COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Tariff Filing Of Kentucky Power Company For Approval Of A Special Contract With Ebon International, LLC	)))	Case No. 2022-00387

REBUTTAL TESTIMONY OF

LERAH M. KAHN

ON BEHALF OF KENTUCKY POWER COMPANY

REBUTTAL TESTIMONY OF
LERAH M. KAHN ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

CASE NO. 2022-00387

TABLE OF CONTENTS

SECTION **PAGE**

EXHIBITS

EXHIBIT	DESCRIPTION
EXHIBIT LMK-R1	Revisions to KPSC 1-9 Attachment 2

REBUTTAL TESTIMONY OF
LERAH M. KAHN ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

CASE NO. 2022-00387

I. INTRODUCTION

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

A. My name is Lerah M. Kahn. My business address is 1645 Winchester Avenue, Ashland, Kentucky 41101. My position is Manager, Regulatory Services, Kentucky Power Company ("Kentucky Power" or the "Company").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. In 2009, I earned a Bachelor of Arts degree in History from the University of Guelph in Guelph, Ontario, Canada. Additionally, in 2010 I received a Paralegal diploma from Algonquin Careers Academy in Mississauga, Ontario, Canada.

From 2013 through 2018 I worked at Sogefi Group Inc., a global supplier for the automotive industry, as a material planner and accounting specialist. I accepted the position of Regulatory Consultant with Kentucky Power Company in July 2018 and began my recent position as Manager, Regulatory Services in February 2023.

Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES

A. As Manager, Regulatory Services I am responsible for the supervision and direction of Kentucky Power's Regulatory Services Department, which has responsibility for all rate and regulatory matters involving the Company.

II. PURPOSE OF REBUTTAL TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to provide a revised marginal cost study to address two errors identified in the testimony of Stephen Baron. Exhibit LMK-R1 revises and replaces the Company's Attachment 2 to KPSC data request 1-9 in order to address these.

Q. ARE YOU SPONSORING ANY REBUTTAL EXHIBITS?

A. Yes, I am sponsoring Exhibit LMK-R1.

III. REVISIONS TO KPSC 1-9 ATTACHMENT 2

Q. PLEASE EXPLAIN THE REVISIONS MADE?

A. The first revision is to address a formula issue for the year five revenues on the Summary tab (cells G19 and G41). The second revision updates the revenue tabs to consider an incremental discount, tied to job creation, along with the capacity discount. This revision affects revenues for years one through five.

Q. WHAT IMPACT DO THESE REVISIONS HAVE ON THE MARGINAL COST STUDY?

A. Both revisions, for either scenario (with or without generation costs), cause the net revenue to decrease. The net revenue does not shift to a net cost, however. Please see table 1 below for the resulting changes to the ten-year revenue between KPSC 1-9 Attachment 2 and Exhibit LMK-R1.

Table 1

	KPSC 1-9 10-Yr Net Revenue	Exhibit 1 10-Yr Net Revenue	Change
With Generation Costs	$ 76,847,003	$ 62,625,082	$ (14,221,921)
Without Generation Costs	$ 95,997,274	$ 81,775,353	$ (14,221,921)

Q. DOES AG-KIUC WITNESS BARON MAKE OTHER SUGGESTIONS FOR THE MARGINAL COST STUDY?

A. Mr. Baron supports alternatives to all the cost calculations except for distribution. The combination of these ultimately lead to a marginal cost study that shifts to a net cost according to Mr. Baron. However, it is important to note when considering Mr. Baron's approach:

- A marginal cost analysis is not a requirement for a special contract; however, the Company included it as a prudent measure to inform the Commission's review of the Company's proposed discounts for the economic development benefits brought forth by Ebon. These economic development benefits are significant and not included within the marginal cost analysis which is solely focused on the Company's costs and revenues associated with serving Ebon. Company Witness Clark supports these economic development benefits and estimates their quantified value to Eastern Kentucky at $95.8 million in year one and $29.6 million annually thereafter;
- Mr. Baron's approach relies on current fuel conditions and their increased pressure on LMPs. While the Company understands the importance of utilizing known and measurable variables, in this circumstance it may be unreasonable given the unusually volatile and unique conditions around fuel prices in 2022. Furthermore, the Company has no reason to believe that fuel costs will remain at or above current levels.[1] The U.S. Energy Information Administration (EIA) in its February 2023 Short-Term Energy Outlook Supplement notes, "On average, we

[1] See https://www.eia.gov/outlooks/steo/special/supplements/2023/2023_sp_01.pdf

now expect wholesale U.S. natural gas prices during the last quarter of 2022 and the first quarter of 2023 to average more than 40% lower than in our October forecast."[2] This drastic change within four months is reflective of the significant price volatility in the current market. Consequently, and as noted in discovery the Company used a simplified approach to address this volatility;[3]

- Revenues are not given the same scrutiny as costs. Both the Company and Mr. Baron have set revenues statically throughout the ten-year contract period, which causes an increasing disparity to costs. This disparity is exacerbated by Mr. Baron's use of an NPV approach.

Additionally, the Company continues to assert that even absent Ebon becoming a customer, additional capacity purchases must be made to serve native load, which will be borne by all customers.[4] Further, the cost of capacity needed to serve new load has never been directly assigned only to new customers.[5] Moreover, assigning capacity costs directly only to Ebon could produce an unfair result compared to other customers, as it is likely that other customers may locate in the service territory due to a ripple effect of Ebon's or other economic development customers' location there. Those ripple effect customers, along with new potential jobs and other economic benefits, would not directly be assigned capacity costs. For illustration consider the following example concerning three distinct hypothetical customers:

---

[2] *Id* at page 1.
[3] See the Company's response to Staff's Second set of Data Requests, Question 8.
[4] As of December 9, 2022, with the expiration of the Rockport Unit Power Agreement, the Company is capacity short.
[5] See Direct Testimony of Brian K. West at page 9.

- Customer A (e.g. Ebon) is a direct result of the Company's active economic development efforts and receives discounts under either a special contract or Tariff E.D.R. These discounts are supported by the benefits that will be brought to the communities within the Company's service territory.
- Customer B locates in the service territory due to the ripple effect from Customer A and takes service under a standard tariff offering with no discounts.
- Customer C locates in the service territory due to the ripple effect from an economic development effort outside of the Company's efforts and takes service under a standard tariff offering with no discounts (for instance a supplier to an electric vehicle company as the state of Kentucky has projected "9.2 billion in new investment from EV-related projects" for an electric future[6]).

All of the above customers would have the same end result: the Company, due to being capacity short, having to make additional capacity purchases. Thus, if Ebon were directly assigned and responsible for paying its capacity costs, it would result in unfair discrimination against Ebon.

Q. DO YOU HAVE ANY CONCERNS WITH AG-KIUC WITNESS BARON'S APPROACH?

A. Yes, AG-KIUC via Mr. Baron condemns the proposed Special Contract and also fails to offer a path forward despite, presumably, being acutely aware of the desperate need for

[6] See https://ced.ky.gov/LP/electric_vehicle

economic development that Eastern Kentucky faces. Company Witness West discusses Mr. Baron's concerns further within his rebuttal testimony.

IV. CONCLUSION

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

VERIFICATION

The undersigned, Lerah M. Kahn, being duly sworn, deposes and says she is the Manager, Regulatory Servcies for Kentucky Power Company, that she has personal knowledge of the matters set forth in the foregoing testimony and the information contained therein is true and correct to the best of her information, knowledge, and belief.

Lerah Kahn

Lerah M. Kahn

Commonwealth of Kentucky)
) Case No. 2022-00387
County of Boyd)

Subscribed and sworn before me, a Notary Public, by Lerah M. Kahn this 14th day of March, 2023.

Scott E. Bishop

Notary Public

SCOTT E. BISHOP
Notary Public
Commonwealth of Kentucky
Commission Number KYNP32110
My Commission Expires Jun 24, 2025

My Commission Expires June 24, 2025

Notary ID Number: KYNP 32110