

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter Of:

AN ELECTRONIC EXAMINATION OF THE)
APPLICATION OF THE FUEL ADJUSTMENT)
CLAUSE OF KENTUCKY POWER COMPANY) Case No. 2021-00053
FROM NOVEMBER 1, 2018 THROUGH)
OCTOBER 31, 2020)

DIRECT TESTIMONY OF
BRIAN K. WEST
ON BEHALF OF KENTUCKY POWER COMPANY

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I. INTRODUCTION

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

2 A. My name is Brian K. West. My position is Vice President, Regulatory and Finance
3 for Kentucky Power Company (“Kentucky Power” or the “Company”). My
4 business address is 1645 Winchester Avenue, Ashland, Kentucky 41101.

II. BACKGROUND

5 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
6 **BUSINESS EXPERIENCE.**

7 A. I received an Associate’s degree in Applied Science (Electronics Technology) and
8 a Bachelor’s degree in Business Management, both from Ohio University, in 1987
9 and 1988, respectively. I obtained a Master of Business Administration degree
10 from Ohio Dominican University in 2008.

11 I began my utility industry career when I joined Ohio Power Company as a
12 customer services assistant in Portsmouth, Ohio in 1989. This was a supervisor-in-
13 training position, where I worked in each area of the office (*e.g.*, cashiering, new
14 service, and credit and collections) to gain knowledge and experience with every
15 aspect of managing an area office. After completing the training program, I initially
16 supervised meter readers in the Portsmouth office until being promoted to office
17 supervisor in 1993. In 1997, when the area offices closed, I transferred to
18 Chillicothe, Ohio and accepted the position of customer services field supervisor,

1 with responsibility for managing customer field representatives who primarily
2 worked with customers on high-bill and other inquiries.

3 In 2000, after American Electric Power Company (“AEP”) merged with
4 Central and South West Corporation, I moved to Columbus, Ohio, where I held
5 various positions in Customer Operations, mostly in process improvement and
6 supporting regulatory filings. In 2008, I transferred to AEP’s Regulatory Services
7 department, where I supported various filings before public service commissions in
8 Arkansas, Indiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and
9 West Virginia, as well as the Public Service Commission of Kentucky
10 (“Commission”).

11 In 2010, I was promoted to regulatory case manager, with responsibility for
12 energy efficiency/demand response filings, integrated resource plan filings, and
13 various renewable filings across AEP’s service territory. In 2016, I moved to a case
14 manager role with primary responsibility for most Appalachian Power Company
15 filings before the Public Service Commission of West Virginia, the Virginia State
16 Corporation Commission, and the Tennessee Public Utility Commission. I
17 accepted the position of Director of Regulatory Services for Kentucky Power in
18 February 2019. I assumed my current position as Vice President, Regulatory and
19 Finance for Kentucky Power Company in January 2021.

20 **Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT,**
21 **REGULATORY AND FINANCE?**

22 A. I am primarily responsible for managing the regulatory and financial strategy for
23 Kentucky Power. This includes planning and executing rate filings for both federal

1 and state regulatory agencies, as well as filings for certificates of public
2 convenience and necessity before this Commission. I am also responsible for
3 managing the Company's financial operating plans. Included as part of this
4 responsibility is the preparation and coordination of various capital and O&M
5 operating budgets with other American Electric Power Company, Inc. affiliates,
6 including the American Electric Power Service Corporation ("AEPSC"). I work
7 with various AEPSC departments to ensure that adequate resources such as debt,
8 equity, and cash are available to build, operate, and maintain Kentucky Power's
9 electric system assets used to provide service to the Company's retail and wholesale
10 customers. I report directly to Brett Mattison, President and Chief Operating
11 Officer of Kentucky Power, in my role as Vice President, Regulatory and Finance.

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

13 A. Yes. I submitted testimony in Case No. 2020-00174, the Company's most recent
14 base rate case proceeding. I have also submitted testimony in Case No. 2019-
15 00140, concerning the Commission's six-month review of the Company's monthly
16 environmental surcharge filings. In addition, I have submitted testimony in Case
17 No. 2019-00245 in support of certain changes to the Company's residential energy
18 assistance programs; Case No. 2020-00019 in support of a special contract; and
19 Case No. 2020-00062 in support of the Company's application for a certificate of
20 public convenience and necessity to construct, own, and maintain certain
21 components of the Kewanee-Enterprise Park 138 kV Transmission Project.

III. PURPOSE OF YOUR TESTIMONY

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. I am supporting the Company’s decision to decrease the base fuel rate. Also, I will
3 address any changes in the wholesale electric power market during the review
4 period, or that are expected to occur in the coming two years, that significantly
5 affected or are expected to significantly affect Kentucky Power’s electric power
6 procurement practices. The remaining subjects identified in the Commission’s
7 March 4, 2021 order are addressed by Company Witnesses Dial and Stutler.

IV. BASE FUEL RATE

8 **Q. WHAT IS THE COMPANY’S CURRENT BASE FUEL RATE, AND WHEN**
9 **DID THE COMPANY LAST MODIFY IT?**

10 A. In its December 26, 2019 Order in Case No. 2019-00002, the Commission approved
11 the Company’s current base fuel rate of 2.851 cents per kilowatt-hour (“kWh”),
12 which was an increase from 2.725 cents per kWh. The base fuel rate of 2.851 cents
13 per kWh was placed into effect with service rendered on or after the Company’s
14 first billing cycle of February 2020, which began January 30, 2020.¹

15 **Q. WHAT BASE FUEL RATE IS THE COMPANY PROPOSING IN THIS**
16 **CASE?**

17 A. As demonstrated in the Company’s March 22, 2021 response to the Commission’s
18 data request Item No. 23 (“KPSC 1-23”), the Company is proposing to decrease the
19 base fuel rate from 2.851 cents per kWh to 2.612 cents per kWh.

¹ Case No. 2019-00002, Order at 3 (Jan. 23, 2020).

1 **Q. WHAT MONTH IS THE COMPANY USING AS THE BASE PERIOD FOR**
2 **THE PROPOSED CHANGE IN ITS BASE FUEL COST?**

3 A. As set forth in the Company’s response to KPSC-23, the Company used February
4 2020 as the representative review period month for the base period.

5 **Q. PLEASE DESCRIBE THE PROCESS THE COMPANY USED IN**
6 **REACHING ITS RECOMMENDATION TO DECREASE ITS CURRENT**
7 **BASE FUEL RATE TO 2.612 CENTS PER KWH?**

8 A. Kentucky Power focused its review on historical fuel costs for the entire 24-month
9 review period that is the subject of this proceeding, as well as the Company’s
10 forecasted cost of fuel for calendar years 2021 and 2022.

11 **Q. WHAT WERE THE COMPANY’S FUEL COSTS DURING THE TWO-**
12 **YEAR REVIEW PERIOD?**

13 A. **Table 1** below provides the Company’s monthly fuel costs and compares those
14 costs to the base fuel rate in effect during the subject month.

Month & Year	Final Cost	Total Sales kWh	Monthly Fuel Rate in Cents per kWh (C2) / (C3)	Base Fuel Rate Cents per kWh	Cents per kWh (Below) or Above Base Fuel Rate (C4) - (C5)
1	2	3	4	5	6
November 2018	17,479,861	495,678,000	3.526	2.725	0.801
December 2018	14,926,118	546,887,000	2.729	2.725	0.004
January 2019	17,337,591	591,108,000	2.933	2.725	0.208
February 2019	11,052,414	464,859,000	2.378	2.725	(0.347)
March 2019	14,097,574	500,633,000	2.816	2.725	0.091
April 2019	11,058,867	409,277,000	2.702	2.725	(0.023)
May 2019	11,257,261	428,884,000	2.625	2.725	(0.100)
June 2019	12,202,239	448,424,000	2.721	2.725	(0.004)
July 2019	14,644,207	502,221,000	2.916	2.725	0.191
August 2019	11,172,837	487,880,000	2.290	2.725	(0.435)
September 2019	12,792,221	461,995,000	2.769	2.725	0.044
October 2019	11,404,650	417,316,000	2.733	2.725	0.008
November 2019	14,357,511	485,925,000	2.955	2.725	0.230
December 2019	12,943,842	517,016,072	2.504	2.725	(0.221)
January 2020	12,891,748	520,305,204	2.478	2.725	(0.247)
February 2020	12,810,858	490,482,730	2.612	2.851	(0.239)
March 2020	9,028,030	423,404,708	2.132	2.851	(0.719)
April 2020	8,109,398	371,570,000	2.182	2.851	(0.669)
May 2020	6,767,456	395,680,000	1.710	2.851	(1.141)
June 2020	9,486,850	419,794,837	2.260	2.851	(0.591)
July 2020	11,923,346	472,750,402	2.522	2.851	(0.329)
August 2020	11,297,511	455,355,890	2.481	2.851	(0.370)
September 2020	9,732,447	394,073,499	2.470	2.851	(0.381)
October 2020	8,856,524	357,235,517	2.479	2.851	(0.372)
Two-Year Average			2.580		(0.192)
Avg. using Base Fuel Rate of 2.725 Cents per kWh			2.738		0.0133
Avg. using Base Fuel Rate of 2.851 Cents per kWh			2.317		(0.534)

1 The average fuel cost for the two-year review period was 2.580 cents per kWh,
2 which was 0.271 cents less than the current base fuel rate. During the two-year
3 review period, the cost of fuel fluctuated between a high of 3.526 cents per kWh
4 (November 2018) to a low of 1.710 cents per kWh (May 2020). This represents
5 fluctuations from as high as 23.7% above the current rate to as low as 40.0% below
6 the current rate. The monthly fuel rate for two-thirds of the months of the review

1 period was less than the then applicable base fuel rate. In 20 of the 24 months of
 2 the review period, the monthly fuel rate was less than the current base fuel rate of
 3 2.851 cents per kWh. Significant fluctuations such as those experienced during the
 4 two-year review period increase the monthly volatility in a customer's bill and
 5 create uncertainty for customers budgeting their monthly expenses.

6 **Q. WHAT ARE THE COMPANY'S 2021 AND 2022 PROJECTED FUEL**
 7 **COSTS?**

8 A. The Company's projected fuel costs for calendar years 2021 and 2022 are 2.63305
 9 cents per kWh and 2.55739 cents per kWh, respectively. As reflected in **Table 2**
 10 below, 2021 and 2022 fuel cost projections are approximately 8.3% and 11.5% less,
 11 respectively, than the current base fuel rate of 2.851 cents per kWh.

Table 2					
Fuel Cost and Sales Projections					
Year of Projection	Projected Fuel Cost	Projected kWh Sales	Projected Fuel Cost in cents/kWh	Fuel Cost in Current Base Rates in cents/kWh	Difference in Fuel Cost in cents/kWh
2021	\$147,138,335	5,588,134,000	2.63305	2.851	(0.21795)
2022	\$142,029,692	5,553,701,000	2.55739	2.851	(0.29361)
Average			2.59522	2.851	(0.25578)

12 **Q. HOW DO THESE PROJECTED COSTS COMPARE WITH THE**
 13 **COMPANY'S HISTORICAL FUEL COSTS DURING THE TWO-YEAR**
 14 **REVIEW PERIOD?**

15 A. The forecasted two-year average nearly equals the historical two-year average. The
 16 Company's average forecasted fuel cost for the two-year period 2021 through 2022
 17 is 2.59522 cents per kWh. This is 0.01522 cents per kWh (0.59%) more than the
 18 2.580 cents per kWh average fuel cost during the review period.

1 **Q. WHY DID THE COMPANY CHOOSE FEBRUARY 2020 AS THE MONTH**
2 **TO REPRESENT THE BASE FUEL COSTS?**

3 A. The February 2020 average fuel cost was the approximate median (2.567 cents per
4 kWh) fuel cost during the review period. It also was the review period month that
5 most closely approximated the midpoint (2.59522 cents per kWh) of projected fuel
6 costs for 2021 and 2022. Finally, there were no forced outages during February
7 2020.

8 **Q. IS IT REASONABLE TO LEAVE THE CURRENT BASE FUEL RATE OF**
9 **2.851 CENTS PER KWH UNCHANGED IN LIGHT OF THE COMPANY'S**
10 **FUEL COSTS DURING THE REVIEW PERIOD AND PROJECTED FUEL**
11 **COSTS FOR 2021 AND 2022?**

12 A. No. The current base fuel rate is 0.271 cents per kWh (10.5%) greater than the
13 average fuel cost during the 24-month review period. It is also 0.25578 cents per
14 kWh (9.86%) greater than the forecasted 2021-2022 average cost of fuel.

15 **Q. IS THE PROPOSED BASE FUEL RATE OF 2.612 CENTS PER KWH**
16 **REASONABLE?**

17 A. Yes. Monthly fuel costs vary, as evidenced by the Company's experience during
18 the review period. The proposed base fuel rate of 2.612 cents per kWh is the
19 historical monthly fuel cost that most closely approximates the midpoint of the
20 forecasted average annual fuel cost for 2021 and 2022. Because the Company
21 forecasts that fuel costs will remain relatively flat to declining over the next two-
22 year period, the use of the midpoint for the forecast period is anticipated to help
23 limit the amount of any fuel adjustment clause credit or charge in 2021 and 2022.

1 **Q. WHEN DOES THE COMPANY REQUEST THAT THE PROPOSED NEW**
2 **BASE FUEL RATE BE PLACED INTO EFFECT?**

3 A. The Company requests that the proposed base fuel rate of 2.612 cents per kWh be
4 placed into effect with bills rendered on or after the Company’s first billing cycle
5 following the date of the Commission’s order in this case.

V. ROCKPORT UNIT POWER AGREEMENT

6 **Q. WHEN DOES THE ROCKPORT UNIT POWER AGREEMENT (“UPA”)**
7 **EXPIRE?**

8 A. The Rockport UPA expires on December 7, 2022.

9 **Q. SHOULD ANY ADJUSTMENT BE MADE TO THE BASE FUEL AMOUNT**
10 **IN THIS PROCEEDING AS A RESULT OF THE ROCKPORT UPA**
11 **EXPIRING?**

12 A. No. The net impact on the Company’s fuel costs from the expiration of the
13 Rockport UPA is not known at this time. The Commission will initiate another 2-
14 year FAC Review in early 2023, shortly after the Rockport UPA expires. Even
15 though the effect on fuel costs from the Rockport UPA expiring will not be reflected
16 in the two-year period ending October 31, 2022, they will be reflected in forecasted
17 fuel costs for 2023 and 2024. Any necessary adjustments to the base fuel rate would
18 more appropriately be made in that proceeding.

VI. WHOLESALE ELECTRIC POWER MARKET

19 **Q. WERE THERE ANY CHANGES IN THE WHOLESALE POWER**
20 **MARKET DURING THE REVIEW PERIOD THAT SIGNIFICANTLY**

1 **AFFECTED KENTUCKY POWER’S ELECTRIC POWER**
2 **PROCUREMENT PRACTICES?**

3 A. No, there were not.

4 **Q. ARE THERE ANY CHANGES IN THE WHOLESALE POWER MARKETS**
5 **EXPECTED IN THE NEXT TWO YEARS THAT MAY SIGNIFICANTLY**
6 **AFFECT KENTUCKY POWER’S ELECTRIC POWER PROCUREMENT**
7 **PRACTICES?**

8 A. The Company does not expect any changes in the next two years that will
9 significantly impact its power procurement practices.

10 **Q. WERE THERE ANY CHANGES TO THE COMPANY’S GENERATION**
11 **FLEET DURING THE REVIEW PERIOD THAT AFFECTED THE**
12 **COMPANY’S POWER PROCUREMENT PRACTICES?**

13 A. No.

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

15 A. Yes, it does.

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is Vice President, Regulatory & Finance for Kentucky Power Company that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.



Brian K. West

State of Indiana)
) ss Case No. 2021-00053
County of Allen)

Subscribed and sworn to before me, a Notary Public, in and for said County and State, Brian K. West this 18th day of March, 2021.

Regiana M.)
Sistevaris) Digitally signed by Regiana M. Sistevaris
) Date: 2021.03.18 08:12:52
) -04'00'

Regiana M. Sistevaris, Notary Public

My Commission Expires: January 7, 2023