

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company)
For Approval of A Certificate of Public Convenience)
And Necessity For Environmental Project)
Construction At The Mitchell Generating Station, An)
Amended Environmental Compliance Plan, And)
Revised Environmental Surcharge Tariff Sheets)

Case No. 2021-00004

REBUTTAL TESTIMONY OF
BRETT MATTISON
ON BEHALF OF KENTUCKY POWER COMPANY

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I. INTRODUCTION

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

2 A. My name is Brett Mattison. I am President and Chief Operating Officer of Kentucky Power
3 Company (“Kentucky Power” or the “Company”). My business address is 1645
4 Winchester Avenue, Ashland, Kentucky 41101.

5 **Q. ARE YOU THE SAME BRETT MATTISON WHO OFFERED DIRECT**
6 **TESTIMONY IN THIS PROCEEDING?**

7 A. Yes.

II. PURPOSE OF REBUTTAL TESTIMONY

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. The purpose of my rebuttal testimony is to respond, in part, to the Office of the Attorney
10 General of the Commonwealth of Kentucky and the Kentucky Industrial Utility Customers,
11 Inc. (jointly, “AG/KIUC”) Witness Kollen’s recommendations. Specifically, I address Mr.
12 Kollen’s recommendations regarding the use of securitization in connection with the
13 financing and recovery under Case 2 of the remaining net book and decommissioning costs
14 through the Decommissioning Rider. Furthermore, I will address Mr. Kollen’s claims
15 regarding the flexibility provided by Case 2.

III. SECURITIZATION FINANCING

1 **Q. WHAT IS SECURITIZATION FINANCING?**

2 A. Generally, securitization involves the issuance of lower-interest securitization revenue
3 bonds to recover some cost as defined in a law authorizing securitization, to help minimize
4 carrying costs, and thus overall cost, to customers.

5 **Q. IS SECURITIZATION FINANCING AVAILABLE IN KENTUCKY?**

6 A. No, securitization financing is not presently available or authorized by Kentucky law, as
7 AG/KIUC Witness Kollen recognizes.¹

8 **Q. WOULD IT BE APPROPRIATE FOR THE KENTUCKY PUBLIC SERVICE**
9 **COMMISSION (“COMMISSION”) TO CONSIDER SAVINGS ASSOCIATED**
10 **WITH “THE POSSIBILITY OF SECURITIZATION FINANCING FOR THE**
11 **REMAINING NET BOOK VALUE AND DECOMMISSIONING COSTS IN**
12 **CASE 2,” AS MR. KOLLEN ADVOCATES, IN EVALUATING THE COMPANY’S**
13 **PROPOSALS IN THIS CASE?**

14 A. Absolutely not. As an initial matter, were securitization available, its benefits would need
15 to be considered under both Case 1 and Case 2, as it is virtually certain that the Mitchell
16 Plant will have a positive net book value in either 2028 or 2040. The reality, however, is
17 that securitization is not possible in Kentucky at this time, and it is unknown whether it
18 ever would be authorized in connection with the Company’s costs of satisfying its Coal
19 Combustion Residual (“CCR”) and Steam Electric Effluent Limitation Guidelines
20 (“ELG”) compliance obligations. The process of working with legislators to make
21 securitization a reality could take many years, and there are no guarantees it would ever

¹ Kollen Testimony at 6.

1 become law in Kentucky. For example, securitization was discussed in the Commission's
2 August 22, 2005 assessment of the Commonwealth's electric infrastructure, yet more than
3 15 years later the required legislation has yet to be enacted. It would be inappropriate for
4 the Commission to base its decision in this proceeding on such a speculative and uncertain
5 future possibility.

IV. DECOMMISSIONING RIDER

6 **Q. MR. KOLLEN PROPOSES TO “FLATTEN” RECOVERY OF THE REMAINING**
7 **NET BOOK VALUE OF THE MITCHELL UNITS USING THE COMPANY’S**
8 **EXISTING DECOMMISSIONING RIDER.² HOW DO YOU RESPOND?**

9 A. The Company is not currently authorized to recover the remaining net book value of the
10 Mitchell Plant through the Decommissioning Rider, as Mr. Kollen recognizes. The
11 Company's existing Decommissioning Rider currently only recovers the coal-related
12 retirement costs of Big Sandy Unit 1, the retirement costs of Big Sandy Unit 2, and other
13 site-related retirement costs that will not continue in use. Further, the modifications to the
14 Decommissioning Rider that Mr. Kollen recommends are based on a settlement agreement
15 in Case Nos. 2020-00349 and 2020-00350 in cases not involving Kentucky Power. Not
16 only has the Commission not yet decided those cases, but the settlement agreement itself
17 in those two non-Kentucky Power cases represents a bargained for quid pro quo resolving
18 the specific issues of those two cases. Moreover, because there is not a complete identity
19 of parties between those two cases and this case, the interests of the parties (including the
20 utilities) are different.

² Kollen Testimony at 24.

1 The Company will seek recovery of remaining Mitchell Plant net book value in a
2 future regulatory proceeding, where it will file a depreciation study and related updates to
3 depreciation rates supporting that request. The Commission should reject Mr. Kollen's
4 Decommissioning Rider proposal and address recovery of remaining Mitchell Plant net
5 book value based upon the record developed in that case.

6 **Q. WHAT IMPACT WOULD YOU EXPECT MR. KOLLEN'S DECOMMISSIONING**
7 **RIDER PROPOSAL TO HAVE ON KENTUCKY POWER'S FINANCIAL**
8 **HEALTH?**

9 A. Mr. Kollen's proposal to defer cost recovery associated with the Company's required CCR
10 and ELG compliance investments would delay cash flows to Kentucky Power associated
11 with those investments. This would be harmful to Kentucky Power's already weakened
12 credit metrics and financial health. Timely and sufficient cost recovery is required to
13 maintain the cash flows necessary to support a stable investment grade credit rating.
14 Having investment grade credit assures the investment community that the Company can
15 service its current and future debt obligations and enables Kentucky Power to source capital
16 at attractive rates for its customers. Further deterioration of Kentucky Power's cash flows
17 by accepting Mr. Kollen's Decommissioning Rider proposal would result in downgrade
18 pressure on the Company's credit ratings and increased borrowing costs associated with
19 future financing activity.

V. FUTURE FLEXIBILITY

1 **Q. HOW DO YOU RESPOND TO MR. KOLLEN’S STATEMENT THAT CASE 2**
2 **ENSURES GREATER FLEXIBILITY AND OPPORTUNITY FOR A NEW**
3 **OWNER OF THE COMPANY?³**

4 A. American Electric Power (“AEP”) is currently conducting a strategic review of its
5 Kentucky assets, with a decision expected by the end of 2021. Kentucky Power made its
6 proposals in this case based on known and measurable facts. It is unknown at this time
7 whether the strategic review will result in a sale of Kentucky Power. Basing decisions now
8 on the many possible scenarios the strategic review could take in the future would be
9 inappropriate and potentially harmful. For instance, consider the *potential* scenario where
10 a new owner is capacity short absent Mitchell. Due to the 2028 retirement deadline, a
11 potential buyer would be on a significantly tight timeline as several milestones would need
12 to be met: determining the best replacement option, seeking requests for proposals,
13 regulatory filings, and construction of the new resource(s). Contrary to Mr. Kollen’s
14 assertions, granting a certificate of public convenience and necessity to Kentucky Power
15 to construct both CCR and ELG environmental compliance projects provides greater future
16 flexibility and optionality to the Company to optimize its generation resource portfolio.
17 Decisions must be made on known and measurable facts, not on speculative future events.
18 The known and measurable facts in this case, as supported by Company Witness Mark A.
19 Becker’s economic analysis, demonstrate that Case 1 is the best compliance path for
20 Mitchell. The Commission must set aside AEP’s strategic review for purposes of reaching
21 a decision in this proceeding.

³ Kollen Testimony at 7.

VI. CONCLUSION

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

2 A. Yes, it does.



Mattison Rebuttal Verification_June 7.docx

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E-Signature 1: Deryle Brett Mattison (DBM)

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bmattison@aep.com (Principal) (Personally Known)

E-Signature Notary: S. Smithhisler (SRS)

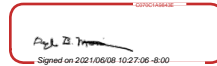
June 08, 2021 10:27:06 -8:00 [42EAA3F9A1D2] [161.235.221.85]
srsmithhisler@aep.com

I, S. Smithhisler, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Brett Mattison, being duly sworn, deposes and says he is the President and Chief Operating Officer of Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing testimony, and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.



Signed on 2021/06/08 10:27:06 -8:00

Brett Mattison

STATE OF OHIO

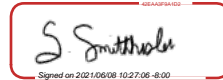
)

) Case No. 2021-00004

COUNTY OF FRANKLIN

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Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brett Mattison, on 06/08/2021.



Signed on 2021/06/08 10:27:06 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

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