leaving it on regardless of what we expect the
10 market price to be. Is that --

11 Q. Yeah. Maybe we're describing different ways,
12 but my understanding is that self-scheduling, as
13 distinct from market- or economic-committed -- you
14 know, the RTOs have different terms for this -- but
15 that coal units in particular will often
16 self-schedule because they're not able to ramp up
17 and down quickly like a gas unit, and need to make a
18 projection as to whether it's going to be economical
19 to run into the end of the coming days, and so
20 self-schedule and basically take whatever the
21 prevailing market price is that day, even if it
22 doesn't cover the unit's variable operating costs.

23 So you make that projection, you know,
24 anticipating that we're going to be in the black
25 here, so we're going to self-schedule the units.

1 Is that a fair characterization?

2 A. To be clear, when we're talking about coal
3 units, like the Mitchell unit, the ramp rates and
4 the ability to start the unit and, if you shut it
5 down, the expectation of how long it will be down,
6 all of that has to figure into this -- this
7 decision. So --

8 Q. Right.

9 A. -- you're attempting to make a decision over
10 a longer period of time than the market is willing
11 to schedule through the day-ahead market.

12 Q. Got it. Right. And I agree with that.
13 Great. I just wanted to kind of get that fundamental
14 distinction between a self-scheduling versus market
15 or economic commitment mode.

16 A. Right. And as -- just I want to make sure
17 we're still talking same terms. So if I'm -- if you
18 operate a generating unit in the market, let's --
19 you have an economic distinction or a must-run
20 distinction or, for some reason, you're in an
21 outage, unavailable. Right? So this is -- this is
22 the piece you're talking about because, once the
23 unit is on, the unit is dispatched by the market.

24 Q. Well, once -- once the operator has made the
25 decision to --

1 A. -- to must-run the unit at an economic
2 minimum, then anything above the economic minimum is
3 dispatched by the market.

4 Q. And so let me be clear, though. Are there
5 periods when a coal -- could be any unit,
6 theoretically, but if you self-schedule a unit and
7 say it's going to run, will it be called by the
8 market operator even -- even when it's not meeting
9 its variable costs? You signal to the market
10 operator, This is going to be running, and it will
11 take the price of the market, and we've committed to
12 that, regardless of whether a certain number of
13 hours or that day, it's in the black as a variable
14 operating cost matter.

15 A. Only to the level of economic minimum.
16 Anything above that is the market making the
17 decision to dispatch you higher. So if I
18 self-commit or must-run my unit in PJM, I'm
19 committing to run it at economic minimum. Anything
20 above that would be identified by the market, and
21 the market would be dispatching it.

22 Q. Okay. Understood. Thank you for that.

23 But it's possible that in that scenario that
24 the unit could lose money at that economic minimum?

25 A. It's certainly possible. It's certainly

1 possible. It could make money as well.

2 Q. Right. Of course. Of course. And your
3 forecasts are meant to avoid situations where it's
4 going to lose money at the economic minimum.

5 A. What -- and what specific forecasts are you
6 referring to?

7 Q. Well -- so good. So we can get into it now.
8 That's -- that was helpful context. So thank you.

9 So you had indicated in a discovery response
10 that -- and I'm just going to read it. I don't
11 think it's controversial. I'm just going to read a
12 few lines -- (Reading) that on a daily basis a
13 six-day estimate of potential margins is prepared
14 and reviewed by the AEPSC commercial operations.

15 Is that right?

16 A. That's correct.

17 Q. Uh-huh. (Reading) And from that review, the
18 commitment status of every unit is determined for
19 the next market day, and that when considering the
20 commitment status of the Mitchell units, this
21 includes consideration of the variable costs of the
22 unit versus the forecasted LMP to determine those
23 potential margins.

24 That's one of the part of the consideration?

25 MS. GLASS: Mr. Miller, would you please

1 identify which data request you're referring to?

2 MR. MILLER: Yes, absolutely. I apologize.
3 So this is Mr. Stegall's Kentucky Power's September
4 16th response sponsored by Mr. Stegall to Sierra
5 Club 2-3, and in particular Subsection B.

6 MS. GLASS: Thank you.

7 A. Okay. Sorry. What was your question?

8 Q. Basically just reading this response back
9 that there are a variety of factors that AEPSC
10 commercial ops considers. The variable costs of the
11 unit versus the forecasted LMP. Other factors
12 considered for unit commitment include start-up
13 costs, safely managing fuel inventories, contractual
14 commitments, mandatory environmental and the like.

15 Is that -- that describes, at a high level,
16 the decision-making process that you're referring
17 to?

18 A. Yes.

19 Q. All right. Can you tell me what the AEPSC
20 commercial ops team looks like? Who's on it? Are
21 you on it?

22 A. So the commercial operations organization
23 generally breaks down into three sections. There's
24 a fuel procurement section, there's a section that
25 deals with the energy markets and all the data

1 submitted into those markets, and then there's a
2 section that deals with everything from making sure
3 our PPAs get paid on a monthly basis to the proper
4 accounting for the results of anything that comes
5 through any of the markets that we participate in.

6 Q. And, roughly, how many people is that, and
7 who do they report to?

8 A. I'm not sure how many people there are.
9 There is a senior vice president of commercial
10 operations, and then each of those three groups that
11 I mentioned is headed up by a vice president that
12 reports to her.

13 Q. I see. And remind me who that senior VP is,
14 please.

15 A. Julie Sherwood.

16 Q. All right. Are you on one of these, that
17 team or its subteams, Mr. Stegall?

18 A. No. I work at regulatory services.

19 Q. Is any other witness in this case, such as
20 Mr. Vaughan or anyone else, on any of those teams?

21 A. Not that I'm aware of.

22 Q. Okay. You said that was Ms. Sherwood?

23 A. Yes.

24 Q. Okay. Thank you. All right.

25 I think you said in that discovery response

1 that -- I'm just going to say commercial operations
2 and leave out the AEPSC, if that's all right.

3 A. That's fine.

4 Q. (Reading) Commercial operations is the final
5 authority that determines the commitment status for
6 each available generating unit for the next market
7 day.

8 So I just -- I think this is pretty clear, but
9 I just want to be crystal clear that no one at
10 Kentucky Power specifically has input or authority
11 to overrule commercial operations as far as the
12 day-to-day commitment decision-making. Is that
13 correct?

14 A. I -- I'm not aware the logistics of that. I
15 would -- I would have to defer to Mr. Mattison. I'm
16 not aware that this situation has come up.

17 Q. I see. You personally are not, at least,
18 involved in having input into the day-to-day
19 commitment decisions?

20 A. No. I'm merely a witness to the process.

21 Q. Okay. Thanks. So possibly Mr. Mattison.
22 You're not necessarily aware of anyone else that
23 would be consulting with commercial operations,
24 anyone from KPC who consults with them regularly
25 about the commitment decisions or patterns of

1 commitment decisions?

2 A. Keep in mind these commitment decisions
3 aren't completely made in a vacuum. Mr. Kerns and
4 his staff would have input into any decisions that
5 would affect the reliability or the safety at the
6 plant.

7 Commercial operations is the final decision
8 point, but Mr. Kerns and his staff are the ones on
9 the grounds at the power plants, understanding what
10 the operational issues are.

11 Q. I see. So, for instance, if there were a
12 stack test that needed to be done or some kind of
13 compliance testing, that could be an instance where
14 you say we got to operate this, but otherwise --
15 otherwise you're not --

16 A. That's an example.

17 Q. Okay. Other than that, you're not personally
18 aware of anyone else?

19 A. No.

20 Q. Okay. Do you happen to know, does AEP -- so
21 Mitchell is co-owned by KPC and Wheeling Power.

22 Do you happen to know, does AEP commercial
23 operations assume that the respective interests of
24 KPC and Wheeling Power are coextensive for purposes
25 of making Mitchell's commitment decisions?