

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

Electronic Application Of Kentucky Power Company )  
For (1) A General Adjustment Of Its Rates For )  
Electric Service; (2) Approval Of Tariffs And Riders; )  
(3) Approval Of Accounting Practices To Establish )  
Regulatory Assets And Liabilities; (4) A )  
Securitization Financing Order; And (5) All Other )  
Required Approvals And Relief )

Case No. 2023-00159

**REBUTTAL TESTIMONY OF**  
**BRIAN K. WEST**  
**ON BEHALF OF KENTUCKY POWER COMPANY**

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**I. INTRODUCTION**

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

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

6 **Q. ARE YOU THE SAME BRIAN K. WEST WHO OFFERED DIRECT TESTIMONY**  
7 **IN THIS PROCEEDING?**

8 A. Yes.

**II. PURPOSE OF REBUTTAL TESTIMONY**

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

10 A. The purpose of my rebuttal testimony is to address certain positions taken by Stephen J.  
11 Baron and Lane Kollen, witnesses for the Office of the Attorney General of the  
12 Commonwealth of Kentucky and Kentucky Industrial Utility Customers, Inc. (collectively,  
13 “AG-KIUC”); Joshua Bills and Andy McDonald, witnesses for Mountain Association,  
14 Appalachian Citizens’ Law Center, Kentuckians For The Commonwealth, and Kentucky  
15 Solar Energy Society (collectively, “Joint Intervenors”); and Lisa V. Perry, witness for  
16 Walmart Inc.

17 Specifically, I:

- 1       • Address the Company’s proposals for safeguards or guardrails for the Distribution  
2       Reliability Rider (“DRR”) as suggested by AG-KIUC Witness Kollen;
- 3       • Explain why the Commission should not accept Mr. Baron’s alternative class revenue  
4       allocation, which provides for a greater subsidy to the residential class and apportions  
5       that subsidy disparately in favor of the IGS class;
- 6       • Explain that Commission precedent instructs that the Company’s purchase power  
7       expense not eligible for recovery through the Fuel Adjustment Clause (“FAC”) is  
8       recoverable in base rates and is properly requested for such recovery in this base rate  
9       case;
- 10      • Explain that the Company’s proposal to flow-back to customers the return on  
11      accumulated deferred income tax (“ADIT”) benefit associated with the non-  
12      Decommissioning Rider regulatory assets sought to be securitized, through Tariff  
13      F.T.C. is more reasonable than Mr. Kollen’s suggestion for the flow-back of that  
14      benefit;
- 15      • Explain that the Company’s proposal to recover costs of the Solar Garden Program  
16      through Tariff P.P.A. provides a benefit to the Company that corresponds to the  
17      customer benefit and is more reasonable than Ms. Perry’s suggested approach;
- 18      • Respond to or explain the Company’s acceptance of various suggestions made by the  
19      Joint Intervenors with respect to customer communication and bill transparency;
- 20      • Respond to Joint Intervenors’ suggestions regarding DSM/EE programs that are not at  
21      issue in this case and that more appropriately may be raised in the Company’s 2024  
22      DSM/EE filing; and

- 1           • Explain that the Joint Intervenor’s Witness Bills’s PAYS Program proposal is not  
2           appropriate or viable for the Company or its customers.

### **III. INTRODUCTION OF REBUTTAL WITNESSES AND TOPICS**

3   **Q. WHAT WITNESSES WILL BE OFFERING REBUTTAL TESTIMONY AND**  
4   **WHAT TOPICS WILL THEY COVER?**

- 5   A. Figure BKW-R1 below provides a brief description of each rebuttal witness’ testimony:

**Figure BKW-R1**

<b>WITNESS</b>	<b>TOPICS</b>
Brian K. West	Discuss DRR guardrails; Rebut Baron’s alternative class revenue allocation; Rebut Kollen’s assertions concerning recovery of PUE expense; Discuss flow-back of ADIT benefit from regulatory assets to be securitized; Discuss recovery of Solar Garden Program costs through Tariff P.P.A.; Respond to Joint Intervenor’s suggestions concerning bill transparency and customer communication; Respond to Joint Intervenor’s arguments about DSM/EE; and Rebut Bills’s PAYS Program proposal.
Steven Fetter	Rebut Comings’s assertions concerning credit rating agencies and investor reactions to rate case; and Rebut Comings’s assertions regarding the Company’s financial position.
Everett G. Phillips	Rebut Kollen’s assertions that DRR costs would not be incremental.
Alex E. Vaughan	Respond to McDonald’s suggestions concerning the proposed Solar Garden Program; Rebut McDonald’s assertions regarding the reasonableness of the All-Source RFP; and Rebut McDonald’s net metering proposals.
Adrien M. McKenzie	Rebut Baudino’s ROE recommendations; and Rebut Comings’s ROE recommendations.
Heather M. Whitney	Rebut Kollen’s assertions regarding OPEB and pension assets in rate base;

	<p>Rebut Kollen’s proposals regarding rate base treatment of accounts payable in CWIP and prepayments;  Rebut Kollen’s proposed adjustment to reflect the resumption of the sale of receivables;  Rebut Kollen’s proposed treatment of the Mitchell coal stock adjustment; and  Rebut Kollen’s proposed incentive compensation proforma adjustments.</p>
Linda M. Schlessman	<p>Rebut Kollen’s assertions with respect to the proforma adjustment for the standalone NOL deferred tax asset and respond to Kollen’s alternative recommendations;  Discuss flow-back of ADIT benefit from regulatory assets to be securitized;  Rebut Kollen’s claims with respect to the proforma expense for property taxes;  Rebut Kollen’s assertions with respect to the tax asset for ADIT on cost of removal;  Rebut Kollen’s assertions with respect to the calculation of the state income tax rate; and  Discuss the proposal to flow the CAMT and CAMT credits through Tariff F.T.C.</p>
Andrew R. Carlin	<p>Rebut Kollen’s proposed denial of recovery of financial performance based STI and LTI compensation and discuss the effects of denying recovery of those costs;  Rebut Kollen’s proposed denial of recovery of all retirement savings expense and discuss the effects of denying recovery of those costs; and  Rebut Kollen’s proposed denial of recovery of SERP expense.</p>
Eugene L. Shlatz	<p>Respond to issues raised in Commission Staff data requests concerning reliability performance and distribution practices and investment, and discuss how the DRR can contribute to those improvements.</p>

#### **IV. DISTRIBUTION RELIABILITY RIDER**

1    **Q.    WILL THE COMPANY AGREE TO SAFEGUARDS OR GUARDRAILS, AS**  
2        **PROPOSED BY AG-KIUC WITNESS KOLLEN, ON THE DRR?**

3    A.    As an initial matter, it is important to note that neither the Joint Intervenors nor AG-KIUC  
4        oppose the DRR. However, AG-KIUC Witness Kollen suggests that if the Commission  
5        were to approve it, certain safeguards or guardrails should be implemented. As

1 demonstrated by the Rebuttal Testimony of Company Witness Phillips, AG-KIUC's  
 2 concerns that DRR projects and costs are not incremental to spending on distribution  
 3 through base rates are misplaced. Nonetheless, the Company is amenable to implementing  
 4 the following additional DRR parameters consistent with Mr. Kollen's proposals: 1)  
 5 determine a baseline amount for total distribution capital spend recoverable through base  
 6 rates to easily determine the incremental spend that would be recoverable through the DRR;  
 7 2) implement a cap on the annual DRR rate increase of no greater than 1% of the prior  
 8 year's total retail revenues; and 3) request the ability to rollover capital spend from one  
 9 year to the next due to, for example, delays in project in-service dates from supply chain  
 10 issues or storm recovery efforts that divert resources from DRR projects.

11 These safeguards will ensure that only incremental capital expenditures for the  
 12 Company's distribution system is recovered through the DRR, that any annual rate increase  
 13 is limited.

14 **Q. PLEASE FURTHER DESCRIBE THE PROPOSAL TO ESTABLISH A BASELINE**  
 15 **SPENDING LEVEL FOR THE DRR.**

16 A. To ensure that expenditures recovered through the DRR are incremental to the  
 17 Company's existing distribution capital expenditures recoverable through base rates, a  
 18 DRR baseline will be established annually based on five-year average historical  
 19 capital distribution base rate spending. An example baseline, for the year 2023, is set forth  
 20 in the Figure BKW-R2 below:

**Figure BKW-R2**

KPCO Distribution 2018-2022 CapEx & 5-Year Average					
2018	2019	2020	2021	2022	2018-2022 Ave
\$57,576,965	\$73,482,948	\$66,479,079	\$68,971,378	\$72,354,696	\$67,773,013

1 This average will be compared to actual total distribution capital spending for a given year  
2 and the amount above the average and that relates to the projects the Commission approves  
3 for inclusion in the DRR will be included in the DRR for recovery.

4 **Q. PLEASE FURTHER DESCRIBE THE PROPOSAL TO ESTABLISH AN ANNUAL**  
5 **CAP ON THE DRR.**

6 A. When the annual DRR true-up filing is prepared, a revenue requirement will be developed  
7 based on the incremental capital spending above the baseline. This revenue requirement  
8 will then be compared to the calculation of 1% of the Company's prior year's total retail  
9 revenues. As long as the calculated revenue requirement is less than 1% of the Company's  
10 prior year's total retail revenues, then the DRR true-up filing will not exceed the cap and  
11 those costs will be recoverable through the DRR. If the calculated DRR revenue  
12 requirement exceeds 1% of the Company's prior year's total retail revenues, then the  
13 revenue requirement will be reduced to equal 1% of the Company's prior year's total retail  
14 revenues.

15 **Q. SHOULD THE COMMISSION APPROVE THE DRR WITH THESE**  
16 **GUARDRAILS?**

17 A. Yes. The Company has reasonably and prudently invested in its distribution system by  
18 making necessary upgrades to facilities and equipment in order to continue to provide safe  
19 and reliable service to its customers. However, the challenge that the Company faces is the  
20 need to make incremental investment in its distribution system beyond that included in  
21 base rates in order to make meaningful improvements in reliability and resiliency for its  
22 customers. Company Witness Phillips makes clear in his Direct Testimony the operating  
23 challenges Kentucky Power faces and the purpose of the DRR. The need for these projects



1 is clear, and to make those incremental investments as quickly as possible, the Company  
2 needs the DRR. The Company's proposed guardrails should alleviate the concerns raised  
3 by AG-KIUC Witness Kollen and the DRR should be approved.

4 **Q. WHY CAN'T THE COMPANY RECOVER THE COSTS OF THE PROPOSED**  
5 **DRR PROJECTS THROUGH BASE RATES, AS SUGGESTED BY WALMART**  
6 **WITNESS PERRY?**

7 A. The Company made clear its financial situation in the Direct Testimony of Company  
8 Witness Wiseman. Increases in rate base from capital investment and depreciation expense  
9 since the Company's last base rate case in 2020 have created unsustainable regulatory lag  
10 and contribute negatively to the Company's ability to even come to close to earning its  
11 authorized ROE. A cost recovery mechanism like the DRR allows the Company to recover  
12 incremental investment in its distribution system with annual Commission-reviewed and  
13 approved rate adjustments that will help support Kentucky Power's financial position in  
14 between base rate cases. In addition, smaller annual rate increases through the DRR will  
15 be more manageable for customers than larger increases through base rate updates.

16 Moreover, the DRR will ensure that customers pay no more or less than the amount  
17 required to implement Commission-reviewed and approved DRR projects. Through annual  
18 filings that will include an updated DRR Work Plan, the Commission will have the  
19 opportunity to more frequently review DRR projects than if these projects were reviewed  
20 in base rate case filings. This benefit is made possible by separately tracking investment  
21 projects, as the Company proposes with the DRR.

22 Finally, as Company Witness Fetter discusses, the availability of capital is not  
23 infinite. Without a recovery mechanism like the DRR, it may be more difficult and/or more

1 expensive for the Company to obtain capital to fund incremental distribution investments  
2 and make the needed improvements to the reliability and resiliency of its distribution  
3 system for the benefit of customers.

#### **V. CLASS REVENUE ALLOCATION**

4 **Q. DO YOU AGREE WITH MR. BARON'S ALTERNATIVE PROPOSED CLASS**  
5 **REVENUE ALLOCATION?**

6 A. No, I do not. The Company proceeded very thoughtfully in developing the proposed  
7 revenue increase and allocation to the residential class in this case. The residential class  
8 currently receives a substantial subsidy from other classes. Although the Company's  
9 ultimate goal would be to eliminate all class subsidies, the Company decided not to  
10 further mitigate the residential class subsidy in this case in order to control the rate  
11 impact to residential customers. The Company's proposed class revenue allocation would  
12 maintain the current subsidy to the residential class and consider the Commission's long-  
13 standing practice of employing the principle of gradualism and moving toward cost-of-  
14 service-based rates. Mr. Baron's proposal has the effect of maintaining the Company's  
15 proposed increase for the industrial class (12.87%), lowering the proposed increase for  
16 the residential class (from 24.14% to 20.77%), and raising the proposed increase for  
17 every other rate class of customers (from a range between 11.14% and 19.44%, to  
18 20.77% across the board). Mr. Baron's proposed class allocation, therefore, would only  
19 further exacerbate the residential rate class subsidy.

20 Moreover, Mr. Baron's proposed class revenue allocation would have the effect  
21 of treating the non-residential rate classes disparately with respect to that subsidy and  
22 without any reasoned justification for that treatment. Said another way, the IGS class

1 would bear none of the incremental burden of subsidizing the residential class. Below are  
 2 Mr. Baron's Table 1 and Table 2, shown side-by-side for comparison of the proposed  
 3 increase to every other class besides the residential and industrial classes.

<b>Table 1</b> <b>KPCo Proposed Base Revenue Increases</b>				<b>Table 2</b> <b>AG/KIUC Proposed Base Revenue Increases</b>			
<b>Current Class</b>	<b>Current Revenue</b>	<b>Base Proposed Increase</b>	<b>Base Percent Increase</b>	<b>Current Class</b>	<b>Current Base Revenue</b>	<b>Base Proposed Increase</b>	<b>Base Percent Increase</b>
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
RS	227,557,563	54,921,976	24.14	RS	227,557,563	47,267,127	20.77%
GS	79,768,125	13,761,544	17.25	GS	79,768,125	16,569,039	20.77%
LGS	53,267,675	6,426,370	12.06	LGS	53,267,675	11,064,497	20.77%
IGS	132,601,117	17,067,553	12.87	IGS	132,601,117	17,067,553	12.87%
MW	167,202	18,624	11.14	MW	167,202	34,730	20.77%
OL	7,822,241	1,520,894	19.44	OL	7,822,241	1,624,797	20.77%
SL	1,482,715	218,765	14.75	SL	1,482,715	307,982	20.77%
<b>Total</b>	<b>502,666,638</b>	<b>93,935,726</b>	<b>18.69</b>	<b>Total</b>	<b>502,666,638</b>	<b>93,935,726</b>	<b>18.69%</b>

4 Mr. Baron's proposal is unreasonable and unsupported. The Commission should instead  
 5 approve the Company's proposed class revenue allocation, which maintains the current  
 6 residential rate class subsidy and fairly allocates the revenue requirement among all other  
 7 classes.

## **VI. PURCHASED POWER EXPENSE**

8 **Q. SHOULD THE COMMISSION ACCEPT AG-KIUC WITNESS KOLLEN'S**  
 9 **POSITION WITH RESPECT TO THE COMPANY'S PROPOSAL TO RECOVER**  
 10 **THROUGH BASE RATES PURCHASE POWER EXPENSE NOT ELIGIBLE FOR**  
 11 **RECOVERY THROUGH THE FUEL ADJUSTMENT CLAUSE?**

12 A. No. Mr. Kollen opposes the Company's request to recover through base rates  
 13 approximately \$11.5 million in purchase power costs excluded from recovery through the  
 14 FAC in accordance with the peaking unit equivalent ("PUE") calculation incurred during

1 Winter Storm Elliott in December 2022 (“Winter Storm Elliott PUE Expense”), and  
2 approximately \$4.02 million in non-Winter Storm Elliott related PUE expense incurred  
3 from the end of the test year in the Company’s last base rate case through the end of the  
4 current test year (“Non-WSE PUE Expense”). I wholly disagree with Mr. Kollen’s  
5 assertions that these purchased power costs are not recoverable because the Company did  
6 not seek, or sought and was denied, authority to defer the expenses in a regulatory asset to  
7 be securitized for customers’ benefit. The Company’s request to recover these costs is not  
8 an impermissible request for “retroactive deferral” that precludes the Company from  
9 recovering these expenses. All of the expenses are recoverable in this case according to  
10 Commission precedent.

11 **Q. HAS THE COMMISSION, IN FACT, INDICATED THAT BASE RATE**  
12 **RECOVERY OF PUE EXPENSE EXCLUDED FROM RECOVERY THROUGH**  
13 **THE FAC IS APPROPRIATE?**

14 A. Yes. Although I am not a lawyer and am not offering a legal opinion, it is my understanding  
15 that Commission precedent states that deferral accounting is not appropriate in connection  
16 with the recovery of PUE expense excluded from recovery through the FAC. Instead, these  
17 costs are to be recovered through base rates in this base rate proceeding.

18 It is my understanding that the Commission held, as far back as 2002, that “[c]osts  
19 for non-economy energy purchases that are not recoverable through an electric utility’s  
20 FAC are considered non-FAC expenses and, if reasonably incurred, are otherwise eligible

1 for recovery through base rates.”<sup>1</sup> The Commission reiterated that holding in the  
2 Company’s 2017 base rate case when it stated:

3 The Commission will allow recovery of the test year amount of purchased  
4 power reasonably incurred, but excluded from the FAC. To the extent that  
5 Kentucky Power incurs any expense due to purchased power that is  
6 appropriately incurred after the test year, but excluded from the FAC, it can  
7 file a base rate case seeking recovery of those expenses.<sup>2</sup>

8 The Commission most recently held in June 2023 that PUE expense excluded from  
9 recovery through the FAC should not be deferred and instead should be recovered in this  
10 base rate proceeding, when it denied Kentucky Power’s request to establish a regulatory  
11 asset for the Winter Storm Elliott PUE Expense in Case No. 2023-00145. In that case, the  
12 Commission held:

13 While Kentucky Power does recover non-FAC eligible fuel or purchased  
14 power costs in base rates, it is not on a deferral and amortization basis, so  
15 recovery is not retrospective. Kentucky Power’s request would alter the  
16 recovery mechanism for non-FAC eligible purchased power costs and is not  
17 an appropriate use of deferral accounting.

18 Commission precedent also contradicts Mr. Kollen’s assertions that the  
19 Commission should not approve recovery of the PUE expenses in this case because other  
20 cases like Case No. 2021-00370 (Investigation Case) or Case No. 2023-00008 (Two-Year  
21 FAC Review) are still open and pending, and his position should be wholly disregarded.

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<sup>1</sup> Order at 5, In The Matter Of: An Examination By The Public Service Commission Of The Application Of The Fuel Adjustment Clause Of American Electric Power Company From May 1, 2001 To October 31, 2001, Case No. 2000-00495-B (Ky. P.S.C. May 2, 2002). See also Order at 2-3, In The Matter Of: An Examination Of The Application Of The Fuel Adjustment Clause Of Kentucky Power Company From November 1, 2013 Through April 30, 2014, Case No. 2014-00225 (Ky. P.S.C. January 22, 2015).

<sup>2</sup> Order at 55, In The Matter Of: Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets And Liabilities; And (5) An Order Granting All Other Required Approvals And Relief, Case No. 2017-00179 (Ky. P.S.C. Jan. 18, 2018).

1 Mr. Kollen's assertion that the Company is merely seeking reconsideration of the  
2 Commission's denial of deferral authority for the Winter Storm Elliott PUE Expense in  
3 Case No. 2023-00145 is also a red herring. The Company is not seeking reconsideration of  
4 the Commission's denial of deferral authority—instead the Company seeks in this case  
5 Commission approval to amortize and recover those expenses, which Commission  
6 precedent expressly permits.

7 **Q. DOES MR. KOLLEN OR ANY OTHER INTERVENOR WITNESS PROVIDE ANY**  
8 **EVIDENCE IN THIS CASE TO REBUT THE COMPANY'S SUBSTANTIAL**  
9 **EVIDENCE THAT THE PUE EXPENSES WERE PRUDENTLY AND**  
10 **REASONABLY INCURRED AND SHOULD BE AMORTIZED FOR RECOVERY**  
11 **THROUGH BASE RATES?**

12 A. No. None of the intervenors' witnesses have provided any evidence to rebut the Company's  
13 evidence, including the Direct Testimony of Company Witnesses Vaughan and Kerns,  
14 which clearly shows that the Winter Storm Elliott PUE Expense and the Non-WSE PUE  
15 Expense are reasonable and were prudently incurred. As such, the Commission should  
16 approve the Company's request to amortize those expenses as requested.

## **VII. FLOW-BACK OF RETURN ON ADIT**

17 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSAL WITH REGARD TO THE**  
18 **RETURN ON ADIT RELATED TO THE NON-DECOMMISSIONING RIDER**  
19 **REGULATORY ASSETS SOUGHT TO BE SECURITIZED.**

20 A. In the Company's as-filed proposal, the Company reduced the costs requested to be  
21 recovered through securitization by the present value of the return on ADIT related to both  
22 the Decommissioning Rider Regulatory Asset and the Rockport Deferral Regulatory Asset,

1 which is consistent with the statutorily required treatment of ADIT benefits related to the  
2 Decommissioning Rider Regulatory Asset. The Company did not make an initial proposal  
3 related to the return on ADIT associated with the Tariff P.P.A. Under-Recovery Regulatory  
4 Asset and Storm Expense Deferral Regulatory Assets identified in the Company's  
5 Application. Collectively, I refer to the Rockport Deferral Regulatory Asset, Tariff P.P.A.  
6 Under-Recovery Regulatory Asset and Storm Expense Deferral Regulatory Assets  
7 identified in the Company's Application as the "Non-Decommissioning Rider Regulatory  
8 Assets".

9 **Q. MR. KOLLEN RECOMMENDS THAT THE RETURN ON ADIT ASSOCIATED**  
10 **WITH THE DECOMMISSIONING RIDER REGULATORY ASSET SHOULD**  
11 **FOLLOW THE SECURITIZATION STATUTE'S REQUIREMENTS, WHILE**  
12 **THE ADIT RELATED TO THE NON-DECOMMISSIONING RIDER**  
13 **REGULATORY ASSETS SHOULD BE RETURNED TO CUSTOMERS**  
14 **THROUGH BASE RATES AT THE COMPANY'S WACC. DO YOU AGREE?**

15 A. I agree that the return on ADIT benefit associated with the Non-Decommissioning Rider  
16 Regulatory Assets could be returned to customers, but I do not agree with Mr. Kollen's  
17 proposal to return the benefit through base rates, or with the rate at which he proposes to  
18 return the benefit. Should the Commission agree that KRS 278.670(15)(a) and (b)(3) is  
19 limited to the calculation of "retired generation costs," and subject to Commission approval  
20 of the Company's application for a financing order authorizing the Company to securitize  
21 the Non-Decommissioning Rider Regulatory Assets, then Kentucky Power would flow the  
22 ADIT benefit related to the Non-Decommissioning Rider Regulatory Assets approved for  
23 securitization back to customers through Tariff F.T.C. at the securitization bond rate, with

1 an annual true-up to address over/(under) recovery. The amount of costs to be securitized  
2 requested in the Company's Application and summarized in the Direct Testimony of  
3 Company Witnesses Messner (Figure FDM-2, page 9) and Walsh (page 19) would be  
4 increased to remove the present value of the return on ADIT related to the Rockport  
5 Deferral Regulatory Asset. Going forward, Kentucky Power would not include the Non-  
6 Decommissioning Rider Regulatory Asset ADIT amounts in base rates, because the ADIT  
7 benefit would be provided to customers through Tariff F.T.C.

8 The Company's proposal to flow the return ADIT benefit back to customers  
9 through Tariff F.T.C. at the securitization bond rate is preferable to the treatment that AG-  
10 KIUC Witness Kollen proposes because it ensures that the Company returns the actual  
11 amount of that benefit to customers. The Commission should accept the Company's  
12 proposed treatment of this issue.

#### **VIII. RESTARTING SALE OF RECEIVABLES**

13 **Q. WAS IT REASONABLE AND PRUDENT FOR THE COMPANY NOT TO MAKE**  
14 **AN ADJUSTMENT TO REFLECT THE COMPANY'S RESTARTING OF THE**  
15 **SALE OF RECEIVABLES AS PART OF THE INITIAL FILING IN THIS CASE?**

16 **A.** Yes, it was reasonable not to do so. At the time the Company was preparing this base rate  
17 filing, it was still determining whether to resume the sale of receivables. Therefore, at the  
18 time the Company finalized the cost-of-service analysis to be filed with this case, the  
19 decision had not yet been made, and the change was not yet known nor measurable.



1 **Q. DO YOU AGREE WITH MR. KOLLEN'S RECOMMENDATIONS WITH**  
2 **RESPECT TO AN ADJUSTMENT TO REFLECT CHANGES ASSOCIATED**  
3 **WITH THE POST-TEST-YEAR RESUMPTION OF THE SALE OF**  
4 **RECEIVABLES?**

5 A. I agree generally with the notion that an adjustment is reasonable to reflect certain customer  
6 benefits resulting from the Company resuming the sale of receivables on September 7,  
7 2023. However, the Company disagrees with Mr. Kollen's adjustment proposal that would  
8 result in a \$5.1 million annual revenue requirement reduction in order to reflect those  
9 customer benefits. Company Witness Whitney provides further detail on how Mr. Kollen's  
10 suggested adjustment is not comprehensive in nature and is not based on known and  
11 measurable, going forward, information.

12 **Q. DOES THE COMPANY PROPOSE ITS OWN ADJUSTMENT?**

13 A. If the Commission determines that an adjustment is reasonable, then the Company proposes  
14 an adjustment to reflect the resumption of the sale of receivables that would result in a  
15 going-forward reduction in annual revenue requirement of \$0.9 million. Unlike Mr.  
16 Kollen's proposed adjustment, the Company's proposed adjustment is comprehensive and  
17 based on known and measurable information. Company Witness Whitney provides the  
18 details on that proposal in her Rebuttal Testimony.

#### **IX. COMMUNITY SOLAR GARDEN PROGRAM**

19 **Q. DO YOU AGREE WITH THE POSITION OF WALMART WITNESS PERRY**  
20 **WITH RESPECT TO THE COMMUNITY SOLAR GARDEN PROGRAM?**

21 A. No, I do not. Ms. Perry makes some of the same arguments with respect to the Company's  
22 proposal to recover costs of the Community Solar Garden Program through Tariff P.P.A.

1 as she does with respect to the DRR. Basically, Ms. Perry argues that costs should be  
2 recovered through base rates in the Company's next base rate case, rather than through  
3 rider mechanisms. This approach is not reasonable for several reasons.

4 First, the Company's current financial position is critical, and the unsustainable  
5 regulatory lag contributes negatively to the Company's ability to earn its authorized ROE.  
6 Having a more concurrent recovery mechanism for the Community Solar Garden Program  
7 will help reduce regulatory lag and provide the Company a better opportunity to earn its  
8 authorized ROE. Recovering costs from the Community Solar Garden Program through  
9 Tariff P.P.A. allows the Company to recover incremental investment with annual  
10 Commission-reviewed and approved rate adjustments that will help support Kentucky  
11 Power's financial position in between base rate cases. Further, smaller annual rate increases  
12 through Tariff P.P.A. will be more manageable for customers.

13 Second, through Tariff P.P.A. and the annual true-up filing, customers will pay no  
14 more and no less than actual costs. Lastly, once the first solar installation is in-service, the  
15 Company proposes to pass back savings through Tariff F.A.C., providing an immediate  
16 benefit to customers. Recovery of the Company's costs, therefore, should be permitted  
17 through Tariff P.P.A. to provide a corresponding benefit to the Company.

**X. OTHER JOINT INTERVENORS ISSUES****a. Residential Energy Assistance Programs**

1           **a. Residential Energy Assistance Programs**  
2       **Q.     JOINT INTERVENORS WITNESS BILLS SUPPORTS THE COMPANY’S**  
3           **INCREASE TO THE REA SURCHARGE BUT STATES SUCH PROGRAMS CAN**  
4           **NATURALLY LEAD TO UNINTENDED DEPENDENCY. DO YOU AGREE**  
5           **WITH THIS STATEMENT?**

6       **A.**    No, I do not. The HEART program requires applicants to reapply each year. As such, a  
7           reasonable person understands that benefits are not guaranteed. The Company also intends  
8           to incorporate into its annual training with the local Community Action Agency’s  
9           information regarding how applicants can mitigate electricity costs, including details on  
10          the Company’s Targeted Energy Efficiency program.

**b. Accelerated Investment in DSM/EE**

11           **b. Accelerated Investment in DSM/EE**  
12       **Q.     MR. BILLS RECOMMENDS THAT THE COMMISSION NOT APPROVE ANY**  
13           **RATE INCREASE OR ANY NEW INVESTMENT IN GENERATION,**  
14           **TRANSMISSION, OR DISTRIBUTION ASSETS UNTIL DIRECTING**  
15           **KENTUCKY POWER TO ACCELERATE INVESTMENT IN A COST-**  
16           **EFFECTIVE PORTFOLIO OF DSM/EE PROGRAMS. IS THIS A REASONABLE**  
17           **PROPOSAL?**

18       **A.**    No, it is not. Kentucky Power has an obligation to provide safe and reliable service. To do  
19           so, the Company needs to invest in new and existing assets and periodically seek rate  
20           increases. To abstain from doing so is contrary to the Company’s obligation.

21                    In any event, the Company understands the need for cost-effective DSM/EE  
22                    programs and is committed to bringing new residential and commercial programs to market

1 as quickly as possible. To this end, the Company retained GDS Associates, Inc. to conduct  
2 a Market Potential Study (“MPS”), which was completed in June 2023 after a lengthy  
3 evaluation process. On September 20, 2023, the Company issued a request for proposal  
4 (“RFP”) for implementation contractor(s). The RFP process is expected to be completed in  
5 December 2023. Upon completion of the RFP, the Company plans to hold workshops for  
6 key stakeholders to provide input and collaborate.

7 The Company expects to file for the necessary regulatory approval in the late  
8 second quarter or third quarter of 2024. The appropriate place for determining the  
9 prudence and level of investment for new DSM/EE programs is in that soon-to-be-filed  
10 proceeding, and not in this case where the Company has not made any proposals with  
11 respect to DSM/EE programs.

12 **c. Customer Communications Around REAP Grants**

13 **Q. DOES THE COMPANY AGREE WITH INCLUDING INFORMATION AROUND**  
14 **REAP GRANTS ON ITS WEBSITE?**

A. Yes. The Company will add links on its website to make it easier for customers to locate  
information on these grants.

15 **d. Customer Communications Around Incompatible Interconnections**

16 **Q. DOES THE COMPANY AGREE WITH INCLUDING INFORMATION ON**  
17 **INCOMPATIBLE INTERCONNECTIONS ON ITS WEBSITE AND**  
18 **INFORMALLY?**

19 A. Yes. The Company is dedicated to ensuring a positive experience for all customers and will  
20 include information on incompatible service types on its website and marketing materials.

1 Further, the Company plans to develop a communications plan for its field technicians to  
2 aid discussions with new customers that will include this topic.

3 **e. Bill Transparency for General Service and Large General Service Customers**

4 **Q. ON PAGE 31 OF HIS TESTIMONY, WITNESS BILLS DISCUSSES A**  
5 **PREFERENCE FOR HOW DEMAND CHARGES ARE SHOWN ON CUSTOMER**  
6 **BILLS, SHOULD THE COMMISSION APPROVE JOINT INTERVENORS’**  
7 **PROPOSAL TO BREAK THESE CHARGES OUT. IS THIS APPROACH**  
8 **VIABLE?**

9 A. As an initial matter, the Company does not agree with Mr. Bills’s assertion that the  
10 Commission-approved Tariff G.S. and Tariff L.G.S. bill formats are not transparent.  
11 Nonetheless, the Company is amenable to providing further details on those bills, as  
12 suggested by the Joint Intervenors, to assist customers in understanding them. While the  
13 Company is agreeable to breaking out demand charge(s) on customer bills, Mr. Bills also  
14 advocates for the full arithmetic to be shown on the bill. Unfortunately, it is unlikely that  
15 this approach could be implemented effectively. The Company’s billing software has  
16 limitations as to the amount of information or characters that can appear on a single line on  
17 customer bills. Providing for the full arithmetic would more than likely exceed the number  
18 of allowable characters that can be presented. Therefore, if approved by the Commission,  
19 the Company will begin breaking out demand charges on customer bills, but it cannot  
20 practically also include the full arithmetic on the bill.

1 **f. Data Meter Pulses**

2 **Q. ON PAGE 31 OF HIS TESTIMONY, WITNESS BILLS STATES THE COMPANY**  
3 **SHOULD OFFER DATA METER PULSES TO GENERAL SERVICE AND**  
4 **LARGER CUSTOMERS. HOW DO YOU RESPOND?**

5 A. The Company currently provides the option for customers to obtain pulse metering data at  
6 a nominal charge. Requests for this data can be submitted to [LRA@aep.com](mailto:LRA@aep.com) or by  
7 contacting the Company at 1-888-710-4237.

8 **g. Removing Demand Charges From General Service Customers Under 4,450 kWh**

9 **Q. DO YOU AGREE WITH WITNESS BILLS'S RECOMMENDATION TO**  
10 **REMOVE THE DEMAND CHARGE FOR ALL GENERAL SERVICE**  
11 **CUSTOMERS UNDER 4,450 KWH?**

12 A. No, I do not. The Company's Commission-approved Tariff Sheet 7-2 (General Service  
13 Tariff) explicitly states that "A demand meter will be installed by the Company for  
14 customers with monthly kWh usage of 4,450 kWh or greater." The Company's current  
15 approach is consistent with grandfathering principles that were adopted when the Small  
16 General Service and Medium General Service classes were combined into the current  
17 General Service class. The tariff is aimed at installing demand meters for customers once  
18 their monthly usage goes above 4,450 kWh.

19 Consistent with those principles, Company personnel receive a system-generated  
20 message should a customer exceed 4,450 kWh in a month. The account is only reviewed  
21 on the first occurrence; however, should a subsequent occurrence happen, a Company  
22 representative will notify the customer that a demand meter will be installed. This process  
23 ensures that an anomaly in usage does not trigger the installation of a demand meter while

1 simultaneously transitioning customers, previously classified as Small General Service, as  
2 intended by the January 18, 2018 Order in Case No. 2017-00179.

3 **h. The PAYS Program**

4 **Q. DO YOU AGREE WITH MR. BILLS THAT THE PAYS PROGRAM WOULD BE**  
5 **AN EFFECTIVE COMPLEMENT TO MARKET-RATE DSM/EE PROGRAMS**  
6 **FOR KENTUCKY POWER?**

7 A. No, I do not. PAYS is an on-bill financing program that treats certain customer-installed  
8 DSM/EE measures as utility investments, meaning that they would be paid for upfront by  
9 Kentucky Power. The proposal that Kentucky Power take on the role of financing such  
10 investments is not viable due to the Company's financial condition, discussed in detail in  
11 Company Witnesses Fetter's and McKenzie's Direct and Rebuttal Testimonies. Moreover,  
12 PAYS appears to provide access to DSM/EE programs while imposing no commitment or  
13 consequence to participating customers, whose participation in PAYS at the same time  
14 presents new or increased credit risk to the Company.<sup>3</sup>

15 Joint Intervenors have not analyzed the cost to implement a PAYS program, or the  
16 impact on other customers' bills associated with such a program.<sup>4</sup> Given the lack of  
17 evidence supporting Joint Intervenors' proposal and the potential negative implications to  
18 the Company and customers associated with on-bill financing, the Commission should  
19 decline to consider PAYS. Additionally, this proceeding is not the appropriate case in  
20 which to evaluate potential DSM/EE programs. As discussed above, the parties and the

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<sup>3</sup> See Energy Efficiency Inst., Inc., *How PAYS® Works*, [www.eeivt.com/how-pays-works/](http://www.eeivt.com/how-pays-works/) (accessed Oct. 31, 2023) (explaining that customers have no upfront payment, no credit checks, no debt obligation, and no payment obligation whatsoever if the DSM/EE measure they select doesn't provide energy efficiency benefits).

<sup>4</sup> See Joint Intervenors' Response to Kentucky Power data request 1-8 (October 30, 2023).

1 Commission will have the ability to evaluate such programs and measures in the  
2 Company's upcoming DSM Plan filing, which the Company expects to file in 2024.

**XI. CONCLUSION**

3 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

4 A. Yes, it does.



VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is the Vice President, Regulatory & Finance for Kentucky Power Company, that he 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 his information, knowledge, and belief after reasonable inquiry.

  
Brian K. West

Commonwealth of Kentucky )  
  )  
County of Boyd                         )     Case No. 2023-00159

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brian K. West, on October 31, 2023

  
Notary Public

My Commission Expires May 5, 2027

Notary ID Number KY NP 71841