

**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

**DIRECT TESTIMONY OF**  
**BRETT MATTISON**  
**ON BEHALF OF KENTUCKY POWER COMPANY**

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**I. INTRODUCTION AND BACKGROUND**

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

2 A. My name is Brett Mattison, and my business address is 1645 Winchester Avenue, Ashland,  
3 Kentucky 41101.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am President and Chief Operating Officer of Kentucky Power Company (“Kentucky  
6 Power” or the “Company”).

7 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL  
8 BACKGROUND.**

9 A. I hold a bachelor’s degree in Business Finance from Louisiana Tech University and a  
10 Certified Commercial Banking degree from the American Institute of Banking. In 1986, I  
11 began my career in commercial banking with Pioneer Bank in a management training  
12 program, working in all areas of banking. I became a manager of branch operations and a  
13 commercial loan officer prior to leaving the banking profession in 1990 to join Kentucky  
14 Power affiliate, Southwestern Electric Power Company (“SWEPCO”).

15 I have more than 30 years of electric utility experience. I joined SWEPCO as a  
16 residential marketing consultant and was promoted to residential marketing supervisor for  
17 Louisiana in 1992. Between 1992 and 2004, I performed various roles of increasing  
18 responsibility within SWEPCO’s marketing and customer services organization, including  
19 serving as the marketing manager responsible for overseeing the development,

1 management, and retention of new and existing customer accounts within SWEPCO's  
2 service territory, which included Texas, Louisiana, and Arkansas. In 2004, I was promoted  
3 to Director of Customer Services and Marketing for SWEPCO. I became President and  
4 Chief Operating Officer of Kentucky Power on January 1, 2019.

5 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**  
6 **KENTUCKY POWER?**

7 A. I am responsible for Kentucky Power's safe, reliable, and efficient day-to-day operations  
8 and am accountable for the Company's financial performance and the quality of the  
9 services provided to our customers. Specifically, my responsibilities include Kentucky  
10 Power's community involvement and economic development activities, as well as ensuring  
11 the Company's compliance with federal and state laws and regulations. Additionally, I am  
12 accountable for the Company's distribution, customer service, transmission, and  
13 generation functions to provide safe, adequate, and reliable service to Kentucky Power's  
14 customers.

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**  
16 **PROCEEDINGS?**

17 A. Yes. I have testified before the Commission in Case Nos. 2019-00443 and 2020-00174. I  
18 have also filed written testimony on behalf of SWEPCO before the Public Utility  
19 Commission of Texas in PUC Docket Nos. 37364, 40443, and 46449.

## II. PURPOSE OF TESTIMONY

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. The purpose of my testimony is to:

- 3 • Introduce the witnesses who support the Company's Application in this case.
- 4 • Provide an overview of Kentucky Power's possible compliance options for meeting the  
5 requirements of Coal Combustion Residual ("CCR") and Steam Electric Effluent  
6 Limitation Guidelines ("ELG") regulations at the Mitchell Generating Station.
- 7 • Discuss the manner in which the Company plans to fund construction of CCR and ELG  
8 compliance work.
- 9 • Support the Company's proposed Return on Equity ("ROE") used to calculate the  
10 overall return component of Kentucky Power's Environmental Surcharge ("Tariff  
11 E.S.") for non-Rockport environmental projects, which includes the CCR and ELG  
12 compliance work.
- 13 • Support that the compliance with CCR and ELG regulations at Mitchell will not result  
14 in wasteful duplication.

## III. INTRODUCTION OF WITNESSES

15 **Q. PLEASE IDENTIFY THE OTHER WITNESSES WHO ARE TESTIFYING IN**  
16 **SUPPORT OF THE COMPANY'S APPLICATION AND THE GENERAL**  
17 **SUBJECT MATTER OF THEIR TESTIMONY.**

18 A. Kentucky Power is presenting the following subject matter witnesses supporting the  
19 Company's Application in this case:

- 20 • **Gary O. Spitznogle**, Vice President Environmental Services, American Electric Power  
21 Service Corporation ("AEPSC"). Mr. Spitznogle describes the environmental  
22 regulations that drive the need and timing for the environmental compliance work at  
23 the Mitchell Generating Station.
- 24 • **Brian D. Sherrick**, Managing Director of Projects, Generation Projects Controls and  
25 Construction, AEPSC. Mr. Sherrick addresses the projected costs of the various  
26 options to achieve compliance with the CCR and ELG regulations.
- 27 • **Mark A. Becker**, Managing Director of Resource Planning, AEPSC. Mr. Becker  
28 performed the economic analyses that the Company relied upon when evaluating the

1 costs and benefits of making certain CCR and ELG compliance expenditures at  
2 Mitchell.

3 • *Connie S. Trecuzzi*, Staff Economic Forecast Analyst, Fundamentals Analysis,  
4 AEPSC. Ms. Trecuzzi sponsors the North American Long-Term Energy Market  
5 Forecast (“Fundamentals Forecast”) used by Company Witness Becker in his analyses.

6 • *Lerah M. Scott*, Regulatory Consultant, Kentucky Power. Ms. Scott presents the  
7 Company’s proposed updated Environmental Compliance Plan (“ECP”) and updated  
8 Environmental Surcharge (Tariff E.S.) and calculates an updated Tariff E.S. revenue  
9 requirement and rates.

10 • *Heather M. Whitney*, Director of Regulatory Accounting Services, AEPSC. Ms.  
11 Whitney describes the accounting for certain costs that the Company is projected to  
12 incur to comply with the CCR and ELG regulations.

#### **IV. OVERVIEW OF CCR AND ELG COMPLIANCE OPTIONS AT MITCHELL**

13 **Q. WHAT NEW ENVIRONMENTAL REQUIREMENTS IS THE COMPANY**  
14 **SUBJECT TO AT MITCHELL GENERATING STATION, AND HOW HAS THE**  
15 **COMPANY ASSESSED ITS COMPLIANCE OPTIONS?**

16 A. As described in detail in the testimony of Company Witness Spitznogle, the United States  
17 Environmental Protection Agency (“EPA”) in the latter half of 2020 finalized rulemakings  
18 for the CCR and ELG rules. These rules require that, absent an extension, unlined CCR  
19 storage ponds (such as the bottom ash ponds at Mitchell) must cease operations and initiate  
20 closure by April 11, 2021, which would require the Mitchell Generating Station to stop  
21 operating by that date. Accordingly, Company Witness Sherrick prepared cost estimates  
22 of compliance options and provided those estimates to Company Witness Becker, who  
23 conducted economic analyses of two compliance scenarios.

24 **Q. WHAT WERE THE TWO COMPLIANCE SCENARIOS EXAMINED?**

25 A. As explained in further detail in Company Witness Spitznogle’s testimony, the Company  
26 ultimately selected to present to the Commission two potential compliance options, which  
27 are referred to throughout the Company’s Application and supporting testimony as CCR

1 and ELG (Case 1), or CCR only (Case 2). The CCR and ELG alternative (Case 1) would  
2 permit the Mitchell Generating Station to continue to operate until its projected retirement  
3 date of 2040. As supported by Company Witnesses Sherrick and Becker, Kentucky  
4 Power's estimated cost of this compliance option is \$67 million. Under the CCR only  
5 scenario (Case 2), the Mitchell Generating Station would continue to operate through  
6 December 31, 2028. Kentucky Power's estimated cost of this compliance option is \$18  
7 million.

8 **Q. WHAT FACTORS INFORMED THE COMPANY'S ANALYSIS OF**  
9 **ENVIRONMENTAL COMPLIANCE AT MITCHELL?**

10 A. Company Witness Becker performed an objective economic analysis of both the CCR and  
11 ELG (Case 1) and CCR only (Case 2) scenarios, including analysis of replacement capacity  
12 under both cases. The result of Mr. Becker's net present value ("NPV") economic analysis  
13 for each compliance alternative was similar, resulting in a less than 1% difference in the  
14 total NPV between the two cases. Thus, on an NPV basis, performing only the CCR  
15 compliance work at Mitchell and retiring the plant in 2028 has comparable costs and  
16 benefits to making the additional ELG investment required to allow operation of the plant  
17 beyond 2028, taking into consideration the entire study period used by Witness Becker.  
18 As reflected in Table 1 in Mr. Becker's testimony, under the NPV pricing scenarios that  
19 did not include a carbon burden, the CCR and ELG (Case 1) alternative is slightly better  
20 for customers. Under the NPV scenario that includes a carbon tax, the CCR only (Case 2)  
21 alternative is slightly better.

22 Proceeding with CCR and ELG would allow Kentucky Power to delay investment  
23 in replacement capacity for Mitchell until 2040. As Mr. Becker's testimony describes,

1 there are various strategies for the replacement of any capacity shortfall that would result  
2 from Mitchell's retirement in 2028 if the Commission approved only the CCR investment.  
3 The years between 2021 and 2028 would allow the Company time to evaluate those  
4 replacement options and present a recommended course of action in a later proceeding.

5 **Q. PLEASE DESCRIBE FOR THE COMMISSION THE COMPLIANCE SCENARIO**  
6 **THE COMPANY IS PROPOSING IN THIS CASE.**

7 A. After considering the results of these analyses, and taking other factors into account,  
8 Kentucky Power is proposing to make the investments required for CCR and ELG  
9 compliance at the Mitchell Generating Station. Making both the CCR and ELG  
10 compliance investments and keeping the Mitchell Generating Station's capacity online  
11 through 2040 provides value to customers as capacity resources, even if the Mitchell  
12 Generating Station produces less energy in the future than it typically did in the past.

13 **Q. COULD THE COMMISSION APPROVE ONLY THE PROPOSED CCR**  
14 **COMPLIANCE WORK (CASE 2) AT THIS TIME?**

15 A. Yes, but to be clear that decision would require the Mitchell Plant to retire on December  
16 31, 2028. In making its November 30, 2020 filing with the EPA, the Company sought to  
17 preserve maximum flexibility for the Company and the Commission by not taking actions  
18 that would foreclose any reasonable option. The Company's analyses in this case were  
19 developed through a broad examination of future revenue requirements and future capacity  
20 options, as any long-term resource evaluation should be. Given the narrow economic  
21 margins separating the two alternatives, and in order to preserve the option to operate the  
22 Mitchell units beyond 2028, a full CCR and ELG compliance strategy was developed and  
23 formed the basis of the filing made to the EPA by the November 30, 2020 deadline.



1 Kentucky Power understands that if a CCR only option is approved by the Commission, a  
2 revised plan and schedule would need to be submitted and approved by EPA as a  
3 modification to its compliance strategy. Based on the work performed under the  
4 supervision of Company Witnesses Sherrick and Spitznogle, such a modification could be  
5 prepared and submitted promptly, with no delay of the compliance schedule contained in  
6 the EPA application.

7 Although Kentucky Power has conducted and presented its detailed cost/benefit  
8 assessment of both compliance options and is proposing to construct one of the options,  
9 the Company appreciates that the Commission is charged with considering a broad range  
10 of interests. Although I am not an attorney, I understand that KRS 278.060(6) recognizes,  
11 for example, that the interests to be protected by the Commission are “varied” and include  
12 “those of consumers as well as utility investors ....” The future use of the Company’s  
13 coal-fired generation asset involves many ramifications, all of which must be considered  
14 in the Commission’s deliberations. The record in this case will provide the Commission  
15 the opportunity to weigh the costs and benefits of the different options.

16 **Q. DOES THE PROJECTED 2040 RETIREMENT DATE FOR THE MITCHELL**  
17 **GENERATING STATION UNDER THE COMPANY’S FIRST COMPLIANCE**  
18 **CASE DIFFER FROM THE PROJECTED RETIREMENT DATE YOU**  
19 **RECENTLY DESCRIBED IN YOUR TESTIMONY IN CASE NO. 2019-00443 AND**  
20 **CASE NO. 2020-00174?**

21 A. No. In both of the referenced proceedings, I explained that there was no change in the  
22 2040 anticipated retirement date for the Mitchell Generating Station. Both the Company’s  
23 November 30, 2020 filing with the EPA, and its Application in this case, will permit the

1 Mitchell Generating Station to continue to operate through 2040, should the Commission  
2 determine that the CCR and ELG alternative is preferable to the CCR only alternative.

3 **Q. DID KENTUCKY POWER CONSIDER RETIRING THE MITCHELL**  
4 **GENERATING STATION UNDER A SCENARIO WHERE NO CCR OR ELG**  
5 **COMPLIANCE INVESTMENTS WERE MADE?**

6 A. Yes, but this was quickly determined not to be a viable option. Retiring the Mitchell  
7 Generating Station on April 11, 2021 would leave Kentucky Power, on very short notice,  
8 without 780 MW of capacity that has already has been committed to meet PJM's capacity  
9 requirements through May 2022. Another potential option would be for the Company to  
10 commit to retire Mitchell without making CCR investments, and EPA could grant an  
11 extension to as late as October 2023 for pond closure to be complete (with Mitchell to be  
12 retired earlier in that year). Due to the large need and the required transmission work  
13 discussed by Company Witness Becker, acquiring replacement capacity even by 2023 is  
14 not seen as a viable option.

15 Moreover, with the December 7, 2022 expiration of the Rockport UPA, Kentucky  
16 Power would be left with only 280 MW of capacity to meet its capacity requirements of  
17 approximately 1,000 MW. Replacing that amount of capacity would be extremely  
18 expensive, and potentially infeasible, in this limited period. Kentucky Power would have  
19 to rely on either a series of bilateral contracts, if available, or the PJM RPM auction  
20 markets. This would immediately expose Kentucky Power and its customers to higher  
21 costs than investing in one of the alternatives proposed herein and keeping the Mitchell  
22 Generating Station operating.

1           The Mitchell Generating Station also serves as a physical energy hedge, and  
2 without it, the Company's customers would be increasingly exposed to potentially volatile  
3 energy costs. Thus, the early and immediate retirement of nearly two-thirds of Kentucky  
4 Power's capacity would expose the Company and its customers to an imprudent level of  
5 uncertainty and market volatility.

6 **Q. HOW WILL THE COMPANY FUND ITS CCR AND ELG COMPLIANCE WORK**  
7 **AT MITCHELL?**

8 A. Kentucky Power plans to fund the cost of the CCR and ELG compliance work through  
9 operating cash flow and other internally generated funds.

10 **Q. WILL THE COMPANY'S COMPLETION OF THE CCR AND ELG**  
11 **COMPLIANCE WORK RESULT IN WASTEFUL DUPLICATION?**

12 A. No, it will not. Completion of CCR and ELG compliance work at Mitchell Generating  
13 Station is required to comply with federal environmental regulations in order for the plant  
14 to continue to operate after April 11, 2021.

15 **Q. WHAT IS THE COMPANY REQUESTING IN THIS PROCEEDING WITH**  
16 **RESPECT TO COST RECOVERY?**

17 A. Kentucky Power is seeking approval of a revised ECP to include the costs of the ELG and  
18 CCR work at the Mitchell Generating Plant. The ELG and CCR environmental compliance  
19 work is costly and the Company will need cost recovery in order to have the wherewithal  
20 to perform it. Company Witness Scott presents the details of the ECP in her direct  
21 testimony.

22           However, as stated above, Kentucky Power is also aware that environmental  
23 regulations can be a moving target, and the Company wants to provide the Commission

1 with the information necessary to fully evaluate the risk of further investment. Kentucky  
2 Power is proposing a compliance path that will allow an opportunity for Mitchell to remain  
3 available for customers under the current depreciable life through 2040 (Case 1). But, if  
4 the Commission is concerned that circumstances or future environmental regulations could  
5 later necessitate additional costs, that when taken as a whole make investment in both CCR  
6 and ELG compliance measures at Mitchell not in the best interest of customers, then the  
7 record exists for the Commission to limit the Company's investment to CCR only (Case 2)  
8 and retire the plant by 2028.

9 **Q. WHAT RETURN ON EQUITY IS KENTUCKY POWER REQUESTING IN THIS**  
10 **PROCEEDING FOR NON-ROCKPORT ENVIRONMENTAL COMPLIANCE**  
11 **COSTS TO BE RECOVERED THROUGH TARIFF E.S.?**

12 A. Kentucky Power requests the 9.10 percent return on equity (ROE) established by the  
13 Commission in Case No. 2020-00174 for non-Rockport environmental compliance costs  
14 recovered through Tariff E.S.<sup>1</sup> This ROE was determined based upon a full cost of equity  
15 analysis and thorough Commission review in the Company's most recent base rate case.  
16 The Company thus believes it is reasonable to continue to use this recently-established  
17 ROE in this case.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes, it does.

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<sup>1</sup> Kentucky Power's ROE for environmental compliance-related capital expenditures at the Rockport Plant is 12.16 percent, as established by the Rockport Unit Power Agreement. *See In the Matter of: Electronic Application of Kentucky Power Company for Approval of an Amended Environmental Compliance Plan and a Revised Environmental Surcharge*, Case No. 2019-00389, Order at 8 (Ky. P.S.C. May 18, 2020).



## Mattison Verification.docx

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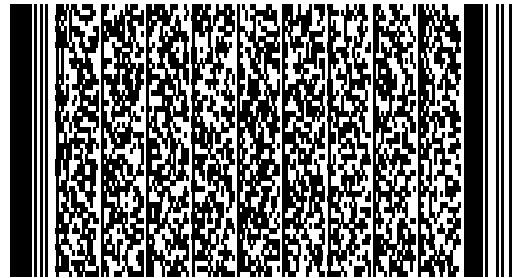
### E-Signature Summary

**E-Signature 1: Brett Mattison (BM)**

February 05, 2021 08:04:00 -8:00 [182C28717D68] [167.239.221.80]  
 bmattison@aep.com (Principal) (Personally Known)

**E-Signature Notary: S. Smithhisler (SRS)**

February 05, 2021 08:04:00 -8:00 [13FBC8ED2DB3] [167.239.221.82]  
 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.

Brett Mattison  
Signed on 2021/02/05 08:04:00 -8:00

Brett Mattison

STATE OF OHIO

)

) Case No. 2021-00004

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brett Mattison, this 5<sup>th</sup> Jay of February 2021.



S. Smithisler  
Signed on 2021/02/05 08:04:00 -8:00

Notary Public

Notary ID Number: 2019-RE-775042

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