

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

IN THE MATTER OF:

**ELECTRONIC TARIFF FILING OF)
KENTUCKY POWER COMPANY TO)
UPDATE ITS PURCHASE POWER)
ADJUSTMENT RATES)** **CASE NO. 2023-00318**

**DIRECT TESTIMONY
AND EXHIBITS OF
RANDY A. FUTRAL**

ON BEHALF OF

**THE OFFICE OF THE ATTORNEY GENERAL OF
THE COMMONWEALTH OF KENTUCKY**

AND

THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

NOVEMBER 2023

1 with an emphasis in Accounting from Mississippi State University. I have held
2 various positions in the field of accounting for a period of over 35 years, both as
3 an employee and more recently as a consultant. My experience has been focused
4 in the areas of accounting, auditing, tax, budgeting, forecasting, financial
5 reporting, and management.

6 Since 2003, I have been a consultant with Kennedy and Associates,
7 providing services to state government agencies and large consumers of utility
8 services in the ratemaking, financial, tax, accounting, and management areas.

9 From 1997 to 2003, I served both as the Corporate Controller and
10 Assistant Controller of Telscape International, Inc., an international public
11 company providing telecommunication and high-end internet access services. My
12 tenure with Telscape included responsibilities in the areas of accounting, financial
13 reporting, budgeting, forecasting, banking, and management.

14 From 1988 to 1997, I was employed by Comcast Communications, Inc.,
15 then the world's third largest cable television provider, in a series of positions
16 including Regional Controller for their South Central regional office. My duties
17 with Comcast encompassed various accounting, tax, budgeting, forecasting, and
18 managerial functions.

19 From 1984 to 1988, I held various staff and senior level accounting
20 positions for both public accounting and private concerns focusing in the areas of
21 accounting, budgeting, tax and financial reporting.

22 I have testified as an expert on ratemaking, accounting, finance, tax, and
23 other issues in proceedings before regulatory commissions at the federal and state

1 levels on numerous occasions. I have also acted as the lead expert in numerous
2 proceedings involving audits of Louisiana fuel adjustment clauses, environmental
3 adjustment clauses, purchase gas adjustment clauses, energy efficiency rider
4 filings, and formula rate plan filings resulting in written reports that were
5 ultimately approved by the Louisiana Public Service Commission.

6 I recently appeared as a witness before the Kentucky Public Service
7 Commission (“Commission”) in a Water Service Corporation of Kentucky
8 (“WSCK”) base rate proceeding in Case No. 2022-00147 and in a Duke Energy
9 Kentucky, Inc. (“DEK”) base rate proceeding in Case No. 2022-00372. I also
10 filed Direct Testimony in a Kentucky Power Company (“Kentucky Power” or
11 “Company”) fuel adjustment clause proceeding in Case No. 2022-00263, in which
12 a hearing is still pending. Although I had not previously appeared before the
13 Commission as a witness, I have assisted counsel for the Office of the Attorney
14 General of the Commonwealth of Kentucky and Kentucky Industrial Utilities
15 Customers, Inc., as well as other Kennedy and Associates’ experts, in numerous
16 proceedings before the Commission, including base rate, fuel adjustment clause,
17 and acquisition proceedings involving Kentucky Power, Atmos Energy
18 Corporation, Columbia Gas of Kentucky, Inc., Kentucky Utilities Company,
19 Louisville Gas and Electric Company, Big Rivers Electric Corporation, Jackson
20 Purchase Energy Corporation, and East Kentucky Power Cooperative, Kentucky-
21 American Water Company, DEK, and WSCK.¹

¹My qualifications are further detailed in Exhibit____(RAF-1).

1

2 **Q. On whose behalf are you testifying?**

3 A. I am testifying on behalf of the Office of the Attorney General of the
4 Commonwealth of Kentucky (“AG”) and the Kentucky Industrial Utility
5 Customers, Inc. (“KIUC”).

6

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to address the Company’s requests to 1) modify
9 the present Tariff PPA over/under calculation and 2) amortize the Rockport fixed
10 cost savings from December 8, 2022 through December 31, 2022 through Tariff
11 PPA using a three-month amortization period. In addition, I address the
12 implications on the costs recovered through Tariff PPA of decisions in other cases
13 pending before the Commission. These cases include the Commission’s
14 statewide investigation into the fuel and purchased power expenses recoverable
15 through the fuel adjustment clause (“FAC”) and expenses recoverable through
16 related cost recovery mechanisms pending in Case 2022-00190 and the
17 Commission’s review of the Company’s fuel and purchased power expense
18 recovered through the FAC from October 1, 2020 through October 31, 2022
19 pending in Case 2023-00008.

20

21 **Q. Describe the problem with the over/under calculation in the present Tariff**
22 **PPA.**

23 A. There is a longstanding error in the over/under calculation in the present Tariff

1 PPA. The Company's present Tariff PPA over/under calculation trues-up only
2 the difference between the estimated revenues and the actual revenues. It does
3 not true-up the difference between the estimated recoverable expenses and the
4 actual recoverable expenses.

5 The Company described this problem at an informal conference held at the
6 Commission offices on October 13, 2023, which I attended virtually. The
7 Company also described this problem in response to AG-KIUC discovery.² This
8 problem has led to a substantial and an ever-growing under-recovery of actual
9 recoverable expenses.

10

11 **Q. Do you agree with the Company's proposed correction of this error?**

12 A. Yes. I recommend the Commission adopt the Company's proposed correction. It
13 will ensure the Company actually recovers recoverable expenses and avoid a
14 repeat of the prior substantial and ever-growing under-recovery of actual
15 recoverable expenses.

16

17 **Q. Describe the Company's proposal to amortize as a negative expense the**
18 **Rockport fixed cost savings from December 8, 2022 through December 31,**
19 **2022 over approximately three months.**

20 A. The Rockport UPA terminated on December 7, 2022; however, the Rockport
21 fixed costs continue to be recovered through the base revenues despite the fact

² Response to AG-KIUC 1-4. I have attached a copy of this response as my Exhibit___(RAF-2).

1 that those costs no longer are incurred. The Commission addressed the manner in
2 which customers would be credited for the reduction in costs in its Orders in Case
3 2017-00179 and Case 2022-00283.

4 In its Order in Case 2022-00283, the Commission set forth the method by
5 which the fixed cost savings will be shared between the Company and its
6 customers for calendar year 2023. In that Order, the Commission also directed
7 the Company to ensure “that ratepayers are fully credited for Tariff PPA rates
8 related to the Rockport Deferral Mechanism, from December 9, 2022, through
9 December 31, 2022.”³

10 The Company deferred the Rockport fixed cost savings for the period
11 from December 8, 2022 through December 31, 2022 and proposes, in this
12 proceeding, to amortize the deferral for that 22-day period over approximately
13 three months through Tariff PPA.⁴

14

15 **Q. Do you agree with the Company’s proposal to amortize as a negative expense**
16 **the Rockport fixed cost savings over approximately three months?**

17 A. Yes. This is a reasonable approach and is consistent with the Commission’s
18 Order. I recommend the Commission approve the Company’s request.

19

20 **Q. Are there implications on the costs included in the Company’s Tariff PPA**

³ The December 9, 2022 date was incorrect. The Rockport UPA terminated on December 7, 2022. The Company correctly deferred the fixed cost savings starting on December 8, 2022.

⁴ Response to AG-KIUC 1-4. See Exhibit____(RAF-2).

1 **updated rates reflected in its filing from other cases pending before the**
2 **Commission?**

3 A. Yes. I previously cited other pending proceedings in which the Commission is
4 investigating the recoveries of fuel and purchased power expenses through the
5 FAC and other recovery mechanisms as well as its review of the Company's fuel
6 and purchased power expenses recoverable through the FAC for the two-year
7 review period ending October 31, 2022. The outcome of those proceedings may
8 or will affect the costs recoverable through Tariff PPA, including the update rates
9 reflected in the present filing. The Orders in those proceedings may or will affect
10 the costs recovered and recoverable through the Company's FAC, including, but
11 not limited to, disallowances of purchased power expense due to forced outages,
12 and thus, may or will affect the expense recovered and recoverable through Tariff
13 PPA.

14
15 **Q. What is your recommendation with respect to the purchased power expense**
16 **included in Tariff PPA?**

17 A. I recommend the Commission expressly state that its approval of the updated
18 Tariff PPA rates does not indicate a final decision on the actual recoverable
19 purchased power expense used to develop the updated Tariff PPA rates due to the
20 fact that these and other expenses remain under review in other pending
21 proceedings.

22
23 **Q. Does this complete your testimony?**

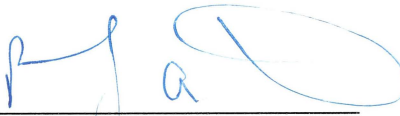
1 A. Yes.

AFFIDAVIT

STATE OF GEORGIA)


COUNTY OF FULTON)

RANDY A. FUTRAL, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



Randy A. Futral

Sworn to and subscribed before me on this
2nd day of November 2023.



Notary Public

Jessica K Inman
NOTARY PUBLIC
Cherokee County, GEORGIA
My Commission Expires 07/31/2027

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**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

NOVEMBER 2023

EXHIBIT __ (RAF-1)

FERC Docket No. ER08-51 Entergy Services, Inc., LPSC Section 206 Filing Related to Spindletop Regulatory Asset in Rough Production Cost Equalization Computation, November 2008.

FERC Docket No. ER08-1056 Entergy Services, Inc., Company's 2008 Filing to be in Compliance with FERC Opinions' 480 and 480-A, January 2009.

LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, September 2009.

LPSC Docket No. U-30893 Dixie Electric Membership Corporation, Company's Application to Implement a Formula Rate Plan, September 2009.

FERC Docket No. EL09-61 (Phase I) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, April 2010.

LPSC Docket No. U-31066 Dixie Electric Membership Corporation, Company's Application to Implement a Storm Recovery Rate Rider, May 2010.

FERC Docket No. EL10-55 Entergy Services, Inc.

LPSC Complaint Regarding Depreciation Rates, September 2010.

LPSC Docket No. U-23327, Subdocket E Southwestern Electric Power Company, 2003-2004 Fuel Audit, September 2010.

LPSC Docket No. U-23327, Subdocket F Southwestern Electric Power Company, 2009 Test Year Formula Rate Plan Filing, October 2010.

LPSC Docket No. U-23327, Subdocket C Southwestern Electric Power Company, 2007 Test Year Formula Rate Plan Filing, February 2011.

LPSC Docket No. U-23327, Subdocket D Southwestern Electric Power Company, 2008 Test Year Formula Rate Plan Filing, February 2011.

FERC Docket No. ER10-2001 Entergy Arkansas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, March 2011.

FERC Docket No. ER11-2161 Entergy Texas, Inc., Company's 2010 Filing to Request Approval of Changed Depreciation Rates, July 2011.

LPSC Docket No. U-31835 South Louisiana Electric Cooperative Association, Company's Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, August 2011.

FERC Docket No. ER12-1384 Entergy Services, Inc., Company's Section 205 Filing Related to Little Gypsy 3 Cancellation Costs, September 2012.

LPSC Docket No. U-32315 Claiborne Electric Cooperative, Inc.'s Application to Implement a Formula Rate Plan and Initial Revenue Adjustment, September 2012.

FERC Docket No. ER10-1350 Entergy Services, Inc., Company's 2010 Filing to be in Compliance with FERC Opinions' 480 and 480-A, January 2014.

FERC Docket No. EL-01-88-015 Entergy Services, Inc., Company's 2005 Remand Filing to be in Compliance with FERC Opinions' 480 and 480-A, March 2016.

LPSC Docket No. U-33984 Claiborne Electric Cooperative, Inc., Formula Rate Plan Extension, October 2016.

FERC Docket No. EL09-61(Phase III) Entergy Services, Inc., LPSC Complaint Regarding Single Operating Company Opportunity Sales, November 2016.

LPSC Docket No. U-33323 Entergy Louisiana LLC, 2010-2013 Fuel Audit, July 2019.

LPSC Docket No. U-33324 Entergy Gulf States Louisiana LLC, 2010-2013 Fuel Audit, July 2019.

LPSC Docket No. U-35441 Southwestern Electric Power Company, Rate Case, July 2021 Direct, October 2021 Surrebuttal.

Direct Testimony filed on behalf of the Florida OPC:

FPSC Docket Nos. 20200241-EI, 202100178-EI, and 202100179-EI Florida Power and Light Company and Gulf Power Company, Storm Cost Audit, May 2022.

Direct Testimony filed on behalf of the KY AG:

KPSC Case No. 2022-00372 Duke Energy Kentucky, Inc. (Electric Division), Rate Case, March 2023.

Direct Testimony filed on behalf of the KY AG and the City of Clinton:

KPSC Case No. 2022-00147 Water Service Corporation of Kentucky, Rate Case, October 2022.

Direct Testimony filed on behalf of the KY AG and KIUC:

KPSC Case No. 2022-00263 Kentucky Power Company, Fuel Adjustment Clause – Six-Month Review, December 2022.

Direct Testimony filed on behalf of the South Carolina ORS:

SCPSC Docket No. 2022-256-E Duke Energy Progress, LLC, Cost Recovery for 8 Named Storms Since 2014, January 2023.

Direct Testimony filed on behalf of the OEG in Ohio:

PUCO Case No. 23-301-EL-SSO FirstEnergy Utilities, Standard Service Offer in the Form of an Electric Security Plan, October 2023.

Telscape International, Inc.

1997 - 2003

Corporate Controller

1999 - 2003

Assistant Controller

1997 - 1999

Complete responsibility and accountability for the accounting and financial functions of a \$160 million newly public company providing telecommunication and high-end internet access services. Telscape served as a telephony carrier of services domestically and to Latin and Central America targeting other service carriers as well as individuals. Reported directly to CFO and managed a staff of eleven.

J. KENNEDY AND ASSOCIATES, INC.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets, payroll, treasury, tax, internal and external reporting.
- Worked with attorneys and auditors on mergers and acquisitions including due diligence, audits, tax and integrating the accounting functions of eleven acquisitions.
- Grew the accounting department from four to eleven employees while developing and implementing company policies and procedures.
- Instituted capital investment policy and accounts payable management for twenty-one separate entities and twenty-four bank accounts to facilitate effective use of cash flow.
- Created capital and operating budgeting and variance analysis package for five separate business lines.
- Developed the consolidations and inter-company billings process across all entities including six in Latin and Central America.
- Worked with CFO to develop financial models and business plans in raising over \$240 million over a three-year period through private preferred placements, debenture offerings and asset based credit facilities.
- Responsible for relationship management with external auditors, attorneys, and the banking community while reviewing and approving all SEC filings, including quarterly and annual reports, proxies and informational filings.
- Developed line cost accounting for revenues and carrier invoices saving thousands monthly and providing the justification for invoice reductions.

Comcast Communications, Inc.

1988 - 1997

Regional Controller

1993 - 1997

Regional Assistant Controller

1991 - 1992

Regional Senior Financial Analyst

1988 - 1991

Complete responsibility and accountability for the accounting functions of a \$2.1 billion regional division of the world's third largest cable television provider serving approximately 490,000 subscribers. Reported to the Regional VP of Finance and managed a staff of twelve.

J. KENNEDY AND ASSOCIATES, INC.

- Managed the day to day processes required to produce timely and accurate financial statements, including general ledger, account reconciliations, AP, AR, fixed assets and internal reporting.
- Controlled extensive budgeting, forecasting, and variance reporting for eighteen separate entities covering eight states, training employees and management throughout the region.
- Performed due diligence related to the acquisition of seven cable system entities and coordinated the integration of all accounting functions with the corporate office.
- Instituted all FCC informational and rate increase filings throughout the region based on the Cable Act of 1992.
- Responsible for the coordination of all subscriber reporting, sales and property tax filings, franchise fee and copyright filings.
- Grew the accounting department from seven to thirteen before its move to Atlanta, restaffing ninety percent of the department after the move.
- Directed all efforts throughout the region to implement Oracle as the new financial package and a new Access database for the budgeting and forecasting processes.

Storer Cable Communications, Inc
Senior Accountant for Operations

1987 - 1988

Responsibility for the accounting, budgeting, and forecasting activities of this 82,000 subscriber area for this cable television concern that was acquired by Comcast listed above. Reported to the Area VP and General Manager and managed three employees.

- Implemented new Lotus based model for budgeting and forecasting, training all management on its use.
- Transitioned financial statement preparation from the regional office level to this area office.
- Managed the day to day processes required to produce timely and accurate financial statements for six separate entities including general

ledger, AP, AR, fixed assets, subscriber reporting and other internal reporting.

- Developed and maintained tracking mechanism to track progress of cable plant rebuild and the associated competitor overbuild in the area's largest cable system.

Tracey-Luckey Pecan & Storage, Inc.
Senior Accountant

1986 - 1987

Responsibility for the accounting, budgeting, and office management for a divisional office of this pecan production, processing, and storage entity annually grossing approximately \$22 million. Financial statements were produced for three entities. Reported directly to the president of the division and managed three employees.

Tarpley & Underwood, CPA's
Staff Accountant

1984 - 1986

Responsibility for the completion of monthly and quarterly client write-up for twenty-three small businesses for this regional CPA firm that is now one of the top twenty-five firms in Atlanta. Performed all payroll tax, sales tax, property tax, and income tax filings for these and other clients as well as approximately eighty individual returns per year. Reported directly to both partners with dotted line responsibility to all managers.

EXHIBIT __ (RAF-2)

Kentucky Power Company
KPSC Case No. 2023-00318
AG/KIUC First Set of Data Requests
Dated October 12, 2023
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DATA REQUEST

AG-KIUC Refer to the cover letter from Stites and Harbison dated August 15, 2023 that described the Company’s proposed changes to Tariff PPA and the accompanying Excel workbook. In that letter, Attorney Glass states: “With this filing, Kentucky Power is updating its Tariff P.P.A. rate calculation in two ways. First, the rate calculation is updated to better capture actual costs incurred and to be collected in order to reflect a more accurate over/under collection or credit going forward.” Attorney Glass further states: “The Company’s updates to the over/under calculation are demonstrated in KPCo_PPA_2023_Annual_Update on the “PPA Form 1.0” tab in lines 12, 13, and 14. . . Lines 12 and 13 currently do not accurately capture what the P.P.A. over/under recovery should be. This formula issue has the effect of allowing the under-recovery balance to grow each month. The Company proposes to correct this issue as part of this Tariff P.P.A. update filing through the elimination of Line 12 and a revision to Line 13. This update will reflect a more accurate over/under collection or credit going forward.” Provide a detailed narrative explanation of the changes the Company proposes and why the Company believes each such change is necessary along with appropriate references to each change and each step in the calculation to tab PPA Form 1.0 on KPCo_PPA_2023_Annual_Update with the changes as proposed compared to the same form without the changes as proposed.

RESPONSE

Over/Under

The only change the Company is requesting on a going-forward basis is to modify Form 1.0, lines 12 and 13. The current approach is still reflected on Form 1.0, and the Company’s going-forward proposal which would replace lines 12 and 13 is shown in orange (row 48 onwards) in the Tariff PPA filing made on August 15, 2023 (TFS 2023-00374) and incorporated into this case on September 20, 2023.

The Company’s proposal will correct a formula issue that has resulted in an ever-growing under-recovery balance. Essentially, the way that the formula functions now, Tariff PPA rates will never fully recover the previous year’s under-recovery, which means that an under-recovery will continue to grow unless and until this formula issue is corrected. For example, due to this formula issue the current Tariff PPA under-recovery regulatory asset balance was \$52 million as of June 30, 2023.

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The Company has also requested to securitize this under-recovery regulatory asset as part of its pending base rate case (Case No. 2023-00159). Accordingly, the Company's proposal in this case assumes approval of that securitization request and sets the over/under amount at \$0 on a going-forward basis until new PPA rates are proposed and approved in the Company's next annual filing.

Rate Phases

The second change, which is specific to this filing and is not anticipated to be necessary going forward, is to provide for two rate periods in order to credit-back over the course of approximately three months the fixed costs savings from the expiration of the Rockport UPA for the period December 8, 2022 through December 31, 2022.

Witness: Lerah M. Kahn