

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company)
For: (1) Approval Of The Rockport Offset True-Up)
Amount; (2) Approval To Collect The Rockport)
Offset True-Up Through Tariff Purchase Power)
Adjustment; And (3) All Other Required Approvals)
And Relief)

Case No. 2024-00016

DIRECT TESTIMONY OF
LERAH M. KAHN
ON BEHALF OF KENTUCKY POWER COMPANY

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EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
Confidential Exhibit LMK-1	Tariff P.P.A. Caclulation Forms

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

CASE NO. 2024-00416

I. INTRODUCTION

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

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

II. BACKGROUND

5 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
6 **BUSINESS EXPERIENCES.**

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

10 From 2013 through 2018 I worked at Sogefi Group Inc., a global supplier for
11 the automotive industry, as a material planner and accounting specialist. I accepted the
12 position of Regulatory Consultant with Kentucky Power Company in July 2018 and I
13 was promoted to my current position as Manager, Regulatory Services in February
14 2023.

1 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
2 **KENTUCKY POWER?**

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

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
7 **PROCEEDINGS?**

8 A. Yes. I have submitted testimony before this Commission in Case No. 2019-00389
9 (application for approval of the Company's 2019 Environmental Compliance Plan
10 ("ECP")), Case No. 2020-00133 (Commission's examination of the Company's
11 Environmental Surcharge mechanism for the two-year billing period ending June 30,
12 2019), Case No. 2020-00174 (the Company's previous base rate case), Case No. 2021-
13 00004 (the Company's current ECP), 2022-00387 (application for a special contract),
14 Case No. 2023-00159 (the Company's current base rate case), and Case No. 2023-
15 00372 (Commission's examination of the Company's Environmental Surcharge
16 mechanism for the four-year billing period ending December 2022).

III. PURPOSE OF TESTIMONY

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 A. My testimony supports how the Rockport Offset True-Up is proposed to be collected
19 through Tariff Purchase Power Adjustment ("P.P.A.") over the proposed 12-month
20 recovery period.

1 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

2 A. Yes. Exhibit LMK-1 is comprised of proposed Tariff P.P.A. calculation forms, which
3 incorporate a) the Commission-approved Settlement Agreement in Case No. 2017-
4 00179¹ and the proposals made in this case related to the Rockport Offset True-Up,
5 and b) the modifications ordered in the Commission's January 19, 2024 Order in Case
6 No. 2023-00159.² These modifications are incremental to the Company's Tariff
7 P.P.A. filing made on August 15, 2023 in TFS 2023-374.³

IV. TARIFF P.P.A. AND P.P.A. FORMS

8 **Q. DOES THE COMPANY'S CURRENT TARIFF P.P.A. REQUIRE**
9 **MODIFICATION TO PROVIDE FOR THE ROCKPORT OFFSET TRUE-UP?**

10 A. No. The Commission has already accepted and made effective a revised Tariff P.P.A.
11 incorporating the Rockport Deferral-related terms of the 2017 Settlement Agreement.
12 The Rockport Offset and Rockport Offset True-Up are reflected in Tariff P.P.A. in

¹ *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.*

² *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.*

³ *On September 20, 2023 the Commission initiated Case No. 2023-00318 to investigate the reasonableness of the proposed Tariff P.P.A. rates. In The Matter Of: Electronic Tariff Filing Of Kentucky Power Company To Update Its Purchase Power Adjustment Rates, Case No. 2023-00318.*

1 Section “Rate” as an element of “RKP” of the current Commission-approved Tariff
2 P.P.A.⁴

3 **Q. PLEASE DESCRIBE THE MODIFICATIONS TO THE P.P.A. FORM THAT**
4 **PROVIDE THE CALCULATIONS OF THE ESTIMATED ROCKPORT**
5 **OFFSET, THE ACTUAL ROCKPORT OFFSET, AND THE ROCKPORT**
6 **OFFSET TRUE-UP.**

7 The Company first filed a template P.P.A. Form that provided for the Rockport Offset
8 estimate and true-up in Case No. 2017-00179. The calculations of the Estimated
9 Rockport Offset, Actual Rockport Offset, and Rockport Offset True-Up (as defined in
10 the Direct Testimony of Brian K. West) are provided in P.P.A. Form tab “Rockport
11 Savings-Offset” columns D (Estimate) and E (Actual). The amounts for each then
12 populate tab “PPA Form 1.0” in lines 9 (Estimate) and 10 (True-Up).

13 **Q. PLEASE DESCRIBE THE MODIFICATIONS TO THE P.P.A. FORMS**
14 **NECESSARY TO COMPLY WITH THE COMMISSION’S JANUARY 19, 2024**
15 **ORDER IN CASE NO. 2023-00159.**

16 A. The Company implemented the following modifications to the P.P.A. Forms to comply
17 with the January 19, 2024 Order. The modifications were made in a step-by-step
18 fashion as demonstrated in Exhibit LMK-1:

19 • First, the Company added to tab “PPA Form 1.0” a new column (I) labelled
20 “Phase 2 2023-00159.” Within this column, the following lines were revised to
21 comply with the January 19, 2024 Order:

⁴ Kentucky Power will file its compliance tariffs, including Tariff P.P.A., reflecting the rates approved by the Commission in Case No. 2023-00159 by February 8, 2024. The sections governing the Rockport Offset and the Rockport Offset True-Up will remain unchanged from the currently-approved tariff.

- 1 ○ Line 1 – Removed PJM LSE OATT costs to account for their collection
2 through base rates instead of Tariff P.P.A.;
- 3 ○ Line 2 – Updated the PPA base rate amount to also exclude PJM LSE
4 OATT costs; and
- 5 ○ Line 8 – Set the Rockport Deferral to zero to ensure temporary
6 suspension of this regulatory asset until securitization is achieved.⁵
- 7 • Next, a new tab titled “PPA Form 2.0 P2 2023-00159” was created to show the
8 resultant rates for these changes for the effective period (January 16, 2024
9 through February 29, 2024).

10 These changes are indicated by blue highlighting on Exhibit LMK-1. Note that certain
11 changes from the January 19, 2024 Order in Case No. 2023-00159, such as the gross
12 revenue conversion factor, will be reflected in the Company’s annual Tariff P.P.A.
13 filing due on or before August 15, 2024, consistent with past practice.

14 **Q. PLEASE DESCRIBE THE MODIFICATIONS TO THE P.P.A. FORMS**
15 **NECESSARY TO RECOVER THE ROCKPORT OFFSET TRUE-UP AS**
16 **DESCRIBED IN THE COMPANY’S APPLICATION IN THIS CASE.**

17 A. The Company implemented the following modifications to reflect the collection of the
18 Rockport Offset True-Up as proposed in this case. The modifications were made in a
19 step-by-step fashion as demonstrated in Exhibit LMK-1:

- 20 • First, tab “Rockport Savings-Offset” utilizes the information provided by
21 Company Witness Whitney to populate Column E;

⁵ If securitized bonds are issued, the Rockport Deferral Regulatory Asset will subsequently be included in the Securitized Surcharge Rider. However, if Kentucky Power is unable to issue the securitized bonds, the recovery of the Rockport Deferral through Tariff P.P.A. will be reinstated in accordance with the Commission-approved proposal in Case No. 2023-00159. *See Order at 97-98, 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 (Ky. P.S.C. January 19, 2024).*

- 1 • Next, the Company added to tab “PPA Form 1.0” a new Column (J) labelled
2 “Phase 3” to allow for the Rockport Offset True-Up amount (cell E31 on the
3 “Rockport Savings-Offset” tab) to populate line 10 of PPA Form 1.0; and
- 4 • Last, a new tab titled “PPA Form 2.0 P3” was created to show the resultant rates
5 for Phase 3 (March 1, 2024 through September 2024 billing).

6 These changes are indicated by purple highlighting on Exhibit LMK-1.

7 **Q. PLEASE DESCRIBE THE DIFFERENT “PHASES” INCLUDED IN EXHIBIT**
8 **LMK-1.**

9 Exhibit LMK-1, Tab P.P.A. Form 1.0, demonstrates the three phases of Tariff P.P.A.
10 collection over the course of October 2023 billing through September 2024 billing.

11 “Phase 1 As Filed Aug 15, 2023” (Column G) and “Phase 2 As Filed Aug 15,
12 2023” (Column H) were included in Kentucky Power’s 2023 annual P.P.A. filing that
13 the Commission currently is investigating in Case No. 2023-00318 (see Section V
14 below for additional information).

15 Column G reflects the P.P.A. rates to be collected beginning October 2023
16 billing⁶ until new base rates were set. Specifically, Column G includes: i) the credit
17 back to customers of the annual amount of Rockport Fixed Cost Savings until new base
18 rates were established [Line 5(a)]; ii) the credit back to customers of the amount of
19 Rockport Fixed Cost Savings for the stub period December 9, 2022 through December
20 31, 2022 [Line 5(b)]; and iii) the collection of the Estimated Rockport Offset [Line 9].

⁶ October 2023 billing began on September 28, 2023. However, in accordance with KRS 278.190(2) and the Commission’s September 27, 2023 Order in Case No. 2023-00318, the Company provided notice it would place the rates into effect subject to refund for services rendered on and after September 29, 2023.

1 Column H represented the P.P.A. rates that the Company assumed as of August
2 15, 2023 would be collected from the time new base rates were set until the Company’s
3 next annual P.P.A. filing. Because the Commission has since issued its order in Case
4 No. 2023-00159 and new base rates have been set, Column H is moot and is being
5 replaced with “Phase 2 2023-00159” (Column I).

6 Column I reflects the P.P.A. rates to be collected for services rendered January
7 16, 2024 until the date Kentucky Power is approved to begin collecting the Rockport
8 Offset True-Up (March 1, 2024 requested herein). Column I incorporates the
9 Commission’s approvals in Case No. 2023-00159. It also specifically removes the
10 credit of the Rockport Fixed Cost Savings [Line 5(a) and Line 5(b)] and the collection
11 of the Estimated Rockport Offset [Line 9].

12 “Phase 3 Rockport True-Up” (Column J) reflects the P.P.A. rates to be collected
13 for services rendered beginning the date Kentucky Power is approved to begin
14 collecting the Rockport Offset True-Up (March 1, 2024 requested herein) until
15 Kentucky Power’s next annual P.P.A. filing (October 2024 billing). Column J reflects
16 the inclusion of the Rockport Offset True-Up as requested in this case.

17 **Q. AS DISCUSSED BY COMPANY WITNESS WEST, THE SETTLEMENT**
18 **AGREEMENT ORIGINALLY CALLED FOR A THREE MONTH**
19 **RECOVERY PERIOD FOR THE ROCKPORT OFFSET TRUE-UP, BUT THE**
20 **COMPANY IS INSTEAD PROPOSING A TWELVE-MONTH RECOVERY**
21 **PERIOD. DOES THE COMPANY NEED TO MAKE ANY FURTHER**
22 **CHANGES TO ITS P.P.A. FORMS TO REFLECT THIS PROPOSAL?**

1 A. No modifications are necessary as part of this filing; however, due to timing and an
 2 overlap with the Company's next annual Tariff P.P.A. filing, the Company would need
 3 to implement a two-phase rate in its next annual Tariff P.P.A. filing to implement the
 4 proposals in this case.

5 Specifically, because P.P.A. rates are re-established each year with October
 6 billing, approximately five months of the 12-month recovery period for the Rockport
 7 Offset True-Up must be collected as part of the Company's next P.P.A. filing. The
 8 Company's next annual P.P.A. filing will therefore have two phases: the first phase
 9 will be for approximately five months and will recover the remaining amount for the
 10 Rockport Offset True-Up. The second phase will no longer include the collection of
 11 the Rockport Offset True-Up. The table below illustrates at a high level how the
 12 recovery of the Rockport Offset True-Up will span these two filings.

		February 2024 Filing	August 2024 Filing
(1)	Apart of Annual Filing Effective	October 2023 - September 2024	October 2024 - September 2025
(2)	Rockport Offset True Up Collected During	March 2024 - September 2024	October 2024 - February 2025
(3)	No. of Months Rockport True Up Within Rate	7	5
(4)	Annual Amount to be Recovered	\$ 18,045,496	\$ 18,045,496
(5) = (4) / 12 * (3)	Estimated Recovery	\$ 10,526,539	\$ 7,518,957

13 The phases ensure that this amount is only recovered over a twelve-month period with
 14 any actual billing variance to the total amount to be captured within the over/under
 15 collection provision.

1 **Q. DOES THE OVER/UNDER COLLECTION PROVISION IN TARIFF P.P.A.**
2 **ENSURE CUSTOMERS ONLY PAY FOR ACTUAL COSTS ELIGIBLE FOR**
3 **RECOVERY?**

4 A. Yes, pending approval of the Company's request in Case No. 2023-00318 (discussed
5 in Section V below), the over/under collection provision in Tariff P.P.A. will ensure
6 customers only pay for actual costs eligible for recovery, including the authorized
7 Rockport Offset True-Up.

8 **Q. IS EXHIBIT LMK-1 EXPECTED TO CHANGE ONCE THE COMPANY**
9 **FILES YEAR-END 2023 GAAP FINANCIAL STATEMENTS HEREIN AS**
10 **EXPLAINED BY COMPANY WITNESSES WEST AND WHITNEY?**

11 A. No, for the same reasons that the Rockport Offset True-Up amount is not expected to
12 change as described by Company Witness West. However, as discussed in Section V
13 below, there is an ongoing proceeding which may necessitate additional modifications
14 to the P.P.A. rate, and therefore to Exhibit LMK-1, based on the Commission's findings
15 in that case.

V. ONGOING PROCEEDING: CASE NO. 2023-00318

16 **Q. ARE THERE ANY ONGOING PROCEEDINGS THAT COULD**
17 **POTENTIALLY IMPACT THE P.P.A. RATE AND EXHIBIT LMK-1 IN THIS**
18 **CASE?**

19 A. Yes. On September 27, 2023, the Commission opened Case No. 2023-00318 to
20 investigate the reasonableness of the Tariff P.P.A. rates proposed in the Company's last
21 annual Tariff P.P.A. filing on August 15, 2023 (TFS 2023-374). In accordance with
22 KRS 278.190(2) and the Commission's September 27, 2023 Order in the matter, on

1 September 29, 2023 the Company filed notice with the Commission that it intended to
2 place the rates proposed in the August 15, 2023 Tariff P.P.A. filing (TFS 2023-374)
3 into effect for services rendered on and after September 29, 2023.

4 The Company proposed two modifications to the P.P.A. forms, which remain
5 under review in that proceeding as of the date of this filing, including: a) a going-
6 forward proposal to modify PPA Form 1.0, lines 12 and 13 to correct a formula issue
7 that resulted in an ever-growing under-recovery balance, and b) a one-time
8 modification to provide for two P.P.A. rate periods in order to credit back over the
9 course of approximately three months the Rockport Fixed Cost Savings (defined in the
10 Direct Testimony of Brian K. West) resulting from the expiration of the Rockport UPA
11 and the 2017 Settlement Agreement. The matter currently stands submitted for a
12 decision on the record. To the extent that the Commission orders Tariff P.P.A. rates
13 that differ from those implemented by Kentucky Power subject to refund as described
14 above, modifications to Exhibit LMK-1 to reflect those Commission-approved rates
15 may be required.

16 **Q. WILL EXHIBIT LMK-1 BE SUPPLEMENTED TO ACCOUNT FOR THE**
17 **ABOVE?**

18 A. Yes. Should any changes become necessary as a result of a final order in Case No.
19 2023-00318 while this case is still pending, those changes will be incorporated into a
20 revised Exhibit LMK-1 and filed into the record of this proceeding.

VI. CONCLUSION

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

1 A. Yes.

