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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

VOLUME IV

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

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ALSO PRESENT:

Ms. Candace Sacre, PSC Court Reporter

23 *

24 *

25 *

1 (Hearing commenced at 9:10 a.m.)

2 MS. SACRE: You're on.

3 CHAIRMAN SCHMITT: Are we on?

4 Okay. It appears we're back on the record.

5 Mr. Overstreet, are you --

6 MR. OVERSTREET: Good morning, Mr. Chairman.

7 CHAIRMAN SCHMITT: Good morning. Do you have
8 Kentucky Power's next witness available and ready to
9 testify?

10 MR. OVERSTREET: Yes, sir. We're ready to
11 go. Before we started, I was wondering whether we
12 had a hard stop for this evening.

13 CHAIRMAN SCHMITT: Well, we're going to go --
14 I guess if we get through Kentucky Power's
15 witnesses, yeah, there's no reason why we can't stop
16 at 5:00 o'clock. We're not going to finish, I don't
17 think. Maybe we will. If we get close, if we get
18 down to one or two witnesses at 5:00 o'clock, we may
19 keep going.

20 MR. OVERSTREET: Okay.

21 CHAIRMAN SCHMITT: Unless somebody has a
22 commitment. I mean, if you have -- any of the
23 attorneys or witnesses or parties have a problem or
24 a commitment or something, I mean, we've got Monday
25 scheduled, if necessary, so that -- it won't be a

1 problem. I don't want to put anybody to a lot of
2 inconvenience over it.

3 MR. OVERSTREET: Thank you, Mr. Chairman. We
4 would call Everett G. Phillips.

5 CHAIRMAN SCHMITT: Okay. Mr. Phillips,
6 please raise your right hand. Do you solemnly swear
7 or affirm, under penalty of perjury, the testimony
8 you are about to give will be the truth, the whole
9 truth, and nothing but the truth?

10 THE WITNESS: I do.

11 CHAIRMAN SCHMITT: Thank you.

12 Counsel, you may ask.

13 EVERETT G. PHILLIPS, having been first duly
14 sworn, testified as follows:

15 DIRECT EXAMINATION

16 By Mr. Overstreet:

17 Q. Mr. Phillips, if you'll lean forward and
18 speak into the microphone, please.

19 A. I do.

20 Q. Mr. Phillips, would you please state your
21 name, position, and business address for the record?

22 A. Everett G. Phillips, 1645 Winchester Avenue,
23 Ashland, Kentucky 41101.

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

1 A. Kentucky Power Company as vice president
2 distribution region operations.

3 Q. And, Mr. Phillips, did you cause to be filed
4 in the record of this proceeding direct testimony
5 and responses to data requests?

6 A. Yes, I did.

7 Q. And do you have any corrections or updates to
8 your testimony or data request responses?

9 A. No.

10 Q. And if you were asked those same questions
11 today, would your answers be the same?

12 A. Yes, they would.

13 MR. OVERSTREET: Your Honor, the witness is
14 available --

15 CHAIRMAN SCHMITT: All right. Ms. Vinsel.

16 MR. OVERSTREET: -- for cross-examination.

17 CHAIRMAN SCHMITT: Ms. Vinsel,
18 cross-examination.

19 (Feedback.)

20 MS. VINSEL: We have to wait a second, see if
21 we can fix our audio.

22 CHAIRMAN SCHMITT: We're getting feedback.

23 MS. VINSEL: Will you turn off your speaker,
24 please?

25 THE REPORTER: It's on mute.

1 MS. VINSEL: One moment.

2 CHAIRMAN SCHMITT: We have to wait a second,
3 see if we can fix our audio.

4 MS. VINSEL: You might want to put on a mask.
5 And then I need to check your GoToMeeting. No, it's
6 not. Click right there. Click that.

7 THE REPORTER: Okay. Give me just -- can I
8 have just one second? Give me just one second.

9 MS. VINSEL: Sure. Sure. It looks like you
10 need it.

11 CHAIRMAN SCHMITT: Did that solve the
12 problem? It still -- we still have --

13 THE REPORTER: Okay. Let me get out
14 altogether and I will start again. And I am very
15 sorry. Is that better?

16 MS. VINSEL: Let's try again. I think we've
17 resolved it.

18 CHAIRMAN SCHMITT: Okay. All right. Let's
19 just try, see what we can do.

20 Ms. Vinsel, cross-examination?

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

22 CROSS-EXAMINATION

23 By Ms. Vinsel:

24 Q. Good morning, Mr. Phillips. How are you
25 today?

1 A. Good morning.

2 Q. I have just a few questions for you. They
3 are in regard to vegetation management. We're aware
4 that Kentucky Power and several other utilities in
5 your area have an increasing issue with what's
6 called hazard trees. And is it correct, these are
7 trees that are outside of a utility's right-of-way
8 but still either do or can create outage situations;
9 is that correct?

10 A. Yes. Yes, that's correct. What we call a
11 hazard tree or a danger tree are trees that either
12 are leaning toward the line or are diseased in some
13 manner. We're seeing a lot of roof rot disease with
14 our oak trees. The emerald ash borer beetle has
15 killed most of the ash trees in Kentucky. And other
16 pathogens are killing those trees. As one example,
17 we've had some big old oak trees -- you know, oak
18 trees are one of your healthiest trees, and that --
19 that are out there and have a healthy root system,
20 but for some reason, it may be possibly because
21 we've received above average rainfall over the last
22 several years, that it's causing the roots to rot.

23 So that big oak tree falls over and at the
24 butt it's just a ball. The roots are still in the
25 ground and the butt of the tree has basically broken

1 away from the roots. It's kind of an eerie feeling
2 when you walk up to one of those. It's very
3 unusual. But unfortunately, in the steep terrain,
4 we are experiencing more of that type of situation.

5 Q. I will say that I had the -- I consider it a
6 great good fortune to spend about a week in
7 September in an area that was in Kentucky Power
8 service territory and abutted it and got to
9 experience firsthand the issues that you're talking
10 about. So those are vivid memories.

11 A. Well, good. I hope you had a good time.

12 Q. I had a wonderful time. Beautiful area.

13 CHAIRMAN SCHMITT: Nothing like a little root
14 rot to, you know, stimulate your day.

15 THE WITNESS: That's right, Your Honor.

16 Q. There are a couple issues that I want to get
17 to with hazard trees in particular. Intuitively,
18 for people -- again, I think if you don't see the
19 terrain, sometimes it's hard to imagine why a hazard
20 tree has become such an issue once the trees in the
21 right-of-way are dealt with.

22 And can you walk me through, is there any
23 correlation between clearing out trees in the
24 right-of-way and then hazard trees increasing an
25 issue, or is it just both trees in the right-of-way

1 and hazard trees would have been an increasing issue
2 no matter what?

3 A. When we first started the program back in
4 2010, the right-of-way was grown up within the power
5 lines, so we first had to remove those. Once the
6 right-of-way is established, which it is now --
7 we're into our five-year cycle. We're into that
8 program. So the trees within the right-of-way are
9 being cut and removed, you know, within a five-year
10 period.

11 Well, what that allows, though, once that
12 right-of-way is cleared, then the trees on the edge
13 of the right-of-way or just outside the right-of-way
14 in a forested area, heavily forested area, those
15 trees then, especially young trees, they reach for
16 that sunlight. Well, there's sunlight in the
17 right-of-way versus in the forest.

18 So subject to check, but I believe I had
19 mentioned that in one of my previous testimonies in
20 one of the previous rate cases, that we would
21 potentially see that effect. As we established the
22 right-of-way, we would see an increase in outside
23 the right-of-way issues, and lo and behold, that is
24 happening for us.

25 Q. Is -- I'm going -- this is almost a complex

1 question. I want to make sure I break it down. In
2 terms of cost for hazard trees -- no, let me back
3 up.

4 The trees in the right-of-way, would Kentucky
5 Power always -- when they take down a tree, would
6 they always clear the tree out of the right-of-way,
7 or could they leave the tree in the right-of-way,
8 again, depending on the location?

9 A. Yes, it depends on the location. The -- if
10 it's in a maintained area when we're -- when we're
11 clearing the right-of-way, if it's in a maintained
12 area, we remove the tree and the brush. If it's an
13 unmaintained area, if it's going across the hillside
14 in the forest, we'll leave it lay. We put it at the
15 edge of the right-of-way so that we can still walk
16 through, but we do leave the tree and the brush in
17 an unmaintained area.

18 Q. And that raises the issue, then -- I mean, by
19 definition hazard trees are outside of the
20 right-of-way, so they're on private property or
21 property belonging to someone else. Is it your
22 experience that more often they clear -- trees,
23 hazard trees, have to be removed rather than placed
24 strategically but left there on the property?

25 A. When that -- when we use the term "remove,"

1 that means we have cut it down. It doesn't
2 necessarily mean that we have removed it from the
3 property. It just means --

4 Q. Okay.

5 A. -- we have cut it down.

6 Q. So what term do you use to indicate that the
7 tree has been cut up and taken off of the property?

8 A. That's usually termed "removing the debris."

9 Q. Okay.

10 A. And so some customers request us to remove
11 that debris, some will permit us to leave it. So we
12 work with each individual customer.

13 Q. Okay. And my last question, really, has to
14 go to the cost. I would think if you have to remove
15 the debris that that's an increased cost, but also,
16 given the terrain of Kentucky Power, do you have
17 issues where your crews have to remove the debris
18 but, because of the terrain, perhaps cannot get in
19 the trucks they need to do it?

20 A. In a lot of our locations it is manual work,
21 both to trim, cut, and remove the tree, and remove
22 the debris. It is a manual process. But if a
23 customer requests us to remove it and it's in a
24 maintained area, we remove it. If it's in an
25 unmaintained area, we work with the customer, but

1 ultimately, if they want it removed, we remove it.

2 Q. Thank you. You answered all my questions.

3 CHAIRMAN SCHMITT: Cross-examination by
4 Office of Attorney General?

5 MR. COOK: Your Honor, the AG has no
6 questions of this witness.

7 CHAIRMAN SCHMITT: Ms. Grundmann,
8 questions -- oh, Mr. -- I'm sorry. Mr. Kurtz,
9 you're next in line. I got -- lost my order here.
10 Any questions?

11 MR. KURTZ: Thank you, no.

12 CHAIRMAN SCHMITT: Ms. Grundmann, any
13 questions by you or co-counsel?

14 MS. GRUNDMANN: Yes, very briefly. My
15 co-counsel is napping. He said he wanted to be
16 prepared for Mr. Vaughan's testimony later today.

17 CROSS-EXAMINATION

18 By Ms. Grundmann:

19 Q. Good morning, Mr. Phillips. How are you?

20 A. Good morning. Just fine, thank you.

21 Q. I just want to understand a little bit. A
22 couple of witnesses for the Company have offered
23 testimony on the rider that you're proposing to
24 recover AMI costs. Can you sort of break down for
25 me specifically the context in which you provided

1 testimony on this -- on that issue?

2 A. Yes. The GMR, the grid modernization rider,
3 would benefit our customers because it would -- it
4 would allow us to do additional reliability
5 projects, improves the grid, if you will, with the
6 smart grid technologies of today, and which AMI is
7 one of those technologies. The challenge that we
8 have with this in distribution is with the limited
9 amount of capital that we have and the fact that
10 Kentucky Power's service territory is experiencing
11 little to no load growth. We don't have the
12 opportunity to do many capacity-driven projects that
13 helps upgrade the facilities as you're increasing
14 your revenue.

15 So without that increase in revenue, we need
16 a way to make sure that we have capital available to
17 do distribution projects and not have to compete
18 internally with generation and transmission
19 projects, which is what we have to do today.

20 Q. I'm sorry. I apologize. I think I asked a
21 poor question. I believe that Mr. Vaughan and
22 certainly Mr. West both offered testimony on this
23 rider, correct?

24 A. That's correct.

25 Q. And I'm just trying to understand what

1 aspect -- like why did you offer testimony on that
2 piece? What about your role within the Company
3 makes you an appropriate witness to offer testimony
4 on it? I'm just trying to understand whether my
5 questions are best directed to you or some of the
6 other witnesses offering testimony on this subject.

7 A. The reason that I introduced the GMR in my
8 testimony was because I'm the one that's requested
9 the Company to develop a mechanism that we could be
10 able to add additional capital without reducing my
11 current spend for reliability projects which benefit
12 our customers today.

13 So we have a growing need to enhance our
14 grid, our distribution grid, and I want to be able
15 to do that in the most low-cost manner possible, and
16 just this GMR would afford us that ability to do so.

17 Q. And when you say "in the most low-cost manner
18 possible," do you mean that from the perspective of
19 the Company or from the Company's customers?

20 A. I think that's one and the same. Everything
21 we do is for the customers. So everything we do, we
22 try to do it in the most efficient manner and the
23 lowest cost possible. Every time --

24 Q. Well, so --

25 A. -- we purchase equipment, we --

1 Q. Go ahead.

2 A. -- we go through a procurement process to
3 make sure that we're buying the best equipment
4 available at the lowest cost possible.

5 Q. Well, but -- so I guess, then, obviously
6 there's two ways that you could recover costs for
7 AMI, right? You could come in on a base rate case
8 and seek to recover the cost that you incurred or,
9 as you have proposed here, you could have a rider
10 that allows you to recover the costs as you spend
11 them; is that fair?

12 A. That's correct.

13 Q. And so in a base rate case the Commission
14 would be entitled to look at all costs and savings
15 that may have occurred in the period when the monies
16 were spent, in terms of allowing you to recover
17 those in future rates from customers, correct?

18 A. That's correct. With the GMR, it actually
19 will give the Commission -- it gives the Commission
20 more transparency and ability to review our projects
21 within the GMR. And the Company is more than
22 willing to provide reports and any data that they
23 would need to review that. And so I feel it
24 actually gives the Commission more opportunity to
25 scrutinize that, those projects.

1 Q. But essentially what you're asking the
2 Commission to do here is to approve a future spend
3 of money based upon estimates that are being
4 provided now; is that correct?

5 A. That is correct, much like we -- our
6 vegetation plan has done over the last ten years.
7 This would be in a very similar fashion. We'd
8 report out on an annual basis of our spend, and all
9 true-ups would occur, which is in Mr. West's
10 testimony. He could speak more to that, but that's
11 how that would work.

12 Q. And just out of curiosity, do you have any
13 position on -- does the Company have a position
14 on -- well, let me -- let me rephrase this.

15 You have proposed the GMR as an ongoing
16 mechanism for future grid modernization projects,
17 correct?

18 A. That is correct.

19 Q. So other than --

20 A. For example --

21 Q. But other than the AMI, you're not proposing
22 any specific future projects at this time?

23 A. Not at this time; that's correct.

24 Q. And so I assume that the Company would not be
25 opposed if all the Commission were to approve would

1 be AMI as the sole project that could be recovered
2 through the GMR; is that correct?

3 A. The first project that we need approved is
4 the AMI, so if the Commission was wanting to do
5 that, I would refer that to Witness West to verify,
6 but from an operations perspective, we need AMI
7 first, and --

8 Q. Well, I think you're saying that the
9 Company's position on whether or not it would be
10 okay with an approval of a mechanism that only
11 permitted you to recover AMI and did not open the
12 door for future projects, that the person to answer
13 the Company's -- the questions about the Company's
14 position on that is Company Witness West?

15 A. That is correct.

16 Q. Okay.

17 MS. GRUNDMANN: No further questions.

18 CHAIRMAN SCHMITT: Mr. Spenard? Mr. Strobo?

19 MR. SPENARD: Good morning. Good morning,
20 Mr. Chairman. KYSEIA has no questions.

21 CHAIRMAN SCHMITT: Mr. FitzGerald, questions?

22 MR. FITZGERALD: Yes, Mr. Chairman. Thank
23 you.

24

25

CROSS-EXAMINATION

1
2 By Mr. FitzGerald:

3 Q. Mr. Phillips, can you hear me okay?

4 A. Yes.

5 Q. Okay. You're listed as testifying concerning
6 Kentucky Power's smart grid investments and overview
7 of investments to be recovered through the proposed
8 grid modernization rider. Mr. Vaughan and Mr. West
9 are also listed concerning the GMR. Is it to you or
10 to one of them that I should direct questions
11 following up on Ms. Grundmann's questions concerning
12 the use of a GMR to recover costs and profits for
13 the incremental deployment of AMI rather than the
14 more traditional cost recovery through a base rate
15 case? Are those questions for you or should I --
16 should I ask Mr. Vaughan or Mr. West?

17 A. If you're asking about the mechanism or how
18 the GMR will work or the -- how the revenue
19 requirements would work, that would be either
20 Witness West or Witness Vaughan.

21 Q. Okay. If you're not comfortable answering
22 this, I just have a couple other questions. What is
23 the impact -- you say -- you say that the GMR is a
24 benefit to the Company and to the customers, that
25 they are one and the same. The reality is, though,

1 that when you are accelerating the cost recovery, is
2 that not an adverse rate impact to the customers?
3 They're paying more quickly than they would if it
4 were spread out over the useful life of the asset?

5 A. Well, with respect -- could you repeat the
6 question and make sure before I --

7 Q. Sure.

8 A. It may be better for Witness West, but --

9 Q. Okay. Well, my question was: What is the
10 rate impact on ratepayers for the use of the rider
11 relative to spreading the recovery of the costs of
12 deployment over the useful life of the assets?

13 A. Yeah. Witness West or Witness Vaughan would
14 be -- would be better. Any rate impact, that --
15 they're the experts on that.

16 Q. Okay. Well, I will save those questions.
17 And that's what I needed to know, Mr. Phillips.
18 Thank you very much.

19 MR. FITZGERALD: Mr. Chairman, I am all
20 finished.

21 CHAIRMAN SCHMITT: Okay. Thank you.
22 Mr. Miller or Mr. Childers, Sierra Club?

23 MR. MILLER: Good morning, Mr. Chairman.
24 Good morning, everybody. Sierra Club has no
25 questions for this witness. Thank you.

1 CHAIRMAN SCHMITT: Mr. Frye, any questions?

2 MR. FRYE: No, Mr. Chairman, not at this
3 time.

4 CHAIRMAN SCHMITT: Vice Chairman Chandler,
5 questions?

6 VICE CHAIRMAN CHANDLER: I have no questions,
7 thank you, Chairman.

8 CHAIRMAN SCHMITT: Dr. Mathews, questions?

9 COMMISSIONER MATHEWS: I have no questions.

10 CHAIRMAN SCHMITT: Okay. Mr. Overstreet, any
11 redirect?

12 MR. OVERSTREET: No, thank you, Your Honor.

13 CHAIRMAN SCHMITT: Thank you.

14 Mr. Phillips, you may -- you may step down.
15 Thank you.

16 THE WITNESS: Thank you.

17 CHAIRMAN SCHMITT: Are you ready to call your
18 next witness, Mr. Overstreet?

19 MR. OVERSTREET: Yes, Your Honor. That would
20 be Mr. Blankenship, and as soon as we sanitize, he
21 is -- he's in the chute and ready to go.

22 CHAIRMAN SCHMITT: Okay. Thank you.

23 Okay. Ms. Blend, are we ready to go?

24 MS. BLEND: Yes, Your Honor. Thank you.

25 Good morning.

1 requests?

2 A. Yes.

3 Q. Do you have any corrections or changes to any
4 of those documents at this time?

5 A. No.

6 Q. If I were to ask you the same questions
7 contained in those documents today, would your
8 answers be substantially the same?

9 A. Yes.

10 Q. Thank you.

11 MS. BLEND: Your Honor, the witness is
12 available for cross-examination.

13 CHAIRMAN SCHMITT: Thank you.

14 Ms. Vinsel, cross-examination?

15 MS. VINSEL: Thank you, Chairman. Staff has
16 no questions for Mr. Blankenship.

17 CHAIRMAN SCHMITT: Mr. Cook or Office of
18 Attorney General, questions?

19 MR. COOK: Yes.

20 CROSS-EXAMINATION

21 By Mr. Cook:

22 Q. Good morning, Mr. Blankenship. I have a few
23 questions for you today. In this case it's true,
24 isn't it, that the Company did not provide a
25 cost-benefit analysis regarding the proposed AMI

1 deployment; isn't that correct?

2 A. The Company did not provide a cost-benefit
3 analysis because it did not seem -- it did not think
4 it was necessary. The alternatives in this case are
5 relatively simple. Due to the obsolescence of our
6 AMR system, our lack of vendor support, and the fact
7 that 75 percent of our meters are at the end of
8 their useful life, based on this fact, it was not
9 deemed necessary to spend money to hire a consultant
10 to give an analysis that would not provide any more
11 information than what we already know.

12 Q. And if I understand correctly, to date the
13 Company has only identified mere categories of
14 potential savings that could result from the
15 project; isn't that correct?

16 A. Could you describe -- as far as mere savings,
17 describe what you're --

18 Q. Well, benefits to ratepayers, savings for
19 ratepayers.

20 A. The -- we've identified several customer
21 benefits that would come along with AM -- with
22 transition from AMR to AMI. First of all, the power
23 information, they would go from 12 data points -- or
24 12 readings per year to over 35,000. This would
25 make -- put them in charge of their electric usage.

1 We've also -- they would also at that point be able
2 to get high bill alerts with the option of flex pay.
3 We'd be able to remotely connect and disconnect
4 meters.

5 In addition to that, we're looking into --
6 one of our affiliate companies is looking at sharing
7 our -- a portion of our communication network for
8 the ability to have other utilities -- or our
9 utilities use a portion of our network. That would
10 offset some of the expenses. We are going to take a
11 look at that aggressively also in Kentucky. And
12 also, there would be multiple -- as Company Witness
13 Mattison discussed earlier, with our outage
14 notification, currently a customer, when the power
15 goes out, they have to call us to let us know the
16 power is out. At that point, with AMI, we will
17 know, basically instantly, as soon as the power is
18 out. That, of course, will expedite the restoration
19 of service. There are many customer benefits
20 associated with AMI.

21 Q. Okay. And isn't it true that the Company --
22 the Company's existing meters, that there are spare
23 parts available for them?

24 A. There are meters within the affiliate
25 companies, but what we -- what you have to

1 understand with this portion is that our affiliate
2 companies are in various phases of their AMI
3 deployments, and they are still using these same AMR
4 meters. So we are basically in competition for
5 these meters. At that point, anything that we may
6 receive from one of our affiliate companies would be
7 the same obsolete, end-of-useful-life meters that we
8 are -- currently have on our system now.

9 Q. Okay. If, hypothetically, the Commission
10 were to deny your application for AMI deployment in
11 this case, and without prejudice, and if the Company
12 decided to refile for a CPCN for AMI deployment with
13 a cost-benefit analysis, isn't -- first of all, that
14 is something the Company could do, isn't it?

15 A. The -- I think regardless of what happens in
16 this case, you know, Witness Mattison described
17 earlier in his testimony, we are at a fork in the
18 road with our metering program in Kentucky Power.
19 Literally, one goes right over a cliff. Today -- we
20 have an obligation to provide service to our
21 customers. Today I can guarantee that to you. A
22 year from now, if we keep going the way we're --
23 failure rates that we have now, I can't -- I
24 can't -- I won't be able to guarantee that. So we
25 will have to do something.

1 Q. Okay. And so if I understand your testimony
2 correctly, instead of providing the cost-benefit
3 analysis that focused on -- specifically on Kentucky
4 Power's service territory, the Company instead has
5 presented this Commission with generalized studies
6 touting AMI benefits and customer satisfaction
7 surveys; isn't that correct?

8 A. No, sir. What we've tried to provide here is
9 the facts of the dire straits that we are in with
10 our meter program right now. Again, I can't stress
11 enough that due to obsolescence of the AMR system,
12 the meters that we use are no longer being
13 manufactured, and when you couple that with the
14 fact, again -- I'll repeat this again for the
15 record, is 75 percent of our meters are at the end
16 of their useful life. And currently we're
17 experiencing higher than normal failure rates, and
18 we expect that to grow exponentially as they get
19 older.

20 Q. Okay. Do the -- do the other AEP operating
21 company affiliates that have gone with AMI, do they
22 all use the same meter manufacturer and model?

23 A. Are we discussing AMI or AMR?

24 Q. AMI.

25 A. Currently, within the AEP system, there is

1 two vendors. The majority of them use one. There
2 is -- our affiliate in Texas has a separate company
3 that they use -- or vendor that they use.

4 Q. So the family of companies do not all use the
5 same type of equipment. And does that include also
6 the communications network and computer backhaul
7 equipment as well?

8 A. They all -- they all utilize a mesh
9 communication -- a mesh communication network. They
10 do have separate backhauls for those. Like I said,
11 out of -- one of the four companies -- or, I'm
12 sorry, the five companies that have -- strike that.
13 It's four companies.

14 One is on one vendor, the other four
15 companies are utilizing one, another vendor.

16 Q. Okay. So if I understand you correctly,
17 there is no centralization or standardization of
18 these systems among all the operating companies,
19 correct?

20 A. This is all handled from the centralized
21 organization, if that's your question. I think that
22 you're --

23 Q. Has the service company or any affiliate ever
24 done any studies to determine whether cost savings
25 could be achieved by standardizing or sharing the

1 same AMI computer backhaul systems?

2 A. I'm not aware of a study.

3 Q. Okay. So it sounds like there's duplications
4 between the AEP operating companies; is that
5 correct?

6 A. As far as duplication, the networks
7 themselves operate similarly. There's still a
8 mesh-based network. It will still come back into
9 a -- the head-in system. The current contract, the
10 way I understand it -- and I can't speak to that
11 directly for the other companies, so I won't.

12 Q. Okay. I understand. Are you aware that Duke
13 Energy procured a large pool of standardized AMI
14 metering infrastructure for its operating companies
15 to use, thus driving down the per-meter cost?

16 A. I'm not aware of Duke's process; no, sir.

17 Q. Okay. In your -- I'm sorry. Go ahead.

18 MS. VINSEL: Chairman. Chairman. I'm
19 sorry --

20 CHAIRMAN SCHMITT: I'm sorry, can't hear
21 anybody.

22 MS. VINSEL: I'm sorry to interrupt, but we
23 can't hear distinctly. If Mr. Blankenship doesn't
24 mind to lean forward.

25 CHAIRMAN SCHMITT: Mr. -- yeah,

1 Mr. Blankenship --

2 THE WITNESS: How about now?

3 CHAIRMAN SCHMITT: -- frankly, there's a
4 hearing problem here.

5 MS. VINSEL: Thank you.

6 THE WITNESS: Is that better?

7 CHAIRMAN SCHMITT: Yeah, I think that's fine.
8 Is that -- it's the court reporter is the one whose
9 hearing is more important. She has to hear more
10 clearly so she can record your testimony.

11 So, yeah, please proceed, Mr. Cook.

12 MR. COOK: Okay. Thank you, Chairman.

13 Q. And, Mr. Blankenship, if you need for me to
14 speak up too, just let me know. Okay?

15 So I think I was asking, and I'm not sure if
16 I caught the answer, I beg your pardon if I repeat
17 this question. I was asking about if you were aware
18 that Duke Energy procured a large pool of
19 standardized AMI metering infrastructure for its
20 operating companies to use, thus driving down the
21 per-meter cost?

22 A. I'm not aware of the Duke process, but I can
23 attest that as far as with AEP, we're looking at the
24 same economies of scale to try to drive volume
25 purchasing.

1 Q. Okay. In your direct testimony, as you
2 mentioned, you discussed the benefits of AMI
3 metering, right?

4 A. That is correct.

5 Q. And in your rebuttal, however, you state that
6 many of those benefits have already been achieved by
7 AMR metering; isn't that true?

8 A. I believe I stated that a portion of the
9 benefits have already been accomplished with AMR
10 metering.

11 Q. Okay.

12 A. There were certainly quantifiable benefits
13 that I couldn't put a price tag on or a cost to,
14 such as customer satisfaction with -- you know, if
15 I'm able to provide a customer with the data that
16 they can take better control of their electric
17 usage, I can't quantify as far as what that's worth
18 to customer A versus customer B, but it's still a
19 benefit that they have.

20 Q. Okay. And, in fact, you say the reason that
21 the Company did not perform a cost-benefit analysis
22 is that benefits of an AMI system would not show up
23 in such a study for that same reason; isn't that
24 correct?

25 A. No, I think the key to the -- the reason,

1 again, we did not perform any cost-benefit analysis
2 is due to the dire needs to upgrade our metering
3 system. And right now AMI is the standard in the --
4 in the industry. The only other option that we
5 would have would go to a slightly upgraded obsolete
6 AMR system which uses the SCM Plus technology, and
7 that would be -- we just deemed that was an
8 unnecessary cost that we -- but really, it only has
9 one vendor right now, and proprietary information.

10 So it would be an undetermined amount of time
11 that we would have to be with that system at an
12 estimated cost around \$22 million, and we would be
13 the only AEP company on this, so we would bear all
14 cost for this, and for an undetermined amount of
15 time. As you say, technology -- with technology,
16 there's advancements, there's rapid changes. This
17 vendor could go out of business at any time. At
18 that point -- then we would have to upgrade to AMI
19 at that point at a cost of, estimated, 37 million.
20 So we deemed it was the least-cost option right now
21 would be to go to AMI.

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

24 CHAIRMAN SCHMITT: Thank you.

25 Mr. Kurtz, cross-examination?

1 MR. KURTZ: I have no questions, Your Honor.
2 Thank you.

3 CHAIRMAN SCHMITT: Ms. Grundmann?

4 MS. GRUNDMANN: No questions, Your Honor.

5 CHAIRMAN SCHMITT: Mr. Spenard or Mr. Strobo,
6 questions?

7 MR. SPENARD: Good morning. No questions.

8 CHAIRMAN SCHMITT: Mr. FitzGerald?

9 MR. FITZGERALD: Yes, Your Honor, I do have
10 some questions.

11 CROSS-EXAMINATION

12 By Mr. FitzGerald:

13 Q. Mr. Blankenship, can you hear me okay?

14 A. Yes. If you could speak up just a little
15 bit.

16 Q. Yeah. How's this? Is that better?

17 A. A little bit; yes, sir.

18 Q. Okay. In your testimony you had a Figure 3,
19 which was the AMI meters in Kentucky. Am I reading
20 it correctly that 88 percent of the Kentucky
21 investor-owned utilities have non-AMI meters?

22 A. Just a moment. Let me get to the Figure 3.

23 Q. Certainly. It's on page 118 of the first
24 volume of the testimony.

25 A. On my direct testimony it should be page 8.

1 Figure 3?

2 Q. Yeah.

3 A. Okay. I'm sorry. What was your question?

4 Q. Okay. What is the overall percentage of
5 meters in Kentucky that are non-AMI?

6 A. This was at the end of 2018. At that point,
7 non-AMI meters, total for Kentucky was 60 percent.

8 Q. Okay.

9 A. So I would note --

10 Q. What tech --

11 A. I would like to note, though, that AMI
12 penetration with our municipalities and co-ops is at
13 74 percent.

14 Q. Okay. Well, my question -- I guess my
15 question: You indicated you're at a fork in the
16 road and that even though you -- there wasn't a
17 cost-benefit analysis, you just stated that AMI is
18 the least-cost option. We'll get back to that in a
19 second. But I'm wondering, what are these other
20 utilities using to meter the electricity usage by
21 their customers if they don't have AMI? Do you know
22 what technologies --

23 A. Is there a certain company that we are
24 discussing?

25 Q. Let's take LG&E KU, for example.

1 A. I know they -- LG&E KU, I think they do have
2 a pilot with AMI, that they're going to that
3 direction. It's my understanding that Duke Kentucky
4 has went to AMI as well.

5 Q. Yeah. So let's get back to LG&E and KU.
6 Yes, they asked for full deployment of AMI and it
7 was denied, so they went with an expanded pilot
8 program. And we'll come back to that in a second,
9 because I wanted to explore if and why not Kentucky
10 Power has done a program.

11 If -- my specific question is: For the
12 non-AMI customers in LG&E KU, for the other portion
13 of that 60 percent in Kentucky that don't have AMI
14 means, what are they using to meter electricity?

15 A. I do not know, sir.

16 Q. Okay. 'Cause you stated that you're at this
17 crossroad and the only choice that you have is to go
18 with the, quote, obsolete AMRs or to go with the
19 AMI. And it looks to me like there must be some
20 other options out there because people are getting
21 bills every month based on somebody metering their
22 usage, and so some other meters must be available
23 for those customers.

24 A. I can't speak for Duke or LG&E and KU.
25 Whether they are using legacy meters, I don't know,

1 but I can tell you that as far as what's being
2 manufactured today, they're not -- as far as an
3 electromechanical meter, our vendor is no longer
4 available. And as far as AMR itself, just an AMR
5 meter that we use, there's only a single vendor
6 remaining.

7 Q. Okay.

8 A. I can't speak for them as far as what they
9 use, if they're using legacy meters.

10 Q. So are the AMR meters that you are using,
11 they are still being manufactured?

12 A. I'm sorry, I couldn't hear you.

13 Q. Are the AMR meters that you are using still
14 being manufactured?

15 A. No, sir. Our current SCM platform that we
16 have, those meters are no longer being manufactured.

17 Q. Oh, but the SCM Plus are, correct?

18 A. There's a single vendor for that. It's a
19 proprietary technology with one single vendor.

20 Q. No, I understand that, but they are being
21 manufactured; is that correct?

22 A. Yes, sir.

23 Q. Okay. And have you done a cost-benefit
24 analysis of deferring AMI and replacing the meters
25 as needed using the SCM-2 for the current time, and

1 then perhaps revisiting AMI?

2 A. Well, as I stated earlier, sir, we have
3 looked at the -- we did look at this option. I
4 didn't do a cost-benefit analysis, but we did an
5 initial study looking at the SCM Plus. It would
6 require us to update -- replace our meters with
7 their meter reading equipment and also change our --
8 heavy on our -- the backhaul system as well. The
9 estimated cost-out -- again, the estimated cost is
10 around 22 million, which is roughly --

11 Q. That would be --

12 A. -- (indiscernible) AMI deployment.

13 Q. I'm sorry. That would be --

14 A. And you have --

15 Q. That's -- I'm sorry.

16 A. Excuse me.. I'm sorry. Go ahead.

17 MS. BLEND: Your Honor, may Mr. Blankenship
18 please be permitted to finish his answers to
19 Mr. FitzGerald's questions?

20 MR. FITZGERALD: Yeah. Thank you. I thought
21 he had.

22 Q. Go ahead, Mr. Blankenship.

23 A. My apologies. I did not mean to interrupt
24 you, sir.

25 I was saying that it was going to be

1 50 percent of the cost, as I stated earlier in my
2 testimony here, that this is for an undetermined
3 amount of time. To give you an example, in 2017 the
4 current SCM meters that we have in our system, there
5 was approximately three vendors at that time.
6 There's none today. That's how quickly this changes
7 with advancements in technology.

8 AMI is the standard within the industry,
9 that's a simple fact in the numbers I provided on
10 the other figure. The -- we just -- when you look
11 at that, when you put this all in -- start looking
12 at this, we just did not see the point in spending
13 on an obsolete technology that -- for an
14 undetermined amount of time, then I'm going to have
15 to turn around and then upgrade to AMI eventually
16 anyway. The least-cost option would be to go to AMI
17 now.

18 Q. Okay. Were you finished? I don't want to
19 interrupt you.

20 A. Yes, sir. I'm sorry. Go ahead.

21 Q. Okay. Thank you. Is the SCM Plus
22 technology, the slightly upgraded AMR meters, are
23 they compatible with your existing system, or would
24 you have to replace all of the meters in your system
25 if you go to that?

1 A. It's my understanding that we would have
2 to -- we would have to replace our head-in, and also
3 we're looking at the vendor, trying to figure it
4 out. But as of right now, we would have to upgrade
5 our metering equipment and also we'd have to go to
6 two platforms for a short time until we got those
7 meters changed out. The same with AMI, basically.

8 Q. Do you know what the cost would be of running
9 the two platforms if you went to the SCR -- SCM-2,
10 or SCM Plus and replaced the meters as needed?

11 A. To run both systems in parallel, is that what
12 you're asking, the cost?

13 Q. I guess what I'm asking is: Is it a -- is it
14 an option to replace the meters that are failing
15 with the SCM Plus AMR meters as needed?

16 A. It's an unviable option. We -- again I go
17 back, we would have to upgrade our systems at that
18 point, replace our meter reading equipment and run
19 parallel systems for an undetermined amount of time,
20 especially if I do it on a -- on a case-by-case
21 basis in a reactionary fashion, that would be --
22 that would cost more if I just replace meters as
23 they fail and have to run two systems.

24 Q. Have you costed that out relative to
25 deployment of AMI?

1 A. We've gotten an estimate for the SCM Plus,
2 which, as I discussed earlier, was 22 million.
3 The -- I would have to come -- I would have to give
4 you numbers later on for that. I do not know to run
5 both parallel -- again, it would be hard to estimate
6 that because I don't know how long we would do that
7 if we do it in reactive manner. I would have to --
8 to average that out, the cost to run both platforms.

9 Q. Okay. Before we move on, how can you with
10 any confidence state that going to AMI now is the
11 least-cost option if these other options have not
12 been costed out?

13 A. Sir, I -- as I said before, the option -- the
14 first option, if we were to go to SCM Plus, we're
15 estimating that in the end it'll cost our customers
16 approximately \$59 million. And I'll explain that.
17 As I said before, to upgrade to SCM Plus, we're
18 estimating that to be around \$22 million. Again, we
19 have to run two -- we'd have to replace our meters,
20 our equipment. And again, this is a single-vendor
21 manufacturer that we -- with proprietary technology
22 that with -- as advancements -- as the AMR numbers
23 keep trending down, it makes up a very small
24 percentage of their sales as well. So it's going to
25 be here for an undetermined amount of time.

1 It -- like I said, three years ago there was
2 three vendors that were producing SCM meters, today
3 there's none. So at that point we will have to go
4 to AMI eventually because that is the industry
5 standard, and at that point, then we would have to
6 pay an additional \$37 million.

7 Q. If it's the industry standard --

8 A. I do think -- I do think --

9 Q. I'm sorry.

10 A. I was just going to state, technically this
11 will be the most-cost option if we upgrade to SCM
12 Plus.

13 Q. You say the most-cost option?

14 A. Yes, sir; it will be more expensive to our
15 customers.

16 Q. How is \$22 million more costly than
17 59 million?

18 A. As I said, it would be -- because eventually
19 it'll be 59 million. If it --

20 Q. Is your testimony -- I'm sorry.

21 A. Again, sir, I can't -- I don't have a crystal
22 ball. I can't tell you exactly when the system will
23 go away, but based on the track records of the
24 industry, the SCM Plus technology will not be here
25 forever.

1 Q. Your testimony is that the AMI technology is
2 the industry standard, but is it not the case, from
3 your testimony, that 60 percent of Kentucky's meters
4 are not AMI?

5 A. Just a moment, please. If you -- in my
6 direct testimony on page 7, if you look at the AMI
7 penetration in the United States, 70 percent of U.S.
8 households have an AMI meter.

9 Q. And I was talking about Kentucky, and I think
10 your Figure 3 shows that it's 60 percent?

11 A. Yes, sir. And Figure 2, if you look at the
12 country as a whole, when man -- when manufacturers
13 make meters, they don't look at just -- just at
14 Kentucky, they are looking at the country as a
15 whole. And --

16 Q. In this case --

17 A. -- that number we have --

18 Q. I'm sorry. I'm sorry.

19 A. -- (indiscernible) and the -- when you look
20 at the 60 percent of non-AMI in Kentucky, I do not
21 think Duke at that point had all their numbers in
22 it. I believe that number has grown.

23 Q. If we could shift a little bit.

24 MR. FITZGERALD: And, Mr. Chairman, I'm sorry
25 to be taking so much time here.

1 Q. Mr. Blankenship, how are you proposing to
2 recover the costs of deployment of the AMI
3 infrastructure?

4 MS. BLEND: I'm sorry. Mr. FitzGerald, would
5 you mind repeating your question? There was an
6 audio issue, it may have been on our end, and you
7 were a little garbled.

8 MR. FITZGERALD: Sure. It may just be that's
9 my natural state is speaking a little garbled.

10 Q. But my question is: How are you proposing to
11 recover the cost of the AMI infrastructure from
12 ratepayers?

13 A. We are proposing to use a grid modernization
14 rider.

15 Q. Okay. And over what period of time would you
16 be recovering the \$59 million?

17 MS. BLEND: Mr. FitzGerald, do you mean the
18 \$37 million the Company has estimated the cost of
19 the AMI equipment to be in this case?

20 MR. FITZGERALD: I'm sorry. I thought
21 Mr. Blankenship, earlier in discussing he said it
22 was \$59 million.

23 MS. BLEND: I believe he was referring to the
24 cost to move to the SCM Plus AMR platform and then
25 subsequently have to move to AMI.

1 MR. FITZGERALD: Okay. So thank you for that
2 clarification, Counsel.

3 Q. Mr. Blankenship, over what period of time
4 would the Company propose to recover the
5 \$37 million?

6 VICE CHAIRMAN CHANDLER: Can I just ask?
7 Sorry. Can I just ask if the -- the witness would
8 clarify that?

9 CHAIRMAN SCHMITT: Well, I think that --
10 Mr. FitzGerald, in essence, asked.

11 Do you understand -- do you understand,
12 Mr. Blankenship, what the -- what the issue is or
13 what the questioners are asking? And that is, I
14 think, to clarify the cost if you went to a modified
15 or a different AMR meter over a period of time, what
16 ultimately that cost would be if you had to shift at
17 some point to an AMI meter. And then how do you
18 intend -- I guess we're talking about the rider you
19 suggested, the -- I think Mr. FitzGerald's last
20 question was about recovery of the costs for an AMI
21 system. So if you could maybe just try to go
22 through that process again in some detail, it might
23 clear it all up.

24 VICE CHAIRMAN CHANDLER: Yeah, and I
25 appreciate that. And thank you, Chairman. I just

1 want to make sure that the -- that the witness has
2 clarified that instead of counsel, so we can have --
3 have that in evidence because that was confusing.
4 Thank you.

5 CHAIRMAN SCHMITT: Well, I think, too, for
6 Mr. FitzGerald's benefit, there's something when --
7 when Mr. FitzGerald's video is not very good, it's
8 like when you speak, the speech is sort of garbled,
9 and so is the video, and it makes it difficult to --
10 it's like I said yesterday about these old Korean
11 movies where we can see you speaking, but there
12 aren't any words, and then later you hear the --
13 hear the audio. So that's the problem. It's not
14 you, it's with the technology some way.

15 MR. FITZGERALD: Yeah. Mr. Chairman, if
16 it -- if it's okay with you, I'll go ahead and turn
17 off my video and just have the audio, and hopefully
18 that will be a little bit better.

19 CHAIRMAN SCHMITT: Well, we might check and
20 see. Let's let the -- let's let the witness explain
21 the meter issue and then we can -- if you'd like to,
22 we can try by -- see if the audio is better by
23 turning off the video.

24 But for the time being, Mr. Blankenship, if
25 you can go through your explanation in as much

1 detail as possible about the meter problem. Okay?

2 THE WITNESS: Yes, Your Honor. Certainly.

3 Just to clarify, if we were to go -- upgrade
4 to SCM Plus and then subsequently go to AMI, that
5 would be approximately \$59 million. If we were to
6 go to the full AMI deployment now, that would be the
7 estimate that's in my testimony of \$37 million.

8 Does that --

9 CHAIRMAN SCHMITT: All right. And how do
10 you -- how would -- the cost, either way you do it,
11 how do you propose to recover the cost from
12 ratepayers?

13 THE WITNESS: What we proposed for AMI is the
14 grid modernization rider to collect the \$37 million
15 over a four-year per -- a four-year deployment.

16 CHAIRMAN SCHMITT: Mr. FitzGerald.

17 MR. FITZGERALD: Okay.

18 CHAIRMAN SCHMITT: Okay. All right. You
19 want to try --

20 MR. FITZGERALD: All right. Thank you,
21 Mr. Chairman. Let me do this: Let me go ahead
22 and -- now, is that any better?

23 CHAIRMAN SCHMITT: Well, I think the audio is
24 may be a little better, but let's test it out --

25 MR. FITZGERALD: Okay.

1 CHAIRMAN SCHMITT: -- with the questions and
2 let's see.

3 MR. FITZGERALD: Okay. Thank you,
4 Mr. Chairman. Thank you. I appreciate your
5 indulgence.

6 Q. The -- Mr. Blankenship, with respect to your
7 existing meter -- meters, are the costs of those
8 meters fully depreciated now?

9 A. I do not know the answer to that question.

10 Q. Okay. So the --

11 A. (Indiscernible) Witness West or Vaughan.

12 Q. Okay. Great. I will ask them that.

13 Do you know whether -- how much the customers
14 would pay each year of those four years during which
15 you would be recovering your costs under a GMR?

16 A. No, sir. Again, you would have to speak
17 to Mr. -- or Company Witness Vaughan.

18 Q. Okay. He is our go-to guy. Hold on just a
19 second.

20 What's the useful life of the AMI
21 infrastructure that's being considered?

22 A. I believe you said the useful life of the AMI
23 infrastructure?

24 Q. Yeah.

25 A. The initial estimates from the vendor is it

1 also has a 15-year.

2 Q. Okay. So 15 years is the warranted life or
3 the useful life?

4 A. I'm sorry?

5 Q. Is that the warranted --

6 A. I'm not --

7 Q. I'm sorry.

8 A. That would be the useful life, not warranted.
9 It would be use -- even though you can buy extended
10 warranties on the systems, but the actual useful
11 life would be 15 years.

12 Q. Okay. Do you know, or is this a question for
13 Mr. Vaughan, what the rate impact would be on the
14 ratepayer if you went through the base rate case and
15 recovered the cost of these meters in a manner that
16 is consistent with their useful life rather than
17 front loading your recovery through a GMR?

18 A. I would have to defer that to Company Witness
19 Vaughan as well.

20 Q. Okay.

21 CHAIRMAN SCHMITT: Mr. FitzGerald, are you
22 still with us? Perhaps not. Mr. FitzGerald may
23 have been disconnected or something. Why don't we
24 give him a minute to see if he can -- if he can
25 reconnect.

1 Ah, Mr. FitzGerald, you're back with us. Can
2 you hear, Mr. FitzGerald?

3 MR. FITZGERALD: Chairman, can you hear me
4 now?

5 CHAIRMAN SCHMITT: Okay. Are you back on,
6 Mr. FitzGerald?

7 MR. FITZGERALD: Yes. Sorry about that.

8 Q. Mr. Blankenship, a couple other questions.

9 A. Yes, sir.

10 Q. The -- did -- you testified that the --
11 instead of having 12 data points regarding their
12 usage, that having access to AMI infrastructure
13 would give them 35,000 data points on usage, and
14 that would put them in charge of their electricity
15 usage. Don't they already control their electricity
16 usage?

17 A. Well, with AMI, they're -- it greatly
18 empowers the customer at that point. They -- with
19 that -- with 12 readings a year, you basically once
20 a month know what you're using. You can't pinpoint
21 it to a day. Like, if you wanted to know if an
22 element is going out in your water heater or
23 something to that effect, you would -- when you know
24 something is running at that point, you can -- it's
25 almost realtime data. So that would empower them to

1 take complete control of their household at that
2 point.

3 Q. Don't you think that the monthly bills that
4 they receive, that the increases in their rates over
5 the years gives them a sufficient incentive to take
6 control of their energy usage?

7 A. It gives them a snapshot in time for a
8 monthly bill, but again, it does -- when you can get
9 high bill alert notifications, when you're -- you
10 know you're using power, as far as your usage, it
11 does empower the customer more.

12 Q. But with -- empowered with that information,
13 what can they do about it? Because there's a
14 certain number of lights that you can turn off, and
15 you can replace your HVAC system if you have the
16 capital, but what else does that information provide
17 that's of value to the customer?

18 A. Well, if nothing else, it would help pinpoint
19 where they may be having issues. According to what
20 time of the year it is, they could --
21 weatherization, things like that. Again,
22 information is power, and what a customer decides to
23 do with that is -- the benefit is there if they want
24 to take advantage of it.

25 Q. Okay. Is the Green Button that allows people

1 to access their data on a monthly basis, is that a
2 subscription initiative that you have to sign up
3 for?

4 A. I believe in Company Witness Wiseman's
5 testimony, the Green Button is available to all
6 customers, they log in to their account.

7 Q. Okay. Do you know how many people log on to
8 those accounts to access the Green Button
9 information?

10 A. No, sir. I would not be the witness that
11 could testify to that.

12 Q. Okay. So you don't know how frequently or
13 how many customers have actually had an interest in
14 finding out their energy usage?

15 A. No, sir. I do not know the exact number.

16 Q. Okay. Does KPC offer a budget -- a budgeting
17 program that spreads the energy costs across the
18 months evenly in order to eliminate cost spikes for
19 certain months?

20 A. I believe we do offer a budget program.

21 Q. Okay.

22 A. That would not be in my area of expertise.

23 Q. Okay. Given the interest that KPC has in
24 allowing customers to access the information on
25 their energy costs, does KPC currently separately

1 report energy usage from the meter charge in the
2 monthly bills that you send to customers?

3 A. I do not know the answer to that question.
4 Again, that is not in my area of expertise.

5 Q. Okay. One of the reasons you indicated that
6 going to AMI was imperative, using your words, was,
7 quote, due to an increased number of customers
8 installing distributed energy resources, end quote,
9 and the need to, quote, facilitate these resources,
10 end quote.

11 Isn't it the case that current meters are
12 able to support net metering?

13 A. Well, it's true with AMR we do have meters
14 that can support net metering. The fact of the
15 matter, going back to what I discussed earlier,
16 those meters are no longer being manufactured and
17 they are in short supply.

18 Q. Ms. Wiseman testified that you lost
19 6.4 percent of your customers over the period of
20 2008 to 2019. What did you do with those AMR meters
21 that you pulled from those locations?

22 A. I didn't hear the first part of the question.
23 You broke up, sir.

24 Q. Sorry. Ms. Wiseman testified that
25 6.4 percent loss of your customer base during the

1 period of 2008 to 2019. My question was: What did
2 you do with the AMR meters that you pulled from
3 those residences or those locations where you no
4 longer had a customer?

5 A. Normally when a customer moves out of a home,
6 we don't immediately remove the meter. So I can't
7 say for sure what happened to every one of those
8 meters. We normally --

9 Q. Okay.

10 A. -- the practice of what we do is, at that
11 point, in case someone else moves into the residence
12 after they leave, we will leave the meter there so
13 the customer, the next customer, we don't have to
14 come out and install a meter. And then after so
15 many months of inactive usage, then it will create
16 an order, then we will go out and remove the meter
17 service at that point.

18 Q. Okay. Are you familiar with the time-of-day
19 voluntary tariff that you have?

20 A. No, sir. Anything with a tariff, you need to
21 speak to Mr. Vaughan, Company Witness Vaughan.

22 Q. Vaughan. Okay. Okay. Hold on just a second
23 here. Okay. Thank you.

24 Do you have -- Mr. Blankenship, getting --
25 this is getting back to empowering the customers.

1 Do you have any empirical basis, any study
2 indicating that giving information on energy usage
3 more frequently will benefit customers by allowing
4 them to, for example, lower their bills?

5 A. As in my direct testimony on pages 9 and 10,
6 figure 4, J.D. Power does show that in 2019 that
7 customers that do have -- that are aware that they
8 have an AMI meter are -- generally are 18 index
9 points higher than customers that do not have an AMI
10 meter, due to --

11 Q. I'm sorry. And how does that correlate out
12 to savings of energy?

13 A. I believe it would go back into the
14 empowerment of the customer, that they have the
15 options, or the opportunity at that point to get
16 the -- from 12 to 35,000 data points or readings per
17 year. It empowers them to take control of their
18 energy usage and know. In addition, as far as
19 satisfaction goes, there's outage notifications,
20 things -- there's multiple, as I discussed earlier,
21 customer benefits that would make them more
22 satisfied with it.

23 Q. Is it your assumption that armed with this
24 information, customers will use less electricity?

25 A. Did you say -- I'm sorry. Did you say it was

1 my assumption?

2 Q. Yeah.

3 A. I would say more along the lines that they
4 will have the opportunity --

5 Q. To use less electricity?

6 A. -- (indiscernible) -- I'm sorry?

7 Q. To use less electricity?

8 A. Yes, sir. That will give them control of
9 their electric usage, and at that point, if they --
10 I can't speak for every customer, as far as if they
11 want to use less electricity, but it will give them
12 the opportunity.

13 Q. Okay. Give me just a second here.

14 A. Yes, sir.

15 Q. Do you know, Mr. Blankenship, whether average
16 customer usage in the KPC service area has declined
17 on a per capita basis?

18 A. I do not have that information.

19 Q. Okay. And has your company, to your
20 knowledge, explored what a comparable investment in
21 weatherization, replacement of housing stock that
22 has radiant heating, or other measures that would
23 directly assist customers in being able to use less
24 would do in terms of allowing customers to lower
25 their utility bills relative to putting in AMI

1 infrastructure?

2 A. I believe AMI would give them more
3 information to help them with those decisions.

4 Q. But it wouldn't give them access to capital,
5 will it?

6 A. No, sir.

7 Q. Okay. A couple more questions and I promise
8 I'll be done. In your testimony you noted concerns
9 with worker safety associated with meter reading and
10 meter disconnection as being among the
11 considerations for AMI.

12 Is it the case that the Company uses remote
13 equipment to read meters now, rather than physically
14 going out and reading the meters, that they are in
15 cars and driving by and picking up that information?

16 A. As far as reading the meters, that is
17 correct, they do it in a vehicle. But the actual --

18 Q. Okay.

19 A. -- process of installing the meter,
20 reconnects and re -- and disconnects is a manual
21 process where they have to go to the home
22 themselves. That would be eliminated with AMI.

23 Q. Okay. But the meter reading, unless -- it is
24 not -- it's not a risk of dog bites or -- because
25 you're doing it from inside a car, right?

1 A. Currently, unless there's a communication
2 issue with the meter, then we would have to get out
3 and read the meter itself.

4 Q. Okay.

5 A. But you are correct, on a normal basis, they
6 use it -- they drive a vehicle.

7 Q. Okay. You mentioned that one of the benefits
8 of AMI was the savings in -- reduction in fleet
9 costs and savings from streamlining of departments.
10 Translating that, does that mean layoffs or
11 elimination of job positions?

12 A. We anticipate a reduction in workforce
13 through attrition, but due to the technology
14 advancements with AMI, we would be really
15 relocate -- or reallocating some of our employees
16 into more technical jobs. Again, with the AMI
17 communication network, we'll need some of those
18 employees to assist with that.

19 Q. Have you done a manpower study on how many
20 jobs would be lost?

21 A. We've done initial estimate that we think
22 there would be an attrition of around four to five
23 employees.

24 Q. Four to five employees? So those workers
25 would be safe but unemployed; is that correct?

1 A. I'm sorry, I didn't hear the first part.

2 Q. Never mind. I'll withdraw that question.

3 You're asking for full deployment of AMI, yet
4 at the time you filed your testimony, you had not
5 selected a particular technology; is that correct?

6 A. That is correct, sir, due to the -- as we
7 discussed earlier, the advancements in technology.
8 That coupled with the challenges of the Eastern
9 Kentucky terrain, we thought it was prudent that we
10 explore and examine all options to get the most
11 cost-efficient and reliable system that we could for
12 our customers.

13 Q. But at this point in time you're asking for
14 \$37 million to deploy a system whose details and
15 capabilities you have not presented to the
16 Commission; is that correct?

17 A. We've had informal discussions with vendors
18 and got preliminary pricing as what they
19 estimated -- the estimate was based upon, and at
20 this time we have narrowed our decision down to two
21 vendors and hope to make a decision very soon on
22 that.

23 Q. Okay. Your plan for multiyear deployment, in
24 your testimony, is that you're going to serve the
25 cities and towns first, the more densely populated

1 areas, and the rural customers last; is that
2 correct?

3 A. Well, what we decided is for a multiyear
4 deployment. And through the economies of scale, we
5 want to get the densely populated areas first and
6 get our communication network backbone established,
7 and then we'll relocate -- reallocate our assets --
8 our resources at that point to more travel-intensive
9 areas, the sparsely populated areas.

10 Q. Okay. So it may be as long as four years
11 before a rural customer would see an AMI meter?

12 A. No, sir; that's incorrect.

13 Q. Okay. Tell me --

14 A. What we plan to do is --

15 Q. -- if it's -- it's a four -- okay.

16 A. I can explain the --

17 Q. I'm sorry.

18 A. I can explain our deployment, if you'd like.

19 Q. Please do.

20 A. In the first year, basically what we -- I
21 just discussed, we're going to try to do a cross
22 section of our territory to all three districts.
23 Those customers will get an opportunity to have an
24 AMI. And at that point we'll go into more of a --
25 we'll finish out the district at that point in '22,

1 '23, and '24 years. And at that point there will be
2 many rural customers or the more sparsely dense --
3 population area. So at some point --

4 Q. Okay. At --

5 A. -- as soon as 2022, we'll be getting into the
6 more rural areas.

7 Q. Okay. And when will you be completed in the
8 deployment? Is it at four years?

9 A. Yes, sir. We hope to be done at the end of
10 2024, full deployment by January of 2025.

11 Q. Okay. Under the grid modernization rider,
12 will a customer pay for the AMI meters before they
13 have one installed for their own service?

14 A. They would -- the way I understand, the rider
15 is -- again, we can't -- I can -- I could accelerate
16 the deployment, but we felt it was more prudent to
17 do it in smaller increments.

18 Q. Okay. Just a handful more questions. The --
19 have you -- you indicated you have not done a
20 quantitative cost-benefit analysis on AMI; is that
21 correct?

22 A. Again, we did not do a cost-benefit analysis.
23 Based --

24 Q. Okay.

25 A. -- on the fact that -- the obsolescence of

1 the AMR system, we didn't -- we didn't feel it was
2 necessary based upon the obsolescence of the AMR
3 system, lack of vendor support, and the -- and the
4 fact that 75 percent of our meters are at the end of
5 their useful life.

6 Q. Okay. And is the Company projecting that it
7 will -- it will accrue savings from deploying AMI?

8 A. We will have operational benefits that come
9 from this, obviously. The -- well, first off, it
10 would be with our outage notifications. We do feel
11 that we'll be able to pinpoint outages in a more
12 timely manner, which in itself will produce a
13 savings. We'll be able to do remote firmware
14 upgrades -- excuse me -- upgrades at the top.

15 We'll also have enhanced system monitoring
16 capabilities. Basically, every meter will have
17 end-of-line voltage at every home at that point.
18 And what this can do for the Company at that point,
19 and also helps our customers, will be we can be more
20 proactive in finding transformer failures, issues
21 with regulators on the line, even to the point,
22 almost, of a broken neutral on a home due to
23 fluctuations of the voltage, if it goes up and down
24 on the meter.

25 And also, we do expect to have improved meter

1 reading accuracy as well, which is -- I think is
2 also a customer benefit, as well as ours, that --
3 less estimated bills. For example, today if we come
4 out and read your meter once a month, it's 30 days
5 or more before you can actually know there's a
6 problem. With AMI metering, we'll know within hours
7 or days, with our analytics team, if there's an
8 issue with the reading.

9 Q. Okay. Thank you. Last questions. You
10 indicated that A -- you indicated that AMI was
11 needed to support a flex pay program; is that
12 correct?

13 A. Yes, sir.

14 Q. Are you aware of whether other utilities
15 offer prepay or split bill options for customers
16 without AMI technology?

17 A. The only utilities that I'm aware of that
18 offer a program similar to this have AMI. I'm not
19 aware of any others.

20 Q. Okay. Have you -- have you looked to see
21 whether it would be possible to implement a prepay
22 or flex pay program or split options without AMI
23 technology?

24 A. I'm sorry. You broke up again, sir.

25 Q. Okay. I was asking whether you had done any

1 sort of analysis of whether that flex pay program
2 could be provided without AMI technology.

3 A. The basis upon the flex pay system is --
4 really, it's determined by AMI. If we were to go
5 with another system that would provide -- be more
6 manual labor process, that we'd have to actually go
7 out at any time and dis -- and pull the meters that
8 the customer said they didn't want service at that
9 time.

10 Q. No, my question -- and I apologize. Just as
11 an example, I have -- I have utility bills that I
12 pay. On their -- the websites, they give you an
13 option of splitting your payment. And I don't --
14 you know, I'm just wondering, do -- have you
15 explored, since my -- the testimony of Ms. Wiseman
16 was that flex pay is -- provides for flexibility for
17 customers to be able to pay incrementally. Have you
18 explored doing split bill billing or making that
19 option available to customers without AMI
20 technology?

21 A. No, sir; I have not. Again, that's not in my
22 area of expertise as far as the -- that part.

23 Q. Okay. I -- last question. Do you know
24 whether the rate impact of the GMR on the customers
25 for those four years will be higher than if you

1 amortize the cost of the infrastructure over its
2 useful life?

3 A. Again, I believe that I would have to defer
4 that to Company Witness Vaughan.

5 Q. Okay. Thank you, Mr. Blankenship. You have
6 been -- I appreciate you very much.

7 MR. FITZGERALD: Mr. Chairman, I appreciate
8 your patience. All right.

9 CHAIRMAN SCHMITT: Okay.

10 Mr. Miller, questions?

11 MR. MILLER: No questions, Your Honor. Thank
12 you.

13 CHAIRMAN SCHMITT: Mr. Frye? Mr. Frye?
14 We'll have to ask Mr. Frye again. He probably got
15 cut off.

16 Vice Chairman Chandler, questions?

17 VICE CHAIRMAN CHANDLER: Yes, just a couple
18 things. Oh, there's Mr. Frye.

19 CHAIRMAN SCHMITT: Oh, Mr. Frye. Do you have
20 any questions?

21 MR. FRYE: Sorry, Your Honor, I was having
22 technological difficulties. No questions, Your
23 Honor.

24 CHAIRMAN SCHMITT: All right.

25 Mr. Chandler.

1 VICE CHAIRMAN CHANDLER: Thank you, Chairman.

2 EXAMINATION

3 By Vice Chairman Chandler:

4 Q. Good morning.

5 A. Good morning.

6 Q. Earlier you testified as to those 2018
7 figures and -- or 2018 numbers in your Figure 3 of
8 your direct testimony. You said something about how
9 you didn't think Duke electric meters were fully
10 installed by the end of 2018.

11 Do you remember saying that?

12 A. Yes, sir.

13 Q. And are you certain that's the case?

14 A. That would be subject to review. I'm not
15 certain on that number; no, sir.

16 Q. Okay. When you talk about reallocating the
17 employees that currently do meter reading, let me
18 see if I understand. Those employees would merely
19 be doing different work, there would not actually be
20 a reduction in the number of employees for a
21 proposal that replaces AMR meters with AMI, correct?

22 A. No, what would happen at that point is:

23 Obviously, if we get AMI, we will not need as many
24 meter readers as we have today with AMR. We would
25 have a reduction -- the number would be larger than

1 the five -- or the four to five that I discussed.
2 We would just relocate those. And again, I -- until
3 I get to the final numbers on this, it would be --
4 we'll say ten, just for hypothetically. There will
5 be five people that would be transferred into other
6 jobs at that point, and then, through attrition, we
7 would -- through retirement, things like that, we
8 would -- so we would have a reduction of four to
9 five employees.

10 Q. A total over the Company, you would have four
11 to five less employees under AMI than AMR?

12 A. Yes, sir.

13 Q. Okay.

14 A. That's preliminary estimates right now, yes.

15 Q. Okay. And you had talked about earlier if
16 you did the other AMR system in addition or in order
17 to replace the current AMR meters with the other
18 AMR.

19 Do you remember those questions?

20 A. Yes, sir; SCM versus SCM Plus.

21 Q. Yeah. And you mentioned a concern around
22 running two different systems for a time. Do you
23 remember that?

24 A. Yes.

25 Q. Is that obviated by using AMI?

1 A. I'm sorry, I don't understand the -- what's
2 your question?

3 Q. If you implement AMI as proposed, wouldn't
4 you also be running two systems for the -- for
5 approximately four years?

6 A. Yes, sir; but that would be a determined
7 amount of time. We would know after four years we
8 would eliminate AMR.

9 Q. Right. But are -- was it your testimony that
10 you would be running two AMR -- if you -- if you
11 replaced your meters or added the new AMR, than it's
12 your testimony that you'd be running both AMR
13 systems for a 15-year period?

14 A. No, sir. No, sir. If it was A -- if we are
15 going from SCM to SCM Plus, I'll clarify the
16 statement here, we would -- eventually we would
17 eliminate the SCM system and go completely to SCM
18 Plus. The danger we run with that, though, is no
19 other of our affiliate companies are on that system.
20 We would bear the full cost of that system at that
21 point.

22 Q. Yeah.

23 A. If you look at the economies of scale.

24 Q. Yeah. And that's -- I guess that's a
25 different issue, though, because can you point me to

1 where, in terms of costs and things, in your
2 testimony you talk about the economy of scale, the
3 savings you-all are getting because other AEP
4 affiliates have that metering system, the AMI
5 system?

6 A. I think what we -- the advantage we get out
7 of this are the experience that our affiliate
8 companies, through their deployments and then
9 through volume pricing, leveraging the -- AEP's size
10 at that point is what it would help us with savings.

11 Q. Well, experience is not necessarily economy
12 of scale, right?

13 A. No.

14 Q. Okay. And you said that of the approximately
15 five affiliates that have AMI -- is that right?

16 A. Yes, sir; five.

17 Q. Okay. And are there affiliates that do not
18 have AMI?

19 A. Currently, in the AEP affiliate companies,
20 there's two, us and our affiliate company in
21 Louisiana.

22 Q. So Kentucky and -- is that SWEPCO, the SWEPCO
23 portion of Louisiana, or the Louisiana portion of
24 SWEPCO; is that right?

25 A. Yes, sir.

1 Q. Okay. So there are two that are not AMI,
2 four that are AMI of a certain type, and then one
3 other that has AMI of a different type; is that
4 correct?

5 A. Yes, sir.

6 Q. Okay. And you-all have made a final
7 determination as to vendor and communications
8 network?

9 A. We have narrowed it down to two vendors.

10 Q. Okay. So -- and what about communications
11 network?

12 A. It's -- we're -- right now we're looking at a
13 mesh-based system and a tower-based system. The two
14 vendors are --

15 Q. Okay. So we have not -- you have not
16 narrowed down the type of communication system, you
17 have not narrowed down the manufacturer yet.

18 So can I -- can I go back to the economies of
19 scale example and understand, if those four
20 utilities have already made determinations of a
21 particular type and you-all have not yet made a
22 determination as to the type or even communications
23 network, or the manufacturer or communications
24 network, then how -- isn't it a bit premature to be
25 talking about economies of scale with affiliates?

1 A. Well, what we would do at that point, the
2 SWEPCO, as we mentioned, they're looking at the same
3 systems we are, and also our Indiana Michigan
4 affiliate, they have a very small percentage of AMI
5 penetration right now, so they're looking as well.
6 That's where we would -- we -- the plan would be for
7 us to use -- us to combine, we pull together and
8 go -- and each company at that point use the
9 economies of scale.

10 Q. But -- okay. And I just want to make sure
11 the record was correct, and I do appreciate
12 Ms. Blend -- Ms. Blend's help, but I want to make
13 sure that the record is correct.

14 The \$59 million number you threw out was
15 merely a combination of the 22 million for the
16 AMR -- AMR replacement, plus the 37 million you've
17 discussed with AMI, correct?

18 A. Yes, sir; that is correct.

19 Q. And you are using that -- is it right to
20 think that you were just using that as an example,
21 that it's your testimony, your expectation, that if
22 the Company was to go the AMI -- the AMR route at 22
23 million, that prior to an entire life cycle of the
24 proposed AMI, the Company would still have to do AMI
25 within that approximately 15 years?

1 A. Obviously I can't predict the future. I can
2 just go by the past history of this technology.
3 Again I point back to, in 2017 there was three
4 vendors for our current meters, now there's one.
5 But I don't expect it to last the full 15 years; no,
6 sir. I would not -- I would be very surprised if
7 SCM Plus is around in 15 years.

8 Q. And I appreciate that. I wanted to make sure
9 I understood the \$59 million number is all -- I'm
10 just trying to make sure the record is straight that
11 that is premised on, it's your position that if the
12 Company was to go the AMR route at \$22 million, that
13 within -- prior to 15 years the Company would also
14 have to already install the AMI that they're
15 currently proposing, and that's just 22 plus the 37,
16 correct?

17 A. Yes, sir; that is correct.

18 Q. Okay. And I just have a question about
19 manufacturer support. When did the three
20 manufacturers in 2017 that supported your current
21 AMR system, when did they inform the Company they
22 would no longer support -- well, let me ask the
23 first question: Are they no longer supporting the
24 system or no longer manufacturing the system?

25 A. They are no longer manufacturing the meters,

1 but our support system for our reading meter
2 equipment, that was -- we got notification this
3 summer that there would no longer be vendor support
4 for the current reading, the readers that we have in
5 our trucks that are handheld. Prior to that I was
6 in another position, so I don't know the exact date
7 as far as when they informed the Company.

8 Q. So the three manufacturers, would they have
9 informed you-all that they were going to cease
10 manufacturing the meters?

11 A. Yes, sir. They norm -- that -- they --
12 normally vendors will let you know that there's --
13 they're no longer going to produce this.

14 Q. And do they give you a lead time where they
15 tell you in the next year, year and a half we're
16 going to be doing this, or do they just tell you we
17 stopped manufacturing this yesterday, just wanted to
18 give you a heads-up?

19 A. They normally will give you a little lead
20 time. As far as a time frame, I don't know exactly
21 when they try to do it. They normally will let you
22 know before they cease production.

23 Q. And why do they let you know?

24 A. Well, if you're -- if -- well, if your system
25 is basically using their meters and they're no

1 longer going to be produced, then they'll let you
2 know that you're going to have to look at an
3 alternative in the future.

4 Q. You don't think they give you lead time so
5 that you can purchase some from them before they end
6 manufacturing?

7 A. I can't speak to --

8 Q. You don't think that --

9 A. -- (indiscernible).

10 Q. I'm just asking. Is that your experience,
11 that they indicate with enough lead time so that
12 interested parties can purchase some before they
13 finish manufacturing?

14 A. I believe they would probably be aware we
15 would start purchasing meters, whatever they have
16 left in stock. I don't know if that's a given. I
17 think that they would -- we would go ahead and
18 purchase that if we were using their system.

19 Q. Okay. Okay.

20 A. They would --

21 VICE CHAIRMAN CHANDLER: That's all the
22 questions I have. I appreciate you,
23 Mr. Blankenship.

24 CHAIRMAN SCHMITT: Doctor Mathews, questions?

25 COMMISSIONER MATHEWS: I just have one or

1 two.

2 EXAMINATION

3 By Commissioner Mathews:

4 Q. When you talk about all these benefits that
5 you have quantified, you talk about giving customers
6 the -- what do you call it? -- ability to control
7 their own electricity usage, correct?

8 A. Yes, ma'am.

9 Q. We've had several witnesses talk about the
10 levels of poverty in your service territory. Do you
11 think that the levels of poverty and the housing
12 stock that comes with that would make it more or
13 less difficult for customers to use AMI data to
14 change their electricity usage?

15 A. I'm sorry, I did not hear the end of the
16 question.

17 Q. Given the levels of poverty and the housing
18 stock that goes with that, do you think that would
19 be easier or more difficult for these customers in
20 this service territory to use the AMI data from a
21 Green Button or whatever, to change their
22 electricity usage?

23 A. The customer does have various ways to get
24 this information. Even if they do not have access
25 to the Internet, most people do have a cell phone --

1 Q. The --

2 A. I'm sorry?

3 Q. Even if they have the information, are they
4 limited, because of the housing stock, in what they
5 can do to change their electricity usage?

6 A. I believe what you're asking me is, will they
7 have the financial means to correct it?

8 Q. I believe that --

9 A. Is that correct?

10 Q. I believe Mr. FitzGerald also asked you that
11 question. I'm not sure you answered. I'll just
12 take that you're not answering now either, and I'll
13 say that aren't these issues that should be
14 quantified before you bring it to the Commission?

15 A. What we -- the reason we're talking about
16 this today, again, is our obligation to provide safe
17 and reliable service. While I'm cognizant of the
18 issues that you're talking about, that is -- my
19 responsibility is to make sure that I am able to
20 provide our customers with that safe and reliable
21 service. And again I reiterate that today I am able
22 to do that. I do not know if I'll be able to do
23 that a year from now because, as I stated earlier,
24 currently we only have 2,000 of these -- of our
25 residential meters in stock. We anticipate that it

1 would last us through next year, and that is the
2 driving force that we have to do something.

3 COMMISSIONER MATHEWS: Chairman, I don't have
4 any further questions.

5 EXAMINATION

6 By Chairman Schmitt:

7 Q. What -- Mr. Blankenship, what is the useful
8 life, or the average useful life of the AMR meters
9 that Kentucky Power has left?

10 A. The average useful life of an AMR meter is
11 15 years. At this time, Your Honor, 75 percent of
12 the meters installed are at that point.

13 Q. Are --

14 A. End of their useful life.

15 Q. Are at or over their useful life; is that
16 what you're saying?

17 A. Yes, sir. They -- the majority of our meters
18 were installed in 2005-2006, so going into '20-'21,
19 they will be at the end of their useful life.

20 CHAIRMAN SCHMITT: I have -- I have no other
21 questions.

22 Ms. Blend, do you have redirect?

23 MS. BLEND: Yes, Your Honor. Thank you.

24 *

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25

REDIRECT EXAMINATION

1
2 By Ms. Blend:

3 Q. Mr. Blankenship, Mr. FitzGerald asked you
4 questions about the recovery period the Company is
5 proposing with regard to its AMI meters.

6 Do you recall those questions?

7 A. Yes.

8 Q. And I believe I heard your testimony in
9 response to that question, or those questions, to be
10 four years. Is four years the number of years over
11 which the Company's AMI -- proposed AMI investment
12 will be recovered, or is that the number of years
13 over which the Company will deploy the meters
14 themselves?

15 A. Yes. We need to correct that. The
16 deployment is four years. As far as the recovery,
17 that would be to Witness Vaughan. I'm not sure on
18 that number, but the deployment is four years.

19 Q. Thank you. And does Company Witness West
20 also discuss the time period over which the cost of
21 the AMI deployment would be recovered?

22 A. Yes, ma'am.

23 Q. Do you recall questions about -- from
24 Mr. FitzGerald about whether the Company -- or how
25 many meters the Company has been able to collect as

1 a result of loss of load in its service territory?

2 A. Yes.

3 Q. Would you -- is it your understanding that
4 the amount of load loss is directly correlated with
5 the number of meters that the Company -- I'll ask it
6 differently.

7 The Company could lose a large amount of load
8 and only a relatively few number of meters; is that
9 right?

10 A. That is correct.

11 Q. You have been listening to the hearing this
12 week, correct?

13 A. Yes.

14 Q. Have you heard discussion regarding the
15 closure of AK Steel in the Company's service
16 territory?

17 A. Yes.

18 Q. If you know, is AK Steel a large load, or was
19 it a large load in Kentucky Power's service
20 territory?

21 A. Yes.

22 Q. Did it have relatively few or relatively
23 numerous meters metering that load?

24 A. In the context as far as the rest of the
25 system, it would be a low amount of meters, number

1 of meters.

2 Q. So is there necessarily a correlation between
3 load loss and the number of spare meters that may
4 become available as a result of the load loss?

5 A. No.

6 Q. The Vice Chairman asked you questions about
7 where in the record, or where in the materials that
8 you sponsor the concept of economies scale is
9 discussed.

10 Do you recall those questions?

11 A. Yes.

12 Q. Will you please turn to page 17 of your
13 direct testimony?

14 A. Okay. I'm there.

15 Q. Do you discuss the economies of scale
16 associated with Kentucky Power's ability to join its
17 purchasing power with its affiliates on lines 6
18 through 16 of page 17 of your direct testimony?

19 A. Yes.

20 Q. And if you recall, did you also respond to
21 data requests from the AG and KIUC regarding this
22 topic?

23 A. Yes.

24 Q. Thank you.

25 MS. BLEND: And if it -- it would be

1 appropriate, Your Honor, I could stipulate to the
2 data responses that are relevant, or I can walk
3 Mr. Blankenship through them, whichever you would
4 prefer. I'm trying to be sensitive to time.

5 CHAIRMAN SCHMITT: I think they are in the
6 record, correct? Do we --

7 MS. BLEND: They are.

8 MS. VINSEL: They are in the record, but it
9 would be helpful if they would at least note which
10 data responses are --

11 CHAIRMAN SCHMITT: Yeah.

12 MS. VINSEL: -- responsive.

13 CHAIRMAN SCHMITT: Counsel, Staff Counsel is
14 asking if you would note for the record --

15 MS. BLEND: Yes.

16 CHAIRMAN SCHMITT: -- specifically those data
17 responses.

18 MS. BLEND: Yes. Yes, Your Honor. I didn't
19 want to put Mr. Blankenship through a memory test,
20 but they are: AG KIUC set 1, item 89; AG KIUC
21 set 1, item 100, and AG KIUC set 2, item 56. Thank
22 you.

23 Q. Mr. Blankenship, you testified earlier in
24 response to questions from the Vice Chairman about
25 which of the Company's affiliates have AMI meters.

1 Do you recall that discussion?

2 A. Yes.

3 Q. And I believe you testified that SWEPCO
4 Louisiana does not have AMI meters?

5 A. That is correct. And --

6 Q. Is it your understanding that any of the
7 SWEPCO jurisdictions has AMI meters at this time?

8 A. I misspoke on that. They do have a small
9 number of AMI. They just started a small number of
10 AMI meters there.

11 Q. In Louisiana?

12 A. Louisiana, Arkansas. Part of their
13 territory. I don't know exactly what the location
14 is.

15 Q. Thank you. The remainder of SWEPCO's
16 territory, which comprises Arkansas, Louisiana, and
17 Texas, outside of that small pilot area, is
18 non-AMI --

19 A. That is correct.

20 Q. -- is that right?

21 A. It is all AMR through there.

22 Q. Thank you for clarifying.

23 A. Uh-huh.

24 Q. Now, Commissioner Mathews asked you some
25 questions about one of the benefits of -- associated

1 with AMI in terms of customer access to data usage.
2 I just have a clarifying question or two there.

3 Is customer access to data so that they could
4 understand or potentially change their usage, is
5 that a driver of the Company's AMI proposal in this
6 case?

7 A. Yes.

8 Q. It is the driver, or is the driver --

9 A. Can you repeat the question? I'm sorry.

10 Q. Is customer access to data a driver or the
11 driver of the Company's proposal?

12 A. No.

13 Q. Or is it just a benefit of the proposal?

14 A. It's a benefit. The driver is the
15 obsolescence of the AMR system. I'm sorry, I didn't
16 understand the question.

17 Q. I'm sorry, I articulated it poorly.

18 MS. BLEND: Thank you. I have no further
19 questions.

20 THE WITNESS: Thank you.

21 CHAIRMAN SCHMITT: Well, Mr. Blankenship, you
22 may -- you may step down.

23 All right. It's ten till 11:00. Let's take
24 a break until 11:00 o'clock, and then we'll come
25 back, I guess, and begin the testimony of Mr. West.

1 We'll be in recess --

2 MS. BLEND: Thank you, Your Honor.

3 CHAIRMAN SCHMITT: -- until 11:00 a.m.

4 (Recess from 10:51 a.m. to 11:04 a.m.)

5 VIDEO TECHNICIAN: You're on the record, sir.

6 CHAIRMAN SCHMITT: Thanks. We're now back

7 and on the record.

8 Mr. Overstreet, are you -- are you ready for
9 the next witness?

10 MR. OVERSTREET: Thank you, Mr. Chairman. We
11 are, and I would call Brian K. West.

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

17 THE WITNESS: Yes, sir; I do.

18 CHAIRMAN SCHMITT: Thank you.

19 Mr. Overstreet, you may question the witness.

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

21 BRIAN WEST, having been first duly sworn,
22 testified as follows:

23 DIRECT EXAMINATION

24 By Mr. Overstreet:

25 Q. Mr. West, please state your name, business

1 address, and employer.

2 A. Sure. My name is Brian West. My business is
3 address is 1645 Winchester Avenue, Ashland, Kentucky
4 41101. My employer is Kentucky Power.

5 Q. And what is your position with Kentucky Power
6 Company?

7 A. I'm the director of regulatory services.

8 Q. And did you cause to be filed in the record
9 of this proceeding direct testimony, rebuttal
10 testimony, and answers to data requests?

11 A. Yes, sir.

12 Q. And do you have any corrections or updates to
13 any of those filings?

14 A. I do. It's in my direct testimony at
15 page 32, and I believe it is on lines 12 and 13.
16 It's a question, an additional question that
17 shouldn't have been there, it just needed to be
18 deleted.

19 Q. And is that question and the corresponding
20 answer, does that appear in other -- in some other
21 place of your direct testimony?

22 A. Yes, sir; it does.

23 Q. Okay. And with that one change, if you were
24 asked those same questions here today, would your
25 answers be the same?

1 A. Yes, sir.

2 MR. OVERSTREET: Mr. Chairman, the witness is
3 available.

4 CHAIRMAN SCHMITT: Thank you.

5 Ms. Vinsel, cross-examination?

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

7 CROSS-EXAMINATION

8 By Ms. Vinsel:

9 Q. Good morning, Mr. West.

10 A. Good morning.

11 Q. I would like to start with the adjustment for
12 the dues paid to the Edison Electric Institute, and
13 I'm just going to refer to it as EEI. Staff has
14 noticed inconsistencies, both in terms -- well,
15 three things: Where the adjustment is in the
16 record, how much the adjustment is, and the
17 percentage that was removed for legislative
18 activities or, as EEI puts it, influencing
19 legislation. So I've got several documents I would
20 like for us to walk through, just to get some
21 clarity into the record.

22 A. Certainly.

23 Q. Thank you.

24 A. Can you hear me okay, by the way?

25 Q. Yes, I can. Thank you, very much.

1 A. Okay.

2 MS. VINSEL: Travis, can I ask you to bring
3 up Document 294?

4 What I'm asking to -- Staff to display on
5 screen share is Kentucky Power's response to the AG
6 KIUC data request, the second data request, and it's
7 item 44.

8 Now, Travis, if you'll go to PDF -- the PDF
9 pagination 264. Thank you.

10 Q. This -- I think that we've seen this request
11 multiple times during this proceeding. In this case
12 the Attorney General KIUC, in question A, asked
13 Kentucky Power to indicate where in the application
14 the EEI adjustment was made. And in this case,
15 Mr. -- and Mr. Bishop answered this. He referred to
16 the application, section 5, page 2 of 87.

17 MS. VINSEL: Travis --

18 A. Yes, I --

19 Q. Do you see that?

20 A. I see it, yes.

21 MS. VINSEL: Travis, can I have you go to
22 Document 11?

23 Q. And, Mr. West, I've gotten a message that
24 some of our remote users are having some issues
25 hearing you. If you don't mind -- I know that

1 you're sitting close, I just want to make sure
2 you're speaking into the mic.

3 A. Okay. I'm sorry about that.

4 Q. Thank you. I think it's just what happens
5 with this.

6 MS. VINSEL: Thank you, Travis.

7 Q. What this is, this is from the application,
8 section 5, and this is actually Exhibit 1, page 2 of
9 87. I think in the data response there was an
10 inadvertent admission of the Exhibit 1 label. I
11 will tell you, I double checked Exhibits 2 and 3,
12 and they do not have the same pagination.

13 Mr. West, to the best of your ability, can
14 you show me where on this, the fully adjusted base
15 case summary, we would find the EEI adjustment?

16 A. Well, I think I can do you one better and
17 point you to exactly where it's at. I believe that
18 this is how that answer should have been -- or
19 should have read.

20 Q. Okay. Good. Thank you.

21 A. Part A. And if we could -- if you would go
22 to section 5, schedule 4.

23 Q. Schedule 4?

24 A. At lines -- schedule 4, at line 415. Now, in
25 that -- in that grouping there, that PDF, it would

1 be page 19 of 87. And is there a line 415?

2 Q. Yes. So here where it's line 415, it says
3 930.2 -- this is a miscellaneous general expense?

4 A. Yes. \Yes. And that first figure there, and
5 I'm having a little trouble reading it, but I
6 believe it is 433840?

7 Q. Yes.

8 A. The amount, and when I'm looking back to my
9 rebuttal testimony at R11, the item that says -- the
10 part that was included in the cost of service, the
11 88,000, that is -- that would be found in that 433
12 number.

13 Q. And is that 433 number broken out anywhere
14 else in the case record?

15 A. Yes, it is. It was in a data request, and
16 that is -- that was on KPSC 2-47, attachment 2
17 provided the detail for that miscellaneous general
18 expense.

19 Q. And I'm just going to quickly look at
20 something. Was that attachment, was it -- I know
21 that sometimes Kentucky Power's attachments are
22 incorporated into the PDF of the data response and
23 sometimes the attachments are separate documents,
24 usually Excel spreadsheets.

25 So was this filed as a separate document or

1 is it contained within the body of the response to
2 PSC 2?

3 A. Oh, my. I don't know the answer to that.

4 Q. Okay. Well, then I'll --

5 A. I apologize.

6 Q. Let me see if we can find it here in this
7 proceeding, because I know --

8 A. Okay.

9 Q. -- Staff had looked for it, and we want to
10 make sure that we have it.

11 MS. VINSEL: Okay. Travis, can I have you
12 bring up Document 47?

13 Q. So is this, then, the attachment where
14 there -- it would be broken out to indicate EEI?

15 A. Yes, it's on there.

16 Q. Okay.

17 MS. VINSEL: Just to make sure, Travis, can I
18 have you scroll down?

19 Q. It looks like it might be line 232.

20 A. Is that attachment 2 or attachment 1?

21 Q. Looks like it is attachment -- let me see.

22 It is --

23 MS. VINSEL: I'm sorry, Zach, I've got you in
24 the wrong document. It's Document Number 48.

25 A. Okay.

1 Q. And it is in the tab detail at line 232.
2 Okay. I see it. So it looks like -- I see. This
3 is the \$88,000 that was included in --

4 A. Yes.

5 Q. -- base rate? Okay. Thank you. That
6 clarifies two of the questions, then. Thank you.

7 MS. VINSEL: Zach, can you take that down,
8 please?

9 MR. OVERSTREET: Ms. Vinsel, I apologize. I
10 got a little bit lost. So that -- was that the
11 response to Staff 2-47, attachment 2, that you found
12 the information you were looking for?

13 MS. VINSEL: Yes, that is correct,
14 Mr. Overstreet.

15 MR. OVERSTREET: Thank you.

16 Q. Okay. Now, we also have a question about the
17 basis for the amounts that were excluded for
18 legislative activity.

19 MS. VINSEL: Zach, can I have you bring up
20 Document, again, 294, and I'll give you the PDF page
21 when it's up.

22 For everyone else, what this is, is this is
23 Kentucky Power's response to Attorney General KIUC
24 second data request, item 44, attachment 1.

25 And Travis, if I can have you turn to page

1 240 -- excuse me -- 267, PDF 267. All right. If
2 you'll blow this up, because the part I want to read
3 is a little small.

4 Q. Again, this is Kentucky Power's response to
5 the AG KIUC second data request, item 44,
6 attachment 1. It's page 3 of 20.

7 All right. Do you have that? I see you've
8 got the binder in front of you. Are you on this
9 page, Mr. West?

10 A. Well, actually I'm looking at my rebuttal
11 testimony at R11, but I'm familiar with -- I can see
12 it on the screen.

13 Q. Okay. Well, here's my question --

14 MS. VINSEL: And, Travis, I may have to have
15 you blow this up, because I want to look at two
16 lines in the description, but I also want to look at
17 footnotes 1 and 2. Perfect.

18 Q. So, Mr. West, is it correct, this is -- this
19 is the bill from EEI to AEP, and it incorporates the
20 entirety of AEP, if you will. It's been
21 subsequently allocated. So let me back up rather
22 than ask you a multipart question.

23 Does this represent the bill from EEI to AEP?

24 A. Yes, that's my understanding.

25 Q. And AEP then allocates the EEI membership

1 dues out to who? Well, who does -- who does AEP
2 allocate the dues out to?

3 A. The operating companies.

4 Q. Okay. And as I understand, I believe the
5 allocation is based on the total number of
6 customers, I believe electric sales, and one other
7 piece, as compared to AEP opcos as a whole?

8 A. I'm not certain as to the allocator that they
9 use, whether it's total number of customers or what
10 it is.

11 Q. Okay. I know that we had that in Mr. Bishop's
12 testimony, so I think we're good with that.

13 A. Okay.

14 Q. What I'm asking about is if you can see where
15 it says "Regular activities of Edison Electric
16 Institute," and then there's footnote number 1.

17 A. Yes.

18 Q. And when I come down to footnote number 1,
19 just confirm with me that this is what it says, what
20 I'll read to you. (Reading) The portion of 2020
21 membership dues related -- relating to influencing
22 legislation, which is not deductible for federal
23 income tax purposes, is estimated to be 13 percent.

24 Would you agree that's a correct reading?

25 A. Yes, I would.

1 Q. And then when I look at the second line on
2 the description that says "Industry Issues," with,
3 again, a footnote number 2, and I come down to
4 footnote number 2 and it says, (Reading) The portion
5 of the 2020 industry issue support relating to
6 influencing legislation is estimated to be
7 24 percent.

8 Is that a correct reading of what you see?

9 A. Yes.

10 Q. Okay. Thank you.

11 MS. VINSEL: Zach, will you take that down?
12 And then I would like to go to Mr. West's rebuttal
13 testimony. For our internal purposes, this is
14 Document 459. And Travis, if I'm calling you Zach,
15 I apologize. If you'd please go to PDF pagination
16 37. If I -- can I have you scroll down so we can
17 see all of Figure 2? There are two tables there.

18 Q. Now, as I look at this, let me start with the
19 bottom, and I just want to walk through it. And,
20 Mr. West, tell me if I'm reading this correctly.

21 The bottom, there are three -- three lines in
22 that table, column starts with Journal ID, account
23 number. Come over to the last column, and it's
24 telling me the amounts that are included or
25 excluded; is that correct?

1 A. That is correct.

2 Q. And just because I went to look ahead of
3 time, and I really don't want to have to bring up
4 this document also, but can we agree that in those
5 accounts, 4261000 is the -- that's the account
6 number for the account that's named Donations?

7 A. I am not certain about that. I see that the
8 readback on your number is correct, but I don't know
9 that it's donations.

10 Q. Well, subject to check, this would be
11 donations.

12 A. Subject to check.

13 Q. Subject to check. Account number 4264000,
14 subject to check, is civic and political activity?

15 A. I'm sorry, I didn't -- I didn't catch that
16 last -- what that was.

17 Q. It is civic and political activity.

18 A. Okay. Thank you.

19 Q. And I can refer --

20 A. Yes.

21 Q. I'll refer you to where this is located in
22 the record. And then 9302000 is miscellaneous
23 general expense?

24 A. Yes. That's one you previously identified.

25 Q. Identified?

1 A. Yes.

2 Q. And to let you know where I found the account
3 information is in the application. I believe it's
4 section 2. But this is Exhibit M, which is Kentucky
5 Power's chart of accounts.

6 A. Okay. Thank you.

7 Q. And just so you don't have to look through
8 every one of these accounts, the donations account
9 number is on page 10 of 18, the civic and political
10 activity is on page 11 of 18, and the miscellaneous
11 general expense is identified on page 17 of 18.

12 A. Thank you. Okay.

13 Q. Okay.

14 A. I have that exhibit in front of me now.

15 Q. Okay. What Staff would like to understand
16 is, given that the bill from EEI indicates two
17 different activities that have percentages of
18 13 percent and 24 percent for influencing
19 legislation, what is the basis for Kentucky Power to
20 allocate only 3.9 percent of the EEI dues to
21 legislative activities?

22 A. Could you maybe repeat your question for me,
23 please?

24 Q. Okay. Well, let me go back here. We can
25 even look at this, although I understood from the

1 bill it's 24 percent, but looking here on the top
2 table on Figure 2, we have the EEI invoice line
3 item, which is, in fact -- okay. Looking at the
4 aggregate for each of three particular line items on
5 the EEI bill.

6 A. Right.

7 Q. Next to it, it says -- it says, (Reading) AEP
8 legislation percentage, 13 percent, 26 percent.

9 As we recall, on the EEI bill those
10 percentages for legislative activities were
11 13 percent and 24 percent. I then come over, there
12 is a -- it looks like some sort of an apportionment
13 with AEP legislative amount, Kentucky Power
14 allocation, and then Kentucky Power legislative
15 allocation.

16 So my question is: How was -- what is the
17 basis for 3.9 percent legislative allocation?

18 A. Okay. I apologize. I don't have that
19 calculation right in front of me.

20 Q. Would Mr. Vaughan --

21 A. I see it --

22 Q. I'm sorry?

23 A. I see it here.

24 Q. I'm sorry?

25 A. I see it here, but I apologize. I'm sorry.

1 Q. And could Mr. Vaughan --

2 A. (Indiscernible).

3 Q. I'm sorry, I don't -- do not mean to talk
4 over you. Would Mr. Vaughan be able to answer that
5 question?

6 A. He may. This was -- this information was
7 provided to me by Witness Whitney, so that may be
8 the better witness for that.

9 MR. OVERSTREET: Ms. Vinsel, if Mr. Vaughan
10 is unable to provide the information, we could
11 certainly provide it in a post-hearing data request.

12 MS. VINSEL: Okay. We have one question,
13 if -- and we will ask this in a post-hearing data
14 request, but our question is: 3.9 percent part of
15 the total AEP pill -- AEP bill, rather than Kentucky
16 Power's portion. But it's -- because Mr. West does
17 not know, we'll move on from that question.

18 Q. We've asked several witnesses, and many of
19 them have referred us back to you, giving us some
20 answers but also referring back to you.

21 I have a question about the excess
22 unprotected ADIT, and I'm just going to call it the
23 excess ADIT for this questioning purposes,
24 recognizing we are talking about unprotected.

25 A. Yes.

1 Q. As we know from certain data responses,
2 Kentucky Power intends to finance the cash shortfall
3 from the -- if the proposed accelerated amortization
4 of the excess ADIT is accepted, authorized, then
5 Kentucky Power intends to finance the cash shortfall
6 from that accelerated amortization, and it will be
7 financed with long-term debt and equity.

8 It would seem that Kentucky Power probably
9 has developed some sort of a plan to address this.
10 So our question is, really: What are the projected
11 financing costs? And if I've made an unfair
12 presumption, please let me know.

13 A. No, not at all. You're asking about the
14 projected financing costs of the cash shortfall
15 because we're proposing the one-year offset of the
16 ADFIT?

17 Q. Yes, that's correct.

18 A. I do not know if Witness Messner has made an
19 estimate of that. I have not -- I'm not aware of
20 one, if he did do one.

21 Q. I can tell you he did not because he didn't
22 know the answer either.

23 Okay. I suspect that Mr. Messner's answers
24 for the rest of my questions will have to suffice.

25 MS. VINSEL: Chairman, Staff has no further

1 questions at this time.

2 CHAIRMAN SCHMITT: Mr. Cook, Mr. West, for
3 Attorney General, any questions?

4 MR. COOK: Yes. Thank you, Chairman, I do
5 have some questions.

6 CROSS-EXAMINATION

7 By Mr. Cook:

8 Q. Mr. West, good morning.

9 A. Good morning.

10 Q. I have some questions for you about several
11 subjects, and the first one is the EEI dues, but if
12 you'll bear with me, I want to try to not duplicate
13 the ones that Staff asked. So -- but I do have some
14 other ones that I want to get into. So let's see
15 here.

16 MR. COOK: First, Ms. Vinsel, I'm wondering
17 if we could pull up a response to -- that is found
18 in the second set of the AG KIUC's data requests,
19 and those were filed on September 30.

20 MS. VINSEL: Travis -- Travis, that's
21 Document Number 294.

22 MR. COOK: And it's item 44, and the Adobe
23 pagination is page 264.

24 MS. VINSEL: Mr. Cook, is this the correct
25 document?

1 MR. COOK: Yeah, I'm taking a look here. I
2 have to zoom up a little bit just to verify. Let's
3 see.

4 MS. VINSEL: My apologies, Mr. Cook. I
5 didn't mean to try to rush you.

6 MR. COOK: No, you're fine. Let's see.
7 Yeah, I don't see the item number here, so that's
8 what I'm having difficulty with. Is it 244?

9 MS. VINSEL: Yes.

10 MR. COOK: Okay. Great. And then what I'd
11 like to do is just have the first paragraph of that
12 response.

13 MS. VINSEL: So the -- yeah, the next page
14 down.

15 MR. COOK: Okay. And I believe in there,
16 there should be the phrase "Kentucky Power Company
17 classifies dues as -- and memberships as operation
18 and maintenance expense within the jurisdictional
19 cost of services." Is that in there?

20 THE WITNESS: It looks like it's the last
21 sentence of that paragraph.

22 MR. COOK: There we go. Yes, thank you for
23 highlighting it. Okay. So you see that too. Thank
24 you.

25 Q. Okay. Now, Mr. West, your rebuttal, as

1 Ms. Vinsel had indicated earlier, your rebuttal
2 page 11 indicates that \$88,361 in EEI dues was
3 included for recovery from ratepayers; isn't that
4 correct? /

5 A. Yes. That's what it says.

6 Q. And that \$88,000 figure refers to influencing
7 legislation, correct?

8 A. No, sir; it is nonlegislative activities of
9 EEI.

10 Q. Nonlegislative activities?

11 A. That is correct.

12 Q. And --

13 A. That's correct. Like restoration, crisis
14 management, operations, and industry issues. So
15 that's what that represents.

16 Q. And would that also, then, include the other
17 items of EEI activity that are not identified there,
18 such as regulatory advocacy and public relations?

19 A. I'm sorry, sir, I don't know if that's
20 included in there or not.

21 Q. Okay. And are you aware that historically
22 the Commission has excluded 45.35 percent of EEI
23 dues to -- basically to not allow costs for
24 regulatory advocacy, public relations, and
25 legislative advocacy to be passed on to ratepayers?

1 A. I believe I remember reading that in one of
2 the intervenor testimonies. It may have been
3 Witness Kollen. And since I'm kind of new to
4 Kentucky and my role, I was not aware that that was
5 something that was done.

6 Q. Okay. Correct me if I'm wrong, and subject
7 to check if you don't have a calculator with you,
8 but when I multiply that \$88,000 figure, approximate
9 figure, by that 45.35 percent as Mr. Kollen
10 recommends, I get \$40,000 that needs to be excluded,
11 is that correct, subject to check?

12 A. Subject to check on your math, but I'm not
13 certain that it needs to be excluded, sir. As I
14 said --

15 Q. Okay.

16 A. -- I believe the 88,000 is for regular EEI
17 activities that are industry standard.

18 Q. Okay. I want to move on to another area that
19 Ms. Vinsel touched upon, and that's the accumulated
20 deferred federal income tax.

21 Would you say that the COVID pandemic has
22 changed the circumstances regarding how the excess
23 ADFIT should be utilized since the time of the
24 settlement in the 2018-00035 case?

25 A. I would tend to agree with that, sir. I

1 think in the -- in the 2018 case, where the 18-year
2 amortization was set, I believe that was appropriate
3 at the time. And the Company's proposal here to
4 accelerate that and offset the first year, I also
5 believe that is right, because of the pandemic, and
6 this was something that Kentucky Power wanted to do
7 for our customers. I mean, knowing that we had to
8 come in for a case, and it's never a good time for a
9 rate case, we thought that this was an important --
10 an important mitigation to help offset that first
11 year. So yeah, I believe both of those are right.

12 Q. Okay. Thank you. Would you agree that using
13 the excess ADFIT, I'm going to call it, money to pay
14 past arrearages and offset any increase awarded is
15 beneficial to ratepayers?

16 A. So you're asking if I think the offset, as
17 well as the -- I assume you're referring to the
18 10.8 million that we proposed in our -- what I call
19 the debt forgiveness filing?

20 Q. Yes.

21 A. That's what you're referring to? And would
22 those be benefits to customers?

23 Q. Yes.

24 A. Absolutely. Absolutely. I think those are
25 both meaningful mitigation -- mitigation efforts

1 that the Company proposed, you know, due to the
2 pandemic.

3 Q. And is it also appropriate to say that it
4 would be beneficial to Kentucky Power as well?

5 A. In the respect that it would -- like if you
6 look at the debt forgiveness filing, for instance,
7 forgive -- or using that -- those dollars to absorb
8 some of those delinquencies for customers would have
9 the effect of lowering bad debt expenses at the
10 Company, which would also flow through to the
11 customers in lower rates.

12 Q. Okay. Now I'd like to move on to some
13 questions about the grid modernization rider and
14 about AMI.

15 A. All right.

16 Q. In rebuttal you state that the grid
17 modernization rider -- I'm going to call it GMR,
18 okay? You state that the GMR would lengthen the
19 time between rate cases, correct?

20 A. Yes, it has the potential to do that. In
21 between rate cases, a mechanism like the GMR would
22 provide more concurrent recovery on an annual basis,
23 which would increase cash flow, and that would have
24 the effect of possibly lengthening the time between
25 rate cases. Does that make sense? I don't know if

1 I explained that well enough.

2 Q. No, thank you. I understand your answer.

3 The Company is not seeking a CPCN for any
4 specific grid modernization items in this current
5 case, other than the AMI system; isn't that correct?

6 A. That's correct. It's the only project at the
7 time that we're seeking a CPCN. And just to be
8 clear, AMI is a grid modernization project. And as
9 Everett Phillips, Witness Phillips, I apologize,
10 testified to, it's like -- it's the first thing that
11 we need to do. It's the communications backbone of
12 anything that would, you know, continue to modify
13 the grid.

14 Q. Well, let me just ask you: If the GMR rider
15 is approved, isn't it true that cost-benefit
16 analyses for grid modernization projects would
17 become a thing of the past?

18 A. I don't believe it would become a thing of
19 the past, and I guess as an example, if you're
20 thinking about our proposal was we could bring a
21 project to the Commission in one of the annual
22 filings, and to -- it depends on the -- on whether
23 that project needed a CPCN or not. We would meet
24 all the requirements of the CPCN. We would include
25 elements in our filing that would show that it was

1 cost justified, it was a prudent expenditure, and it
2 would benefit customers. So I don't think that a
3 cost-benefit analysis would necessarily be a thing
4 of the past.

5 Q. And you're not claiming that the GMR is to --
6 is for the purpose of replacing safety-related
7 equipment, are you?

8 A. Let me make sure I understand you. You said
9 that the GMR would not -- that I'm not proposing
10 that the GMR replace -- maybe you better repeat the
11 question. I apologize.

12 Q. Okay. Sure. If I understand you, your
13 testimony, I don't -- it sounds like you are not
14 claiming that the GMR is for the purpose of
15 replacing safety-related equipment; is that correct?

16 A. I guess it's not the -- it's not the purpose
17 of replacing safety-related equipment. The G -- I
18 mean, the GMR will help to recover costs for
19 projects that will modernize the grid. And to the
20 extent that those projects have safety-related
21 elements to them, it could recover safety-related.
22 I -- that's a pretty broad category, safety-related.

23 Q. Okay. And Kentucky Power is not asserting
24 that it has a special or emergency financial need
25 for the GMR, is it?

1 A. Well, I think that if you reference Witness
2 Mattison's rebuttal testimony at page 3, I think it
3 is. He showed the earned ROEs for the Company, and
4 you can see how they have gone down. And, you know,
5 we're at a point where we're looking for
6 alternatives, and the GMR provides one of those
7 alternatives. As I mentioned, it has the cash flow
8 benefit to it. It provides the capital that we need
9 to do projects that modernize the grid.

10 So it's -- I guess I might describe it as
11 kind of a tool in the toolbox, that it's something
12 that could help the Company in between rate cases.
13 And if the Company is more financially stable or
14 healthy, then that's a benefit to customers.

15 Q. Okay. And the Company is proposing that
16 expenses to be recovered under the GMR would include
17 depreciation expense; is that not correct?

18 A. There is a depreciation element to it. I did
19 not do the rate design personally on that. I'm
20 talking about the kind of elements that would be in
21 the GMR at a high level. Witness Vaughan is the
22 rate design expert.

23 Q. Okay. And if the Commission approves the AMI
24 proposal, Kentucky Power is saying that will lead to
25 certain savings; isn't that correct?

1 A. Yes. There will be certain savings. I
2 believe Witness Blankenship talked about a few of
3 them just a bit ago. In my rebuttal testimony I
4 mentioned reconnect fees. Obviously, with AMI, if
5 you can do it remotely, you don't need to charge the
6 customer a fee for that. So there will be some
7 savings like that, certainly.

8 Q. Well, why did Kentucky Power not propose to
9 offset savings against the cost of the new
10 investments and operating expenses to be included in
11 the GMR?

12 A. Do you have a specific reference in testimony
13 to that or --

14 Q. No, I'm afraid I don't.

15 A. Okay. Let me -- let me -- let's try it
16 again, then. Could you maybe repeat your question?

17 Q. Okay. I can -- certainly. Yes. Why did
18 Kentucky Power not propose to offset savings against
19 the cost of the new investments and operating
20 expenses that it proposes to recover through the
21 GMR?

22 A. Well, I believe that in my rebuttal testimony
23 I did propose to offset the cost of the -- or the --
24 what's included in the -- in the test year. I think
25 it was about 188,000 for the reconnect fees. And to

1 the extent -- and I believe we answered some of this
2 in discovery, but I don't know the discovery numbers
3 right now. I believe we answered some things in
4 discovery saying that we would -- to the extent that
5 we can quantify the benefits, that we would -- we
6 would flow those back through in the GMR.

7 Q. Okay. So that's your testimony today,
8 though, if -- and I don't have your testimony up in
9 front. I don't want to have to require Staff to
10 take the time to pull all that up. But your
11 testimony is that the Company is willing to do that;
12 is that correct?

13 A. Yes, sir.

14 Q. Okay.

15 A. Absolutely.

16 Q. All right. Let me see here. Just one second
17 as I go through my notes here. I want to make sure
18 that I did -- okay.

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

21 CHAIRMAN SCHMITT: Thank you.

22 Mr. Kurtz, cross-examination?

23 MR. KURTZ: Yes, sir. Very briefly.

24 * * *

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CROSS-EXAMINATION

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By Mr. Kurtz:

Q. Good morning, Mr. West.

A. Good morning.

Q. You are director of regulatory services for Kentucky Power; is that correct?

A. Yes, sir.

Q. In that role, do you regularly perform an analysis comparing Kentucky Power's rates to the rates of adjoining, neighboring utilities, for example, the East Kentucky co-op distribution utilities and/or KU or any of the other utilities in Kentucky?

MR. OVERSTREET: Mr. Kurtz and Mr. Chairman, there's a really bad feedback. It's almost like Tommy James & the Shondells doing Crimson and Clover, and we can't understand what Mr. Kurtz is saying.

CHAIRMAN SCHMITT: I think that's true. I don't -- I don't know, Mr. Kurtz, I guess there's an audio issue. I don't know if it's on your end or somewhere else.

MS. VINSEL: I think it's -- I think it's within Mr. Kurtz's office.

MS. GRUNDMANN: And I was actually going to

1 say that for me -- this is Carrie Grundmann. I
2 started hearing the feedback during Mr. Cook's
3 cross-examination, and it just got worse and -- with
4 Mr. Kurtz.

5 CHAIRMAN SCHMITT: Okay.

6 MS. VINSEL: Okay.

7 MR. KURTZ: I have the same setup as
8 yesterday, and there was no problem. Is --

9 A. Mr. Kurtz, if you could take another shot at
10 that question, I'll --

11 Q. I will. Is the feedback still there?

12 A. It's better. It seems to be better now.

13 Q. Okay. I have the same setup as yesterday, so
14 I don't think it's on my end, I don't think.

15 Do you perform on a regular basis, or
16 periodic basis, a comparison of Kentucky Power's
17 rates to the rates of the other utilities in
18 Kentucky?

19 A. I have not personally performed anything like
20 that. I -- although I have seen occasionally a
21 report on it. I believe EEI does some kind of a
22 comparison on an annual basis.

23 Q. I'm sorry. So you have seen those reports on
24 an annual basis? That would be fine. Is that what
25 you said?

1 A. I have seen one, yes. I didn't prepare it.
2 I think it might have been EEI, but I'm not certain
3 about that.

4 Q. Well, isn't EEI kind of a nationwide study?
5 I mean comparing your rates plus or minus the
6 environmental surcharge, plus or minus the FAC
7 decommissioning rider, system sales tracker, all
8 your riders bundled into one end result retail rate
9 versus the same analysis for the EKPC distribution
10 cooperatives that are adjacent to Kentucky Power
11 and/or KU in particular, those neighboring
12 utilities.

13 A. I understand now. Thank you for that
14 clarification. I have not prepared any of those
15 studies, no.

16 Q. Doesn't -- does management of Kentucky Power
17 not have interest in how your rates compare to your
18 neighbors?

19 A. I wouldn't say that we don't have any
20 interest in it. It certainly provides a data point,
21 but, you know, each utility is very different in how
22 they recover their costs and what their costs are.
23 So to that extent, you know, there are, you know,
24 understandable differences in the rates.

25 Q. Well, I certainly agree, but I would think as

1 a utility executive manager of rates, you'd like to
2 know how you stack up to your competitors, given of
3 all the differences where you're --

4 A. Well, I --

5 Q. -- (indiscernible) competitors, since it's
6 (indiscernible), your other regulated utilities in
7 Kentucky. Is there no such interest?

8 A. No, sir. I mean, I do have an interest in it
9 and the Company has an interest in it and I have
10 seen some numbers. I'm just saying that I don't
11 routinely prepare anything like that, but I have
12 seen some numbers. So I have a general
13 understanding of where those -- where we are against
14 some of the other utilities.

15 Q. Okay. That's great. Could I -- could I make
16 a first on-the-record data request for any analysis
17 that Kentucky Power has in its possession that
18 compares your rates to the rates of other utilities
19 in Kentucky? Could you provide that, Mr. West?

20 A. I'm certain that we can find something. I --
21 as I said, I didn't do it. I don't believe my staff
22 did either, but since I -- you know, I've seen some
23 numbers, certainly we can do that.

24 Q. Okay. I mean, you're in here asking for a
25 13 percent base rate increase. I think it's fair to

1 understand how your rates stack up to the other
2 utilities, given everybody understands every utility
3 has different cost structure, but still it's
4 probative, I think, to see how your rates are. So
5 you will -- you will provide that?

6 A. Yes, sir. Yes.

7 Q. Okay. Same question, but instead of rates,
8 reliability, how your reliability stacks up to the
9 other utilities with respect to SAIDI, safety, and
10 whatever other reliability metrics you use. Do you
11 perform that?

12 A. No, sir. Witness Phillips would have been
13 the better witness for that question.

14 Q. Have you seen -- if you don't perform it,
15 have you seen it?

16 A. I'm sure I've seen some numbers at some
17 point. I don't routinely sit in with Everett on his
18 meetings, so I can't even remember the last time I
19 would have seen anything like that.

20 Q. Okay. Could I make a data request of
21 Kentucky Power to provide that same comparison of
22 reliability metrics of Kentucky Power versus the
23 other utilities in Kentucky? Can you provide that,
24 Mr. West?

25 A. To the extent that the information is public,

1 I think we probably could. I know that there are
2 some benchmarking studies for organizations that
3 gather that kind of data. I would caution you on
4 comparing reliability data from company to company,
5 just because, you know, the differences in terrain
6 and forestation, things like that can have a big
7 difference where one company looks really, really
8 good and another one may not be as good. But you
9 need to take a lot of factors into consideration.
10 It's not simply just comparing a number to a number.

11 Q. I think that's fair. Certainly it would be
12 unfair to compare Kentucky Power's territory to
13 LG&E's, which is a much denser situation, but don't
14 you think it would be fair to compare Kentucky Power
15 to the EKPC distribution cooperatives that are
16 adjacent and have the same terrain?

17 A. Certainly I agree that we can provide the
18 information.

19 Q. Okay. Thank you.

20 MR. KURTZ: Your Honor, no more questions.

21 CHAIRMAN SCHMITT: Thank you. I assume that
22 you'll send written data requests, Mr. Kurtz,
23 correct, at the end of the case. As is our
24 practice, parties will have an opportunity to reduce
25 their data requests to writing, and I assume that's

1 what you intend to do, correct?

2 MR. KURTZ: Correct.

3 CHAIRMAN SCHMITT: Okay. Thank you.

4 All right. Ms. Grundmann, questions?

5 MS. GRUNDMANN: Yes, Your Honor. I think
6 I'll be relatively brief.

7 CROSS-EXAMINATION

8 By Ms. Grundmann:

9 Q. I have the last five minutes here to say good
10 morning, Mr. West, how are you?

11 A. I'm good. How are you?

12 Q. Doing well. I obviously just have a couple
13 of questions about your grid improvement rider.
14 Obviously you've had an opportunity to take a look
15 at the direct testimony of Lisa Perry that was filed
16 in this docket, correct?

17 A. It's been some time since I did look at it,
18 but I did at some point.

19 Q. You offered rebuttal testimony in response to
20 some of her testimony; isn't that correct?

21 A. Can you be specific in my rebuttal testimony?

22 Q. Correct. It begins on page R3.

23 A. You mean section 4, where I talk about the
24 grid modernization rider?

25 Q. That's correct.

1 A. Okay. What was your specific question on it?

2 Q. So you understand that Walmart opposes the
3 grid modernization rider; is that correct?

4 A. I believe that's correct, yes.

5 Q. Along with other intervening parties?

6 A. I understand that other intervening parties
7 are opposed to it, yes.

8 Q. Okay. And I just want to kind of go through
9 and make sure that I understand exactly what it is
10 that the Company is seeking here. So what you would
11 like the Commission to do is approve broadly this
12 rider that you are calling the grid modernization
13 rider, and you propose, for purposes of this
14 proceeding, that the Commission allow you to recover
15 costs associated with an AMI rollout and leave open
16 the possibility that future projects would also be
17 proposed for recovery through this grid
18 modernization rider. Is that an accurate reflection
19 of your proposal for this proceeding?

20 A. That's accurate. The first project is AMI,
21 so that's the only one that's on the table right
22 now --

23 Q. And you've covered --

24 A. -- but other --

25 Q. Sorry. Go ahead.

1 A. But, yes, other projects, the way that we're
2 envisioning it or proposing it to the Commission is
3 that in the annual true-up filings we could bring a
4 new project in and go through a review process with
5 the Commission. And they would have full control
6 over that. They could look at full transparency,
7 look at anything they want.

8 Q. No, I understand. My question really boils
9 down to: Can you point to me in the testimony,
10 whether it's in your direct, rebuttal, another
11 witness', where you have very clearly defined what
12 projects would be proposed for recovery through the
13 grid modernization rider?

14 A. Well, there is no -- at this point we
15 proposed AMI to start with, the first project.
16 Witness Phillips talked about, in general, that
17 there are some other grid modernization projects
18 that he would propose to do. You know, just off the
19 top of my head, DACR is one of them. It stands for
20 distribution automation circuit reconfiguration.
21 And I believe we do have some of that on some of our
22 circuits, but it needs to be expanded and put on
23 more circuits --

24 Q. Well, I --

25 A. -- so that would be an example of one.

1 Q. Well, I apologize. I think you and I are
2 sort of cross purposing it. I understand that
3 you're identifying specific items. What I'm trying
4 to understand is, from a broad level definitional
5 standard, how would any party understand what
6 projects they could expect to see in the future as
7 being within the scope of a grid modernization rider
8 and which projects are not within the scope, so that
9 we could have any comfort level that this doesn't
10 become a catchall for any project that the Company
11 wants to propose and receive rate recovery
12 immediately from customers, because -- so my
13 question, I'll ask it again, is: Where in the
14 record -- and so I'm asking you to point me to
15 somewhere in testimony, discovery, something that
16 has been filed in this case, where the Company has
17 defined the parameters of projects that are
18 appropriately within the scope of the grid
19 modernization rider.

20 A. Thank you for that. I understand your
21 question. I don't believe we defined that anywhere.
22 I don't remember any discovery response where we
23 defined all the parameters to it. What my proposal
24 would be is that we would work with the Commission
25 and the Staff on what projects would rightfully fall

1 within that such that it would not be a catchall, as
2 you describe. We would happily work with Staff.

3 Q. So I guess it's possible, then, that in
4 working with Staff and the Company, that you could
5 propose a project in a true-up, annual true-up
6 proceeding, that ultimately should be recovered
7 through base rates because it involves the provision
8 of safe and reliable service?

9 A. Well, let me answer your question this way:
10 There's a lot of projects that have a safe and
11 reliable service element to them. And I'm not
12 familiar with all the distribution projects that are
13 out there. I'm not an accountant, I'm not an
14 engineer, and I think that they probably all have
15 some kind of a safe and reliable benefit to them.
16 But again, we would propose the project to the -- to
17 the Commission at the annual filing and we would let
18 them decide.

19 Q. But you understand, don't you, Mr. West, that
20 there is a definite difference between the Company
21 investing capital that it needs to invest to provide
22 safe and reliable electric service and then to come
23 in to this Commission for a base rate case versus an
24 annual proceeding where you want immediate cost
25 recovery for a project? You understand that there's

1 a difference between those two mechanisms?

2 A. Yes, generally there's a difference.

3 Q. And so in terms of this grid modernization
4 rider, I think you've already identified that we
5 really don't have any parameters for what the line
6 is between projects that fall into the "We need to
7 provide safe and reliable service" and the projects
8 that would be part of modernizing the grid?

9 A. As I stated, I don't believe we defined those
10 parameters anywhere in the record, but we would
11 happily work with the Commission to develop them.

12 MS. GRUNDMANN: Thank you, Mr. West. I don't
13 have any further questions.

14 THE WITNESS: Thank you.

15 CHAIRMAN SCHMITT: Mr. Spenard, questions?

16 MR. SPENARD: Yes, Mr. Chairman.

17 CROSS-EXAMINATION

18 By Mr. Spenard:

19 Q. Good afternoon, Mr. West. Can you hear me?

20 A. Yes, I can.

21 Q. Okay. Thank you. And if there is any
22 difficulty hearing me, or alternatively, if you
23 don't understand a question, just let me know.

24 Okay?

25 A. Certainly.

1 Q. Okay. In terms of the application, you
2 prefiled testimony, and at page 3 of your testimony
3 in the application, among other things -- you
4 describe the purpose of your testimony and, among
5 other things, the purpose of your testimony includes
6 supporting the proposed increase in annual revenues,
7 and then also the year-one offset to approved rates;
8 is that correct?

9 A. That is correct.

10 Q. Okay. With regard to your prefiled
11 testimony, you describe the year-one offset to the
12 approved rates roughly pages -- on pages 6, 7, and
13 8; is that correct?

14 A. Yes, I believe it starts on page 5.

15 Q. Okay.

16 A. I'm sorry. I'm sorry. You're correct. Page
17 6.

18 Q. Okay. And with regard to section 2 of the
19 application, the filing requirements, Exhibit E, I'm
20 looking at the various tariffs that are proposed,
21 and your name is the name that is on the tariff.
22 The bottom of the tariff pages, issued by Brian K.
23 West. Your name is the name on those tariffs; is
24 that correct?

25 A. Yes, it is. As the director of regulatory

1 services, that is my name on the bottom.

2 Q. Okay. And in terms of the billing on a
3 going-forward basis, this is -- the bills that are
4 going to result as a consequence of this proceeding,
5 okay, there's going to be -- each customer will have
6 a total balance due, and that total balance due
7 comprises a variety of line item elements; is that
8 correct?

9 A. Yeah, it certainly does.

10 Q. Okay. And one of those line item elements
11 that's proposed is -- concerns the excess
12 unprotected ADIT?

13 A. Do you mean that there is a line item for
14 tariff FTC?

15 Q. Well, I'm looking, and I am trying to
16 avoid -- I'm trying to avoid too much of calling up
17 exhibits, but do you --

18 A. Sure.

19 Q. -- propose on the customer bill to have a
20 line item associated with the federal tax cut
21 credit?

22 A. No, and I tell you what, I'll give you the
23 general idea that I have and then Mr. Vaughan can
24 clean it up if I make any mistakes, but I believe
25 that what we are going to need to do is, whatever

1 rate increase would be approved in this case, those
2 rates would go into effect January 14th of '21, then
3 we would use the federal tax cut tariff to flow
4 credits back through such that there would be no
5 increase for the customer in year one.

6 Q. So in terms of the --

7 A. So it --

8 Q. Go ahead.

9 A. Well, I just think that the line item would
10 already be there, then, for the federal tax cut.

11 Q. Okay. Okay. So with regard to the -- with
12 regard to the tariff changes, the effective date for
13 the new rates will be -- on the tariff I'm looking
14 at, the effective date is for service rendered on or
15 after December 30th, 2020, and those bills would
16 roll in in January of 2021, correct?

17 A. Yes. As we filed the case, it was
18 December 30th, but we had a couple of deficiencies
19 that we had to clean up, so the Commission, I
20 believe, deemed it filed on -- I believe it was
21 around July 11th or 12th of this year, and then that
22 pushed the effective date for the rate out to
23 January 14th.

24 Q. Okay.

25 A. So I realize we have to clean up the bottom

1 of the tariff when we, you know, file them after the
2 case with the correct date.

3 Q. Sure. Now, with regard to January 14th,
4 2021, the service charge, the actual service charge
5 for the customer -- if your application is approved,
6 the actual service charge from the customer will
7 increase from \$14 to \$17.50; is that correct?

8 A. That's my understanding for residential, yes.
9 Witness Vaughan designed those rates, and --

10 Q. Well, and I appreciate you pointing out
11 that -- yes, that I'm -- I'm discussing Tariff R. --
12 R.S., the residential service, so I appreciate you
13 pointing that out. And if any of these questions
14 are more appropriate for Witness Vaughan, we'll
15 defer those to Witness Vaughan, but in that your
16 testimony is to support the year-one offset, I'd
17 like to at least see if these are your questions
18 before Mr. Vaughan testifies.

19 Do you understand where I'm coming from?

20 A. Oh -- oh, absolutely. Go right ahead.

21 Q. So let's look at the -- let's look at the
22 implementation for the new rates. You'll have a
23 service charge at \$17.50, and let's say a
24 hypothetical, you have a customer that uses one
25 kilowatt hour, and with that, under the proposed

1 rates, they would pay 12.265 cents for that kilowatt
2 hour under residential -- for residential service.
3 That's the proposal.

4 A. I think you need to save that question for
5 Witness Vaughan.

6 Q. Okay. Well, let's try this to see if -- and
7 I apologize, I just -- as between you and Witness
8 Vaughan, I'm not sure who's the best to field this.
9 But if you had a situation in which a customer's
10 bill under the proposed rates was, say, 17 dollars
11 62.265 cents, which would be the new rate, is the
12 offset designed such that the effect -- the customer
13 is going to be billed that amount, there will be
14 something on the bill that would say, yes, this is
15 what you would owe, but because of the year-one
16 offset, it would effectively be reduced down to the
17 amount they would pay under the current rates, which
18 is the \$14-a-month service charge and the \$9.81 per
19 kilowatt hour energy charge?

20 Are you trying to basically get the -- for
21 the year-one offset is to have it that the customer
22 usage, before the effective date of the new rates
23 and with the effective date of the new rates, it's
24 basically going to look the same for that portion of
25 the customer's bill?

1 A. Here's my understanding of it, and again,
2 Mr. Vaughan can help us out when he gets up here. I
3 try to think of it just real simple, I -- that
4 there's going to be -- there would be no increase.
5 It's a year-one -- it's an offset to what the
6 increase would have been.

7 So I'm not sure if there would be anything
8 else on the bill besides Tariff FTC. That's our
9 proposal would be to use that mechanism to credit
10 the customers such that there would be no increase
11 in the first year.

12 Q. Okay. And again, this may be appropriate for
13 Mr. Vaughan, but in terms of your understanding and
14 the -- there is at least a portion of the bill -- of
15 all the billing elements that go into the total
16 balance due from the customer, there is a portion of
17 the bill associated with the service charge which is
18 fixed and a portion of the bill associated with the
19 energy charge, correct?

20 A. That is correct.

21 Q. Okay. So in terms of that year-one offset,
22 is the year-one offset to -- if this is your --
23 within your field, is that year-one offset granular
24 such that not only would the amount that the
25 customer would pay stay the same, keep the --

1 basically defer the rate increase for a year, but is
2 it granular such that the customer -- the service
3 charge that that customer is going to be required to
4 pay would also stay the same, or is it -- is it
5 basically the customer with no usage is still going
6 to get billed that proposed \$17.50 to be offset down
7 to \$14?

8 A. At the -- at that kind of a granular level,
9 Witness Vaughan can answer that.

10 Q. Okay. And --

11 A. I apologize.

12 Q. -- I'm going to ask --

13 A. I apologize. I just don't have that kind of
14 detail.

15 Q. No, it's quite all right. It's -- there's no
16 apology necessary. It's quite -- quite all right.
17 We'll ask those questions to Mr. Vaughan. Let me --
18 but I think we can -- can maybe wrap this up with
19 you with just a couple of more questions with regard
20 to the excess unprotected ADIT. Okay.

21 Now, in terms of the Company's approach to
22 utilizing the excess unprotected ADIT, is any amount
23 of that -- is any of that amount that's going to be
24 used designed for the purpose of preserving the
25 current compensation rate for customers who will be

1 taking -- who are under the Net Metering Service II
2 Tariff, the new tariff that's coming in, is it -- is
3 the compensation rate completely divorced from any
4 application of the benefit of the excess unprotected
5 ADIT?

6 A. I'm sorry, sir, I do not know, but I'm sure
7 Mr. Vaughan does.

8 Q. Sure. And again, it's quite all right. And
9 at this stage, I appreciate your answers.

10 MR. SPENARD: And so with that, we'll have
11 some questions for Mr. Vaughan. Thank you so much,
12 Mr. West.

13 THE WITNESS: Thank you.

14 CHAIRMAN SCHMITT: Mr. FitzGerald, do you
15 have questions of this witness?

16 MR. FITZGERALD: I do, Mr. Chairman. I have
17 quite a few, though. Do you -- is it your --

18 CHAIRMAN SCHMITT: Well, that's what I was
19 going to ask.

20 MR. FITZGERALD: Is it your pleasure to go
21 ahead and break?

22 CHAIRMAN SCHMITT: I was going to ask. If
23 you --

24 MR. FITZGERALD: I'm sorry.

25 CHAIRMAN SCHMITT: When you -- if you said

1 yes, I was going to ask how extensive your
2 examination might be, because otherwise we can break
3 for lunch at this time and then come back. So I --

4 MR. FITZGERALD: I've got -- I've got -- I'm
5 sorry.

6 CHAIRMAN SCHMITT: Yeah, you've got a lot of
7 questions, or a number of questions, so let's just
8 take our lunch break now and come back at 1:15.

9 All right. We'll be in recess.

10 MR. FITZGERALD: That sounds like a plan.

11 Thank you, Mr. Chairman.

12 CHAIRMAN SCHMITT: We'll be in recess until
13 1:15.

14 (Recess began at 12:19 p.m.)

15 COMMISSIONER SCHMITT: We're back on the
16 record. Are the parties ready to continue?
17 Mr. Fitzgerald?

18 MR. OVERSTREET: Kentucky Power is, your
19 Honor.

20 COMMISSIONER SCHMITT: Okay. Mr. Fitzgerald?
21 There you are. Your turn to cross-examine Witness
22 West.

23 MR. FITZGERALD: Thank you, your Honor. And
24 I switched to a computer that was built within this
25 century, so hopefully things will be a little bit

1 better.

2 CROSS-EXAMINATION

3 By Mr. FitzGerald:

4 Q. Mr. West, I want to make sure you're the
5 right person to ask these questions.

6 So let me first -- you and Mr. Blankenship
7 were listed as witnesses on AMI.

8 Are you comfortable answering some questions
9 about AMI for me?

10 A. I apologize. I had the mic off.

11 Yes, sir.

12 Q. Okay. Wonderful. And you and Mr. Vaughan
13 were both listed as witnesses concerning the grid
14 modernization.

15 Is it to you or to Mr. Vaughan that I should
16 direct questions about the method of cost recovery,
17 the use of a rider rather than folding it into a
18 base rate case and what those impacts will be in
19 terms of the rates for customers?

20 Is that Mr. Vaughan's area?

21 A. Well, to the first part, I believe I can
22 answer that.

23 MR. FITZGERALD: Excuse me. My co-counsel is
24 making a --

25 THE WITNESS: Sure.

1 COMMISSIONER SCHMITT: I've had law partners
2 like that, Mr. Fitzgerald. That -- I know the
3 problem.

4 MR. FITZGERALD: Sorry, Mr. Chairman. Dog is
5 my co-pilot over here, and he's being a little loud.

6 BY MR. FITZGERALD:

7 Q. So, okay. Back to -- should I ask
8 Mr. Vaughan or you about the rate and design of the
9 new net metering tariff?

10 A. Mr. Vaughan for the net metering tariff, sir.

11 Q. Okay. Great. And what about the voluntary
12 T-O day -- time of day tariff and the proposed
13 changes on that? Is that Mr. Vaughan also?

14 A. Yes.

15 Q. Okay. And then finally, the declining block
16 rate and the costs and benefits of Flex Pay. Is
17 that for you or is that something I should direct to
18 Mr. Vaughan?

19 A. The first part to Mr. Vaughan and Flex Pay to
20 me.

21 Q. Okay. Okay. Wonderful. Wonderful. Okay.

22 So let's get started, if we could. Under the
23 grid modernization rider -- and you said you're okay
24 answering questions on that?

25 A. Yes, sir.

1 Q. Okay. And if there's some that you're not
2 comfortable with, let's kick them over to
3 Mr. Vaughan, okay? He's like -- he's batting
4 clean-up here, apparently.

5 So under the proposed rider, will a customer
6 pay for the installation and deployment of the AMI
7 infrastructure before they have one installed in
8 their own residence, potentially?

9 A. Yes. The per meter charge would start at the
10 time that we start the implementation of the meters.

11 Q. Okay. So is it possible, then, that a
12 customer will have to pay for that infrastructure
13 for up to several years while seeing no direct
14 benefits?

15 A. It's possible, but those customers will still
16 get those benefits when the meters are installed.

17 Q. Okay. And are there indirect benefits that
18 they will accrue before they actually have their own
19 meter?

20 A. Are there indirect -- could you be more
21 specific about that?

22 Q. Yeah. Well, are there -- the improvement in
23 the grid overall, does that benefit a customer who
24 doesn't yet have a meter?

25 A. I think any improvement to the grid overall

1 would benefit our customers, yes.

2 Q. Okay. And that should be considered in your
3 estimation in determining the value of this
4 technology?

5 A. Considered in the value? What do you mean
6 exactly by that?

7 Q. Well, what I mean is there's -- there's a
8 suggestion -- or there's system-wide benefits, you
9 think, from deploying the technology?

10 A. There will be reliability benefits,
11 certainly, I think Mr. Blankenship talked about
12 those this morning.

13 Q. Okay. And you think those should be
14 considered?

15 A. Well, when you say "considered," what --

16 Q. Well, in terms of the Commission determining
17 what the value of this technology will be.

18 A. I think the Commission will look favorably on
19 any improvement in reliability on Kentucky Power's
20 system, and I think our customers will look
21 favorably on that too.

22 Q. Okay. And am I correct that the ability to
23 cover cost more quickly under a rider is a financial
24 benefit to the company?

25 A. More concurrent recovery reduces regulatory

1 lag, sure.

2 Q. Okay.

3 A. In this case, it -- it is -- it's an
4 alternate mechanism to help the company with cash
5 flow. I believe some of our other witnesses have
6 talked about the deferrals that were approved in the
7 2017 case, and that that's, you know, put a strain
8 on some of the company's metrics, and one of those
9 was cash flow.

10 And that's one of the benefits of the -- of a
11 grid modernization rider as we proposed is that it
12 can help with more concurrent recovery and cash
13 flow.

14 Q. Okay. And that, in turn, is requiring more
15 payment by ratepayers more quickly; is that correct?

16 A. Well, what it does is -- is -- you know,
17 every time we have a rate case, you know, there's
18 usually, you know, a larger spike, you know, when we
19 come in for a rate case, and say that's every three
20 years, every four years, something like that.
21 What a rider has the benefit of being able to do is
22 smooth out some of those increases where you may
23 have a smaller increase each year, a smaller
24 increase each year, and over time, the customers can
25 absorb that easier than a large spike. Does that

1 make sense?

2 Q. Yeah. It does. But I'm wondering: If you
3 depreciate the asset over its useful life, are you
4 going to see a large spike?

5 A. If we depreciate the asset over its useful
6 life --

7 Q. Right. You amortize the value and that you
8 charge over a more extended period of time. You're
9 not going to see really a spike, are you?

10 A. So are you -- are you asking if the recovery
11 period -- the implementation period of four years
12 for the GMR, are you asking if -- if it would be
13 over the whole life of the asset, if that would be
14 less of an impact?

15 Q. Uh-huh. Less of a spike.

16 A. I think if you do the math on it, yeah, it
17 would be less of a spike.

18 Q. Okay.

19 A. But still, the assets will be depreciated
20 over their useful life.

21 Q. Right. But they're going to be paid for
22 within the first four years, even though they have a
23 useful life of 15?

24 A. I'm not -- not certain about that,
25 Mr. Fitzgerald. Mr. Vaughan could help answer that

1 question, I think.

2 Q. Okay. That's -- that's what we'll do.

3 The -- do you know whether the math has been
4 done that the company will receive sufficient
5 benefits from AMI to eventually cover the costs for
6 deploying it?

7 A. Well, when you're looking at obsolete
8 technology and as -- and I know I'll repeat some of
9 these things, but Mr. Blankenship mentioned seven
10 years, 75 percent of them are at their useful -- end
11 of their useful life and 10 percent failure life.
12 When you're looking at technology like that, it's
13 really not particularly useful to spend the money to
14 hire a consultant to do a cost-benefit analysis on
15 it when the answer is "you need to replace this and
16 we need to find what the least cost alternative to
17 replace it is."

18 So I -- in this scenario, I think it was far
19 more prudent not to spend money on a cost-benefit
20 analysis when we already know the answer. The
21 answer is the least cost alternative, and that's an
22 implementation of AMI. And that brings all the
23 other benefits with it. It's like the icing on the
24 cake, you know, all the benefits of AMI.

25 Q. Well, I guess I'm more wondering: When you

1 have budgetary constraints the way that your
2 customers do, whether replacing the existing
3 generation of meters with a -- let's say, you know,
4 a good, competent car that will get you from here to
5 there rather than a Cadillac might be more prudent.

6 Now, you said the least cost alternative is
7 deployment of AMI, but the testimony earlier was you
8 could deploy the next generation of SCM plus AMR
9 meters for about 15 million less and defer the
10 installation of AMI to the next generation of
11 meters.

12 A. Well, what my understanding was of
13 Mr. Blankenship's testimony was that you've got --
14 you have a situation where, yes, the \$22 million
15 would be the estimated cost to go to the SCM plus
16 platform, but you're looking at one manufacturer in
17 the country that even makes that meter, and I
18 believe Mr. Blankenship also said that there are no
19 current manufacturers making the meters that we are
20 currently using.

21 Q. Right.

22 A. So much -- much like electromechanical
23 meters, nobody makes those anymore. You know, the
24 industry standard moved to AMR, and then now the
25 industry standard has moved to AMI, and it's only a

1 matter of time before that one manufacturer decides,
2 "Hey, we're out of the game now. We're all AMI.
3 That's the industry standard."

4 And what -- what Mr. Blake was saying is that
5 I would have to spend \$22 million, and then at an
6 indeterminant period, I've got to spend \$37 million
7 then to go to AMI, and that's far more expensive
8 than just doing AMI right now.

9 Q. Now, you say an indeterminant period. The
10 AMR meters have a warranted life and a useful life
11 of about 15 years, don't they, and a warranty life
12 of less but a useful life of 15?

13 A. Well, I assume so. But I guess what I'm
14 trying to say is there's a big risk of putting all
15 your eggs in the basket of one manufacturer, and you
16 don't know when they're going to start -- stop
17 making those.

18 I think that the prudent thing to do is
19 consider very heavily that risk.

20 Q. And I -- I appreciate that that's what the
21 company thinks is prudent, absent a cost-benefit
22 analysis, but I guess what I'm wondering is: The
23 -- well, let's just leave it. Let's leave it at
24 that. I think you've made your point, and hopefully
25 that continues to enlighten us.

1 Let's switch -- well, let me just ask this to
2 wrap up this section. Given that the company has
3 yet to identify a technology, which presumably will
4 be a technology from one vendor, ultimately, and
5 there is no hard cost that has been quantified and
6 there's no demonstration that the actual benefits
7 anticipated actually exceed the cost -- given all of
8 that, don't you think it's more appropriate from a
9 Commission standpoint for the company to select the
10 technology, deploy it, and seek to recover those
11 costs over the useful life of the assets in future
12 rate cases when they're actually used and useful and
13 when the prudence of that investment can be
14 defended?

15 A. I think the way that I would answer that is
16 that at the time now -- Mr. Blankenship, I'm sure,
17 talked about that -- that we're at a crossroads here
18 where we have to do something. I don't believe we
19 can wait any longer. We must make a decision now on
20 this situation.

21 And as far as the -- I believe you -- you said
22 we were looking at two technologies, right? That's
23 what Mr. Blankenship had testified to?

24 Q. Right.

25 A. And the AEP system has over 2.3 million AMI

1 meters. We know, pretty much, what these estimates
2 are. Okay? Yes, we're working with those two
3 vendors to get estimates, but it's not like we've
4 never done this before. And all of the benefits
5 that we talk about in our testimony, whether it's
6 Ms. Wiseman or myself or -- or Mr. Blankenship,
7 these are benefits that we've seen in all of our
8 jurisdictions that currently deploy AMI.

9 So I would disagree with -- with the way you
10 said that. I think that we -- we do know the
11 benefits, and I think we do have a good handle on
12 the costs.

13 Q. Okay. Well, given that, you've got the
14 experience of other companies within the AEP family;
15 is that correct?

16 A. That's correct.

17 Q. Okay. Do you know whether they got approval
18 from their respective commissions without a
19 cost-benefit analysis and whether they got approval
20 as a rider as opposed to in base rate recovery?

21 A. Honestly, I'm -- I'm not familiar with how
22 the other companies did that.

23 Q. Okay. Well, thank you.

24 And I don't mean to put too fine a point on
25 this, Mr. West, but isn't the company, in essence,

1 seeking a blank check from the ratepayers' accounts
2 for a future shopping trip?

3 A. Are you referring to our AMI proposal?

4 Q. Yeah.

5 A. Not -- I don't think I would think about it
6 that way. We have -- as I said, we've got to make a
7 decision. We need to do something. And
8 Mr. Blankenship and his team have done everything
9 they can to get the estimate as accurate as possible
10 from these two technologies.

11 And I believe he explained that, you know,
12 there were a couple other companies in -- in the AEP
13 system that were looking at some of these
14 technologies too, and part of the reason for that is
15 we want to make sure that we get the -- the best --
16 the best system for the money and what's going to
17 work best for Kentucky Power.

18 So we're -- we're working with those two
19 companies to get the -- the best estimates possible.
20 Does that answer your question?

21 Q. Yeah. That's fine. Let's switch gears. And
22 that's a fair response.

23 Let me ask: Is it fair to state that the
24 reason that Kentucky Power is here in this rate case
25 is primarily because it hasn't been able to realize

1 the allowed rate of return from the last rate case?

2 A. I would say that -- that it's two-fold.

3 In Mr. Mattison's testimony, certainly there's a
4 table of earned ROEs, and they continue down and
5 down and down.

6 So those -- those numbers are -- are a reason
7 that we're in for this rate case. But we're also
8 here for our customers. You know, I had -- my
9 career started out in customer service 30 years ago,
10 and I worked in, oh, probably 12 -- about 10, 12
11 years in customer service, so I learned a lot
12 working with customers. That's what we're in the
13 business for here.

14 So I would say that we're here for the
15 company, but we're here for the customers too. And
16 with -- with AMI and the critical situation we're in
17 around, you know, our AMR system and needing to do
18 something, there's just such a host of benefits that
19 AMI can offer customers and the Flex Pay program
20 along with it, that we think this is -- this is the
21 right thing to do for customers.

22 Q. Okay. Is the reason for the decline of -- or
23 the -- of the inability to achieve the allowed rate
24 of return -- my understanding of Mr. Mattison's
25 testimony and the other witnesses' is that it's a

1 loss of industrial customers, decline in the coal
2 market spurred by natural gas and renewables, and an
3 overall loss of customers due to out-migration as
4 well as a decline in per capita demand. Is that
5 correct?

6 A. I don't have Mr. Mattison's testimony in
7 front of me presently, but I do believe that those
8 were some of the ones that were listed, yes.

9 Q. Okay. And as the proposal, as I understand
10 it, is to increase the allowable ROE, according to
11 the Witness McKenzie's -- Mr. McKenzie's testimony
12 is that a higher ROE is necessary to attract
13 investment.

14 Is that -- do you concur with that?

15 A. Did you say to attract investments?

16 Q. Yeah. Investment in the company.

17 A. Yeah. In general, you know, as an investor,
18 I think you want to invest in a strong company, a
19 company that shows that -- that they can earn a fair
20 return. So I -- I think that's fair.

21 Q. Okay. So the effect of this from the
22 ratepayers' standpoint is that they are going to be
23 footing a higher bill with higher rates, higher
24 allowable rate of return while using less
25 electricity; is that correct?

1 A. I don't know that they'll be using less
2 electricity. That having more information available
3 to them, as we've discussed with AMI, certainly
4 provides our customers the opportunity to engage
5 more in -- in their bill and control it more. But
6 I'm -- I apologize. I don't feel like I'm answering
7 your question.

8 Q. That's okay.

9 A. Okay.

10 Q. No. That's fine. That's fine.

11 What -- have you figured -- or has -- or this
12 -- would this be for Mr. Vaughan?

13 What do you anticipate the effect will be of
14 increased rates and deployment of AMI through the
15 rider of residential customers?

16 What will their reaction be?

17 Will they use more?

18 Will they use less?

19 A. I think the customers will -- will have the
20 opportunity, again, with -- with the integral data
21 to engage and identify where -- where their usage is
22 at, really. You know?

23 The way I think about it is you have a
24 situation right now where you really don't know what
25 -- what you're using on a daily basis until you get

1 your bill, and that's one reading a month. Right?
2 AMI has the ability to notify you when you have a
3 high bill. I mean, if -- if it's higher by, you
4 know, so much over the day before, and you know, one
5 of the things that I think is great about that is --
6 and I used to -- I used to run into this back --
7 back early in my career, where a customer would
8 install a heat pump, is the example I can think of,
9 and for some reason it -- it malfunctioned, and the
10 customer didn't know it was malfunctioning until
11 they got their bill and, you know, it was like \$800.

12 And that's just the example. I can't remember
13 what it actually was, but it was a high bill. And
14 when you have -- have the technology like AMI that
15 can identify those things and alert you, you know,
16 within a day or two that, hey, you've got a problem,
17 you can save that customer a lot of headache with
18 that kind of power.

19 Q. Okay. Leaving aside the opportunity by
20 getting more realtime data to determine if your
21 equipment is malfunctioning, do you anticipate that
22 having access to this data which was described by
23 Mr. Blankenship as empowering the customer, what --
24 what benefit is that information to them unless they
25 are going to try to -- to modify or reduce their

1 consumption in response to it?

2 A. Well, I think that that is the benefit, is it
3 provides them the opportunity to do it, where
4 they --

5 Q. Okay.

6 A. -- don't have that now.

7 Q. Okay.

8 A. Okay.

9 Q. That's what I was trying to -- to get a sense
10 of.

11 In the current state of affairs for Kentucky
12 Power, how is it sustainable that we are going to
13 possibly increase meter charges, increase energy
14 charges, and put a grid modernization rider on top
15 of that that is going to potentially cause less
16 consumption, how is that sustainable for the
17 customer when the reason we're here in the first
18 place is because of declining sales and lower usage?

19 A. Would you care to ask that one more time,
20 sir?

21 Q. No. Don't worry about it. Let's just let
22 that go. Let me --

23 A. Okay.

24 Q. -- just ask one more question on rate, and
25 this may be something for Mr. Vaughan.