

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Investigation Of The)	
Service, Rates And Facilities Of)	Case No. 2021-00370
Kentucky Power Company)	

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 Public Service Commission of Kentucky ("Commission")
18 in Case Nos. 2019-00443 and 2020-00174, and I filed written testimony in Case No. 2021-
19 0004. I have also filed written testimony on behalf of SWEPCO before the Public Utility
20 Commission of Texas in PUC Docket Nos. 37364, 40443, and 46449. Most recently, I
21 appeared on behalf of Kentucky Power at the September 23, 2021 formal conference in
22 this matter.

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 discuss the topics related to Kentucky Power's
3 operations and decision-making that the Commission's September 27, 2021 Order in this
4 proceeding directed Kentucky Power to address through witness testimony (Topics 1-3). I
5 will also identify and discuss, at a high level, the documents responsive to Topic 4 in the
6 September 27, 2021 Order. Finally, I will present several areas of the Mitchell Operating
7 Agreement that could be modified to protect Kentucky Power and its customers if
8 Wheeling Power Company constructs the ELG project at the Mitchell Plant.

**III. TESTIMONY IN RESPONSE TO
SEPTEMBER 27, 2021 ORDER TOPICS 1 – 3**

9 **Q. HAS AEP'S STRATEGIC REVIEW OF KENTUCKY ASSETS IMPACTED**
10 **KENTUCKY POWER'S OPERATIONS, SERVICE, FINANCIAL, PLANNING,**
11 **OR BUSINESS DECISIONS? (TOPIC 1)**

12 A. With a single possible exception, the answer is "no." Kentucky Power's operations and
13 decision-making overall are unaffected by American Electric Power Company, Inc.'s
14 ("AEP") strategic review. The Company's primary focus continues to be on providing
15 reasonable-priced service to its customers in a safe and reliable manner. To that end, the
16 Company's distribution and transmission planning and operations have continued as
17 planned prior to, and are not affected by, the strategic review. Kamran Ali, Vice President
18 of Transmission Planning and Analysis for American Electric Power Service Corporation
19 ("AEPSC"), will be available to testify generally regarding transmission planning at the
20 October 5, 2021 hearing.

1 The same is true of the Company's customer and community engagement and
2 corporate giving in eastern Kentucky. Planned spending has not increased or decreased.
3 The Company's 2021 capital and O&M budget, established in 2020, has not changed, and
4 the Company is on target to meet those budgets with immaterial variances. Kentucky
5 Power continues to fill employee vacancies, to evaluate operational efficiencies and
6 customer best practices, and to provide reliable service to its service territory. Kentucky
7 Power intends to continue to operate as normal while the strategic review proceeds in
8 parallel, as the Company has done since the strategic review's announcement in April 2021.

9 **Q. WHAT IS THE POSSIBLE EXCEPTION YOU MENTIONED EARLIER?**

10 A. Following the announcement of the strategic review, there was an increase in generation
11 employee transfers. Kentucky Power has temporarily suspended Mitchell and Big Sandy
12 employees' ability to transfer to positions outside of those plants in order to ensure that
13 staffing levels at both generating facilities are sufficient to enable the Company to operate
14 those plants safely and reliably. Tim Kerns, Vice President of Generating Assets for
15 Kentucky Power, will attend the October 5, 2021 hearing in this proceeding and is available
16 to answer questions regarding this decision. Generation planning and operations is
17 otherwise also unaffected by the strategic review.

18 **Q. WHY HAVE THERE BEEN NO CHANGES IN THE DECISION-MAKING OF**
19 **KENTUCKY POWER'S BUSINESS GIVEN THE STRATEGIC REVIEW?**

20 A. Kentucky Power's focus is on serving its customers. The strategic review is a business
21 exercise that AEP is undertaking, and to date there have been no decisions made regarding
22 the outcome of that process. Given that there is no certain outcome of the strategic review,

1 there is no justification to change any actions or decisions related to Kentucky Power's
2 operations or service.

3 **Q. HAS KENTUCKY POWER TAKEN ANY OTHER ACTIONS AS A RESULT OF**
4 **THE ANNOUNCED STRATEGIC REVIEW? (TOPIC 2)**

5 A. No, it has not.

6 **Q. HAS KENTUCKY POWER MADE ANY DECISIONS THAT IT OTHERWISE**
7 **WOULD NOT HAVE ABSENT THE STRATEGIC REVIEW? (TOPIC 3)**

8 A. No. Other than the temporary generation employee transfer suspension that I discussed
9 earlier, which may or may not have been necessary absent the strategic review, the
10 Company has made no decisions that it otherwise would not have absent the strategic
11 review.

IV. TESTIMONY IN RESPONSE TO
SEPTEMBER 27, 2021 ORDER TOPIC 4

12 **Q. PLEASE GENERALLY DESCRIBE WHICH DOCUMENTS MAY BE**
13 **IMPLICATED SHOULD THE STRATEGIC REVIEW RESULT IN AEP'S**
14 **DIVESTMENT OF KENTUCKY POWER. (TOPIC 4)**

15 A. As with any similarly complicated and integrated business, there are a significant number
16 of agreements that govern the complex integration and cooperation of AEP's East
17 operating companies (Kentucky Power, Indiana Michigan Power Company, Ohio Power
18 Company, Appalachian Power Company, Wheeling Power Company, and Kingsport
19 Power Company). These companies generally participate as one party within the PJM
20 Interconnection, LLC ("PJM") Regional Transmission Organization ("RTO"). Each
21 Company, including Kentucky Power, contributes to and benefits from the agreements
22 among these companies. Any decision that could lead to the divestiture of Kentucky Power

1 may eliminate the Company's participation in such agreements. The Commission's
2 September 27, 2021 Order sought to identify a number of such agreements, which I will
3 address, along with others, at a high level.

4 **Q. ARE THERE LIMITATIONS ON THE INFORMATION THAT KENTUCKY**
5 **POWER CAN PROVIDE ABOUT THE DOCUMENTS THAT ARE IMPLICATED**
6 **AND THEIR IMPACTS IF THE STRATEGIC REVIEW RESULTS IN AEP'S**
7 **DIVESTMENT OF KENTUCKY POWER?**

8 A. Yes. If the strategic review results in a divestiture of Kentucky Power, the details of any
9 potential divestiture will be described in the definitive agreements related to the
10 transaction. Those agreements will likely contain extensive details about a range of topics
11 regarding the transaction, including the unwinding of Kentucky Power's participation in
12 combined arrangements with the other AEP operating companies and the overall process
13 whereby a variety of arrangements regarding Kentucky Power will be modified as needed
14 to transition the Company to a new owner. The scope of such modifications are typically
15 highly negotiated and would take into consideration the new owner's plans for the future
16 of the Company. Thus, until a deal is reached with a specific party, announced, and the
17 details made ready for filing at the Commission for approval, the exact approach to any
18 particular document implicated by a divestiture is unknown. Any information before that
19 stage would be preliminary, and I would be speculating if I gave an opinion about the
20 approach that would be taken to any particular arrangement. In addition, in order to
21 safeguard the confidentiality required for the overall process to be successful, including the
22 operable non-disclosure agreements that I highlighted at the September 23, 2021 formal

1 conference, the Company cannot disclose any details about the strategic review at this
2 stage.

3 **Q. SUBJECT TO THOSE LIMITATIONS, CAN YOU ADDRESS AT A HIGH LEVEL**
4 **THE TYPES OF DOCUMENTS THAT COULD BE IMPLICATED BY A**
5 **DIVESTITURE?**

6 A. As mentioned above, without the detail and certainty resulting from a consummated
7 transaction, I cannot provide a fully exhaustive list of documents or indicate whether any
8 particular document is of greater or lesser consequence. However, I can identify several
9 categories of documents that potentially could be implicated in an effort to assist the
10 Commission in a deeper understanding the general scope of a divestiture transaction.

- 11 • PJM Governing Documents and Related Agreements. As noted previously,
12 Kentucky Power participates in PJM jointly with the other AEP operating
13 companies and is a party to several foundational PJM agreements including the
14 Open Access Transmission Tariff (“OATT”), Operating Agreement, Reliability
15 Assurance Agreement and the Consolidated Transmission Owners Agreement.
16 Jointly with the AEP operating companies, Kentucky Power also has rate schedules
17 under the PJM OATT related to transmission formula rates and reactive power.
18 Kentucky Power is also a party to agreements with the AEP operating companies
19 through which they combine their efforts to more efficiently participate in the PJM
20 capacity and energy markets (for example, the Power Coordination Agreement) and
21 provide and receive transmission service (for example, the Transmission
22 Agreement). These are FERC jurisdictional agreements or tariffs. Amanda
23 Conner, Vice President of FERC and RTO Strategy and Policy for AEPSC, will be

1 available to testify generally regarding this category of documents at the October
2 5, 2021 hearing.

- 3 • Generation-Related and FERC-Jurisdictional Wholesale Power Agreements. This
4 category includes purchases and sales of power to or from Kentucky Power. The
5 company has a market based rate tariff on file with FERC through which it makes
6 sales of energy, capacity and ancillaries at wholesale. The Company purchases
7 power from Rockport under a Unit Power Agreement with AEP Generating
8 Company which will terminate in December 2022. The Company also makes sales
9 of full requirements power to two municipalities in Kentucky, the Cities of Olive
10 Hill and Vanceburg, under long-term agreements. And, as the Commission is
11 aware, the Company is also party to an operating agreement with Wheeling Power
12 Company related to the Mitchell Generating Plant. These agreements are also
13 FERC jurisdictional tariffs or agreements on file with FERC. Alex Vaughan,
14 Director of Regulated Pricing and Renewables for AEPSC, will be available to
15 testify generally regarding this category of documents other than as to the Mitchell
16 Operating Agreement at the October 5, 2021 hearing. Company Witness Kerns
17 will be available to testify generally regarding the Mitchell Operating Agreement.
- 18 • Interconnection Agreements. The Company has agreements governing its
19 interconnection with several adjacent utilities and municipalities. Kentucky Power
20 is also a party to generation interconnection agreements under the auspices of PJM
21 for the Big Sandy and Mitchell plants. These agreements are also FERC
22 jurisdictional. Company Witness Conner will be available to testify generally
23 regarding the Company's interconnection agreements at the October 5, 2021

1 hearing. Company Witness Ali will be available at hearing to discuss generally
2 transmission interconnection-related aspects of those arrangements.

- 3 • Other Affiliate Agreements. Kentucky Power is also a member of several
4 arrangements intended to leverage the size and scale of the AEP system to combine
5 resources and achieve more efficient operations. These include arrangements to
6 support Kentucky Power's finances, such as the money pool and agreements for the
7 factoring of receivables. Company Witness Vaughan will be available to testify
8 generally regarding these arrangements at the October 5, 2021 hearing. They also
9 include arrangements to support the daily, physical operation of Kentucky Power
10 through the sharing of spare parts, barge capacity, materials and supplies and other
11 equipment, as notable examples. Company Witness Kerns will be available to
12 testify generally regarding these documents at the October 5, 2021 hearing.

V. MITCHELL OPERATING AGREEMENT MODIFICATION

13 **Q. PLEASE GENERALLY DESCRIBE THE MITCHELL OPERATING**
14 **AGREEMENT**

15 A. As Company Witness Kerns can elaborate, the agreement governs the operation of the
16 Mitchell plant, which is owned in equal, undivided interests by Kentucky Power and
17 Wheeling Power. Kentucky Power and Wheeling Power are each entitled to 50% of the
18 capacity of the Mitchell plant and have the right to schedule and dispatch output from their
19 respective shares. Operating costs of the Mitchell plant are generally allocated between
20 the owners based on their relative dispatch, with other certain other costs and the cost of
21 investment in the Mitchell plant being apportioned between the owners based on their
22 ownership shares. The term of the agreement began on December 31, 2013 and will
23 continue until the agreement is either terminated by the parties (subject to any necessary

1 regulatory approvals) or until Kentucky Power or Wheeling are divested by AEP. The
2 Mitchell Plant Operating Agreement is on file with the FERC as Rate Schedule No. 303.

3 **Q. DOES THE AGREEMENT CONTEMPLATE KENTUCKY POWER AND**
4 **WHEELING POWER IMPLEMENTING DIVERGENT ENVIRONMENTAL**
5 **COMPLIANCE INVESTMENTS FOR CCR AND ELG AT THE MITCHELL**
6 **PLANT?**

7 A. No. Without seeking to give a legal opinion, I do not think it was contemplated that there
8 would be disagreement between the public service commissions that regulate Kentucky
9 Power and Wheeling Power on how to approach a capital investment at the Mitchell plant
10 as significant as CCR and ELG compliance.

11 **Q. WHAT MODIFICATIONS TO THE MITCHELL OPERATING AGREEMENT**
12 **SHOULD BE MADE IF WHEELING POWER DECIDES TO PAY FOR THE**
13 **INVESTMENT IN ELG AT THE MITCHELL PLANT?**

14 A. The following are the types of the provisions that could be considered to facilitate
15 Wheeling Power building ELG and paying for the option to have the plant operate after
16 2028:

- 17 • Wheeling Power could take sole responsibility for capital investments
18 supporting ELG compliance. In that case, Kentucky Power would not be
19 responsible for ELG compliance and would not fund those investments beyond
20 its ownership share of the costs that would otherwise need to be incurred to
21 comply with the CCR rule.
- 22 • Because an owner not paying for ELG is inherently not participating in the
23 option to operate the plant after 2028, Kentucky Power could potentially avoid

1 some expenditures needed to maintain the operating capability of the plant after
2 2028. Logically, the costs of any non-ELG capital investments that are made
3 and become operational before 2028 and continue to be used after 2028 would
4 need to be fairly apportioned between the companies.

- 5 • Wheeling could be granted an option to purchase the plant and continue its
6 operation, subject to additional regulatory approvals, if any.
- 7 • A purchase price would be determined at the time of sale that is fair to both
8 companies based on factors that would need to be identified, including, if
9 applicable, KRS 278.2207's requirements. For example, the value could take
10 into account prices for comparable plants as well as the incremental value of
11 investments and other costs incurred by Wheeling Power to ensure the plant is
12 capable of operating past 2028, over and above the costs incurred by Kentucky
13 Power using a 2028 retirement horizon. The price would likely also need to
14 take into account a fair apportionment of the future costs of retirement and
15 removal of the plant.
- 16 • The modifications could address options for plant disposition in 2028, such as
17 retirement, purchase by Wheeling Power (on the terms such as those identified
18 above), or other options.
- 19 • Wheeling Power could be made the operator of the plant to provide continuity
20 and in recognition of its higher level of investment in the plant to ensure it is
21 capable of operating after 2028.

1 **Q. WOULD THESE MODIFICATIONS REDUCE KENTUCKY POWER'S RIGHTS**
2 **THROUGH 2028?**

3 A. No, the modifications would provide clarity regarding the issues described above but would
4 not affect Kentucky Power's rights with respect to decisions regarding Mitchell's
5 operations through 2028.

6 **Q. DO THE ISSUES REGARDING THE CCR AND ELG COMPLIANCE PLAN**
7 **ARISE ONLY BECAUSE OF THE STRATEGIC REVIEW?**

8 A. No. Wheeling Power and Kentucky Power are and will continue to be co-owners of the
9 Mitchell plant, and the cost allocation and long-term ownership issues presented need to
10 be resolved, regardless of the outcome of the strategic review. The conflict present if one
11 owner intends only to invest in CCR and the other owner intends to invest in ELG is not
12 caused or abated by the strategic review. It is a complex issue whose full contours are not
13 fully known, in part because Wheeling Power is currently seeking and has yet to obtain an
14 order from the Public Service Commission of West Virginia seeking additional information
15 on which to base a decision on which it could decide to proceed with a combined CCR and
16 ELG program. In addition, the companies' election regarding CCR and ELG has not yet
17 been made.

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

19 A. Yes, it does.

