

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
EVERETT G. PHILLIPS
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 Everett G. Phillips. My business address is 1645 Winchester Avenue,
4 Ashland, Kentucky 41101. I am the Vice President of Distribution Region Operations
5 for Kentucky Power Company (“Kentucky Power” or “Company”). Kentucky Power
6 Company is a subsidiary of American Electric Power Company, Inc. (“AEP”).

7 **Q. ARE YOU THE SAME EVERETT G. PHILLIPS WHO OFFERED DIRECT**
8 **TESTIMONY IN THIS PROCEEDING?**

9 A. Yes.

II. PURPOSE OF REBUTTAL TESTIMONY

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

11 A. The purpose of my rebuttal testimony is to respond to portions of the testimony offered
12 by Attorney General and Kentucky Industrial Utility Customers, Inc. (jointly, “AG-
13 KIUC”) Witness Lane Kollen regarding the Company’s request to establish a
14 Distribution Reliability Rider (“DRR”) to recover incremental distribution reliability
15 investment that will benefit customers. Specifically, I demonstrate that the DRR is not
16 merely a means to accelerate cost recovery for activities the Company is already
17 performing, as Mr. Kollen posits, and that the DRR is separate and distinct from the
18 existing Distribution Reliability Program.

1 I also demonstrate that Walmart Inc. Witness Lisa Perry's assertion that the
2 costs proposed to be recovered through the DRR are normally recovered through base
3 rates is incorrect.

III. THE DISTRIBUTION RELIABILITY RIDER IS A NEW PROGRAM

4 **Q. PLEASE PROVIDE A CONCISE DESCRIPTION OF THE DRR AND WHY**
5 **THE DRR WAS DEVELOPED.**

6 A. The Company specifically developed the DRR and its suite of projects, which are
7 distinct from Distribution Reliability Programs that the Company already performs, to
8 target specific major outage issues and further improve reliability of service to its
9 customers. The Company will be able to make these targeted reliability improvements
10 for the benefit of customers in a more proactive manner through the DRR than would
11 be the case without the rider.

12 **Q. DO AG-KIUC OPPOSE THE COMPANY'S DRR PROPOSAL?**

13 A. No, AG-KIUC do not oppose the Company's DRR proposal. However, Witness Kollen
14 recommends additional parameters be established to confirm that DRR spending is
15 incremental to base rates and to ensure that DRR project costs are controlled. Company
16 Witness West's Rebuttal Testimony addresses these proposals.

17 **Q. DO YOU AGREE WITH AG-KIUC WITNESS KOLLEN'S ASSERTION THAT**
18 **THE COMPANY HAS NOT PROVIDED A METHODOLOGY THAT**
19 **ENSURES DRR COSTS ARE TRULY INCREMENTAL TO EXISTING**
20 **PROGRAMS?**

21 A. No, I do not. In his testimony (pages 62-63), Witness Kollen asserts that without a
22 methodology to establish a "threshold" or "brightlines" for the scope of the DRR

1 projects and costs, the Company could use the DRR “to accelerate recovery of costs
2 that will be incurred anyway in the normal course of business and otherwise recovered
3 through base revenues.” In other words, Witness Kollen appears to be concerned that
4 the Company’s proposed DRR projects would be no different than the work the
5 Company is already performing as part of existing Distribution Reliability Programs,
6 and which costs are already recovered in base rates. The Company has squarely refuted
7 those concerns in response to several data requests in this proceeding.¹

8 The Company’s existing Distribution Reliability Programs are recovered
9 through base rates and are designed to improve the reliability of the distribution system
10 through “everyday” practices, whereas the DRR projects have been developed to target
11 specific outage causes on a going-forward basis in order to further improve reliability.
12 Since the DRR is designed to include distribution projects that go above and beyond
13 the normal day-to-day distribution reliability activities, the DRR projects clearly are
14 incremental.

¹ See the Company’s responses to AG-KIUC 1-20, AG-KIUC 2-14, AG-KIUC 2-15, AG-KIUC 2-17, KPSC 2-21, KPSC 2-25, KPSC 2-29, KPSC 3-14, KPSC 3-17, KPSC 3-21, KPSC 5-7.

1 **Q. PLEASE EXPAND FURTHER ON HOW PROPOSED DRR PROJECTS ARE**
2 **SEPARATE AND DISTINCT FROM THE COMPANY’S CURRENT**
3 **DISTRIBUTION RELIABILITY PROGRAMS, ARE NOT COSTS THAT ARE**
4 **“NORMALLY RECOVERED IN BASE RATES,”² AND ON HOW THE DRR**
5 **WILL NOT SIMPLY “ACCELERATE RECOVERY OF COSTS THAT WILL**
6 **BE INCURRED ANYWAY.”³**

7 A. To help highlight the differences between the Distribution Reliability Programs
8 discussed on pages 19-27 of my Direct Testimony and the DRR projects, please refer
9 to Figure EGP-R1 below:

². Perry Direct at 18.

³ Kollen Direct at 63-Line 1.

Figure EGP-R1 -Differences Between DRR projects and the Distribution Reliability Programs

Distinction	Distribution Reliability Programs	DRR
High Level Description	A combination of programs used by the Company to improve reliability on its distribution system through “everyday” practices. Historical programs that the Company has performed for decades and will continue to perform annually.	The DRR is a targeted, programmatic approach to complete incremental work on a faster timeline to address specific outage causes to improve reliability. Newly proposed projects that have not been performed in the designed format as described in Company Witness Phillip’s Direct Testimony (pages 30-37) and targeted to start in 2024 if approved.
Impact on Reliability	The programs are designed to reduce the overall number of service interruptions caused by all outage types and minimize their impact on customers.	Designed to target specific outage causes as described in Company Witness Phillip’s Direct Testimony (pages 17-18) to improve reliability. An example is trees outside the ROW.
Specific Programs Included	<ol style="list-style-type: none"> 1. Distribution Asset Management 2. Major Distribution Reliability and Capacity Additions 3. Kentucky Power’s Distribution Vegetation Management Program 	<ol style="list-style-type: none"> 1. TOR - Enhanced ROW Widening 2. Additional Tie Lines 3. DACR (Distribution Automation- Circuit Reconfiguration)/Recloser Modernization 4. Additional New Distribution Substation Sources 5. Asset Renewal/ Storm Hardening or Resiliency
Filing Reference	Company Witness Phillip’s Direct Testimony Pages 19-29.	<ul style="list-style-type: none"> • Company Witness Phillip’s Direct Testimony Pages 30-37. • Exhibit EGP-4 • Projected Projects Tab of KPCO_R_KPSC_2_1_Attachment11_Phillips WPI
Type of Expenditures	Expenditures for the Distribution Reliability Program are related to smaller projects and are not site specific, more O&M related expenditures than the DRR.	Expenditures for the DRR are related to larger projects and are more site specific with its own Project ID, less O&M related expenditures than the Distribution Reliability Program.
Cost Recovery	Base Rates	Distribution Reliability Rider
Review and Approval	The Company establishes priorities of existing projects and emerging needs. These are then evaluated and budgeted yearly, subject to base rate case approval process.	DRR Work Plan would be submitted for Commission review and approval on an annual basis
Will the Projects Continue if the DRR is Denied?	Yes	Yes, however, the projects listed under the DRR will likely be completed over a longer time horizon.

1 If approved, the DRR would allow the Company to perform targeted
2 incremental projects that allow it to further improve reliability levels beyond what it is
3 able to complete through the Distribution Reliability Programs. Without the DRR, the
4 Company is limited to improving reliability through its everyday practices as part of
5 the existing Distribution Reliability Programs. Although the Distribution Reliability
6 Programs provide meaningful customer benefits by improving reliability, the DRR
7 would have the effect of further improving reliability more quickly than is possible
8 through the Company's everyday practices. If the DRR is not approved, the specific
9 projects that comprise the DRR may be performed in later years, delaying reliability
10 improvement that customers would receive from these projects.

11 Additionally, some of the DRR projects are larger in scale and scope, meaning
12 that they take more resources than some of the Distribution Reliability Programs. For
13 example, adding a new substation as part of the Additional New Distribution Substation
14 Sources DRR project, would only be possible every several years if pursued through
15 the Company's existing Distribution Reliability Programs due to the amount of funding
16 necessary to complete this type of project. Having a dedicated rider that provides for
17 concurrent cost recovery, like the DRR, enables the Company to perform these larger
18 projects that will bring meaningful customer benefit on a more proactive basis and in a
19 complementary fashion to the Distribution Reliability Programs.

20 Thus, since the DRR projects are separate and distinct from the Distribution
21 Reliability Programs and will help improve reliability, DRR projects are appropriately

1 included in the Company's proposed rider. Company Witness West further supports
2 why recovering these projects through a rider mechanism is appropriate.

IV. CONCLUSION

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

4 **A.** Yes, it does.

