

1 challenging the PJM procedures and the -- and the
2 mechanisms, or what the AEP transmission group is
3 doing? I just want to make sure that I am clear.

4 Q. Challenging what the AEP transmission group
5 has -- is doing.

6 A. Well, one thing I want to say is our team at
7 Kentucky Power meets with the AEP transmission team
8 at a minimum on a quarterly basis to look at
9 projects that are actually active, that are being
10 constructed, and those that are in the pipeline, and
11 I attend the bulk of those meetings.

12 I don't attend 100 percent of those meetings,
13 but I do have designees or representatives there
14 from our finance, our regulatory team, our
15 distribution operations team, and we work jointly
16 together, and we keep each other apprised of where
17 we are, statuses, what's impending, ones that may be
18 coming down from PJM that are required, et cetera.

19 So we do work to ensure that we're getting
20 what I would call the best value for the dollar
21 expended.

22 Q. Okay. Let me -- let me come back at it on a
23 little more simple basis. We're not talking about
24 baseline projects here.

25 As you know, one of the issues that's been

1 raised in this proceeding has to do with the
2 transmission expenses for transmission investment in
3 Kentucky Power affiliate entities.

4 So the question is, and I think the answer is
5 probably no here: Have you ever challenged any of
6 the affiliate -- the transmission company's annual
7 updates and annual projections?

8 A. Not with the affiliates. No, I have not.

9 MS. VINSEL: Staff has no further questions.

10 CHAIRMAN SCHMITT: Counsel for the Office of
11 Attorney General have any questions?

12 MR. WEST: No, your Honor.

13 CHAIRMAN SCHMITT: Mr. Kurtz,
14 cross-examination? Mr. Kurtz, can you hear? We'll
15 come back to Mr. Kurtz.

16 Ms. Grundmann, on behalf of Walmart, any
17 questions.

18 MS. GRUNDMANN: I do, briefly, your Honor.

19 CROSS-EXAMINATION

20 By Ms. Grundmann:

21 Q. I just wanted to follow up -- good afternoon,
22 Mr. Mattison. I just wanted to follow up on one of
23 the statements you made yesterday either in response
24 to a Commissioner question or on redirect.

25 I think you made a statement -- it was in

1 response to a question from Commissioner Matthews,
2 that it's hard to compete when you have such a low
3 ROE.

4 Was that -- was the context for that
5 statement, not your allowed ROE, but your actual
6 ROE?

7 A. It would be in reference to where the company
8 is performing currently, not our authorized ROE.

9 Q. And so I want to run sort of a hypothetical
10 by you. I understand your testimony and testimony
11 from some of the other witnesses is that one of the
12 primary issues that you need to come in in a rate
13 case is really the loss of load in your territory;
14 is that fair?

15 A. Well, that is one of the factors.

16 Q. Okay. Are there other factors that you would
17 say are as important as that one?

18 A. Well, when you -- when you look at the
19 overall financials of the company, I would call it
20 the financial health of the company, ROE is a
21 factor. It's fairly obvious that load has decreased
22 in our territory. That is a factor.

23 Also, it's been three years that we've been
24 in for a rate case, so naturally expenses have
25 increased as well, some of those through

1 contractors, et cetera, but we've also done a very
2 good job of decreasing O&M expenses.

3 So -- and I mentioned this yesterday as well:
4 Had we not had the three-year stay-out, we would
5 have come in sooner. Whenever, you know, an
6 electric utility, an investor-owned utility that is
7 also regulated by the Public Service Commission
8 looks at a sustained -- and I'll go back to my
9 rebuttal, a sustained ROE that we've been unable to
10 achieve the authorized over the last three years,
11 starting, I believe it was in September -- September
12 of -- October of this year, September of this year,
13 back to -- beginning in '18, that Table 3 shows the
14 actually achieved ROE, it necessitates coming in to
15 have a base rate case because --

16 Q. Mr. Mattison, I apologize. I don't mean to
17 cut you off. I just feel like we're just getting a
18 little off track.

19 My question just really is: Is there
20 something -- and you identified the fact that you
21 had the mandatory stay-out.

22 Is there something other than the mandatory
23 stay-out and the loss of load that has sort of
24 placed you in this position where your actual ROE
25 has been so low? It also sounds like you identified

1 some increased cost.

2 Is there anything else?

3 A. There's a multitude of factors.

4 Q. Okay. So I guess just taking a look at your
5 rebuttal testimony on page R3, and I am happy to
6 read it, but you indicate that despite your prudent
7 management of its operations and continuing economic
8 development efforts within the service territory and
9 then described by direct testimony, customer counts,
10 load, and electricity sales continued to decline.

11 And so those are some of the items that
12 you're talking about affecting the company, correct?

13 A. Absolutely, those and the fact of the loss of
14 load and the postponement of some economic
15 development opportunities and various things, yes.

16 Q. So one of the things I want to ask sort of in
17 a hypothetical is: If we didn't factor in any of
18 your other costs, if we took the costs that had
19 existed in your last rate case and could reapportion
20 those based upon the load that you have today, do
21 you have any concept as to where your earnings would
22 be?

23 A. Not in a hypothetical sense, but
24 hypothetically had we not lost AK Steel, Bellefonte
25 Hospital and a lot of other coal load, we wouldn't

1 be in for a rate case today.

2 Q. Okay. And so with that being true, truly
3 just being able to go in and just reapportion your
4 costs based upon the load that you have is going to
5 significantly alter the financial metrics of the
6 company without adjusting the OATT tracker or
7 increasing the ROE; isn't that true?

8 A. Sure, it would.

9 Q. Okay. And you don't have any concept as to
10 that one item standing alone, how that would change
11 the metrics of the company?

12 A. No. We have not done any analysis on that.

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

15 CHAIRMAN SCHMITT: Thank you. Mr. Spenard,
16 Mr. Strobo, on behalf of Kentucky Solar, any
17 cross-examination?

18 MR. STROBO: No, Mr. Chairman.

19 CHAIRMAN SCHMITT: Mr. Fitzgerald, any
20 cross-examination?

21 MR. FITZGERALD: No, Mr. Chairman. Thank you
22 very much.

23 CHAIRMAN SCHMITT: Any questions, Sierra
24 Club, Mr. Miller?

25 MR. MILLER: Thank you, Mr. Chairman. I do

1 have just a few questions if it's all right
2 following up on Mr. Chandler.

3 CROSS-EXAMINATION

4 By Mr. Miller:

5 Q. Hi there, Mr. Mattison. My name is Matt
6 Miller on behalf of Sierra Club. How are you?

7 A. I'm good, Mr. Miller. Thank you.

8 Q. Good. I just want to -- I have a couple of
9 follow-up questions for clarity based on some
10 inquiry yesterday. Commissioner Chandler and
11 Commissioner Matthews, each asked you about the
12 company's continued projection to 2040 as the
13 retirement date for the Mitchell plant.

14 Do you recall that, sir?

15 A. Yes. I do.

16 Q. And you indicated in part that KPC would soon
17 be filing a case with PSC here seeking approval of a
18 particular plan to comply with the effluent
19 limitation guidelines or PLGs and CCR rule; is that
20 right?

21 A. That is correct. November 30 is when we'd
22 have to file that, and then subsequently we'd be
23 coming in to the Commission within plan.

24 Q. Thanks. And that touches on one of my
25 questions.

1 Do you have a rough guess as to when you had
2 initiated that document with PSC as opposed to the
3 EPA filing?

4 A. I don't have that exact, but I would say
5 within the first five months of the year, somewhere
6 in that timeframe.

7 Q. All right. And I assume you and the company
8 are aware of the provisions, final orders, and the
9 analogous documents for KU and LG&E; is that
10 correct?

11 A. What are you referring to?

12 Q. Oh, the Kentucky Utility Company and
13 Louisville Gas and Electric filed a companion pair
14 of dockets that -- quasi CPCNs that were analogous
15 to what it sounds like KPC is going to initiate.

16 I was just asking if you're aware of those
17 documents and the Commission's final order in those
18 cases?

19 A. I have not read those dockets.

20 Q. Very well. Commissioner Matthews asked you
21 about the consistency of AEP's 80 percent carbon
22 reduction pledge and carbon neutrality aspiration,
23 asking in part if there wasn't some risk that
24 Mitchell might not make it to 2040 in light of those
25 stated goals and asked you about how you were -- how

1 the company is factoring that in.

2 Do you recall that line, sir?

3 A. Yes, I do, and I want to clarify something.

4 I had a date wrong. She asked about -- Commissioner
5 Matthews asked about when did that baseline begin,
6 and I said I believe 2012. It was actually the year
7 2000. And in 2030, I believe it's 70 percent. In
8 2050 is 80 percent and an aspirational goal of zero
9 by 2050. I just wanted to clarify that. But I do
10 remember that question.

11 Q. No. That's helpful. Great. Thank you.

12 I believe you responded in part that the
13 company was taking the step of complying with ELG
14 and CCR rule.

15 But just so that the record is clear, you
16 would agree that compliance with those environmental
17 regulations is not necessarily a reduction of carbon
18 pollution -- or carbon emissions. Is that -- would
19 you agree with that?

20 A. Well, I'm not an environmental expert, but I
21 know that we have the ability to file for CCR and
22 ELG, which is what we're doing, which allows us the
23 ability to operate, maintain, and run that plant.

24 But to get in particulars about the
25 environmental issues, I don't even know if it would

1 be Tim Kerns in this case as our generation expert.
2 We may have to ask somebody else, but
3 that's -- that's the depth of my knowledge.

4 Q. I can appreciate that. And I don't want to
5 get too far into it, and we'll have that docket.

6 Are you aware, though, that the -- the other
7 option would be to pledge to retire the units as
8 coal-fired units by the end of 2028, and that
9 would -- that would save the company the need to
10 spend on capital upgrades and to keep the units
11 coal-fired in compliance.

12 Are you aware that that is roughly speaking
13 the other option?

14 A. Well, I mean, I would think that would be an
15 option for various, you know, coal-burning plants.
16 But in this particular one, that's not what we're
17 choosing to do.

18 Q. I understand. My last question, I guess, is
19 just to confirm: Would you agree that with respect
20 to the company's carbon emissions reduction goals,
21 keeping units coal-fired is the least of -- will be
22 the option that least enables the company to reach
23 those goals when compared with a gas conversion or a
24 retirement and replacement with renewable energies?

25 A. I don't know that I would agree with that

1 context because we're talking about looking at the
2 overall AEP footprint, and it may, in some areas,
3 continue to run a coal-fired generator in compliance
4 with environmental laws and mandates, and in others
5 it may be cost prohibitive to do that so you shut
6 that plant down.

7 But we're not just talking about the piece of
8 Kentucky Power's Mitchell plant. We're talking
9 about -- the overall AEP generation fleet are those
10 goals that I laid out earlier, not just Kentucky
11 Power's.

12 Q. I understand that. I appreciate that.

13 Would you agree that in a vacuum for a given
14 plant, keeping it coal-fired will be the -- would
15 emit more carbon emissions than converting it to
16 gas-fired or retiring it and replacing it with a
17 clean portfolio?

18 A. Is this a hypothetical question?

19 Q. Well, it -- it's a question in regards to the
20 Mitchell plant in isolation.

21 A. Well, again, I'll answer the same way. As
22 long as there are environmental mandates and rules
23 that we can comply with, that's what we'll do. So
24 that would be the answer to your question, from my
25 perspective.

1 Q. And you don't -- can you say in a vacuum
2 whether keeping a plant coal-fired results in
3 greater carbon emissions than a gas-fired plant or a
4 renewable energy portfolio?

5 MS. BLEND: May I just clarify? Are
6 you -- is counsel asking Mr. Mattison to assume that
7 the three different types of facilities identified
8 are all dispatching the same amount and running the
9 same amount?

10 Q. Yes. To provide the amount of power and
11 capacity that the Mitchell plant would?

12 A. Well, I'll just be candid. I struggle to
13 answer a question that's in a vacuum because that's
14 not how the system works. Again, those corporate
15 reduction goals are total for AEP, not just Kentucky
16 Power, not Indiana, Michigan, but AEP as a whole.

17 Q. Thank you. I understand. I'll leave it
18 there. I just had wanted to clarify. It sounded
19 like you answered Commissioner Matthew's questions
20 about carbon reduction goals by saying that the
21 company would comply with the ELGs and CCR rule.

22 And I just wanted to establish that do not
23 bear on the plant's carbon emissions. Would you
24 agree with that?

25 A. Again, it is what we're doing with the

1 Mitchell plant, and the AEP goals are looking at the
2 overall generation footprint that we have on the
3 entire system, not just the Mitchell plant.

4 Q. Thank you, sir. I appreciate that.

5 MR. MILLER: And I have no further questions.

6 CHAIRMAN SCHMITT: Mr. Frye, any questions?

7 MR. FRYE: No questions, your Honor.

8 CHAIRMAN SCHMITT: Once again, Mr. Kurtz, are
9 you there?

10 MR. KURTZ: Thank you, Mr. Chairman. I
11 apologize, I had to take a kind of emergency phone
12 call. Can I just ask one question about the
13 Mitchell facility?

14 CHAIRMAN SCHMITT: Sure, you can ask as many
15 questions as you want.

16 CROSS-EXAMINATION

17 By Mr. Kurtz:

18 Q. Good afternoon, Mr. Mattison.

19 One thing that occurred to me on this ELG and
20 CCR issue that's going on, the decision will have to
21 be made on Mitchell soon I guess.

22 What happens if in Kentucky the decision is
23 go ahead with the capital expenditure but the
24 decision in West Virginia is not, or vice versa: in
25 West Virginia they say go ahead and spend money on

1 the plant and the Kentucky Commission says -- says
2 no. What do you do with your co-owner?

3 A. Well, I think that's a very good question, if
4 that, you know, actually occurs, because, as you
5 mentioned, we're joint owners with Appalachian Power
6 Company, and Kentucky Power actually operates the
7 plant.

8 So if we made a filing, like I said, after
9 the first five months of the new year, and it was
10 rejected by Kentucky and approved by Appalachian,
11 then we're going to have to back up and huddle and
12 figure out what we would do.

13 And I don't have the exact answer to what
14 that would be, but we would definitely have to
15 figure that out for sure.

16 MR. KURTZ: Chairman, I don't have any more
17 questions.

18 CHAIRMAN SCHMITT: Okay. Thank you. Vice
19 Chairman Chandler?

20 VICE CHAIRMAN CHANDLER: Thank you, Chairman.
21 Mr. Mattison, can you hear me?

22 THE WITNESS: I can hear you fine.

23 EXAMINATION

24 By Vice Chairman Chandler:

25 Q. Good afternoon.

1 A. Good afternoon.

2 Q. As I understand it, there have been concerns
3 around the AK Steel plant for a while around its
4 closure, maybe even back to 2015 and 2016.

5 When did you arrive at Kentucky Power?

6 A. I arrived officially on the job on January
7 the 1st of 2019.

8 Q. Okay. And you would agree the loss of AK
9 Steel, in addition to the significant number of
10 coveted jobs, good-paying jobs in that area, it was
11 also a significant loss to your load, right?

12 A. Yes.

13 Q. Yeah. So what has the company done in
14 response to that loss of load in an attempt to
15 mitigate the loss of load?

16 A. Well, we've tried to manage our financials as
17 best we could. I mentioned some things yesterday
18 about reducing some contractor expense, bending that
19 O&M curve. We've done that at Kentucky Power, and
20 still yet we continue to have the health or the
21 finances of the company not perform as they need to.

22 So one of the things that we're doing is
23 being here at this rate case, is filing a base rate
24 case, because we've got to have a healthy company to
25 be able to -- as you know, Vice Chair, the role of

1 the Commission is to ensure that the customers'
2 behalf and reliability and needs are met, but it's
3 also for the company as well, and we're utilizing
4 that tool. That's why we're here.

5 Q. Yeah, but I guess I'm -- specific to AK
6 steel, I guess what I'm asking: Has the company
7 done anything specific to mitigate that loss of
8 load, that you can think of that's specific to that
9 loss of load?

10 A. Well, we're continuing to work through on
11 economic development. Cleveland Cliffs actually
12 purchased AK Steel. We've met with them, and there
13 was a time that everyone thought, including
14 Cleveland Cliffs, that there was a furnace there
15 called the Amanda Furnace, and it was offline -- in
16 2015 is when it went offline.

17 Once they purchased it and we actually talked
18 with their CFO and their CEO, they thought they
19 would be able to go in and restart that Amanda
20 Furnace. There was hope in the area, hope in the
21 community, hope from some of those workers that had
22 been laid off.

23 But once they got into what I would call the
24 intricacies of that Amanda Furnace, they thought
25 that it would be cost-prohibitive to do that, and

1 then unfortunately they made an announcement that
2 they probably would not be firing up any of those
3 facilities.

4 So we've worked with them through that.
5 We're still working on economic development. We've
6 got several in the pipeline. I mentioned yesterday
7 I met with a significant prospect yesterday morning
8 before -- or Monday morning before the case began on
9 Tuesday.

10 So we're reducing costs. We're holding
11 vacancies. We're doing everything that we can.
12 However, that loss has been significant since our
13 last rate case.

14 Q. And certainly regretful to hear that about
15 the -- the anticipation for the reopening for that
16 facility.

17 Switching gears, you've heard the
18 questions -- you've heard the questions around the
19 differentiation, I guess, between the investments in
20 transmission at -- at transmission company level and
21 at the different operating companies' level the last
22 two days, right, Mr. Mattison?

23 A. Correct.

24 Q. Yeah. And do you remember us looking
25 yesterday -- or Mr. Satterwhite, when he was

1 testifying -- some of the documents that Ms. Vinsel
2 had brought up or displayed for him to refer to
3 regarding the change in rate base for a number of
4 Kentucky Power's affiliates, both operating
5 companies and transmission companies?

6 A. I'll be honest, I did my best to keep up with
7 that exchange.

8 Q. Yeah. And hats off to Ms. Vinsel for moving
9 through a lot of information very quickly.

10 As -- was it your understanding that at least
11 on the transmission company side, since 2013 or
12 2012, they've increased their rate base across the
13 AEP territory from effectively very little rate base
14 to -- well, more, right?

15 Do you remember seeing that on a couple of
16 the transmission companies?

17 A. Yes.

18 Q. And I think one of them -- I think the
19 Kentucky Transmission Company on that chart had an
20 NA. There wasn't even any rate base in 2013.

21 And on the top of the chart, you remember
22 those had single digits in terms of thousands of
23 rate base in 2013. Do you remember that from the
24 final chart yesterday?

25 A. I do recall that.

1 Q. And those first two -- and I forget which
2 states they were and I think maybe even the third or
3 fourth were AEP affiliates, and they had the highest
4 growth between 2013 and 2019.

5 And I guess, that's not surprising given
6 that -- or I guess: Are you surprised by that given
7 their inception right around that time? Like
8 Mr. Satterwhite said, when you go from zero to ten
9 or from one to ten, well, that's a ten times
10 increase, right?

11 So it's very easy when you started little to
12 have a very high percentage in terms of increase.
13 Would you agree?

14 A. Right. You're talking about the investment
15 in transmission.

16 Q. Yeah. And in the rate base.

17 So do you remember the Kentucky Power or the
18 Kentucky Transmission Company rate base on that
19 chart where in 2013 it went from NA, and now it's in
20 the \$90-something million area? Do you remember
21 seeing that?

22 A. It seemed like I remember that number was
23 around \$96 million, you-all said yesterday.

24 Q. Okay. And then the increase over years, it's
25 gone from NA to 90-something million in, you know,

1 what, was that seven years, eight years?

2 Did you notice it increased from something
3 like 80 to 90, 50 to 55 the two years before that?
4 The last five years, that's increased quite a bit,
5 right?

6 My question is: Mr. -- do you remember
7 Mr. Satterwhite's testimony where he indicated that
8 you -- and him as your predecessor had fought to
9 attract more capital to the Kentucky Power operating
10 company.

11 Do you remember that testimony?

12 A. As far as investment in Kentucky Power
13 transmission, that would -- that would be correct.
14 We would like to see more investment in the service
15 territory of Kentucky Power.

16 And I mentioned in my previous testimony
17 yesterday morning that some of that was predicated
18 by economic development load, and I think there's
19 several factors of what could predicate the need for
20 transmission.

21 Mr. Ali -- Witness Ali was testifying about,
22 he looks at it -- and the way I like to look at,
23 what he does is he looks at it from an electrical
24 standpoint and the need, and he always is ahead of
25 the curve. The question was asked, you don't run a

1 transmission system to the ground or until it burns
2 up. You try to stay ahead of that. That's one way,
3 what he does electrically.

4 The other is mandated projects from PJM, and
5 then the other is you've got load growth because of
6 a new customer or aged infrastructure. That's how I
7 look at the transmission system of the need for that
8 to happen with the investment.

9 So it's better for us to bring transmission
10 investment into Kentucky Power instead of a Transco,
11 and right now it's an 85/15 split.

12 Unfortunately, in my tenure the last two
13 years, we've had to move out several -- I want to
14 say it was \$50 million plus this year in 2020, and
15 subject to check, like \$36 million last year because
16 of projects that did not materialize that we just
17 weren't able to go forward on, so we weren't able to
18 invest that money in Kentucky.

19 Q. And --

20 A. I don't mean to interrupt you, but I think
21 that may have been -- and I can't speak for Matt
22 Satterwhite, but I think that may have been what he
23 was referring to when he mentioned me.

24 Q. Okay. And so let me ask: Are you talking
25 about some of those investments just being pushed

1 out to outer years instead of them in the individual
2 year -- for instance, let me ask about the
3 Enterprise Park. Right.

4 I think Mr. Ali was asked the question by
5 Ms. Blend. Are you aware of that project or that
6 situation?

7 A. In regard to the Enterprise Park?

8 Q. Well, sir, are you aware that the Commission
9 had provided Kentucky Power a conditional CPCN for
10 the Enterprise Park project in a 2018 CPCN matter?

11 A. Are we talking about what was Braidy?

12 Q. No. I believe Enterprise Park is in
13 Pikeville or Pike County?

14 A. Okay. Right. Was that the EnerBlu?

15 Q. I believe it may have been.

16 A. Necessitated because of the customer growth
17 of the potential EnerBlu?

18 Q. As I read the Commission's order in 2019 --
19 goodness gracious -- 2019 369 where they
20 investigated the additional CPCA, and I think they
21 noted that the basis for the CPCA was customer
22 service in -- yes, in Pike County.

23 And so that project, as you understand it,
24 is -- is no longer going forward as initially
25 planned, but there's another proposal in front of

1 the company -- or from the company in that area,
2 right?

3 A. Yeah. To my knowledge, it's not going
4 forward at the scale that it was if EnerBlu was to
5 come.

6 However, I do believe that there is a request
7 because of condition of need because the system
8 can't support it. It's overloaded, but not because
9 of, you know, unfortunately, customer growth.

10 Q. Yeah, it's a -- as Mr. Ali I think testified
11 earlier, you believe it to be a -- significantly a
12 portion of it is a baseline project and not on
13 customer service demand, right?

14 A. Correct.

15 Q. Okay. So economic development aside -- and
16 that may be the entirety of it; if that's the
17 answer, that's the answer.

18 But economic development aside, why, if
19 that's what you -- if you and Mr. Satterwhite want
20 all of the transmission spin to occur at the
21 Kentucky operating -- or the Kentucky Power
22 operating company level instead of Transco -- let me
23 just -- one second.

24 I think we have a phone line that we need to
25 mute.

1 A. Thank you.

2 Q. Okay. I think we fixed it.

3 As Mr. Satterwhite said, you both were
4 advocating or have advocated for spending as much on
5 transmission in terms of the need in Kentucky,
6 right, for it to be done at the Kentucky Power
7 operating company instead of at the Transco.

8 Why does it continue to be spent at the
9 Transco?

10 A. Well, as I mentioned earlier, it's an 85/15
11 split. I don't think we want to lose that mechanism
12 of having the ability to utilize a Transco, but when
13 given the choice, we want at least 85-plus percent
14 to go into Kentucky Power. It's better for the
15 financial health of the company so that Transco's
16 not doing those jobs.

17 Now, other operating companies may think
18 differently. I don't want to testify on that part,
19 but for us in Kentucky, it's helpful to have it be
20 on Kentucky Power's transmission books.

21 Q. No, and I appreciate -- you know, I've asked
22 quite a few questions about what -- the system as a
23 whole, operating companies in other states, and that
24 was to understand the rules rather than the
25 exceptions, for instance, right, if we do something

1 differently here.

2 I guess I want to clarify: Are you the
3 decisionmaker as to whether or not that split for
4 transmission investment in Kentucky is 85/15, 50/50,
5 or 100/0?

6 A. Well, I have a lot of influence on that, and
7 what I mean by that is I'm given the responsibility
8 for the P&L of Kentucky Power, and so given the
9 condition that the company is in now, we need to do
10 everything we can to make the financial health of
11 the company stronger.

12 And when you look at what's going on from --
13 again, I don't want to sound redundant. We all know
14 why we're here: load loss and where we find
15 ourselves from an ROE perspective -- not the
16 authorized but the earned, we're not able to do the
17 things that we need to do and attract the type of
18 investments from a capital perspective that we --
19 that we need to.

20 So I have an influence in that, and I'll
21 circle back to the reason why we do transmission
22 investment: Is it something that is a potential
23 reliability issue? Is it a customer-driven need?
24 And then I'll -- I'll meet with executive management
25 and say, Here -- here's where we are, this is what

1 we need to do.

2 So I'm a strong influencer in that and part
3 of the final say.

4 Q. Who makes the determination, though?

5 A. Well, at the end the day, AEP corporate
6 supplies us with the capital funding mechanism.

7 Q. Okay. So is -- is AEP giving you enough
8 capital for you to provide adequate, efficient,
9 reasonable service to your customers?

10 A. Absolutely.

11 Q. But they're not providing you enough capital
12 to do that without you putting a portion of your
13 transmission investment into an affiliate?

14 A. I wouldn't agree with that. The -- the
15 capital that needs to be spent is not going to be
16 able to be spent until we get the financial
17 viability of the company back in a healthy condition
18 of 5.3 percent in October, I've seen preliminary
19 numbers -- it may even be lower than that, we're not
20 going to be able to get that capital because our
21 metrics will not allow us to spend to the level that
22 we need to be spending.

23 Q. But --

24 A. But we're always -- but we're always going to
25 spend the level of capital for -- to keep -- make

1 sure the system is reliable and healthy, as you
2 mentioned.

3 Q. You don't think those two things are in
4 conflict with each other, that you're always going
5 to have the right amount -- you're always going to
6 spend enough capital to satisfy your requirements,
7 but that you won't be able to get all of the capital
8 you need if you don't meet your ROE?

9 I guess I don't understand how that -- you
10 could have it both ways.

11 A. Well, here, let me give you an example.

12 The way that the Kentucky Power system was
13 built was to serve the coal-mining industry on a lot
14 of long, radial feeds, and what we need to do is a
15 lot of 46 kV systems, a lot of 345 kV systems, and
16 Witness Everett Phillips can talk to this more
17 granularly than I.

18 However, those systems that are currently in
19 place today, they need to be dramatically changed.
20 They need to be sectionalized, and to do that I need
21 to have capital in order to make that happen. That
22 creates a better robust, reliable system. If we
23 build it back, we're not going to build it back to a
24 46 kV. We'll probably build it back to 69, and in
25 some cases a 138 kV system. It will be

1 sectionalized with new substations, and this could
2 happen over a ten-year period of time.

3 So currently I don't have the funding to do
4 that. We can still operate the system, and we'll
5 still -- will always be spending the money needed to
6 have a reliable system, but it's not the reliability
7 that we need to get to from a customer perspective
8 because I don't have and cannot attract the capital
9 needed to do what we need to do on those systems I
10 just described.

11 Q. Sure. Under your current split of 85/15,
12 aren't you just making that entire process more
13 expensive?

14 And I ask that from this perspective: If
15 transmissions spent -- if the investment on behalf
16 of a singular project, whatever it may be, it being
17 100 percent owned by Kentucky Power -- rather than
18 split 85/15 between Kentucky Power and the Kentucky
19 Transco, the revenues from it being entirely
20 allocated or on the books for Kentucky Power is a
21 greater revenue offset than if there's only 85
22 percent of the project on their books -- on your
23 books, correct?

24 A. That could be true, but I've heard the
25 discussion and listened to the questions you were

1 talking about with Mr. Satterwhite yesterday and
2 others.

3 Mr. Kurtz yesterday was asking about, Is
4 there really a benefit -- and I've heard the analogy
5 multiple times about the 69 line in Michigan, et
6 cetera. I would ask the question: Why would we not
7 want to put that investment in Kentucky?

8 Q. But it's not about -- that's the wrong --
9 that's -- that's looking at it the wrong way.

10 We're not talking about not putting it in
11 Kentucky. I'm asking: Wouldn't you want it to be
12 invested in Kentucky Power rather than Kentucky
13 Transco?

14 Because if all of it is invested in Kentucky
15 Power, the revenue requirement that you receive from
16 the 10.35, the 9.85, plus the 50 -- 50 basis point
17 RTO rider, that revenue that you get from that is an
18 offset to your requirement and the other expenses
19 you're being allocated from affiliates, right?

20 A. That is correct.

21 Q. And if only 85 of it is on your books and 15
22 of it is on the transmission company's books, you're
23 only getting 85 percent of that revenue as an offset
24 but you're still being allocated 100 percent of
25 those costs, right?

1 A. That's correct.

2 Q. So by continuing to invest 15 percent of each
3 of these transmission projects in Kentucky Transco,
4 you're effectively just making your rates more
5 expensive while simultaneously saying if only your
6 ROE was higher, you will be able to eventually put
7 100 percent of it into your own -- on to your own
8 books, right?

9 A. Sir, are you asking to -- I want to make sure
10 that I'm following what you're asking.

11 You're asking that we should have less going
12 to the Transco or more going to the Transco.

13 Q. I'm asking: Isn't it a greater benefit to
14 customers -- wouldn't they have -- wouldn't Kentucky
15 Power's customers' rates be lower if more percentage
16 of these transmission investments in Kentucky
17 Power's territory were on Kentucky Power's books
18 rather than Kentucky Transco's books?

19 A. I agree with that.

20 Q. Okay. So why --

21 A. That's --

22 Q. Yeah. Yeah.

23 A. That's exactly what Mr. Satterwhite and I
24 have been trying to do.

25 Q. And that's been -- that's what -- I was under

1 the impression that both of you-all are fighting for
2 100 percent -- instead of this 85/15 split,
3 100 percent of these projects be Kentucky Power's
4 projects.

5 Kentucky Power -- Kamran Ali shows up at your
6 door and says, You've got a terrible problem in this
7 area of your system, Mr. Mattison, this is a need,
8 we'll take this to the M-3 process, PJM, in the
9 March 2021 subregional RTEP western.

10 And then when the solution comes along, it'd
11 be -- I assume you would be advocating for
12 100 percent of your solution in that territory to be
13 on Kentucky Power's books, right?

14 A. I would agree with that.

15 Q. Okay. And so my question is -- and I think
16 the quote you provided me is a lot of the influence
17 on that decision as to how the cost is allocated
18 between the Transco and Kentucky Power Company --
19 you said you have a lot of influence in that
20 process.

21 My question is: Is there a singular person
22 or group that makes that decision as to what amount
23 is ultimately allocated to the Kentucky Power
24 Transco?

25 A. I would say I have a lot of influence on

1 that, and we've bolstered that over the years, and
2 there's a very few that end up making that ultimate
3 decision.

4 I think where we are right now, we don't want
5 to lose that mechanism, but I'm an advocate for as
6 much as we can get on Kentucky Power's books, that's
7 what we want to do.

8 Q. And I think -- I think in your position,
9 Mr. Mattison -- I think that's a great decision.

10 But what I'm -- I'm going to ask very
11 clearly: Who are the people that ultimately make
12 that decision?

13 A. It's me and the -- and the executive
14 management at AEP.

15 Q. Okay. And when you say executive management,
16 is there a group or we're just -- we're talking the
17 C-suite group, or is there a director of
18 transmission, a vice president? You don't have to
19 say names, a position --

20 A. No, executive -- there's an executive vice
21 president of transmission.

22 Q. Okay. An EVP of transmission would
23 ultimately be the person --

24 A. Well, what --

25 Q. Go ahead. I'm sorry.

1 A. With myself, them, and the CFO.

2 Q. Okay. EVP of transmission --

3 A. But at the end of the day -- I don't mean to
4 interrupt you.

5 At the end of the day I've got the ultimate
6 responsibility as the president of the company.

7 Q. Well, and wouldn't you agree that you've got
8 the ultimate responsibility -- you've got -- as the
9 utility, right? Kentucky Transco is not a utility.
10 We talked about that yesterday, correct?

11 A. That's right.

12 Q. That regardless of who owns that transmission
13 system, whether it's 85/15, one of these days in
14 whole, you have, as the president of a utility
15 regulated by the Public Service Commission -- you
16 have the -- the buck stops with you in terms of the
17 obligation of service per the Kentucky statutes,
18 right?

19 A. I fully understand that.

20 Q. Okay. And that's -- that's what -- so the
21 EVP of transmission, CFO, which may be I think a new
22 person, maybe, as of the last week or two, and
23 yourself --

24 A. Yes.

25 Q. -- make that decision? That's great. Okay.

1 So we agree that had -- all things being
2 equal, we agree that had the Kentucky Transco still
3 being at NA on that chart and not have \$90-something
4 million and that money be invested in Kentucky
5 Power, that ultimately would have been a larger
6 revenue offset for your revenues in this case,
7 right?

8 That's what we were talking about insofar as
9 the transmission is on your books instead of
10 Kentucky Transco -- that's a benefit to customers,
11 that's a benefit to you, right? You make more money
12 that way?

13 A. Financially, I agree with that, yes.

14 Q. Right. Yes. So the issue is that -- the
15 disconnect, as I understand it, is the allocation in
16 capital from AEP, would you agree?

17 A. I guess I'm going to need to hear a little
18 bit more when you talk about the disconnect.

19 Q. That's perfectly fine.

20 Your share -- the shares in Kentucky Power
21 are owned by AEP, right?

22 A. We're a wholly -- a subsidiary owned by AEP,
23 that's correct.

24 Q. So AEP is your shareholder, right?

25 A. That's correct.

1 Q. All right. So in terms of attracting
2 shareholder investment you-all are dependent on
3 equity investment from AEP, right?

4 A. That's correct.

5 Q. And this gets down to what you talked about
6 earlier, your ability to earn your ROE -- excuse me.
7 Take a step -- I withdraw that.

8 Your ability to attract capital you discussed
9 earlier is at least in some correlation with your
10 ability to earn an ROE or some sort of higher return
11 than I think you mentioned 5-something percent?

12 A. Is a determinant, yes.

13 Q. Okay.

14 A. It's not the sole determinant, but it is a
15 determinant.

16 Q. Can you -- I would be curious what the other
17 considerations are.

18 When we talk about adequate, efficient,
19 reasonable service, you know, the basis is --
20 there's the rate side of it, and then there's the
21 service side of our regulation.

22 So I would be curious on being able to
23 attract capital, to be able to provide adequate
24 service to your customers, what the other
25 considerations are.

1 A. Well, it's what we talked about earlier. The
2 reason that we're here and we look at load loss,
3 et cetera, and cost, that's another determinant. I
4 mean, if we had all the capital in the world, we
5 couldn't spend it because our finances did not
6 support that. It doesn't matter how much money AEP
7 is offering me or how much capital is flowing my
8 way. I can't spend it. The finances of the company
9 are not healthy enough to be able to do that.

10 Q. But can you afford to continue to have a
11 portion of the transmission investment that is
12 needed?

13 Mr. Ali said need is need. It has to -- you
14 know, the need drives the money. Can you afford to
15 have the company put 15 percent -- or the company,
16 excuse me. AEP put 15 percent of this because
17 doesn't 15 percent of these projects -- into Transco
18 because doesn't that make your rates that much more
19 expensive?

20 A. We would need to look at that 15 percent, but
21 that 15 percent is not the reason why we're here
22 having this base rate case.

23 Q. But the 15 percent is a significant driver in
24 your proposal to recover 100 percent of LSE OATT
25 expense in the tariff PPA, isn't it?

1 A. It is a driver, but again, it's not a reason
2 why we're here having a base rate case.

3 Q. But wouldn't you agree that insofar as you're
4 only recovering 20 percent of those LSE OATT
5 expenses, as you're only being allocated 85 percent
6 of those offsetting revenues, again, that's a driver
7 for a lower return, right?

8 A. I agree with you.

9 Q. Okay. I'm going to ask, Mr. Mattison: Were
10 you aware of the line I read yesterday to you from
11 the 2017 -- the January 2017 rate case, the 20 --
12 let me think about this -- the 2017-179 January '18
13 order of the Public Service Commission regarding
14 Kentucky Power's participation in PJM?

15 Were you aware of that -- the Commission's
16 comments or the Commission's order in that regard
17 before I read that to you yesterday?

18 A. Is this the one where you read that I believe
19 in the order -- that it said that Kentucky Power
20 would be looking at ways to reduce costs through PJM
21 that we talked about yesterday? And I said I was
22 not.

23 Q. Yeah. That's what I wanted to make sure,
24 that it was talking about -- go ahead.

25 A. My answer has not changed.

1 Q. No, no, I don't mean to -- I was trying to
2 refer back to the testimony.

3 So I think the -- the Commission's order was
4 something along the lines of Kentucky Power -- the
5 Commission would like Kentucky Power to ensure that
6 Kentucky Power's participation in PJM is aligned
7 with Kentucky Power and its customers rather than
8 maybe, say, affiliates or how -- to what degree it
9 may be at odds with an affiliate, right?

10 You remember talking about that yesterday?

11 A. Yes. I do.

12 Q. And as you indicated yesterday, you were
13 unaware of that prior to -- to us discussing it,
14 right?

15 A. That's correct.

16 Q. So I'm just curious: Has anything come to
17 mind or come about -- or if not, can you speak to it
18 a little bit -- as to -- now that you've heard that,
19 do you know what you would intend to do moving
20 forward, after we discussed it yesterday, to -- to
21 sort of implement that or see that Commission's
22 consideration move forward?

23 A. Are you talking about from yesterday morning
24 until now?

25 Q. Yeah. I'm just asking if you've come up with

1 anything or thought of any way in which you can say
2 okay, maybe we would do this a little differently,
3 or if you haven't, maybe how you would go through
4 the process of finding out in what ways maybe the
5 interest doesn't align or how you would find out
6 ways to make those interests align.

7 A. Well, I have thought about it, but I have not
8 come up with a plan or a process or, you know, how
9 we'll engage to do that, but I am aware of that.

10 Q. Okay. And I can fully appreciate you've had
11 a lot going on in the last day so I didn't expect
12 you to have the full plan. I was just curious if
13 you'd given it any consideration.

14 And the last question I have, and just to
15 clarify: You were talking to Ms. Vinsel about
16 the -- I think there were quarterly updates with
17 Mr. Ali's group.

18 Do you remember discussing that?

19 A. Yes.

20 Q. And were those the updates on transmission
21 projects or needs or solutions, whatever they may
22 be, in the Kentucky Power territory or across the
23 AEP footprint?

24 A. They're in the Kentucky Power territory.

25 Q. Okay. And so there isn't a standing process

1 whereby you-all are presented or provided or -- or
2 that you-all review any of the transmission projects
3 across the rest of the AEP system, then?

4 A. The only time that that really happens is if
5 there is -- because of the way, that, you know,
6 Eastern Kentucky Power's footprint is, maybe there's
7 a project in the Ashland area that's going across
8 the Ohio River that affects Ohio or down a little
9 bit in West Virginia. Those will come up from time
10 to time, but typically those meetings are to provide
11 an insight in what's going on in the Kentucky
12 service territory and across the footprint of
13 Kentucky.

14 Q. Okay. I appreciate it, Mr. Mattison. I hope
15 you have a nice evening.

16 A. Thank you.

17 CHAIRMAN SCHMITT: Dr. Matthews, questions?

18 COMMISSIONER MATTHEWS: I don't have
19 anything.

20 CHAIRMAN SCHMITT: Okay. Ms. Blend, any
21 redirect of Mr. Mattison?

22 MS. BLEND: Yes. Just a few questions, your
23 Honor. Thank you.

24 * * *

25

REDIRECT EXAMINATION

1
2 By Ms. Blend:

3 Q. Mr. Mattison, to one of most recent topics
4 that you just discussed with the Vice Chairman, if
5 Kentucky Power were to -- that additional 15 percent
6 of transmission investment that has been in the
7 Transco. Do you recall that discussion?

8 A. Yes.

9 Q. If Kentucky Power were to take on that
10 additional 15 percent of transmission investment,
11 how would the company need to finance that
12 investment?

13 A. Well, subject to check, and I would have to
14 talk to our individuals or the experts at the
15 company in our financial area, I'm not sure. I
16 don't know if we could -- today, I don't know if we
17 could take on that additional investment.

18 Q. If it did need to be -- if it did need to
19 finance that investment, would you agree that it
20 would need to do that either through that or equity,
21 additional equity?

22 A. Yes.

23 Q. And do you have an opinion regarding how the
24 company -- given its current financial state, taking
25 on the additional debt would affect the cost of

1 service?

2 A. It would be more expensive.

3 Q. And additionally, do you know how the company
4 taking on the additional equity, how that would
5 affect the cost of service?

6 A. It would be more costly.

7 Q. If Kentucky Power's transmission allowed it
8 to take 100 percent of transmission capital in the
9 state of Kentucky, would that be what you would
10 advocate for?

11 A. Yes. It would be definitely something we
12 would look into for sure.

13 Q. Do you know whether Kentucky Power has paid a
14 dividend to AEP, its parent, since the last rate
15 case?

16 A. It has not, and it has not on my watch,
17 either.

18 Q. And so Kentucky capped -- the result of that
19 is that Kentucky Power has kept that equity capital
20 in Kentucky Power?

21 A. Yes. We have.

22 Q. Now, Ms. Vinsel asked you about whether
23 Kentucky Power has challenged any of its affiliates
24 with respect to a rate filing. Do you recall those
25 questions?

1 A. Yes.

2 Q. In your tenure at Kentucky Power, has there
3 been any reason for the company to challenge its
4 affiliates' transmission formula?

5 A. Not that I'm aware of at all. I have met
6 with not only Mr. Ali but Kelly Pearce and others
7 and have apprised them if there's any need to let me
8 know -- this might just go off -- oh, to let me know
9 of that, and to my knowledge, there's been no
10 discussion of R&E.

11 Q. Thank you. And one clarifying point is
12 Mr. Kurtz asked you some questions about the
13 Mitchell plant --

14 A. Yes, sir.

15 Q. -- and the joint ownership of Mitchell. Do
16 you recall those?

17 A. Uh-huh.

18 Q. And I believe you testified that Mitchell is
19 jointly owned by Appalachian Power Company?

20 A. Yes. Go ahead, I may have misspoke.

21 Q. Is it your understanding what Wheeling Power
22 Company is the co-owner --

23 A. Yes. Wheeling. I'm sorry. I said
24 Appalachian, but it is Wheeling.

25 Q. Thanks. Now, do you recall Vice Chairman

1 Chandler's questions to you about the steps Kentucky
2 Power has taken to mitigate the AK Steel load loss?

3 A. Yes.

4 Q. Are you aware that AK Steel was a major
5 customer of Air Products in Ashland, Kentucky?

6 A. Correct.

7 Q. Has the company -- did the company take any
8 steps -- or can you describe the situation that Air
9 Products found itself in after AK Steel's closure?

10 A. Well -- and I hate to pass this on to
11 Ms. Wiseman, but she may have a little bit more
12 intricate detail, but I do know that they supplied
13 most of their air gases to AK Steel, and we work
14 with them.

15 And I believe we were able to get them on a
16 rate that would benefit them that they also
17 qualified for, and they're still in business today,
18 which is a good thing. We thought they would
19 probably be shutting their doors as well.

20 Q. Thank you. And is it your understanding that
21 Kentucky Power entered into a special rate contract
22 with Air Products to help Air Products, you know,
23 navigate the changes to its business after AK
24 Steel's closure?

25 A. Yes. That is correct.

1 Q. And is it further your understanding that the
2 Commission approved that special contract?

3 A. They did.

4 Q. Would you consider those actions by Kentucky
5 Power Company to be a form of mitigation that the
6 company undertook for the loss of AK Steel's load?

7 A. Absolutely.

8 Q. And would you agree that in doing so, the
9 company helped to avoid further load loss in the
10 area of another major customer?

11 A. Yes, keeping native customers is a form of
12 economic development as well.

13 Q. Thank you. One final question: Has AEP --
14 not Kentucky Power, AEP's appearance or the AEP
15 Foundation made investments in Eastern Kentucky
16 beyond or outside of the costs that Kentucky Power
17 has incurred that are in Kentucky Power's rates?

18 A. Yeah. Substantial investment. I don't know
19 the dollar amount for sure, but the AEP Foundation
20 is funded by shareholders, and we've made some
21 significant contributions throughout our counties
22 and areas and communities that we serve in Kentucky,
23 and Witness Wiseman can give more detail, but it's
24 been a significant amount of money.

25 MS. BLEND: Thank you. I have no further

1 questions, your Honor.

2 CHAIRMAN SCHMITT: Thank you. May this
3 witness be excused, at least for the time being?
4 Thank you, Mr. Mattison. You may -- you may step
5 down.

6 THE WITNESS: Thank you.

7 CHAIRMAN SCHMITT: Okay. Is -- according to
8 the list, is Ms. Wiseman the next witness,
9 Ms. Blend?

10 MS. BLEND: Yes, your Honor. Ms. Wiseman is
11 our next witness, and we need to sanitize both the
12 witness seat and counsel table before she takes the
13 stand.

14 While we are doing that, I did want to
15 mention, your Honor, it is about 3:00 -- a little
16 after 3:15 this afternoon. I wanted to let the
17 Commission and the parties know that Kentucky Power
18 Company is willing to stay as late as the Commission
19 are able to and the parties are able to this evening
20 to try to keep this hearing moving along.

21 I know we've spent a lot of time on only a
22 handful of witnesses the last two days, and so I
23 just wanted to let you know we're willing to stay as
24 late as you-all are able to, and we're also willing
25 to start earlier than 9:00 a.m. tomorrow.

1 I just wanted to mention that since I had a
2 moment.

3 CHAIRMAN SCHMITT: Well, we'll probably stay
4 until 6:00 tonight, and if we don't -- if we don't
5 get another two or three witnesses, maybe tomorrow
6 night we may go really late. I don't know. I mean,
7 you may be talking 10:00 or so.

8 We had one hearing here a couple years ago
9 with the East Kentucky Power Group, and we actually
10 went until almost 1:00 a.m. And that was maybe day
11 three, and we went until 5:00 the following day.

12 But we'll try -- I would like not to have to
13 do that, but -- but since we have -- I guess there
14 are maybe ten witnesses from other parties that
15 we've got to -- we've got to get to at some point.
16 We have five days.

17 Obviously, we have Thursday, Friday, the
18 remainder of today, and then Monday if necessary. I
19 guess if we didn't get through Monday, we could just
20 keep plowing on, but we need to -- we need to finish
21 up, and it's not fair to the parties to just keep
22 dragging it out.

23 MS. BLEND: Thank you, your Honor. We'll try
24 to, you know, do everything we can to try to keep
25 things moving on our end and appreciate that we want

1 to move this along as quickly as possible, and so
2 just -- we're ready to do whatever you and the
3 Commissioners prefer with respect to schedule.
4 Thanks.

5 CHAIRMAN SCHMITT: Well, we haven't spoken
6 about it since we started today, but -- so we'll --
7 we'll go until 6:00 or so this evening, and then
8 we'll see tomorrow. I have a special problem that
9 makes it difficult for me to begin earlier than
10 9:00, so -- otherwise it wouldn't -- I wouldn't care
11 to start at 8:00. But we'll see.

12 We can -- in the morning, we can discuss
13 maybe what we do the next two or three days with the
14 hearing. Okay?

15 MS. BLEND: Thank you.

16 VICE CHAIRMAN CHANDLER: I can't imagine
17 who's asking all the questions.

18 COMMISSIONER MATTHEWS: Maybe we should let
19 that person just listen to it by their selves.

20 CHAIRMAN SCHMITT: Well, you know, having
21 this hearing virtually knocked Suzy out of a lot of
22 overtime.

23 COMMISSIONER MATTHEWS: It did.

24 MS. GLASS: Your Honor, Katie Glass for
25 Kentucky Power. I don't think I've made my

1 appearance on camera yet.

2 CHAIRMAN SCHMITT: Ms. Glass, is your witness
3 Ms. Wiseman?

4 MS. GLASS: Yes, it is.

5 CHAIRMAN SCHMITT: Ms. Wiseman, would you
6 please raise your right hand?

7 Do you solemnly swear or affirm under penalty
8 of perjury that the testimony you are about to give
9 will be the truth, the whole truth, and nothing but
10 the truth.

11 THE WITNESS: I do.

12 CHAIRMAN SCHMITT: Counsel, you may ask.

13 CYNTHIA WISEMAN, having been first duly
14 sworn, testified as follows:

15 DIRECT EXAMINATION

16 By Ms. Glass:

17 Q. Ms. Wiseman, can you please state your name,
18 your business address, and your employer?

19 A. Yes. My name is Cynthia Wiseman, and I work
20 for Kentucky Power at 1645 Winchester Avenue at
21 Kentucky Power Company.

22 Q. And what is your position with Kentucky
23 Power?

24 A. I'm vice president of external affairs and
25 customer service.

1 Q. Did you cause to be filed into the record in
2 this proceeding direct testimony and answers to data
3 responses?

4 A. Yes.

5 Q. Do you have any corrections to your testimony
6 or your answers to data responses?

7 A. I have one correction on page 24 of my direct
8 testimony. There's a typo. The name of the company
9 should be SYKES, not SKYES. So there's a Y and a K
10 that need to be reversed.

11 Q. So it should be spelled S-Y-K-E-S?

12 A. Correct.

13 Q. So there are no other corrections?

14 A. No.

15 Q. With the exception of that correction, if I
16 were to ask you the same questions in your direct
17 testimony and the answers data responses today,
18 would your answer be the same?

19 A. Yes.

20 MS. GLASS: Thank you, the witness is
21 available for cross-examination.

22 CHAIRMAN SCHMITT: Thank you. Ms. Vinsel,
23 cross-examination.

24 MS. VINSEL: Thank you. Yes.

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CROSS-EXAMINATION

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By Ms. Vinsel:

Q. Good afternoon, Ms. Wiseman. I just have a few questions for you.

A. Okay.

Q. Speaking of SYKES, can you tell me the status of that project?

A. Yes. Actually, yesterday when you-all were talking, you and Mr. Mattison, there were three projects that I highlighted in my testimony, and one of them was Intuit, and in the testimony it says and SYKES.

So that was a collaboration between the two companies. SYKES had occupied the building beforehand. I think there was either a layoff at some point or a reduction in their work force. Intuit came in and took over and rehired a lot of people and are -- I think are continuing to hire.

I mean, their job projection when they announced the company was around 3,000. So to my knowledge, that company is doing very well in the Hazard area.

Q. Thank you. I'm trying to avoid having to bring up documents to slow us down.

I had one question about one of your

1 responses to -- it was a recent data request where
2 we asked Kentucky Power to break out the various
3 projects and include the -- the split between the
4 funding from the KEDS surcharge and then from
5 shareholder funds.

6 A. Yes.

7 Q. I had just one question, and I almost hate to
8 bring this up, but in the project that was labeled
9 due diligence for Braidy project --

10 A. Yeah.

11 Q. -- there was listed a 1,000 job creation, so
12 it made me wonder: Is that column of job creation
13 actual or projected, or is it blended both?

14 A. Well, in -- in that case, it's projected
15 because -- you know, Braidy is not -- hasn't built
16 its facility yet, and that was a -- that was a grant
17 that was awarded in 2017, and at that time it was a
18 1,000-person job project. So those are projected
19 jobs.

20 Q. Okay.

21 A. Often, you know, we may not know at the end
22 how many jobs are -- and sometimes they take some
23 time to ramp up, but in this case with Braidy,
24 obviously that's still to come.

25 Q. No, that's understood. I just wanted to be

1 clear in my own mind that we were talking about both
2 actual projected -- thank you.

3 As -- well, let me not assume that you know.

4 In the Commission's emergency COVID case,
5 administrative case 2020-85, there was a recent
6 order that came out that ended the moratorium on
7 disconnections and also discussed some expectations
8 about many things, but including the contact with
9 customers who do have delinquent accounts.

10 And I just wanted to use this opportunity to
11 see if you could provide the Commission with an
12 update on the process that Kentucky Power is using
13 to contact those customers.

14 A. Sure. We were consistent with the order, and
15 through our technology, we automatically enrolled
16 our customers on a payment arrangement that is
17 spread over nine months. And flexibility is the key
18 word with our customers right now. We will, you
19 know, renegotiate that.

20 But we -- several things to contact them
21 about that. We did an email to customers that we
22 have email notifications too. There was a letter
23 mailed. And then I believe we used, also, an
24 automatic dialer to notify customers about the
25 payment arrangements in advance, and I'm mostly

1 talking about residential customers in this case.

2 MS. VINSEL: Thank you. Staff has nothing
3 further.

4 CHAIRMAN SCHMITT: Counsel for the Attorney
5 General's Office, any cross-examination?

6 MR. WEST: No, we don't have any questions
7 for this witness. Thank you.

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

10 MR. KURTZ: No questions, your Honor.

11 CHAIRMAN SCHMITT: Ms. Grundmann, questions?

12 MS. GRUNDMANN: No questions.

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

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

16 CHAIRMAN SCHMITT: Mr. FitzGerald, questions?
17 Mr. FitzGerald, are you present? We'll come back.

18 Mr. Miller, Sierra Club?

19 MR. MILLER: Yes, your Honor. Thank you. I
20 do just have a couple questions.

21 CROSS-EXAMINATION

22 By Mr. Miller:

23 Q. Ms. Wiseman, how are you?

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

25 Q. Fine, thank you. Just a moment.

1 A couple of the benefits of AMI cited by a
2 company is favoring approval. The requests in this
3 case included enhancing customers' ability to
4 control and reduce their energy consumption and
5 thereby save on their energy bills as well as the
6 potential reduction in KPC's peak load; is that
7 correct?

8 A. I don't know about the peak load, but we do
9 have a program that I talked about in my testimony
10 that is intended to help customers manage their
11 usage.

12 Q. Thank you. And to be fair, the peak load
13 part I got from Mr. Blankenship's testimony and
14 responses, but I appreciate that from your testimony
15 there.

16 And so would you agree that it's vital that
17 customers understand AMI's features and how to take
18 advantage of them, how to use it in order to realize
19 that potential of those energy savings?

20 A. I do.

21 Q. Okay. And you indicated that the company
22 planned to roll out a comprehensive education
23 awareness program about AMI leading up to and
24 through the deployment of AMI, and that would
25 include customer work shops , social media, emails,

1 postcards, fact sheets, that kind of thing. Is that
2 correct?

3 A. It is.

4 Q. Okay. And then in response to a discovery
5 question Sierra Club tendered, you said that the --
6 that campaign, that affirmative comprehensive
7 outreach would terminate at the end of the AMI
8 deployment process, but that the information -- that
9 there would be information about AMI that would
10 remain accessible to customers online, on the
11 company's website and through customer service.

12 Is that all correct?

13 A. Yes. But probably worth clarifying, the --
14 the portion that will end is the actual AMI rollout
15 -- or installation, that part of the education
16 campaign the -- that's described in my testimony
17 about postcard and the dialer and -- and those types
18 of things.

19 I mean, obviously once the meters are
20 installed, we -- we won't continue with that part.
21 I would see that we would likely move in to
22 promoting more of the benefits of AMI, and that
23 would include the home energy management program
24 that we will have available, and then also with --
25 upon AMI approval, the Flex Pay program which is a

1 prepay program and potential game-changer for our
2 customers.

3 So that will continue, and I really see that
4 continuing for several years, part of our overall --

5 Q. All right. And thank you, ma'am. I
6 appreciate that. And this is basically just -- what
7 I wanted to better understand and clarify is, going
8 forward after the deployment, I wanted to ask if the
9 company is committed to -- you know, apart from this
10 initial affirmative outreach during installation,
11 but later down the line, will the company take
12 efforts to offer education or instruction to new
13 customers, you know, future new customers that --
14 that the company will gain at the time they become
15 new customers, you know, teaching them about how to
16 realize benefits of AMI and -- you know...

17 Maybe you can educate me about whether these
18 are pamphlets or initial consultations. Will there
19 be some kind of education that goes on rather than
20 just figure it out for future customers?

21 A. Absolutely. So I really see for the next
22 several years as we're deploying AMI meters, the
23 focus of our whole communications program will be
24 around AMI, Flex Pay, and the home energy management
25 system.

1 Most of my work in communications for
2 Kentucky Power has been using the tools that we have
3 available to customers to educate our customers, and
4 that can be things like the average monthly payment
5 plans, paperless billing or, you know, whatever the
6 tool is that we have available, alerts, mobile apps,
7 and so the way I envision it is these tools, initial
8 tools will be incorporated in that initial campaign.

9 Obviously our website is the go-to place for
10 the most comprehensive written information, but then
11 also our call center agents will be teed up to talk
12 about AMI and the benefits, and then, you know, we
13 have a customer service team in the field who would
14 be available to meet with customers as well.

15 And then all the supplemental information
16 that goes with it: What we do on social media, bill
17 inserts for people who are not as, you know, tech
18 savvy. We have a pretty robust email campaign that
19 we run.

20 So we will take advantage of everything that
21 we have available to us because it's very important,
22 obviously , that we get people to engage and use
23 the -- the tools that we are providing.

24 Q. Very good. Thank you, Ms. Wiseman. I
25 appreciate that, and that's helpful. And that's all

1 I have. Thank you.

2 CHAIRMAN SCHMITT: Mr. Frye, any questions?

3 MR. FRYE: No questions, Mr. Chairman.

4 CHAIRMAN SCHMITT: Mr. FitzGerald?

5 MR. FITZGERALD: Mr. Chairman, thank you for
6 getting back to me. I lost the connection just as I
7 was about to ask some questions. Can you hear me
8 now?

9 THE WITNESS: I can hear you.

10 CROSS-EXAMINATION

11 By Mr. FitzGerald:

12 Q. Okay, Ms. Wiseman.

13 Tom FitzGerald, Ms. Wiseman. I represent the
14 joint intervenors: Mountain Association,
15 Kentuckians for the Commonwealth, and Kentucky Solar
16 Energy Society.

17 If there's any of these questions you -- I
18 wanted to explore with you, and if there are any
19 other witnesses that you would like to throw under
20 the bus and say that they would be better to answer
21 the question, feel free to do that. Particularly
22 (inaudible) seems to be the go-to person for that.

23 First let me talk about the Flex Pay a little
24 bit. Do you know the raw number or the percentage?

25 MS. GLASS: Mr. FitzGerald?

1 MR. FITZGERALD: I'm sorry?

2 MS. GLASS: I'm so sorry to interrupt you,
3 but we're having a bit of difficulty hearing you. I
4 think your connection might be a little fuzzy.
5 You're going in and out. Can you try to repeat the
6 question?

7 MR. FITZGERALD: Yes. I was asking the
8 witness whether she knew the raw number and the
9 percentage of residential customers who have been
10 disconnected during the test year for nonpayment of
11 bills.

12 THE WITNESS: I do not have that information.

13 Q. (By Mr. Fitzgerald) Okay. Is there somebody
14 else who might have that information?

15 A. I am not sure. Maybe Witness West may have
16 that information. I'm not sure -- I'm not really
17 sure.

18 Q. Okay. Thanks.

19 Am I correct that Kentucky Power, to your
20 knowledge, has not performed any studies regarding
21 the effect of the voluntary Flex Pay program on the
22 incidence of disconnect for nonpayment?

23 A. I'm sorry. Can you repeat that?

24 Q. Yeah. To your knowledge, has Kentucky Power
25 looked at the -- any studies regarding the effect,

1 if any, of the voluntary Flex Pay program on the
2 incidence of disconnection for nonpayment?

3 A. To my knowledge, we have not conducted a
4 study on that.

5 Q. Okay. Am I also correct that a similar
6 program in Oklahoma, according to your testimony --
7 or according to a data response saw an increase in
8 disconnections of customers who elected to
9 participate in the Flex Pay light program?

10 A. I'm not sure about that. I recall seeing the
11 discovery questions. But again, as it relates to
12 the program, the details of it, I think that Witness
13 West could answer that.

14 Q. Okay. Great. Does the -- does the
15 implementation of Flex Pay depend on the customer
16 having an AMI meter?

17 A. It does.

18 Q. It does. Okay. To your knowledge, has the
19 company studied limiting the deployment of the AMI
20 meters to those customers have an interest in the
21 Flex Pay option?

22 A. We have not, to my knowledge. But again --

23 Q. Okay. You indicated -- I'm sorry.

24 A. No. Go ahead.

25 Q. Go ahead. I'm sorry. Oh. I was going to

1 say -- I appreciate that. Were you going to suggest
2 that West -- Mr. West might know that?

3 A. No. I was going say from the operations side
4 of AMI deployment, witness Blankenship is addressing
5 that in his testimony.

6 Q. Okay. So I will -- I'll defer that to him.

7 You indicated in your testimony that
8 customers will benefit from the Flex Pay program by
9 having, quote, greater control over their budget,
10 end quote.

11 And by greater control, do you mean that the
12 customer will better control when they can pay and
13 not what they're going to pay?

14 A. That's correct.

15 Q. Okay.

16 A. The Flex Pay program is designed to give
17 customers the opportunity to prepay and on -- you
18 know, and on their timeframe and the amount that
19 they want to. I mean, there are clearly some
20 standards.

21 We have a minimum -- we have some alerts that
22 oversee, like, a low balance alert and that sort of
23 thing. But -- you know -- and I said earlier that I
24 think the Flex Pay program is a game-changer for our
25 customers, and I'll give you an example.

1 We have a lot of customers -- and I read one
2 today, a social media administrator for our Facebook
3 page, and there was a gentlemen asking our customer
4 service rep if he said -- you know, I know my bill
5 is due, I want -- I need to pay, but I need a couple
6 more days to pay.

7 And so with prepay, I mean, that takes away
8 that concern for our customer where they can pay \$10
9 on Wednesday then pay the remaining amount on Friday
10 once the paycheck comes in, or whatever their
11 situation is.

12 Q. Okay. But my question was: You're not --
13 they're not paying less. It's just when they're
14 paying their bill, right?

15 A. Right.

16 Q. Okay.

17 A. Well, they can pay the amount and when they
18 want to pay.

19 Q. Okay. Switching gears a little bit, could
20 you explain, briefly, your understanding of the
21 purpose of the HEART and THAW programs?

22 A. Yes. Our HEART and THAW programs are energy
23 assistance programs, and they provide payment
24 assistance for the -- the HEART program is for low
25 income customers. January through April they can

1 receive up to \$115.

2 And then the THAW program is for someone who
3 has just temporarily fallen on hard times or
4 something like that, and they can get \$175.

5 Q. Okay.

6 A. Those are sisters to the CAC agencies, and,
7 you know, there was a recent investigation into all
8 of the programs in Kentucky that the Commission
9 ruled on earlier this year.

10 Q. Right. And what rate impact do those
11 programs have on residential customers of KPC, to
12 your knowledge?

13 A. I don't know the rate impact. The funding is
14 -- I think it's a 30 -- well, actually, I think I do
15 have the rate impact.

16 Q. Well, if I say it's a .30 change on the meter
17 each month, is that your understanding?

18 A. Yeah. Sorry. I thought we were talking
19 about a larger number.

20 Q. Oh, no, I'm sorry. That was an inartful
21 question on my part.

22 So -- and I am a New Math kid, so pardon me
23 if I get this wrong.

24 But I'm assuming that the meter charge on the
25 noncompeting customers is \$3.60 a year; is that

1 right?

2 A. I believe so.

3 Q. Okay. Are there any financial benefits that
4 nonparticipating customers reap from having to pay
5 for these programs?

6 A. Well, I think the benefit is that if we are
7 not able to -- you know, if we have customers with
8 bad debt that gets written off, then that is
9 eventually subsidized back over the entire customer
10 base.

11 Q. Thank you.

12 If I were to coldly and clinically evaluate
13 the relationship between the participating and
14 nonparticipating customers, would it be fair to
15 state that the nonparticipating customers are
16 subsidizing the participating customers?

17 A. I don't know if I would call it that or not,
18 but perhaps.

19 Q. Okay. Regarding the home energy management
20 system that you testified that KPC intends to deploy
21 this year, what will the customer have to have in
22 terms of equipment to be able to access that
23 customer engagement program?

24 A. Access to the Internet, or through their cell
25 phone, a mobile device, would also get them to the

1 platform.

2 Q. Okay. And do you know, offhand, the level of
3 penetration of the Internet in the service area for
4 KPC, how many people have or don't have access?

5 A. I do not know that information.

6 Q. Okay. You mentioned the J.D. Power customer
7 satisfaction survey several times in your direct
8 examination.

9 Do you know when the last time a J.D. Power
10 customer satisfaction survey was done for Kentucky
11 Power customers?

12 A. Yes. It's done each year, and we receive a
13 quarterly report out.

14 Q. Okay. Okay. So if we were to do a
15 post-hearing data request, would you get a copy of
16 the most recent one?

17 A. Absolutely.

18 Q. Okay. Do you know, offhand, you know, how --
19 I'm sorry. You've already answered that.

20 Regarding AMI, you provided some direct
21 testimony regarding the initiative, and I understand
22 Mr. Blankenship is the -- like the go-to person on
23 this, so if you want to defer any of these questions
24 to him, feel free to, okay? I don't want you to
25 answer if you're not comfortable answering.

1 Do you know whether KPC considered a pilot
2 program to test the relative -- you know, similar to
3 what LG&E and KU have done?

4 A. I think at one time we did, but, again, that
5 would be for Witness Blankenship to --

6 Q. Okay. Okay. Give me one second here. I'm
7 just going to make a note of that.

8 Do you know whether the company has
9 identified a particular technology that it's going
10 to use, or particular brand of AMI?

11 A. I do not. Again, that would be witness
12 Blankenship.

13 Q. Okay. Great. Great. You noted that
14 deployment of the AMIs will, quote, allow
15 residential customers to make more informed
16 decisions about their electric consumption and
17 better manage their monthly budgets, end quote.

18 Is it your testimony that residential
19 customers don't currently know how much electricity
20 they're consuming?

21 A. Well, I think -- I mean, they're obviously
22 given that information on their monthly bill. The
23 point of that I think is that it's confused -- usage
24 is often confused with rates, and it's just a way
25 for customers who are interested to better engage

1 with the -- with the company and take control of
2 their energy usage.

3 Q. Okay. You also noted that the ability --
4 quote, the ability to access energy usage and cost
5 information can provide residential customers with
6 the capability to take action during the month to
7 manage their energy costs. This is a significant
8 and positive change that will benefit all
9 residential customers, but particularly
10 income-qualified customers or fixed-income customers
11 who are managing a tight monthly budget, end quote.

12 Why -- given KPC's announced interest in
13 providing customers with the capacity to make their
14 energy costs, why is it that the current bill
15 doesn't separate out of the monthly charge from the
16 energy charge the way that, for example, LG&E and KU
17 do?

18 A. I do not know.

19 Q. Okay. Do you -- what's the empirical basis
20 for assuming that getting information on energy
21 usage or bill information more frequently will
22 benefit customers, and particularly low-income
23 customers?

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

25 Q. Yeah. Yeah. I'm just wondering: The -- the

1 AMI is touted as being able to provide realtime
2 information that is said to be of value to the
3 customers, and I'm wondering if there are any
4 studies that indicates that having that information
5 more frequently will be of benefit to customers,
6 particularly low-income customers?

7 A. I'm not aware of a study. Is that what you
8 asked me, a study? Sorry. I think your screen's
9 freezing.

10 MS. GLASS: I'm sorry.

11 CHAIRMAN SCHMITT: We haven't been able to
12 hear you since --

13 MR. FITZGERALD: Oh, I'm sorry. Am he coming
14 through clearly now or --

15 MS. GLASS: Yes, I can hear you but --

16 CHAIRMAN SCHMITT: Are you there,
17 Mr. FitzGerald?

18 MR. FITZGERALD: I'm sorry.

19 CHAIRMAN SCHMITT: I didn't know if you were
20 still on the line. I didn't -- your video went off.

21 MR. FITZGERALD: I'm sorry. Can you hear me
22 now?

23 MS. GLASS: Yes.

24 CHAIRMAN SCHMITT: Can you hear me now?
25 Okay. Great.

1 MS. GLASS: I can hear you now.

2 MR. FITZGERALD: I think AT&T is getting back
3 at me for have -- what now, I'm sorry?

4 MS. GLASS: There is a significant time lapse
5 between when you start talking and when we can hear
6 you.

7 MR. FITZGERALD: Okay. Well, I will try to
8 bear that in mind. Thank you.

9 Q. (By Mr. FitzGerald) Ms. Wiseman, regarding
10 the -- the AMI and the ability to get your data
11 in -- in realtime, is the assumption that armed with
12 that information, customers will use less
13 electricity?

14 A. I think they could adjust -- you know, the
15 idea is that they can adjust their habits in their
16 homes and figure out what is causing their electric
17 consumption.

18 You know, we are often addressing heating and
19 cooling issues in people's homes, heat pumps in
20 particular and not understanding how a heat pump
21 works, and so I think that is a -- I think to me
22 that would be a benefit of having this data access,
23 that they could monitor how their usage is being
24 used, and if there was something wrong with a heat
25 pump that was in off mode or emergency status, that

1 they could get it fixed.

2 So that's just one example.

3 Q. Okay. Is the goal to better empower the
4 customers to control their energy usage and
5 therefore to lower their utility costs?

6 A. I think it would be to make them in charge of
7 their usage, potentially, yes, lower their energy
8 costs, and have them use their electricity more
9 efficiently.

10 Q. Okay. If -- if that is the goal or one of
11 the goals, how does that square with the proposal in
12 this rate case to increase the meter charge for
13 residential customers which has the effect of
14 lessening their ability to take action to control
15 their bills?

16 A. Well, I mean, those are two separate things,
17 and I don't -- I'm -- I can't really speak to the
18 customer charge, but obviously we want our customers
19 to use their electricity in the most efficient
20 manner that they can so that that frees up money for
21 -- could help mitigate a rate increase, for one, or
22 frees up their money for other things in the
23 community, their groceries and -- and other things
24 that they have.

25 Q. Okay. The -- assuming that the goal -- one

1 of the goals here is to educate customers about
2 their energy usage in order that they can change
3 their consumption habits and use less, how does that
4 goal help customers whose usage is already declining
5 and who are now being asked to pay more for using
6 less?

7 A. I'm sorry. Can you repeat that?

8 Q. Yeah. The reason that I -- my understanding
9 is one of the reasons we are here in this rate case
10 is because of a loss of load and that loss of load
11 is in part due to the exiting of some major
12 customers, but also it's due to a per capita decline
13 in usage.

14 And so I'm wondering how further lessening
15 usage benefits customers when they are simply asked
16 to pay more for the less that they're using?

17 A. Well, again, we want our customers to use
18 their energy as efficiently as possible. So if
19 they're lessening their usage, then they're freeing
20 up their budget for other things.

21 Q. Okay. Are you aware of whether residential
22 customers are currently paying a monthly charge for
23 DSM programs?

24 A. We -- the only DSM program that -- we have a
25 targeted energy efficiency program.

1 Q. Okay. And is that -- is that being paid for
2 by all of the residential customers?

3 A. I'm not sure of the status of that. That
4 would be -- one of the folks from regulatory could
5 answer that question.

6 Q. Who are those folks? I'm sorry?

7 A. Well, Witness West.

8 Q. Okay. So I'll ask Witness West that.
9 Finally, just -- and I'm sorry to be taking
10 so long.

11 MR. FITZGERALD: Mr. Chairman, I appreciate
12 your indulgence. I have no questions for the next
13 witnesses so I'll use up all my questions now.

14 CHAIRMAN SCHMITT: We're going to send you a
15 badge of honor.

16 MR. FITZGERALD: You better send me some duct
17 tape and I'll put it right across my mouth.

18 Q. (By Mr. FitzGerald) I just have a few
19 questions, Ms. Wiseman, regarding the economic
20 trends in the region and KPC's economic initiative.

21 Mr. Mattison's testimony seemed to me to
22 suggest that the region was rebounding and that the
23 effects of the pandemic would be largely gone by
24 2022 when the customers would begin to directly pay
25 for the increased rates as opposed to having the tax

1 benefits that are due them anyway to pay for their
2 first year of a rate increase.

3 So I'm wondering, your testimony seemed to
4 suggest otherwise, and I would like to clarify a few
5 points if I could.

6 You noted that the region has been in
7 economic decline since 2008; is that correct?

8 A. Yes.

9 Q. Okay. Did I understand your testimony to be
10 that the trend even prior to COVID-19 has been a
11 loss of load and declining sales due to loss of coal
12 and steel customers and a 6.4 percent loss in
13 overall customers from 2008 to 2019?

14 A. Right, that's correct.

15 Q. Okay. And that the population in 19 of your
16 20 counties has declined by 33,000 -- approximately
17 33,000 individuals in those ten years?

18 A. That's correct.

19 Q. Okay. And that the overall percentage of
20 those three counties is markedly higher than
21 4.3 percent state load?

22 A. Correct.

23 Q. Okay. Do you believe these trends predated
24 the pandemic and will persist after it is
25 controlled?

1 A. I do think that it predated the pandemic, and
2 unless something dramatically changes that, yes, I
3 think we will continue to struggle in Eastern
4 Kentucky.

5 I mean, this is a region that built itself on
6 coal mining and steel for decades and decades and
7 decades, and so the rebuilding of that will also
8 take quite a bit of time.

9 Q. I don't disagree a bit.

10 Last set of questions.

11 What is the purpose and the goal of the
12 K-PEGG program?

13 A. So one of the reasons that I mentioned the
14 economic situation of Eastern Kentucky in my
15 testimony is because we're asking for -- to maintain
16 the rate of funding for the K-PEGG program.

17 Q. Okay. What -- I'm sorry.

18 A. Oh, I was just going to answer your question.

19 Q. No. That was great. That was great.

20 How is it funded?

21 A. It is funded partially by the company and
22 partially by our nonresidential customers at \$1 per
23 month.

24 Q. Okay.

25 A. And then the company matches that. It's

1 around \$750,000 a year that we give away in grant
2 money.

3 Q. Okay.

4 A. Maybe not always. Sometimes it rolls.

5 Q. Okay. Who can receive these grants?

6 A. We work mostly with nonprofits in the areas.
7 Government entities can receive it. We're -- you
8 know, we're a partner in the economic development
9 region. We work closely with One East Kentucky,
10 Ashland, Alliance, SOAR, community colleges.

11 I mean, there are a lot of partners and a lot
12 of recipients of the grants.

13 Q. Okay. And they're competitive grants; is
14 that right?

15 A. Well, there is a process, so, I mean, yes.
16 So it's an application that they complete, and it's
17 ruled on by a team of people. We have
18 representatives from the cabinet for economic
19 development, or one representative, and then we have
20 a representative from the Kentucky Association of
21 Economic Development who also participates on that,
22 so --

23 Q. Okay.

24 A. Yes.

25 Q. That's great. And are these funds available

1 to individual companies?

2 A. Nonprofit entities. And so -- so often --
3 so, for instance, take Dajcor, which was a company
4 that located to the Hazard area in the past year.
5 They work with -- One East Kentucky is the one that
6 recruited them to the area, and so -- Perry County
7 is the government.

8 And so we were able to provide grant funding
9 to those two companies to help with the recruitment
10 and startup of Dajcor.

11 Q. Okay. So do any of these grant funds end up
12 supporting for-profit companies?

13 A. Indirectly, but I will say the purpose of the
14 K-PEGG program is to -- to bring -- to attract jobs
15 to the area, obviously, was very important. I'm
16 very interested in that, but then also to get sites
17 and buildings prepared.

18 So, you know, I think the -- I think that
19 building is -- I'm not sure specifically about
20 Dajcor, but their building is being leased, and so
21 the government -- Perry County government might end
22 that one. I might have that one confused, actually,
23 between Intuit and Dajcor.

24 Q. Okay.

25 A. But indirectly, yes, I guess it's possible

1 that they can benefit.

2 Q. Okay. And this, believe it or not, is the
3 last question.

4 Is it fair to state that the \$12-a-year
5 charge that's paid by existing commercial customers
6 that indirectly benefits new commercial prospects is
7 a subsidy of the existing customers to these
8 prospects?

9 A. I do think that that's true, yes. I mean, I
10 guess it could be called a subsidy.

11 Q. Okay. And just so we're clear, and I
12 appreciate all your time, I'm a strong believer in
13 low-income assistance programs and economic
14 development programs. I just -- there's a point I'm
15 making here which may become clear, or may be
16 already clear, but I appreciate very much your work
17 in that regard and your testimony here today, and I
18 appreciate your time.

19 MR. FITZGERALD: Mr. Chairman, I am,
20 mercifully, done.

21 CHAIRMAN SCHMITT: Vice Chairman Chandler,
22 questions?

23 VICE CHAIRMAN CHANDLER: Thank you, Chairman.

24 * * *

25

EXAMINATION

1
2 By Vice Chairman Chandler:

3 Q. Good evening, Ms. -- is it Ms. Wiseman?

4 A. Good evening.

5 Q. Are you aware of the Commission's docket in
6 response to COVID-19 case number 2020-00085 where
7 the Commission -- let me just ask this: The
8 Commission asked a number of data requests about the
9 impact of COVID on both customers and companies' --
10 certain utilities' operations?

11 A. I am aware of that. I wasn't really involved
12 in it, but yes.

13 Q. So if you'll indulge me just one minute here,
14 share my screen.

15 Mr. West in that docket provided the
16 company -- sponsored the company's responses to a
17 number of data requests. One of them -- please let
18 me know when you can see my screen. Do you see
19 that?

20 A. Yes.

21 Q. Okay. One of them asked -- if I get it right
22 -- the percent of customers by class that pay on
23 time for 2017 as a year, '18 as a year, '19 as a
24 year, and then each month in 2020.

25 Do you see that?

1 A. I do.

2 Q. And then it refers to -- it refers to an
3 Excel attachment. Do you see that as well?

4 A. I see where it refers to an Excel attachment,
5 yes.

6 Q. Okay. And so please let me know when you can
7 see the Excel attachment on the screen.

8 A. I can see it. I can't read numbers from it.

9 Q. That's perfectly fine. I will zoom in now
10 that we can see it.

11 And so the -- if you'll believe me, the
12 response said to go to 1-9 here, and this is the
13 supplemental attachment that it refers to.

14 Is that information a little clearer?

15 A. Yes. I can see it.

16 Q. And so do you see that for residential
17 customers that paid on time, the 2017 average --
18 it's a less-than-average because it -- because of
19 the way the Kentucky billing -- do you see that at
20 the bottom, the Kentucky Power billing system
21 archives information -- but the average in '17, '18
22 and '19 for the information was 79.09 percent of
23 customers paying on time, 82.3 percent for 2018, and
24 for 2019, 82.35 percent.

25 Do you see those numbers?

1 A. I can -- it's blurry, but I can sort of see
2 it.

3 Q. Blurry. Okay. Let me see if I can --

4 A. It might be me.

5 Q. Is that any better?

6 A. Yeah, it might be.

7 Q. Okay. And I'll ask Mr. West about this, so
8 don't worry about that, but you mentioned that a
9 significant portion of your job is customer service,
10 right?

11 A. That's a piece of it, yes.

12 Q. Okay. And I just want to understand: Do you
13 have at least a rudimentary understanding of LIHEAP?

14 A. Yeah. I'm familiar with it.

15 Q. Okay. And do you know that they had a LIHEAP
16 cooling program this summer in addition to the
17 ordinary LIHEAP winter cooling program?

18 A. Yes.

19 Q. Okay. And is it your understanding that
20 LIHEAP as a general matter, at least in ordinary
21 times, requires there be a late payment or a threat
22 of disconnection before somebody is able to receive
23 LIHEAP assistance?

24 A. Yes. I'm familiar with that.

25 Q. Okay. And so would you agree that as a

1 general matter regarding late payments, LIHEAP as a
2 general matter shouldn't be a consideration as to
3 whether or not -- you know, if there was three times
4 as much LIHEAP assistance available, that shouldn't
5 matter as it relates to on-time payment, because
6 on-time payment, if you -- if you pay on time, you
7 can't get LIHEAP, right?

8 It shouldn't increase or decrease according
9 to the amount of LIHEAP available?

10 A. Right.

11 Q. Okay. And so you're aware that the
12 Commission's moratorium on -- I'll leave it on this
13 one so you don't go back and forth a bunch.

14 Is it your understanding that the
15 Commission's moratorium on disconnections went into
16 effect in March?

17 A. It did. Yes.

18 Q. Okay. And along with that, do you remember
19 that the Commission said that utilities were unable
20 to assess late-payment charges?

21 A. Yes.

22 Q. Okay. And so at least for April, May, June,
23 July, and August, those months -- those on-time
24 percentages would reflect the on-time pay rate of
25 residential customers in a time where there was no

1 threat of disconnection and no assessment of late
2 payments, right?

3 A. Can you repeat that? I'm sorry.

4 Q. You would agree that the data -- the data
5 here for on-time payment would indicate the amounts
6 for April, May, June, July, and August for
7 residential, commercial, and industrial customers
8 would be reflective of the Commission's order on
9 that subject, that there was no -- there was a
10 moratorium on disconnection and there was no
11 assessment on late fees?

12 A. Right.

13 Q. So based in your experience in your position
14 regarding customer service, are you surprised to see
15 that there was little to no impact on the on-time --
16 on the on-time pay rate for residential customers
17 when there was, simultaneously, no assessment of
18 late payment fees?

19 A. I'm not really surprised because I think -- I
20 mean, I haven't really studied this, but just from
21 what I've observed is that the same customers who
22 were behind probably before the pandemic are the
23 ones that are behind still.

24 Q. So --

25 A. I haven't analyzed that from the data, but

1 that's just my -- basically what I think is the
2 case.

3 Q. Yeah. And I -- let me ask it differently.

4 If that's the case and based on the
5 information we just looked at, do you think that the
6 late-payment fee that the company assesses has an
7 impact on whether those customers -- on customers'
8 behavior?

9 A. I do not know that. I mean, I would have to
10 study that a little bit.

11 Q. Well, I guess I would just ask your opinion.
12 Do you have an opinion?

13 A. Repeat the question, please.

14 Q. Do you believe that the assessment of a
15 late-payment fee, based on your -- based on your
16 experience, the assessment of a late-payment fee
17 impacts customers' behavior as to whether or not
18 they pay on time?

19 A. I do not. I doubt that it is -- a
20 late-payment fee makes a difference to a customer
21 who is paying their bill late, for lack of a better
22 way to say it.

23 Q. Right. A person unable to pay their bill on
24 the due date, it doesn't matter if there's an
25 assessment of an additional fee; they're still going

1 to be unable to pay the bill?

2 A. You know, I don't -- I don't know, and I feel
3 like that Witness West may be able to better address
4 this. He may have more background information on it
5 with customer fees and charges, but I do not, you
6 know, think that a customer is really looking at
7 their late fee as a determination of whether or not
8 they're going to pay.

9 VICE CHAIRMAN CHANDLER: Okay. I pretty much
10 appreciate it, Ms. Wiseman. Thank you. Those all
11 the questions I have, Chairman.

12 CHAIRMAN SCHMITT: Commissioner Matthews,
13 questions?

14 COMMISSIONER MATTHEWS: Yes. If I can figure
15 out which of my three screens I can get myself off
16 mute.

17 EXAMINATION

18 By Commissioner Matthews:

19 Q. How are you this afternoon, almost evening?

20 A. I'm good, thank you. How are you?

21 Q. Can you hear me just fine?

22 A. I can.

23 Q. Okay. You are responsible for external
24 affairs, economic development, customer and energy
25 services, and corporate communications?

1 A. That's correct.

2 Q. That's a lot to put on a business card.

3 A. It's a lot. Yes.

4 Q. So I just have -- and some questions are
5 going to hop between those roles.

6 When you do things like customer satisfaction
7 surveys, how does the cost of electricity and the
8 bill factor into -- I mean, where does that fall?
9 Is that the most important thing with regards to
10 customer satisfaction or the least important thing?

11 A. Well, in the example of J.D. Power, typically
12 what we see in responses is around billing and
13 payment or price. I mean, they -- they often run
14 those together, and then also reliability of power.
15 Those are the two I would say dominating factors in
16 our surveys when we see remarks or comments.

17 Q. That's consistent with what I would expect.

18 How successful has your targeted energy
19 efficiency program been?

20 We -- the Commission scaled back DSM programs
21 and asked utilities to focus only on those
22 low-income programs.

23 A. On the weatherization programs?

24 Q. Is that the only energy --

25 A. That's the only one that we have --

1 Q. -- that you had left in that -- okay.

2 Has that been successful, have you seen --

3 A. I think it's successful. I really don't see
4 that much information on it, to be honest. It's an
5 offering that we have, but I don't really have that
6 much information about it.

7 Q. Okay.. Because we've heard anecdotally from
8 some of the areas in the state that weatherization
9 programs are getting to the point where the homes
10 that can be weatherized have been, and other homes
11 perhaps need more than just caulk and --

12 A. I have not heard -- I'm sorry.

13 Q. Go ahead.

14 A. No, I said I have not heard that personally,
15 but I wouldn't be surprised.

16 Q. Okay. I just -- I didn't know with that --
17 the things you're looking at, if you were aware of
18 that.

19 Skip just a second, and let's talk about
20 Flex Pay.

21 A. Okay.

22 Q. Walk me through what you mean when you talk
23 about the Flex Pay program, because it's really a
24 few different programs, right, or constitutes -- is
25 it just prepay?

1 A. It's just prepay.

2 Q. Okay.

3 A. And I'll see if I can -- I'll turn to my
4 testimony.

5 So it's a prepay program that would allow
6 customers to do just that, have more control over
7 when they pay and what amount they pay. And once
8 they sign up for it -- I know I really covered the
9 communications part of it in my testimony.

10 Q. Right.

11 A. And I know West talks about the tariff, but
12 they would receive alerts to notify them if they
13 were -- you know, there's a whole -- in my exhibit
14 there's a whole series of messages that they could
15 receive about their balance or if a payment was
16 received or something to that effect. And that can
17 be done through a text message too.

18 Q. Okay.

19 A. So it's really just a prepay program. And as
20 I had used in the example earlier, we often see
21 people asking for a few more days to, you know, pay
22 their bill, or whatever.

23 And in this case for the -- for people who
24 are on a fixed income or low income, I mean, I
25 really think it's a game-changer. It will help them

1 manage their budgets a little better and, you know,
2 control their finances.

3 Q. And I know that a lot of the co-ops in the
4 Eastern Kentucky area have prepay programs.

5 Have you looked at any of their educational
6 presentations and seen how successful, kind of
7 learned from any of their experience, given that
8 they're -- they're servicing a similar customer
9 base?

10 A. Yeah. We -- you know, I normally always do
11 that, especially before I do any kind of
12 communications campaign. I want to see what other
13 utilities are using not only just in Kentucky but
14 around the country, and then also what other AEP
15 companies have done since a lot of them already have
16 AMI, and at least -- you know, like PSO is one that
17 I've been modeling some of my information from on
18 their prepay program, our company in Oklahoma.

19 Q. And with prepay, one of the benefits would be
20 no deposit or a reduced deposit?

21 If I wanted to get service in your territory
22 now, I would have to have a deposit, and if I'm
23 going to opt for prepay, it would either reduce or
24 eliminate that deposit.

25 A. Right. You would have to have a deposit if

1 your, you know, credit warranted it, and then the
2 prepay program would eliminate that.

3 Q. Okay. So that's -- and as for the question
4 that I believe Mr. FitzGerald asked about, do you
5 think that would make someone use less electricity?
6 I think you can look to some of those -- some of the
7 neighbors and see if that has held out or not.

8 A. From the prepay program?

9 Q. Yes, from the prepay program.

10 A. Sure. I would of course be willing to do
11 that. I think the home energy management system
12 also gives our customers the opportunities to manage
13 their usage through that program. I call it
14 customer engagement platform, also home energy
15 management program in my testimony.

16 Q. Okay. And let's talk about the AMI option a
17 little bit.

18 As part of the data and the use of the data,
19 will you be -- will you allow customers to make that
20 data available to third parties who maybe want to
21 help them manage their energy?

22 A. Yes. Customers -- it's our policy to put
23 customers in charge of their own data, and there are
24 several mechanisms where they can do that, and then
25 the home energy management system would be one way

1 that they can download data, and then also we have
2 the green button to download more data, and then of
3 course our letter of authorization is available if a
4 customer wants to give data over to a third party.

5 Q. Okay. Another questions is: if I'm a
6 customer is I don't want a smart meter, what is the
7 proposal for the opt-out?

8 A. Well, Witness Blankenship addresses --

9 Q. Okay.

10 A. -- that in his testimony, but as I understand
11 it, it will be, you know, a one-on-one customer
12 basis. The issue is not so much whether or not they
13 can opt out. It's more about whether or not they
14 will be continue to be served with an AMR in the
15 future.

16 COMMISSIONER MATTHEWS: Okay. And I think
17 between Mr. FitzGerald and Mr. Chandler, the rest of
18 my questions were covered. So thank you.

19 CHAIRMAN SCHMITT: Ms. Glass, any redirect?

20 MS. GLASS: Yes, your Honor. Just a few.

21 REDIRECT EXAMINATION

22 By Ms. Glass:

23 Q. It's counterintuitive.

24 Okay. Ms. Wiseman, going back to
25 Mr. FitzGerald's questions regarding the access to

1 AMI information and customers' usage information
2 that they can receive after having an AMI meter
3 installed, he asked questions about Internet access
4 and how customers might be able to access that
5 information, and you testified that they could
6 access it through the Internet or through their
7 phones.

8 A. Right.

9 Q. Would customers also be able to access that
10 information on computers at a library, for instance,
11 if they don't have their own computer or if they
12 don't have Internet access at their homes?

13 A. Yes. Any place like that in a library.

14 And then I also should have also added that
15 for customers who are maybe not tech savvy or they
16 have -- they do not have Internet access, our call
17 center is always available, and so we have agents
18 there who know about AMI data and that sort of
19 information, and they can help customers with their
20 information.

21 And then also, I think I had mentioned
22 previously, you know, we have a team of customer
23 service folks who would be also willing to meet with
24 a customer in person.

25 Q. Thank you. If a customer wanted to receive

1 information that's -- about their usage that they
2 can get from their AMI meters, and they called the
3 customer service center, could they not only discuss
4 the information with the customer service
5 representative, but could they also have that
6 information sent to them or emailed to them or
7 mailed to them?

8 A. Yes. I mean, we have several -- the letter
9 of authorization process, if they wanted to give it
10 to their third party or customer service agents
11 would help them with that -- with that.

12 Q. And earlier there was a question from -- I
13 believe from Mr. FitzGerald about how the customer's
14 bill -- does it show the monthly charge and the
15 energy charge separately.

16 I know you're not involved in the workings of
17 what is displayed on the bill but is it your
18 understanding generally that the Public Service
19 Commission has approved Kentucky Power's bill
20 format?

21 A. Yes. True.

22 Q. And I think yesterday Ms. Vinsel was
23 questioning Company Witness Mattison, and she had
24 mentioned that she had detected that there was a
25 change in theme from the last rate case in 2017 from

1 economic development to growth in this case.

2 And I think Mr. Mattison testified that that
3 wasn't exactly the case and there wasn't a change in
4 theme.

5 Could you expound upon the company's economic
6 development efforts since the 2017 rate case and its
7 focus on economic development since then?

8 A. Absolutely. So we are as committed and
9 involved in economic development in Eastern Kentucky
10 as we have always been. I think the reason it is
11 not as prevalent in my testimony this year is
12 because we are just asking to maintain our K-PEGG
13 program, and we've kind of found our rhythm I think
14 with the K-PEGG program on how we allocate the
15 funding through the grant program.

16 But I would say that there's a whole team of
17 us at Kentucky Power who's involved in economic
18 development. Clearly the internal affairs managers,
19 they split their time with economic development.
20 Brett Madison and I were both involved. The
21 regulatory team is involved, our customer service
22 team.

23 In fact we have a weekly touchpoint call
24 where we review what we consider our prospects, and
25 that's just the ones that someone has reached out to

1 us either through one of the economic development
2 organizations to, you know, inquire about power
3 supply or our rate, and so it's always, you know, on
4 our agenda, economic development.

5 We work very closely with a number of groups.
6 Brett Mattison and I both serve on the One East
7 Kentucky board. I serve on the Ashland's Alliance
8 board and am also the incoming chairperson.

9 No doubt there's a lot of work to do.
10 Economic development is a very long process, and it
11 can take some time. But with all of the partners in
12 Eastern Kentucky, I mean, I think we're on a good
13 path and looking forward to the -- you know, the
14 next few years to come.

15 Q. Thank you.

16 Switching gears a little bit, there was a
17 question about the late-payment fees for nonpayment,
18 and is a late-payment fee intended only to incent
19 customers to pay or does it also reflect Kentucky
20 Power's cost of past due receivables, if you know?

21 A. I think it's not just for the incent to pay
22 it's to -- you know, it's just to compensate for the
23 late -- you know, the late-cost receivables.

24 Q. Okay. Thank you. And final question about
25 Kentucky Power's DSM program and some questions

1 that -- that were brought up earlier.

2 Would Company Witness Scott Bishop be the
3 best witness to answer those questions?

4 A. He would be. He manages the programs, and
5 now works in the regulatory group.

6 MS. GLASS: Okay. Thank you. That's all I
7 have.

8 CHAIRMAN SCHMITT: You may -- you may step
9 down, Ms. Wiseman. Thank you.

10 THE WITNESS: Okay. Thank you.

11 CHAIRMAN SCHMITT: Is Kentucky Power ready to
12 call Mr. Kerns, its next witness?

13 MS. GLASS: And again we'll just need --

14 CHAIRMAN SCHMITT: I'm sorry. I'm sorry.
15 Stop.

16 (A DISCUSSION WAS HELD OFF THE RECORD.)

17 CHAIRMAN SCHMITT: Ms. Glass, you need to
18 speak up, get close to the microphone. Apparently
19 the reporters are having difficulty hearing you.

20 MS. GLASS: Okay. Thank you. I will not be
21 crossing -- or presenting Mr. Kerns, so I'll pass
22 that on to the next attorney. Thank you.

23 CHAIRMAN SCHMITT: I guess it will take some
24 time too -- I guess you have to clean the witness
25 chair and the stand, correct?

1 I don't know what she said.

2 MS. SACRE: We lost her.

3 (A DISCUSSION WAS HELD OFF THE RECORD.)

4 CHAIRMAN SCHMITT: We're going to have to
5 wait a second and see if I -- we'll have someone
6 from our technical crew here after 5:00.

7 MS. GLASS: Thank you, your Honor. We're
8 ready whenever you are.

9 MS. SACRE: Just say okay. Just close it?

10 CHAIRMAN SCHMITT: Okay.

11 MS. SACRE: I'm afraid to close anything.
12 Lots of red. Not good.

13 CHAIRMAN SCHMITT: Ms. Blend, can you hear
14 me?

15 MS. BLEND: I can, your Honor.

16 CHAIRMAN SCHMITT: When we talked about going
17 late, there's one group I didn't consider, and
18 that's the people who are back here in our hearing
19 room who are actually operating the system.

20 So we'll have to check on that in the morning
21 and see how late we can go. We'll have to wait a
22 second. Ms. Vinsel is back with that crew. We'll
23 have to wait until she comes back.

24 MS. SACRE: Tell her to speak up, too. When
25 she gets way back from that microphone, you can't

1 hear her. Got too much room.

2 MS. VINSEL: Just clarifying their technical
3 support.

4 CHAIRMAN SCHMITT: Will we have somebody here
5 until 6:00?

6 MS. VINSEL: Yes, Anthony is here.

7 CHAIRMAN SCHMITT: All right, Ms. Blend. I
8 think we're ready to go. Would you introduce your
9 witness?

10 MS. BLEND: Yes, your Honor.

11 Thank you. Company calls Tim Kerns.

12 CHAIRMAN SCHMITT: Mr. Kerns, would you
13 please raise your right hand?

14 Do you solemnly swear or affirm that the
15 testimony you're about to give will be the truth,
16 the whole truth, and nothing but the truth.

17 THE WITNESS: I will.

18 CHAIRMAN SCHMITT: Ms. Blend, you may ask.

19 MS. BLEND: Thank you.

20 TIMOTHY KERNS, having been first duly sworn,
21 testified as follows:

22 DIRECT EXAMINATION

23 By Ms. Blend:

24 Q. Mr. Kerns, would you please state your name
25 and business address for the record?

1 A. Good afternoon. I'm Timothy Kerns, my
2 business address is 2791 North US Highway 231, in
3 Rockport, Indiana.

4 Q. Thank you. And by whom are you employed and
5 in what position?

6 A. I'm employed by Kentucky Power Service
7 Corporation. I'm the vice president of generating
8 assets with responsibility for Kentucky Power and
9 Michigan Power assets.

10 Q. Thank you. Reminder just to keep your voice
11 up for the court reporter.

12 A. Okay. I'm sorry.

13 Q. Mr. Kerns, are you aware that Debra Osborne
14 caused to be filed direct testimony in response to
15 data requests in this case?

16 A. Yes, I am.

17 Q. And are you further aware that Ms. Osborne
18 retired effective September 30th, 2020?

19 A. Yes, I am.

20 Q. And you are the witness who is adopting her
21 testimony and her data responses for purposes of
22 this case, correct?

23 A. Yes, I am.

24 Q. Thank you.

25 Other than the personal biographical

1 information about Ms. Osborne contained in her
2 direct testimony, do you have any changes to those
3 documents?

4 A. I do not.

5 Q. And if I were to ask you the same questions
6 today other than the personal biographical answer
7 that Ms. Osborne, would your answers be the same?

8 A. Yes.

9 MS. BLEND: Thank you. Your Honor, the
10 witness is available for cross-examination.

11 CHAIRMAN SCHMITT: Ms. Vinsel, do you have
12 any cross-examination?

13 MS. VINSEL: No, Mr. Chairman, I don't have
14 any examination. But I will ask Mr. Kerns if he
15 will lean into the microphone a little when he
16 answers, that would be helpful.

17 THE WITNESS: Thank you, I sure will. As you
18 struggle to hear me if that happens, please don't
19 hesitate to let me know.

20 MS. VINSEL: Thank you very much.

21 CHAIRMAN SCHMITT: Counsel for the attorney
22 general, any questions?

23 VICE CHAIRMAN CHANDLER: We have no questions
24 for this witness, thank you.

25 CHAIRMAN SCHMITT: Mr. Kurtz,

1 cross-examination?

2 MR. KURTZ: I do, your Honor, very briefly.

3 CROSS-EXAMINATION

4 By Mr. Kurtz:

5 Q. Will you turn to page 5 of your testimony,
6 Mr. Kerns?

7 I would like to ask a few questions about the
8 decommissioning and demolition activities of
9 Big Sandy.

10 A. I'm there.

11 Q. Okay. The cost of decommissioning Big Sandy
12 Unit Two are being covered by Kentucky Power via a
13 decommissioning rider; is that correct?

14 A. That's my understanding, yes.

15 Q. Okay. What is the expected total cost of
16 decommissioning Big Sandy Two expected to be?

17 A. I'm sorry. I don't have the -- I don't have
18 the number for the total decommissioning. I know
19 that our estimate for the closure of the flash pond
20 is in the -- around \$92 million. But I don't have
21 the information on the unit two decommission.

22 Q. Okay. What I want to understand is when we
23 can expect to get some rate relief via the rider; in
24 other words, when the costs are going to be finished
25 and therefore the rider will -- will go down.

1 When is the closure expected to be complete?

2 A. We still expect that to be completed by
3 December of 2020.

4 Q. Okay. Oh, good, so -- and that's a pretty
5 major cost?

6 A. Yes. Yes. It is.

7 Q. Okay. So we should -- I know you're not a
8 rates guy. We'll ask Mr. Vaughan.

9 We can expect to see some great relief maybe
10 the following month after that?

11 A. I would -- as you suggest, I would talk to
12 Mr. Vaughan about the rate relief, but we completed
13 demolition of the electrostatic precipitator in
14 October of 2020 on schedule. We expect the closure
15 of the flash pond to be completed by December of
16 2020 on schedule.

17 We have gotten the selective catalytic
18 reduction system on the ground, so we certainly
19 expect it to be completed by December of 2020,
20 again, all on schedule. The remaining activities
21 will be completing the scrap removal, evaluating how
22 many CPCs and conduits -- how many steel conduits we
23 have.

24 But I see nothing that would prevent us from
25 completing by mid-2021 as scheduled.

1 Q. I wanted to ask you about scrap sales.

2 I know you're not the rates guy, but when
3 you -- when you decommission, demolish a plant, do
4 you sell the scrap metal for money and -- correct?

5 A. In some cases, yes. I'm not familiar with
6 the contracts that have been set up specifically for
7 this and how those costs are -- you know, come back
8 through, but yes, if there's scrap to be sold,
9 generally we do. That's part of the contractors
10 that we use to demolish a unit.

11 Q. Thank you, sir. If it is money that comes
12 back from the scrap or other things, is that
13 credited to the decommissioning rider?

14 A. I'm not -- I'm not sure.

15 Q. Really quickly, just on this page, what is
16 the status of asbestos removal that's listed on line
17 16, page 5?

18 MS. VINSEL: Pardon me if I interrupt.
19 Mr. Kurtz, would you like to have this document
20 displayed during your cross-examination?

21 MR. KURTZ: No, thank you. It's just the
22 testimony he adopted.

23 MS. VINSEL: Thank you. I appreciate it.

24 THE WITNESS: Thank you. The asbestos
25 removal is complete.

1 Q. (By Mr. Kurtz) Okay. What about removal of
2 coal-handling equipment, is that complete also?

3 A. Yes. That is complete.

4 Q. Demolition of the Big Sandy Unit Two cooling
5 tower?

6 A. Yes, sir. That is complete as well.

7 Q. Okay. Last question: The removal of
8 coal-impacted soils from the former portfolio?

9 A. That is underway. It's not complete.

10 Q. Okay. I have one more question. When
11 this -- when this is it finished, will the facility
12 be returned to a greenfield or brownfield site?

13 A. My understanding is it will be returned to a
14 brownfield site.

15 MR. KURTZ: Okay. Thank you, sir. No
16 further questions.

17 CHAIRMAN SCHMITT: Ms. Grundmann,
18 cross-examination?

19 MS. GRUNDMANN: No, your Honor. Thank you.

20 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo,
21 questions?

22 MR. SPENARD: No, thank you.

23 CHAIRMAN SCHMITT: Mr. FitzGerald, questions?

24 MR. FITZGERALD: No, your Honor. Appreciate
25 the opportunity. No questions.

1 CHAIRMAN SCHMITT: Mr. Miller, any questions?

2 MR. MILLER: No, your Honor. No questions,
3 thank you.

4 CHAIRMAN SCHMITT: Mr. Frye?

5 MR. FRYE: No questions, Chairman. Thank
6 you.

7 CHAIRMAN SCHMITT: Vice Chairman Chandler?

8 VICE CHAIRMAN CHANDLER: Yes, your Honor.
9 Just a few.

10 EXAMINATION

11 By Vice Chairman Chandler:

12 Q. Good afternoon -- is it Kerns?

13 A. Kerns. Thank you. Yes, it is.

14 Q. I guess it's almost good evening.

15 I appreciate when I heard your description of
16 your address, you said Rockport, Indiana. I was
17 confused, and then you said you were in charge of
18 the generation assets at Kentucky Power so it makes
19 sense that you're there in Rockport.

20 Let me -- at a very high level -- so -- so
21 you would also be in charge of the generation of the
22 Mitchell plant; is that correct?

23 A. That's correct.

24 Q. So Mitchell, Big Sandy, and then all of the
25 other assets that I&M owns; is that correct?

1 A. That's correct. The generating assets, yes,
2 the Rockport plant, the hired facilities, and the
3 solar facility.

4 Q. And Mr. Mattison, to his understanding -- and
5 I just want to make sure we're all on the same
6 page -- to his understanding did not anticipate any
7 change in the current expected useful life of the
8 Mitchell plant.

9 Is that also your understanding of an
10 expected useful life, at least until 2040?

11 A. Yes, sir, it is.

12 Q. And then Big Sandy is -- I'm going from
13 memory here, but 2030, is that still the anticipated
14 retirement date of Big Sandy unit one?

15 A. 2031, I believe.

16 Q. 2031. Excuse me.

17 And I'm going to attempt to do this
18 without -- without going into anything that -- that
19 could possibly be confidential, but would you agree
20 that when Big Sandy One was refired as a natural gas
21 facility, Kentucky Power wasn't necessarily
22 expecting it to dispatch, particularly often, in PJM
23 on an economic basis?

24 A. That's my understanding, but it's based on
25 discussions I heard from a distance. I have

1 certainly wasn't -- I wasn't involved with the Big
2 Sandy plant at the time, but yes, low-capacity
3 factors were anticipated at that time.

4 Q. And do you understand that it was -- the
5 refiring was a -- understood to be a fairly
6 economical way of Kentucky Power to meet its FRR
7 plan as capacity?

8 A. Yes.

9 Q. Okay. And let me ask, when -- when -- well,
10 is it your understanding that Mitchell -- well, let
11 me ask this: Is Mitchell dispatching as often as
12 you or Kentucky Power would have anticipated when
13 the transfer to Kentucky Power occurred?

14 A. I'm sorry. I can't answer that because I
15 don't have information about what the expectation
16 was.

17 What I will offer is that the dispatch of the
18 Mitchell plant is consistent with what we're seeing
19 at our facilities with cheap natural gas renewals
20 and just a soft energy market, so it's not an
21 outlier in the standpoint that it's not dispatching
22 much.

23 Q. It's not a -- it may not be an outlier to a
24 similarly situated coal-fired but it's certainly
25 dispatching less than -- well, that you had hoped,

1 correct?

2 A. Repeat your question.

3 Q. That -- let me withdraw that.

4 Has -- has the Mitchell plant experienced an
5 inordinate number of forced outages over the last --
6 we'll say three years, in your opinion?

7 A. I wouldn't characterize it as an inordinate
8 number. The forced outage rate, particularly on
9 unit one, was certainly higher than we expect and
10 desire in 2017 due primarily to a low-pressure
11 turbine blade failure.

12 So a three-year average on forced outage rate
13 at Mitchell has been running just around 13 percent,
14 14 percent, and declining since 2017.

15 Q. And so where would you like to see the forced
16 outage rate be for a unit or units like Mitchell?

17 A. We generally target 7 to 10 percent for the
18 way that we fund the units and where the -- where we
19 anticipate the market being.

20 Q. Okay. And so are '18 and '19 above those
21 amounts, above that target?

22 A. So 20 -- 2018 was -- I'm trying to do some
23 math in my head here, but about 15 percent, and 2019
24 would be roughly 11 percent.

25 Q. So even without the outlier in '17, you're

1 still running in the other two years significantly
2 higher than -- you're double what your target rate
3 is. Why is that the case?

4 A. So we're looking to -- always looking at the
5 amount of spend on the unit, what should we -- what
6 should we be investing and how much risk are we
7 willing to take around reliability and availability.

8 As I said, soft energy market has us taking a
9 look at -- at what makes sense for those units, as
10 -- as we are across our coal fleet.

11 So equipment such as the precipitators where
12 we've had issues with our capacity have caused
13 curtailments, not necessarily forced outages. We've
14 had steam leaks in the steam generator which have
15 caused forced outages. We've had other equipment --
16 we've had a boiler feed pump that we had to replace
17 unexpectedly.

18 So it's generally the plant equipment
19 that's -- that's forcing us out.

20 Q. So are you aware of the difference between
21 ICAP and UCAP in capacity planning?

22 A. Generally.

23 Q. Okay. And are you aware that PJM requires
24 for the FRR plans -- for the FRR entities to be able
25 to meet their -- to meet their load -- load

1 requirement on a UCAP basis?

2 A. Yes.

3 Q. Okay. And you would agree that forced
4 outages are a consideration in calculating the UCAP,
5 is that your understanding?

6 A. I'm sorry. I can't answer that. I know
7 seasonal D rates due to certain conditions can
8 affect the D cap, but to the degree that forced
9 outage rates impact it, I can't answer that.

10 Q. Okay. And are you under the -- do you know
11 the Rockport UPA is expired as it relates to
12 Kentucky Power in December of 2022, right?

13 A. Yes.

14 Q. And one's at the very end of the year and one
15 is very close to the end of the year, is that your
16 understanding?

17 A. I thought there was just one UPA and --
18 sometime in December of 2022.

19 Q. December of 2022. That's fair.

20 Are you under the impression, given your
21 position, that expiration of the Rockport UPAs,
22 there's an anticipation that Kentucky Power will be
23 short capacity?

24 A. I don't -- I don't have that information. I
25 haven't been involved in the IRP process. I believe

1 that would be a better question for Witness Mattison
2 or Witness West.

3 Q. So as it relates to Kentucky Power's FRR
4 plan, do you know who is in charge at AEP of
5 Kentucky Power's FRR plan?

6 A. I do not.

7 Q. Okay. And I'm aware at least to a degree of
8 Kentucky Power's current IRP, I think it's 2019-443,
9 there's an indication in there that in outer years
10 that there may be an inclusion of some portion of
11 solar or wind energy.

12 I'm just curious, given your position, does
13 I&M have any utility still solar or wind in their
14 portfolio?

15 A. Yes. I&M has four sites that total 14.7
16 megawatts of generation. We have another site under
17 construction now that will be 20 megawatts and
18 expect to be in service after -- in 2021.

19 Q. And do you know if they use that solar as a
20 way to satisfy their FRR plan?

21 A. I do not.

22 Q. Okay. I appreciate it, Mr. Kerns. You have
23 a good evening.

24 A. Thank you, you too.

25 CHAIRMAN SCHMITT: Dr. Matthews, questions?

1 COMMISSIONER MATTHEWS: I don't have any
2 questions, thank you.

3 CHAIRMAN SCHMITT: Ms. Blend, do you have any
4 redirect?

5 MS. BLEND: Thank you, your Honor. Just a
6 couple of questions.

7 REDIRECT EXAMINATION

8 By Ms. Blend:

9 Q. Mr. Kerns, regarding the company's IRP, which
10 Vice Chairman Chandler mentioned to you, is it your
11 understanding that Company Witness West, who is the
12 witness in this case, is also involved in that
13 proceeding in interrogatory responses to data
14 requests in that proceeding?

15 A. Yes. It is.

16 Q. Thank you. So, in your opinion, would you
17 expect him to be able to answer some of the
18 questions about the IRPs that the Vice Chairman
19 asked?

20 A. Yes, I would.

21 Q. Now, you discussed some of the causes or
22 contributing factors to the forced outage rates at
23 Mitchell plant?

24 A. Yes.

25 Q. Do you recall those questions?

1 A. Yes.

2 Q. Do AEP and Kentucky Power Company regularly
3 inspect and maintain equipment in generating
4 facilities, including those for that in the Mitchell
5 plant?

6 A. Yes, we do.

7 Q. Can you elaborate on that a little further,
8 regarding the inspection and maintenance at
9 Mitchell?

10 A. So as Ms. Osborne pointed out in testimony
11 that I adopted, we have the predictive and
12 preventative maintenance programs which are
13 routinely assessing and inspecting the condition of
14 the equipment and of the systems.

15 Once we determine that there are needs based
16 on the equipment performance or the health of the
17 equipment from the technologies we're using, we'll
18 then build -- we have what we call an asset help
19 summary which breaks the plant down by systems and
20 equipment. We prioritize that based on high,
21 immediate, low risk, and then we develop what we
22 think the needs are for the plant going forward.

23 We then work with the Kentucky Power
24 leadership team where it weighs those needs against
25 the other needs in the company to decide how

1 we -- you know, how we fund that and what we go
2 after.

3 As I mentioned, the soft energy market has
4 a -- really changing the way we look at those
5 Mitchell units from the standpoint of -- you know,
6 in the testimony here they're described as base load
7 units.

8 Certainly when those units came online, they
9 were to meet base load needs, but as the energy
10 market has changed, they really have fallen more
11 into a load following category inasmuch as a
12 capacity asset for our customers.

13 So investing in those units to maintain a
14 100 percent variability or a zero percent or a 2
15 percent forced outage rate really doesn't make any
16 sense for our customers. Having -- investing in a
17 level that has those -- to be a reliable capacity
18 resource when needed for our customers makes more
19 sense these days.

20 Q. Thank you. The predictive and preventative
21 maintenance that the company performs, can it
22 guarantee or predict with 100 percent when an asset
23 or piece of equipment is going to fail?

24 A. No.

25 Q. Are the types of equipment failures that you

1 referenced, I believe you discussed a turbine blade
2 and a boiler.

3 Are those types of equipment failures typical
4 types of failures that occur at coal-fired
5 generating plants as the vintage of Mitchell?

6 A. With the exception of the turbine blade, yes,
7 and even a turbine failure is not atypical.
8 However, the turbine is the piece of equipment that
9 we take the least risk with because of the potential
10 for collateral damage and the safety implications
11 for our employee and the facilities. So we don't
12 routinely throw turbine blades. However, the other
13 -- the other items are fairly typical.

14 Q. Thanks for that clarification.

15 Are other of the types of equipment and
16 failures that you described the -- the other
17 instances, the boiler failure and the turbine blade
18 failure indicative that Kentucky Power is not
19 quietly inspecting maintenance plants?

20 A. No. Not at all.

21 MS. BLEND: Thanks. That's all the questions
22 that I have.

23 CHAIRMAN SCHMITT: Thank you, Mr. Kerns. You
24 may step down.

25 Ms. Blend, are you ready to call your next

1 witness.

2 MS. BLEND: Yes, your Honor, the company
3 calls Lerah Scott.

4 CHAIRMAN SCHMITT: Oh, you'll need a few
5 moments, though. Do you need to do any
6 disinfecting?

7 MS. BLEND: Yes, we will, your Honor, just a
8 moment, to disinfect the witness stand and table.

9 CHAIRMAN SCHMITT: Our reporter would like to
10 take a short break. So let's take a break until
11 five minutes after 5:00. We'll be in recess until
12 then.

13 MS. BLEND: Thank you, your Honor.

14 (A DISCUSSION WAS HELD OFF THE RECORD.)

15 CHAIRMAN SCHMITT: We're now back on the
16 record. Mr. Overstreet, will you introduce your
17 next witness?

18 MR. OVERSTREET: Yes, your Honor, thank you.
19 Kentucky Power now calls Lerah M. Scott.

20 CHAIRMAN SCHMITT: Ms. Scott, will you please
21 raise your right hand? There's something odd about
22 the video because Commissioner Matthews is the only
23 person I can see on the screen.

24 MR. OVERSTREET: Mr. Chairman, we've had a
25 bit of a technical issue, please.

1 CHAIRMAN SCHMITT: Ms. Scott, will you please
2 raise your right hand?

3 Do you solemnly swear or affirm under the
4 penalty of perjury that the testimony you're about
5 to give will be the truth, the whole truth, and
6 nothing but the truth.

7 THE WITNESS: I do.

8 CHAIRMAN SCHMITT: Okay. I do want to say,
9 too: We got another reminder from our reporter at
10 the last break for lawyers and witnesses, please
11 lean forward or pull the microphone towards you
12 because we do, on occasion, have times with the
13 witness or the lawyer asking the question, you'll
14 just fade out and some words will be missing, so --
15 okay.

16 Mr. Overstreet, you may -- you may ask.

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

18 LERAH M. SCOTT, having been first duly sworn,
19 testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Overstreet:

22 Q. Ms. Scott, would you please state your name,
23 business address, and employer?

24 A. My name is Lerah Scott. That's spelled
25 L-E-R-A-H. My work address is 1645 Winchester

1 Avenue, Ashland, Kentucky, 41101, and my employer is
2 Kentucky Power.

3 Q. And what is your position with Kentucky
4 Power?

5 A. I am a regulatory consultant.

6 Q. And did you cause to be filed in this -- the
7 record of this proceeding direct testimony and
8 responses to data requests?

9 A. Yes.

10 Q. And do you have any corrections to those
11 filings?

12 A. I do.

13 Q. And would you please provide those to the
14 politician and the parties?

15 A. The first one is on page 9 of my direct
16 testimony, line 19, the figure on that line should
17 read 414574.

18 Q. Do you have any others?

19 A. The second one is on my direct testimony page
20 10, line 6. The figure on that should read 111982.

21 Q. And are there any others?

22 A. So the first one to page 9 is actually a
23 result of a change to a data response. That is
24 staff question 46 -- 4, number 65.

25 Q. And that response was filed last week?

1 A. Correct.

2 Q. Okay. Ms. Scott, with those corrections and
3 updates -- if you were asked the same questions in
4 your testimony and data request responses, would
5 your responses be the same?

6 A. They would.

7 MR. OVERSTREET: Your Honor, the witness is
8 available for cross-examination.

9 CHAIRMAN SCHMITT: Thank you. Ms. Vinsel,
10 cross-examination?

11 MS. VINSEL: Yes, Chairman.

12 CROSS-EXAMINATION

13 By Ms. Vinsel:

14 Q. Good afternoon -- I'm going to call it
15 afternoon. Good afternoon, Ms. Scott.

16 A. Good afternoon.

17 Q. Please let me know if you have any problems
18 hearing me or if you don't understand the question.

19 In your direct testimony, you discussed that
20 Kentucky Power recovers the cost of environmental
21 projects through base rates and through the
22 environmental surcharge.

23 Can you tell me -- let me back up here.

24 We can agree that with the Rockport facility,
25 Kentucky Power has a share of cost associated with

1 Rockport environmental projects; is that correct?

2 A. That is correct, and just -- for the record
3 should state what is flowing through -- the
4 environmental surcharges for the approved
5 environmental projects.

6 Q. Yes. Thank you.

7 A. The company's environmental compliance
8 program.

9 Q. And the monthly environmental compliance base
10 rate revenue requirement includes Kentucky Power's
11 share of costs associated with Rockport
12 environmental projects; is that correct?

13 A. Correct. The approved one.

14 Q. The approved one. And can you tell me what
15 the projects are that have been approved?

16 A. I apologize. I'm just looking through. I'm
17 trying to find the exact page on the tariff sheet
18 which lists them.

19 Q. You're fine. Take your time.

20 A. So they're outlined on Exhibit L, MS2, page 6
21 of 7. I will make one caveat to this. This tariff
22 sheet has since been approved when I filed this or
23 prepared this in that I believe the only change to
24 this is under the Rockport project, and it changes
25 the very last bullet point there that says at unit

1 one. It removes that text to show that SCR, or
2 selective catalytic reduction, is now on both units
3 or recovered from both units.

4 Q. So recovered from units one and two, correct?

5 A. Correct.

6 Q. Is it correct that the same plant -- if a
7 plant is recovered through the environmental
8 surcharge, it's not also recovered somewhere else?

9 A. So it's recovered -- there's the chance that
10 the Rockport and Mitchell non-FGD is recovered both
11 through base and the environmental surcharge.

12 However, the Mitchell non-FGD is recovered solely
13 through the non-environmental surcharge.

14 Q. And I want to make sure I understood.

15 You said there's part of Rockport
16 environmental costs that are not recovered through
17 the environmental surcharge?

18 A. So how the environmental surcharge works --
19 I'll flip to the page there.

20 Q. Okay.

21 A. One second. Okay. So the discussion of how
22 the environmental surcharge works is on page three,
23 and I just want to be clear that we first establish
24 the base revenue requirements, and then the
25 environmental surcharge is going to calculate the

1 total cost by month and then reduce what is in base
2 to get what is going to be recovered in the
3 environmental surcharge.

4 And that discussion is on page three of my
5 direct testimony.

6 Q. I remember reading it. It was very clear.
7 Thank you.

8 But I think I misunderstood what you said. I
9 know that there are certain Mitchell costs. I think
10 it's the Mitchell non-FDG costs that are excluded
11 from the environmental surcharge. Is that correct?

12 A. Sorry. That would be the opposite way
13 around.

14 It would be Mitchell non-FGD is solely
15 recovered through the environmental surcharge. It
16 doesn't have a base revenue requirement.

17 Q. Okay. Thank you. Thank you. I think you've
18 answered all my questions.

19 MS. VINSEL: We have nothing further,
20 Chairman.

21 CHAIRMAN SCHMITT: Counsel for the
22 Attorney General, any cross-examination?

23 MR. WEST: I do not for this witness. Thank
24 you.

25 CHAIRMAN SCHMITT: Mr. Kurtz, any questions?

1 MR. KURTZ: No thank you, your Honor.

2 CHAIRMAN SCHMITT: Ms. Grundmann, questions
3 for Walmart?

4 MS. GRUNDMANN: No questions.

5 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo?

6 MR. SPENARD: No questions.

7 CHAIRMAN SCHMITT: Mr. FitzGerald?

8 MR. FITZGERALD: No questions, Mr. Chairman.
9 Thank you.

10 CHAIRMAN SCHMITT: Mr. Miller?

11 MR. MILLER: No, sir. Thank you very much.

12 CHAIRMAN SCHMITT: Mr. Frye?

13 MR. FRYE: No questions. Thank you, your
14 Honor.

15 CHAIRMAN SCHMITT: Vice Chairman?

16 VICE CHAIRMAN CHANDLER: No. Thank you,
17 Chairman.

18 CHAIRMAN SCHMITT: I'm sorry. You don't have
19 questions? Or you do? When there was a hesitation
20 there, I almost -- my heart stopped.

21 VICE CHAIRMAN CHANDLER: I appreciate that I
22 can lighten the mood by -- and save us all a little
23 bit of time and miss probably a little bit of
24 heartache and a little bit of headache.

25 I have no questions. Thank you.

1 CHAIRMAN SCHMITT: Dr. Matthews, any
2 questions?

3 COMMISSIONER MATTHEWS: I don't have any.
4 Thank you.

5 THE WITNESS: May I? Before we go on, can I
6 clarify for Ms. Vinsel because I incorrectly stated
7 that it's Mitchell non-FGD that has been completely
8 excluded from -- or from base.

9 It's actually the other way around. It is
10 Mitchell FGD that is exclusively recovered through
11 the environmental surcharge. I apologize.

12 CHAIRMAN SCHMITT: Ms. Vinsel, any questions
13 based on that revision?

14 MS. VINSEL: No, but thank you for the
15 clarification.

16 CHAIRMAN SCHMITT: Mr. Overstreet, any
17 redirect?

18 MR. OVERSTREET: With that clarification, no,
19 your Honor.

20 CHAIRMAN SCHMITT: All right.
21 Mr. Overstreet, are you ready to call your next
22 witness?

23 MR. OVERSTREET: We are, your Honor, and Mr.
24 Wolffram will be presenting the witness.

25 MS. SACRE: Mr. Who?

1 CHAIRMAN SCHMITT: Wolffram?

2 MS. SACRE: Who is that?

3 CHAIRMAN SCHMITT: Okay. Mr. Wolffram, are
4 you ready to proceed?

5 MR. WOLFFRAM: Yes, your Honor. At this time
6 the company would call Heather Whitney to the stand.

7 CHAIRMAN SCHMITT: Ms. Whitney, will you
8 please raise your right hand?

9 Do you solemnly swear or affirm under the
10 penalty of perjury that the testimony you're about
11 to give will be the truth, the whole truth, and
12 nothing but the truth.

13 THE WITNESS: I do.

14 CHAIRMAN SCHMITT: Okay. Counsel, you may
15 ask.

16 MR. WOLFFRAM: Thank you, your Honor. Just
17 one second.

18 HEATHER M. WHITNEY, having been first duly
19 sworn, testified as follows:

20 DIRECT EXAMINATION

21 By Mr. Wolffram:

22 Q. Ms. Whitney, will you please state your name
23 and business for the record.

24 A. My name is Heather Whitney. My business
25 address is 1 Riverside Plaza, Columbus, Ohio, 43215.

1 Q. And by whom are you employed and in what
2 position?

3 A. American Electric Power Service Corporation.
4 I'm the director of regulatory accounting services.

5 Q. And did you cause to be filed in this direct
6 testimony, rebuttal testimony, and discoveries
7 responses?

8 A. I did.

9 Q. Do you have any changes, modifications or
10 corrections to those discovery responses or
11 testimony at this time?

12 A. I do not.

13 Q. Were those discovery responses and testimony
14 prepared by you or under your supervision?

15 A. Yes, they were.

16 Q. And if I were to ask you the same questions
17 that appear in both your discovery responses and
18 your testimonies would your answers be substantially
19 the same?

20 A. Yes.

21 MR. WOLFFRAM: Your Honor, at this time the
22 witness is offered for cross-examination.

23 CHAIRMAN SCHMITT: Thank you. Ms. Vinsel,
24 cross-examination.

25 MS. VINSEL: Yes. I just have a few

1 questions.

2 CROSS-EXAMINATION

3 By Ms. Vinsel:

4 Q. I'm going with good evening now. Good
5 evening, Ms. Whitney.

6 A. Good evening, ma'am.

7 MS. VINSEL: I'm going to ask, Zach, would
8 you please pull up on screen share a document, and
9 this is from the application. It's in section five,
10 Exhibit 2. And once it's up, I'll let you know
11 which adjustment to go to. Yes, in fact -- I need
12 to go to W08. Let me have you go one more for me.
13 Thank you.

14 BY MS. VINSEL:

15 Q. And Ms. Whitney, this is the -- one of the
16 adjustments that Kentucky Power made to the test
17 year expenses. In this case, this adjustment --
18 again, it's labeled W08 -- it removes tariff PPA
19 revenues and expenses from the test year.

20 A. Yes. I see it.

21 Q. Okay. I want to see -- make sure I find --
22 it appears that the only listed purchase power
23 expense related to Rockport is \$1.2 million, and
24 would you --

25 A. Are you asking me what -- oh --

1 Q. Oh, no I just wanted you to confirm that, the
2 only listed purchase power expense is related to
3 Rockport and it's removing -- it's 1 -- it's
4 \$1.2 million and it's related to the -- we believe
5 to the declining Rockport deferral?

6 A. I just want to clarify a couple of things.
7 So this adjustment from a big picture perspective is
8 we're just wanting to remove for the cost of service
9 in this case the revenues and expenses associated
10 with this rider because we're trying to get down
11 just to the amounts that are included in base rates.

12 Q. Okay.

13 A. The 1.25 million that is included in the
14 adjustment, it is representative of the declining
15 Rockport deferral. It is not necessarily -- I
16 wouldn't characterize it as Rockport purchase power
17 costs or any -- you know, equating it to something
18 that was purchased at a PJM market purchase.

19 It is exclusively related and represents the
20 declining Rockport capacity deferral, the Rockport
21 PPA deferral.

22 Q. Thank you for that clarification.

23 MS. VINSEL: Zach, you can remove the
24 document.

25 BY MS. VINSEL:

1 Q. The other questions I have for you are
2 related to the -- the prepaid OPEB -- OPEB.

3 It would be helpful for staff, we wanted to
4 clarify one of the data responses that referenced
5 noncash ASC 715 accounting entries, and I'm almost
6 thinking I need to go back and be far more simple to
7 begin with.

8 Is the prepaid OPEB included in rate base?

9 A. Yes.

10 Q. And so now, on this one I'm going to be
11 clear, I'm more of a lawyer than an accountant, so
12 if I get this really wrong, I will count on you to
13 let me know.

14 It looks like we have cash accounting entries
15 and noncash accounting entries. Is that correct?

16 A. Correct.

17 Q. Okay. And in this data request, there was a
18 reference to the fact that the noncash ASC 715
19 accounting entries are made for financial reporting
20 purposes and they do not impact the cost of service?

21 A. Are you referring to the data request
22 AGKIUC217?

23 Q. Yes, I am.

24 A. Okay.

25 Q. It would be helpful for staff if you could

1 elaborate on that statement. And just to confirm
2 that -- which entries are -- let me try this again.

3 Which entries associated with OPEB are
4 included in rate base?

5 A. The prepaid pension -- the cash prepaid
6 pension asset recorded in account -- FERC account
7 165 is included in rate base.

8 Q. Okay.

9 A. The way that that -- there's an exhibit to my
10 rebuttal testimony, Exhibit 1 kind of helps walk --
11 walk a person through these entries at a very high
12 level.

13 The first entry is -- you know, we reduce
14 cash and we increase a prepayment at a very high
15 level. And that's the -- the 165 account. And
16 then, you know, it's sitting in the 165 account, and
17 we have various subaccounts within FERC 165.

18 So in this case, 165-0010 and 165-0035, those
19 are the account -- the subaccounts that include the
20 original prepayment balances for both our prepaid
21 pension and prepaid OPEB cash assets.

22 Then there's a reclassification entry that's
23 made, and that's -- this is what we're referring to
24 as noncash. You know, in double-entry accounting,
25 the debit equals the credits, and so we credit a

1 different 165 sub account and then we debit a series
2 of other balance sheet accounts to spread that
3 original amount out and really represent on the face
4 of our financial statements the funded position of
5 the plans, as well as the accumulated other
6 comprehensive income or a regulatory asset or
7 liability, whichever is appropriate.

8 But that's really -- that noncash entry is
9 really a -- it's really just made for financial
10 reporting purposes, and it's a memo entry in our
11 financial statements. The true character of the
12 amount is a cash prepayment that's recorded in FERC
13 account 165, and that's why it's appropriate for
14 inclusion and rate base.

15 Q. I don't know if it's just me, but I
16 completely understood where you were going, and I
17 very much appreciate that.

18 As I understood, the prepayment contributions
19 are being financed, correct?

20 A. That's correct. So they're reflected in the
21 company's capitalization at the end of the test
22 period, and we've also included them in rate base.

23 The company is seeking the return on
24 components in our cost of service be computed based
25 on capitalization, consistent with the company's

1 requests in prior proceedings.

2 MS. VINSEL: Thank you very much. Staff has
3 no further questions.

4 CHAIRMAN SCHMITT: Counsel for the Office of
5 Attorney General, questions?

6 MR. COOK: Yes, your Honor. This is Lawrence
7 Cook on behalf of the Attorney General. I
8 apologize. There's noise right out my door, but it
9 will go away shortly.

10 CROSS-EXAMINATION

11 By Mr. Cook:

12 Q. Good evening, Ms. Whitney. I have just a few
13 questions for you today.

14 Were you monitoring yesterday's hearing
15 proceedings when Witness Mattison was testifying?

16 A. Yes, I was listening.

17 Q. Okay. Did you hear his response to questions
18 we had of him regarding the company's response to
19 the Commission's second set of data requests, item
20 number 42?

21 A. I think so. Is it in regards to lobbying
22 expense?

23 Q. Yes. That's correct. Uh-huh.

24 MR. COOK: And so, Ms. Vinsel, I wondered,
25 could we pull that up?

1 MS. VINSEL: I'm sorry. Mr. Cook, could you
2 say that again.

3 MR. COOK: It is the Commission's second set
4 of data requests, the company's response to the
5 second set, and they were filed on July 31st.

6 MS. VINSEL: Thank you. Yes. Staff will
7 bring that up.

8 MR. COOK: Thank you.

9 MS. VINSEL: Zach, I believe that is document
10 number 16 in our document index.

11 MR. COOK: Yes, and it's pagination 617.
12 There we go.

13 BY MR. COOK:

14 Q. And so my question is regarding that last
15 paragraph of the response there, where it appears
16 that \$104,000 was allocated to Kentucky Power by the
17 service company for federal lobbying activities.

18 So I just wanted to ask you if you could help
19 me to understand: Is there an adjustment where --
20 where items from the service company are either
21 removed or the amount's adjusted one way or another?
22 Is that where I could find that?

23 A. The costs from the service company were
24 recorded in FERC account 426.4, which is simply
25 excluded from the company's cost of service.

1 Q. Okay.

2 A. So there was no need to make an investment.

3 Q. So it's below the line, is what you're
4 saying?

5 A. Correct.

6 Q. Okay. All right. Well, I believe that is
7 all the questions I have, then. Thank you very
8 much.

9 A. You're welcome.

10 CHAIRMAN SCHMITT: Mr. Kurtz, questions?

11 MR. KURTZ: One very quick question.

12 CROSS-EXAMINATION

13 By Mr. Kurtz:

14 Q. Good evening. It's true, isn't it, that
15 Kentucky Power did not include the negative prepaid
16 pension expense and the negative prepaid OPEB in
17 accounts 16514, 16537, and did not include those as
18 subtractions from rate base? That's correct, isn't
19 it?

20 A. As I explained to Ms. Vinsel a little
21 earlier, those credits are a part of a nonclass --
22 noncash re-class entry that's made, and you really
23 cannot isolate and look at that credit without the
24 corresponding debits to other balance sheet
25 accounts. You need to look at them collectively.

1 All it's doing is moving -- spreading -- or
2 relocating, really, the ones that -- the amounts
3 that are recorded in 16510 and 35 to other balance
4 sheet accounts. So those -- you either need to look
5 at all of the noncash re-class entries collectively
6 and net them together, which nets zero, and then
7 also include the amounts in 16510 and 16535, which
8 gets you to the company's amount that we've included
9 in rate base.

10 You either need to include all of the noncash
11 entries or ignore all of the them. But the end
12 result is the same, and that's the amount that the
13 company has included in rate base in our
14 application, which represents the cash prepaid
15 pension asset, an OPEB asset.

16 Q. Let me ask you the same question and ask you
17 for a yes-or-no answer.

18 It's true, isn't it, that the company did not
19 include the negative prepaid pension and the
20 negative prepaid OPEB subtractions from rate base?

21 MR. OVERSTREET: Your Honor, at this time we
22 would object that the question has been asked and
23 answered by Witness Whitney.

24 MR. KURTZ: No, she didn't answer.

25 CHAIRMAN SCHMITT: Overruled. He may ask.

1 THE WITNESS: I can't answer that question as
2 a simple yes-or-no answer because it's asking me to
3 kind of ignore or to set aside the whole premise of
4 accrual accounting which is double entry. Debits
5 must equal credits.

6 And so your question was focused on only one
7 side, and I can't ignore the other.

8 BY MR. KURTZ:

9 Q. Isn't the answer that you did not subtract
10 from rate base the negative prepaid pension and the
11 negative OPEB?

12 A. Those aren't negative prepaid pension and
13 OPEB balances. They're one component of a negative
14 re-class noncash entry.

15 Q. Are you aware that Duke Energy Kentucky does
16 not have the same rate base adjustment that AEP has
17 with respect to OPEB and prepaid pension?

18 A. I'm -- I'm extremely familiar with Kentucky
19 Power's financial statements. I did not prepare
20 Duke's filing. I know that Witness Carlin made
21 reference to Duke's filing. I also know that
22 Company Witness Vaughan in his rebuttal testimony
23 made mention and discussed some key differences
24 between Duke's filing -- Duke's application and
25 ours, namely, they use a forecasted test year.

1 There could be any number of differences in
2 the facts and circumstances related to Duke's
3 application and ours. And so I'm -- I'm not sure
4 that I can opine on how Duke's application may be
5 relevant to the facts that I have very clearly
6 presented and laid out in both my -- in my rebuttal
7 testimony and substantiated that these amounts are
8 cash assets financed by the company, and that the
9 noncash re-class is simply that and is not relevant
10 for rate-basing purposes.

11 Q. And you're aware that the Attorney General
12 can conceive or respond completely disputes the fact
13 that they're at all negative entries.

14 A. I'm aware of his position. I feel -- I feel
15 as though my rebuttal testimony, though, very
16 clearly lays out the facts for the Commission and
17 helps them understand and provides very clearly and
18 supports that these are, in fact, cash assets that
19 were financed by the company.

20 MR. KURTZ: Thank you, Mr. Chairman. No
21 further questions.

22 CHAIRMAN SCHMITT: Ms. Grundmann, questions?

23 MS. GRUNDMANN: No questions, your Honor.

24 CHAIRMAN SCHMITT: Mr. Spenard, Mr. Strobo,
25 questions?

1 MR. SPENARD: No questions, Chairman.

2 CHAIRMAN SCHMITT: Mr. FitzGerald, questions?

3 MR. FITZGERALD: No questions, Mr. Chairman.

4 Thank you.

5 CHAIRMAN SCHMITT: Going to continue to ask,
6 even though you told me you're about ten down before
7 you get started.

8 MR. FITZGERALD: Mr. Chairman, I appreciate
9 that very much.

10 CHAIRMAN SCHMITT: Mr. Miller, questions?

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

13 CHAIRMAN SCHMITT: Mr. Frye?

14 MR. FRYE: Mr. Chairman, no questions.

15 CHAIRMAN SCHMITT: Vice Chairman?

16 VICE CHAIRMAN CHANDLER: I do have a couple
17 questions, thank you, Chairman.

18 EXAMINATION

19 By Vice Chairman Chandler:

20 Q. Good evening, Ms. Whitney.

21 A. Good evening.

22 Q. Can you explain to me -- I don't know if I'm
23 just dense or if I don't understand the ASC
24 standards all the time. The reference to 980344255.
25 Now, I'm familiar with 25-1 which is the rules

1 around deferral accounting.

2 You made a reference in your direct testimony
3 around 25-5 about how equity -- equity amounts
4 cannot be deferred and that you've had to create a
5 contra account in order to defer the equity return
6 -- let me get this right -- the equity return on the
7 Rockport deferral. Do you remember that?

8 A. Yes.

9 Q. And can you explain that to me?

10 A. What that's really about is getting to the
11 timing of income statement recognition, when can
12 the -- when from a GAAP perspective can the company
13 recognize as carrying charge an income. GAAP says
14 we need to recognize as an income until they're
15 collected from customers. We cannot do that in
16 advance.

17 So if you were --

18 Q. So -- go ahead.

19 A. So if we were to just simply debit the
20 regulatory asset the credit would be to the income
21 statement. We would take that to income, absent
22 intervening and saying, no, we need -- we need to
23 hang that up on the balance sheet a little bit
24 longer --

25 Q. So -- oh, go ahead. I'm sorry.

1 A. -- until we begin to collect amounts from
2 customers.

3 Q. So there's an initial amount -- there's an
4 initial amount of the Rockport EPA deferral and a
5 regulatory asset; is that right?

6 A. That's correct.

7 Q. And then can you tell me the interaction
8 between that regulatory asset and tariff PPA in any
9 given year?

10 A. Well, it varied by year.

11 Q. Yeah. I just mean generally, not even the
12 exact amounts, but that there's a reduction in one
13 and an increase -- a corresponding increase in the
14 other and how that interacts with the equity return,
15 the weighted average cost return for that deferral
16 -- of deferred amounts?

17 A. So at a high level, the Rockport deferral is
18 -- the WACC carrying charge is accruing in the
19 principal balance on the Rockport deferral. So if
20 we look at my direct testimony, page 35, what I'm
21 referring to is the principal balance is recorded in
22 account 182-3431, and it's the -- the \$30 -- \$31
23 million amount.

24 As -- what's happening over time, as the
25 amount that's being put into the Rockport capacity

1 deferral declines by -- I think it's \$5 million. It
2 was -- it was \$15 million in year one, declined to
3 \$10 million at some point, and then to 5.

4 The principal -- the principal balance in the
5 Rockport deferral is just growing more slowly, and
6 it's going to be accruing carrying charges at the --
7 at the WACC rate as prescribed by the Commission for
8 future collections from customers.

9 Q. Can I stop you there on the next part?

10 So I understand the difference though is
11 being flowed through tariff PPAs. As one increases,
12 the other one increases, right?

13 But -- but what I want to ask you about is
14 when those occur. When is the weighted average cost
15 of capital applied to that principal amount in
16 the -- in the regulatory asset?

17 A. I think to make clear, I want to step back
18 one second.

19 You know, we -- there isn't a direct
20 interaction between the Rockport -- the deferral and
21 tariff PPA. There is a -- you know, instead of \$15
22 million being deferred into the Rockport capacity
23 deferral, let's -- I don't have the numbers in front
24 of me, but let's pretend that that's the right one
25 and it declined to \$10 million a year, that \$5

1 million difference is being pushed into the PPA
2 rider, I believe.

3 But I should -- let me -- let me pull up my
4 testimony to make sure that I'm speaking precisely
5 and I'm not confusing the record.

6 Q. Yeah. And I think you can look at page 35 of
7 your testimony on lines 3 and 4 -- or 4 and 5.

8 Excuse me.

9 A. Yes. So the difference -- so I'm on -- I'm
10 on line 1. It was \$15 million in 2018 and '19, \$10
11 million in 2020, and \$5 million in 2021 and 2022.

12 So beginning in 2020, the difference between
13 the 15 and the 10 is \$5 million. Instead of the
14 Rockport capacity deferral growing by \$5 million, \$5
15 million in costs become recoverable through tariff
16 PPA, meaning the amount -- and I can pull up my --
17 if -- I'm trying to think of a place in the record
18 that I could -- could illustrate this -- this to
19 you, but the direct -- what I'm trying to explain is
20 there isn't a direct interaction.

21 Q. Okay.

22 A. They're related, but there isn't a decrease
23 in the Rockport deferral regulatory asset as I heard
24 your question imply.

25 Q. Yeah. And I didn't mean to imply that. I

1 apologize.

2 It should be the opposite of that, right?
3 That there should actually be -- that although less
4 is being deferred, there is still an amount being
5 deferred in each year? I guess what I was --

6 A. That's correct.

7 Q. -- was that instead of -- instead of them
8 being interrelated, are they simultaneous?

9 A. Could you help me understand what you mean?

10 Q. Yeah. The same -- I'm trying to understand
11 the timing of when the amount being deferred is
12 actually put in the deferral account, and -- and in
13 addition to that, when the weighted average cost of
14 capital is -- is calculated based on that deferred
15 amount each year.

16 A. We are taking the amount -- so in 2020,
17 \$10 million is being deferred. We are dividing
18 \$10 million by 12 months.

19 Q. Okay.

20 A. And each month, we're -- we're deferring a
21 12th --

22 Q. Okay.

23 A. -- of the authorized amount.

24 Q. And then is the weighted average cost of
25 capital applied equally or is it applied at the end

1 of the year on that -- on that account?

2 A. It's applied on a monthly basis.

3 Q. On a monthly basis.

4 And so that the -- I guess effectively the
5 yield of the -- or I'll say the rate at the end of
6 the year is an annualized weighted average cost of
7 capital amount, right?

8 A. Correct.

9 Q. Okay. So it's not the weighted average cost
10 of capital is being applied in full each month
11 throughout the year?

12 A. That's correct. It's a monthly -- it's a
13 monthly rate.

14 Q. Okay. That's what I wanted to -- that's what
15 I want to be clear on.

16 And so is it going to be on December 31st --
17 effectively December 31st of 2020 is going to be the
18 last portion of that deferral added to that account,
19 right?

20 A. There's \$5 million that will be added in 2021
21 and 2022.

22 Q. Okay. But I'm trying to -- the very last
23 accounting entry in terms of the amount of the
24 deferral going up is going to be that 12th month of
25 2022; is that correct?

1 A. At a very high level, yes. Precisely, I
2 believe that deferral will end with the ending of
3 the Rockport UPA, which happens earlier in the month
4 of December, so we may not have a full month of
5 December in this deferral.

6 Q. That was going to be one of the questions. I
7 think it's December 8th is what your testimony may
8 indicate. December 8th of 2022. So it may be 8 out
9 31 days of that deferral month, is that maybe your
10 anticipation for that year?

11 A. Yes.

12 Q. Okay. And so then the weighted average cost
13 of capital, since applied monthly, will be finally
14 applied -- whatever the -- I guess the prorated
15 December portion will be applied to that -- that
16 final month, right?

17 A. Yes, but the -- the regulatory asset will
18 continue to be charged a WACC return through the
19 time -- through such time as amounts are collected
20 from customers and rates.

21 Q. Right. I just want to make sure I
22 understand.

23 We expect that it will eventually be \$59
24 million, do you remember that, or approximately \$59?

25 A. Yes.

1 Q. And what I'm trying to now -- with the
2 timing, it hits \$59 million effectively at the end
3 of 2022 and then it starts to -- well, I guess what
4 I'm asking is: What happens after December of 2022?

5 A. In this case, the company is proposing to
6 begin to amortize the Rockport deferral regulatory
7 asset beginning in December of 2022 through the
8 tariff PPA consistent with the settlement agreement
9 that was approved in the previous case before the
10 Commission, but the Commission ultimately modified
11 and deferred to a later proceeding the actual
12 regulatory accounting -- the rate-making treatment
13 for the regulatory asset.

14 So the company's requesting to begin
15 amortization through the tariff PPA beginning in
16 December 2022 over a five-year period. Company
17 Witness West supports the five-year amortization
18 period.

19 Q. And my question for you is: After the
20 application of a weighted average cost of capital in
21 December of 2022, will there be any more -- the
22 company is -- I want to make sure that the company
23 is not seeking any additional return on that
24 principal amount following that application in
25 December of 2022, correct?

1 A. My understanding of the authorized Rockport
2 capacity deferral is that the WACC carrying charge
3 will continue through the five-year period, until
4 the regulatory asset balance reaches zero.

5 Q. Okay. And so the \$59 million is not
6 necessarily going to be the balance as of January 1,
7 2023. The \$59 million under the scenario you just
8 laid out would also include the carrying charges
9 through the time period in which the regulatory
10 asset is being amortized; is that right?

11 A. No. The \$59 million includes carrying
12 charges through approximately December 2022. It
13 does not reflect the carrying charges that will
14 accrue between December 2022 and when the amounts
15 are ultimately collected from customers and rates.

16 Q. So the company's proposal is not to defer \$50
17 million which will ultimately turn into \$59 million
18 and recover that from customers. It's to defer \$50
19 million, add return to it to be 59, and then add
20 return to it again as it's amortizing and recovering
21 that \$59 million; is that correct?

22 A. The Rockport -- the Rockport deferral
23 mechanism was authorized in the previous case. The
24 company isn't proposing a new deferral in this case.
25 We're just simply seeking to amortize a previously

1 authorized deferral.

2 Q. Yeah, but I'm not asking about the deferral
3 of the amount as the weighted average cost of
4 capital. I'm now talking about the amortization and
5 recovery of the amount, which you said you're
6 proposing over five years.

7 So what I want to be clear on is: Over the
8 amortization period and the recovery period
9 following the deferral period, is the company
10 seeking a return during the amortization, and I
11 think you indicated that that is the case?

12 A. Subject to check, I believe that the return
13 -- the WACC return on the Rockport deferral through
14 the time section collected was authorized in the
15 previous rates base case, the company's previous
16 case.

17 I do not believe that's a new request in this
18 proceeding.

19 Q. But you would agree that it would end up
20 costing more than \$59 million if that's the case?

21 A. Yes. But the previously authorized deferral
22 mechanism which provides for a WACC return through
23 the time the amounts are collected from customers
24 will mean that additional carrying charges will
25 accrue between December 2022 and the time through

1 which amounts are collected from customers through
2 rates.

3 Q. And the reason I ask this is because at the
4 bottom of 36 of your testimony -- I'll give you time
5 to go there, if you would like.

6 Do you see -- are you there now?

7 A. I'm on page 36, yes.

8 Q. At line 16, you say, "Kentucky Power
9 estimates that the Rockport deferral regulatory
10 asset will total approximately \$59 million in
11 December of 2022."

12 That's what we just talked about, correct?

13 A. That's correct.

14 Q. We're on the same page about that.

15 And then it says, "resulting in an annual
16 amortization of approximately \$12 million through
17 tariff PPA in a five-year period ending in December
18 2027."

19 So five years at \$12 million is \$60 million,
20 and I'm not the world's greatest mathematician, but
21 I think that the weighted average cost of capital
22 applied to, you know, \$48, \$36, \$24 million over a
23 five-year period is going to end up being more than
24 that difference between the approximate 60 and 59.

25 So I just want to make sure I understand, is

1 the expectation of a \$12 million amortization, or is
2 it more than that?

3 A. The expectation is for amortization of the
4 \$12 million -- or the 6 -- the \$12 million was in
5 reference to the principal -- the balance as of
6 December of 2022.

7 All I simply did there is -- you can tell --
8 you can see is I took, you know, \$60 million divided
9 approximately by five years. I did not quantify or
10 estimate the amount of the WACC return that would --
11 the carrying charge that would accrue and then also
12 be recovered through tariff PPA through that time
13 period.

14 Q. Okay. So if you would agree, then, if it is
15 the company's proposal to apply a weighted average
16 cost of capital to the regulatory asset balance
17 through the period of amortization, that the total
18 amount recovered from customers will be in excess of
19 the \$59 million -- over even the \$60 million
20 reference?

21 A. Yes.

22 Q. Okay. Can I ask -- switching gears -- on the
23 OPEB, was the prepayment made -- well, let me ask:
24 When was the prepayment made?

25 A. It's not just one payment. It's been a

1 series of payments over time that have accumulated
2 into a net prepayment balance.

3 Q. And that's a -- as Mr. FitzGerald said about
4 his earlier, that was an artful -- inartful way to
5 ask the question.

6 When was the last prepayment made?

7 A. September - in September 2020, the company
8 made a payment -- a contribution to its pension plan
9 trust, and that was provided as an exhibit to my
10 rebuttal testimony, I think it was my -- the second
11 exhibit.

12 Q. Okay.

13 A. There was also another contribution to the
14 pension trust made in -- sometime in 2017, which is
15 the first exhibit.

16 Q. Yeah. And so I was wanting to go back to the
17 2017.

18 So the -- the prepayment predates the 2017
19 rate case; is that fair to say?

20 A. No. I think I only -- I provided the -- the
21 prepayments made since the test year end and the
22 last rate case.

23 Q. So this didn't exist in any form, not even at
24 the current size, but this -- this prepayment didn't
25 exist prior to -- prior to the 2017 rate case at

1 all?

2 A. Oh, I'm sorry. I think I misunderstood your
3 question. I thought you were asking about the
4 specific payments that were included as exhibits to
5 my rebuttal testimony.

6 The cumulative prepaid pension and OPEB
7 assets existed as of the -- as of the test year end
8 in our previous base case, and the prepaid pension
9 asset was included in rate base in the company's
10 application in its 2017 case.

11 The prepaid OPEB asset was not, as I had
12 discussed in my rebuttal testimony.

13 Q. So it wasn't included in rate base as a
14 specific item, is that what you're saying?

15 A. That's correct. But the -- as I also said
16 before in -- this afternoon or evening, and in my
17 rebuttal testimony, the return on component of the
18 company's revenue requirement has historically been
19 computed on capitalization.

20 Q. Yeah, and that was -- that was really what I
21 was trying to understand from reading the testimony.
22 And so I just want to clarify here.

23 So Ms. Vinsel was asking you about it
24 being -- I think the reference she made -- or the
25 question she had was but the company financed it,

1 and you previously said it was a cash outlay, and
2 you responded effectively as an outlay if you're
3 using capitalization yes, it would be reflected --
4 reflected as the company financed it.

5 Is that -- is that a fair characterization of
6 the previous conversation?

7 A. The company financed the prepaid -- the
8 prepayment, yes.

9 Q. Okay. So -- so it would be, from the
10 company's perspective, a capitalization if it's a
11 cash outlay -- the company's perspective is it's
12 holistically included in the capitalization because
13 we financed; is that fair?

14 A. Yes.

15 Q. Okay. And so it's holistically included in
16 the capitalization proposal in this case, and I
17 think taking your -- your comment a second ago, you
18 sort of believe that it was holistically as a part
19 of capitalization in the 2017 case, right?

20 A. That's correct.

21 Q. Okay. So are you aware that the -- that the
22 company, as part of its application in this case,
23 reconciled rate base to capitalization?

24 A. Yes. I am.

25 Q. So how is it that that would have been a cash

1 outlay? You financed it in the 2017 case, whether
2 you -- when you brought it over to rate base and
3 reconciled capitalization with rate base.

4 It was -- it was left out with no
5 corresponding impact or nobody saw it? I'm just --
6 I'm trying to understand that distinction.

7 A. The prepaid pension asset was in rate base in
8 the previous case, and it was -- so I'm not sure I
9 understand.

10 Q. OPEB was -- you said a second ago that the
11 OPEB was not in rate base?

12 A. That's right. So as long as those -- if your
13 question is -- we're focused on the prepaid OPEB
14 here, I think -- you know, I -- the reconciliation
15 that you're referring to wasn't prepared by myself
16 or someone on my team, so I -- I can't speak to the
17 nitty-gritty details.

18 But I think the key -- the key thing that I
19 think is important to focus on is that, you know,
20 capitalization has been used historically to compute
21 the return on component of the company's cost of
22 service which reflects items that have been tenets
23 to the company -- these amounts have been tenets.
24 They would be reflected in those amounts.

25 And I want to be -- I want to be helpful in

1 answering your question, but I wasn't in the
2 mechanics of that reconciliation to be able to
3 answer the -- how could it have been missed or maybe
4 it wasn't and there was a reconciliation item noted.
5 I'm just not privy to those details.

6 Q. Yeah. And I hope you can appreciate the
7 question, is that, you know, in 2017, there was a
8 reconciliation done. In 2020 it's sort of, Oh, we
9 missed this last time, but if you're going to use
10 rate base, then this is what you should do.

11 And so I just want to make sure that I
12 understand: Who would be the person in this
13 instance with this reconciliation that I can talk
14 to?

15 And I guess the follow-up question to that
16 would be: Will they understand the nuances of the
17 OPEB issues as well as you do?

18 I feel like I'm between rock and a hard place
19 in getting sort of a finality on the issue.

20 A. So the reconciliation wasn't -- I understand
21 -- I understand your question. And to -- to back up
22 a second, I want to take it in -- in pieces.

23 First of all, Company Witness Vaughan's team,
24 who prepares the cost of service, they prepare the
25 reconciliation, and so he would be the one to speak

1 with regarding why something may or may not have
2 been -- you know, how it was reflected in that
3 reconciliation in this case versus last case.

4 And he also is the witness that you can speak
5 with, you know, treatment in -- in rate base. My
6 team works closely with him and I prepare certain
7 cost of service adjustments and or capitalization
8 adjustments, but his team compiles those schedules
9 holistically.

10 Q. Okay. And I will ask Mr. Vaughan. I
11 wouldn't say -- but please don't leave the country
12 in case there's a follow-up on this issue, but that
13 doesn't seem to be a worry these days. So I
14 appreciate that.

15 The last question would be what I consider to
16 be -- maybe this isn't a fair characterization, but
17 the alternative argument that you provide in your
18 rebuttal testimony. Do you know what I'm talking
19 about when I say that?

20 That if the \$5.42 million amount is removed
21 as Mr. Carlin pronounces there should be a
22 corresponding increase, not an identical amount, but
23 an additional increase of something like \$3.7
24 million? Does that ring a bell?

25 A. Yes.

1 Q. Okay. Can you also explain that to me, why
2 the removal of one requires necessarily the increase
3 of the other or the addition of the other?

4 A. Sure. These cash contributions that the
5 company has made into its plan trust are earning a
6 return. There's an expected -- there's a rate of
7 return on those cash contributions, and that return
8 is serving to reduce the pension and OPEB costs or
9 the expense that's being recognized in the company's
10 financial statements.

11 So if the prepaid pension and OPEB amounts
12 are excluded from rate base, then -- then it -- it
13 follows that the reduction in expense that is -- is
14 being enjoyed by customers because those exist and
15 have been invested for their benefit, that that
16 should be also removed from the cost of service.

17 Q. And that -- that \$3.7 million amount is
18 exclusively related to the OPEB?

19 A. No. It's the sum of both the pension -- the
20 effect of the pension and the OPEB amounts.

21 Q. And the OPEB. Okay. I appreciate it,
22 Ms. Whitney.

23 VICE CHAIRMAN CHANDLER: Thank you very much.

24 CHAIRMAN SCHMITT: Dr. Matthews, questions?

25 COMMISSIONER MATTHEWS: No, sir.

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

3 MR. WOLFFRAM: Yes, your Honor. Just a few
4 questions.

5 REDIRECT EXAMINATION

6 By Mr. Wolffram:

7 Q. Ms. Whitney, Vice Chairman asked you a few
8 questions about -- related to the Rockport deferral
9 and the amortization of those costs upon -- starting
10 in the beginning of 2022.

11 Do you remember that line of questioning?

12 A. Yes.

13 Q. And as part of your testimony in this case,
14 in response to those questions, you stated that it's
15 your understanding the amortization of those costs
16 as well as inclusion of a WACC charge was part of
17 the company's 2017 -- was established in the
18 company's 2017 rate case, specifically case number
19 2017-00179; is that correct?

20 A. It's my testimony that the deferral was to
21 earn a WACC return through the time the amounts
22 would be collected -- fully collected from customers
23 through rates.

24 Amortization is requested in this proceeding.
25 In the 2017 case, the Commission didn't -- did not

1 reach, you know, a decision regarding the
2 amortization period for the deferral.

3 Q. And I -- you reviewed the 2017 order as part
4 of your testimony in this case; is that correct?

5 A. Yes. That's correct.

6 Q. Do you have a copy of the --

7 MR. WOLFFRAM: Your Honor, if I may approach
8 the witness.

9 CHAIRMAN SCHMITT: Yes. You may.

10 MR. WOLFFRAM: Thank you. Sorry. I know
11 that's a little strange in the virtual environment,
12 but I sided on the side of formality there.

13 Q. (By Mr. Wolffram) Ms. Whitney, do you have in
14 front of you the order in the 2017 rate case?

15 A. Yes.

16 Q. Could you turn to page 37 for me?

17 A. I'm there.

18 Q. And beginning on pages 37 through 40, I
19 believe this is the -- the information related to
20 what you just described; is that correct?

21 A. Yes.

22 Q. And could you read into the record for us the
23 portions of the order that pertain to the -- to the
24 WACC, specifically?

25 VICE CHAIRMAN CHANDLER: Can I -- can I ask

1 the attorney, what -- this is an order in that case,
2 but what is the date of the order?

3 MR. WOLFFRAM: It's January 18 -- or January
4 18, 2018.

5 VICE CHAIRMAN CHANDLER: Thank you.

6 MR. WOLFFRAM: And your Honor, would it be
7 appropriate that we just take administrative notice
8 of the order?

9 CHAIRMAN SCHMITT: Yes. We can.

10 MR. WOLFFRAM: Noting that, I have no further
11 questions for Ms. Whitney.

12 CHAIRMAN SCHMITT: All right. With that,
13 we'll conclude for this evening and go into recess
14 until 9:00 in the morning, at which time I think the
15 next witness is Ms. Keaton; is that correct.

16 MR. WOLFFRAM: Yes, your Honor.

17 CHAIRMAN SCHMITT: Okay. We'll be in recess
18 until 9:00 a.m., in the morning. Thank you.

19 (Proceedings adjourned at 6:08 p.m.)

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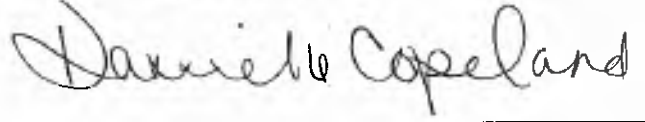
STATE OF KENTUCKY)
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COUNTY OF JEFFERSON)

We, Laura J. Kogut and Dannielle Copeland,
Notaries Public within and for the State at Large,
with commissions expiring 25 July 2023 and 28
September 2023 respectively, do hereby certify that
the foregoing hearing was taken before us at the
time and place and for the purpose in the caption
stated; that witnesses were first duly sworn to tell
the truth, the whole truth, and nothing but the
truth; that the hearing was reduced by us to
shorthand writing; that the foregoing is a full,
true, and correct transcript of the hearing to the
best of our ability; that the appearances were as
stated in the caption.

WITNESS our hand this 22nd day of November
2020.



Laura J. Kogut, BMR, CRR, CRC
Notary Public, State at Large



Dannielle Copeland, RDR, CRR
Notary Public, State at Large