

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE)
APPLICATION OF THE FUEL ADJUSTMENT)
CLAUSE OF KENTUCKY POWER COMPANY)
FROM NOVEMBER 1, 2022 THROUGH APRIL)
30, 2023)

Case No. 2024-00136

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

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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 2023-00372
15 (Commission's examination of the Company's Environmental Surcharge mechanism
16 for the four-year billing period ending June 30, 2023).

III. PURPOSE OF TESTIMONY

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

18 A. The purpose of my testimony is to provide an overview of the operation of the
19 Company's FAC mechanism during the Review Period and to introduce the
20 Company's other witnesses in this case.

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

2 A. No.

3 **Q. PLEASE PROVIDE AN OVERVIEW OF THE OTHER DIRECT**
4 **TESTIMONY BEING SUBMITTED IN THIS CASE?**

5 A. Kentucky Power is also filing direct testimony from the following witnesses:

- 6 • Paul J. Massie – Mr. Massie, Vice President Generating Assets for AEPSC,
7 describes the operation of Kentucky Power’s owned generation assets in advance
8 of and during Winter Storm Elliott and throughout the review period generally.
- 9 • Jason M. Stegall – Mr. Stegall, Director Regulatory Services for AEPSC,
10 provides an evaluation of the Company’s resource procurement decisions relating
11 to Winter Storm Elliott and throughout the review period generally.

IV. OTHER RELATED REGULATORY PROCEEDINGS

12 **Q. ARE THERE ANY ONGOING OR PRIOR REGULATORY PROCEEDINGS**
13 **WHICH HAVE DEALT WITH THE COMPANY’S GENERATION**
14 **PERFORMANCE DURING THE PERIOD UNDER REVIEW IN THIS CASE?**

15 A. Yes. Below provides a summary of these:

16 Case No. 2023-00145 (Application to Establish a Regulatory Asset Related to the
17 Extraordinary Fuel Charges Incurred In Connection with Winter Storm Elliott)

18 The Company filed an application on May 3, 2023 seeking authorization to accumulate
19 and defer \$11.5 million of non-F.A.C. eligible fuel costs incurred in December 2022 as
20 a direct result of Winter Storm Elliott. In the Commission’s June 23, 2023 Final Order

1 this request was denied.. The case currently is on appeal.¹ A companion Order was
2 issued in 2021-00370 on June 23, 2023.

3 Case No. 2021-00370 (Investigation of the Service, Rates, and Facilities of Kentucky
4 Power Company)

5 As noted above, on June 23, 2023 the Commission issued an Order in 2021-00370
6 requiring Kentucky Power to submit a written response to the allegations contained
7 within, largely focused on the Company's performance during Winter Storm
8 Elliott. The Company promptly provided its response on July 21, 2023 demonstrating
9 that its generation performance was reasonable during that event. The case currently
10 remains open.

11 **Q. DO THESE ONGOING PROCEEDINGS IMPACT THE OPERATION OR**
12 **RATES THAT WERE APPLIED TO THE COMPANY'S FUEL ADJUSTMENT**
13 **CLAUSE DURING THE REVIEW PERIOD?**

14 A. No. The above proceedings deal with fuel costs that are not eligible for recovery
15 through the fuel adjustment clause and were thus excluded from the mechanism.

V. OPERATION OF THE FUEL ADJUSTMENT CLAUSE DURING THE
REVIEW PERIOD

16 **Q. WHAT PLANTS DID THE COMPANY OWN OR LEASE DURING THE**
17 **REVIEW PERIOD?**

18 A. For the entire review period the Company owned the Big Sandy Plant (100%) and co-
19 owned the Mitchell Generating Station (undivided 50% interest).

¹ Franklin Circuit Court, Case No. 23-CI-00682.

1 Through December 8, 2022, Kentucky Power was a party to a FERC-approved
2 unit power agreement under which it was entitled to 15 percent of the capacity and
3 energy associated with Rockport Unit 1 and Rockport Unit 2 (“Rockport UPA”). As
4 Kentucky Power did not own any portion of the Rockport Plant – accordingly, the
5 Company was not responsible for its dispatch or operation but did appropriately and
6 prudently manage the Rockport UPA contract.

7 **Q. WHAT COSTS ARE INCLUDED FOR RECOVERY THROUGH THE FUEL**
8 **ADJUSTMENT CLAUSE?**

9 A. Costs recoverable through the Fuel Adjustment Clause include the costs of fossil fuel
10 consumed at the Company’s owned plants or at plants jointly owned or leased, costs of
11 replacement energy due to forced outages at the Company’s plants (these are subject to
12 a cap with costs above the cap being recovered through the Company’s Purchase Power
13 Adjustment mechanism), and costs related to economy purchases.² The Company only
14 recovers dollar-for-dollar its fuel costs.

15 **Q. PLEASE DESCRIBE THE OPERATION AND CALCULATION OF THE**
16 **FUEL ADJUSTMENT CLAUSE DURING THE REVIEW PERIOD.**

17 A. The Company operated its fuel clause in accordance with its Commission-approved
18 Tariff Fuel Adjustment Clause and 807 KAR 5:056. The Company files its Fuel
19 Adjustment Clause at least 10-days before it goes into effect and it consists of a
20 standard six pages. Each page of the filing provides discrete information as follows:

² Order, Case No. 2022-00402 (November 6, 2023).

1 Summary of Adjustment Clauses

2 Provides the Fuel Adjustment Clause factor and System Sales Clause factor applicable
3 for the respective billing month. The System Sales Clause factor was previously
4 updated monthly in tandem with the Fuel Adjustment Clause. However, in accordance
5 with the Commission's January 18, 2018 Order in Case No. 2017-00179 the System
6 Sales Clause switched to an annual update. Nonetheless, these two factors are
7 combined on customers bill presentation.

8 Page 1 of 5

9 Provides for the calculation of the Fuel Adjustment Clause factor which is found by
10 taking total fuel rate less the base fuel rate (established in either two-year reviews or
11 base rate case proceedings). Due to the base fuel component the Company's Fuel
12 Adjustment Clause factor may be a charge or credit.

13 Page 2 of 5

14 Provides the numerator for total fuel costs shown on Page 1 of 5. Consists of estimated
15 fuel costs for the current month (Items A. through D.), true-up of estimated to actual
16 fuel costs for the prior month (Item E. which is brought forward from Page 5 of 5),
17 over-or-under recovery from the prior month (Item F. which is brought forward from
18 Page 4 of 5), and lastly any fuel-related PJM billing line items as outlined in the
19 Company's Commission-approved Tariff F.A.C.

20 Page 3 of 5

21 Provides the denominator for total fuel costs shown on Page 1 of 5. This is found by
22 taking the sum of the Company's net generation and purchases (Item A.) and then
23 subtracting system sales and losses in kilowatt-hours (Item B.).

1 Page 4 of 5

2 Provides the over-or-under recovery from the prior months fuel rate. This amount is
3 carried forward to Page 2 of 5.

4 Page 5 of 5

5 Provides the actual fuel costs associated with the prior month. This amount is carried
6 forward to Page 2 of 5 where it is trued-up to the estimate.

7 **Q. WERE THE FUEL CHARGES DURING THE REVIEW PERIOD**
8 **REASONABLE?**

9 A. Yes. The fuel adjustment clause rates were fair, just, and reasonable because the rates
10 charged complied with the Company's Commission-approved tariff and 807 KAR
11 5:056. Additionally, as discussed in the direct testimonies of Company Witnesses
12 Massie and Stegall, Kentucky Power's fuel procurement and generation planning and
13 operation during the review period was prudent. The Company has, and continues to,
14 reasonably manage its fuel procurement and generation performance to the benefit of
15 customers.

VI. CONCLUSION

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

17 A. Yes.

