

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power Company)
For (1) An Order Approving The Terms And)
Conditions Of The Bright Mountain Power Purchase)
Agreement Between The Company And Avangrid)
Renewables, LLC; (2) Authorization To Enter Into)
The Agreement; (3) Recovery Of Costs Through)
Tariff P.P.A.; (4) Approval Of Accounting Practices)
To Establish A Regulatory Asset; And (5) All Other)
Required Approvals And Relief)

Case No. 2024-00243

REBUTTAL TESTIMONY OF
TANNER S. WOLFFRAM
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 Tanner S. Wolfram. My position is Director- Regulatory Services for
3 Kentucky Power Company (“Kentucky Power” or the “Company”). My business
4 address is 1645 Winchester Avenue, Ashland, Kentucky 41101.

5 **Q. ARE YOU THE SAME TANNER S. WOLFFRAM THAT PROVIDED DIRECT**
6 **TESTIMONY IN THIS PROCEEDING?**

7 A. Yes.

II. PURPOSE OF REBUTTAL TESTIMONY

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
9 **PROCEEDING?**

10 A. The purpose of my testimony is to rebut the Office of the Attorney General of the
11 Commonwealth of Kentucky (“AG”) and the Industrial Utility Customers, Inc.
12 (“KIUC”) (collectively, “AG-KIUC”) Witness Kollen’s recommendation that the
13 Commission reject the Company’s Renewable Energy Purchase Agreement (“REPA”)
14 with Bright Mountain Solar, LLC (“Bright Mountain”) for the Bright Mountain Solar
15 Project (the “Project”). Specifically, my rebuttal demonstrates that the Company
16 provided sufficient evidence that the Bright Mountain REPA is the least-cost,
17 reasonable resource to serve customers, the REPA does not result in excessive or

1 unreasonable rates, and the Project does not foreclose the Company's ability to add
2 other resources to address its energy and capacity needs in the future. Additionally, I
3 address AG-KIUC Witness Wellborn's claim that the Company could have contracted
4 for the capacity and energy alone, allegedly in exchange for lower pricing.¹

**III. THE BRIGHT MOUNTAIN REPA IS THE LEAST-COST, REASONABLE
RESOURCE TO SERVE CUSTOMERS**

5 **Q. MR. KOLLEN CLAIMS THE PROJECT IS NOT IN THE PUBLIC INTEREST
6 AND IS THE WRONG RESOURCE AT THE WRONG TIME AND, AS SUCH,
7 THE REPA SHOULD BE REJECTED.² DO YOU AGREE?**

8 A. Absolutely not. First, this is exactly the right resource at the right time. As I explained
9 in the direct case,³ the Company's generation portfolio is undergoing a transition to
10 address the energy and capacity needs identified in its most recent Integrated Resource
11 Plan ("IRP"). Presented in this IRP, the Company's preferred plan included increasing
12 resource diversity to best serve its customers.⁴ As it currently stands, the Company's
13 generation portfolio is made up entirely of fossil generation. To increase resource
14 diversity, the IRP's preferred plan included adding 800MW of new solar PV, of which
15 the Bright Mountain REPA would account for 80MW.

16 The Company established the benefits associated with having a diverse
17 generation portfolio to serve customers in its direct case.⁵ The Commission has also

¹ Wellborn Direct at 11.

² Kollen Direct at 4.

³ Wolfram Direct at 9-10.

⁴ Provided in response to AG-KIUC 1-10.

⁵ Wolfram Direct at 9-10.

1 recognized the benefits of having a diverse generation portfolio.⁶ As such, it is
2 appropriate for the Company to add this resource now.

3 Second, as stated in the Company's direct case,⁷ the Bright Mountain Project
4 can be used to support economic development opportunities, something the Company's
5 service territory desperately needs. Specifically, as the Company explained in
6 discovery, there has been an increase in economic development projects across all
7 utilities where customers required or requested their electrical energy be sourced from
8 a renewable resource.⁸ This is similarly a benefit the Commission has previously
9 recognized. In Case No. 2020-00016, the Commission stated that, "... the Commission
10 agreed that renewable energy resources should be available for corporations with
11 sustainability goals as one of the economic development tools that convey Kentucky is
12 open for business."⁹ Once approved, the Company can leverage this Project for
13 economic development purposes by either providing potential customers with access
14 to RECs and/or by dedicating a portion of the project to serve their load with renewable
15 energy.

16 Finally, the Company has demonstrated that this Project is the least-cost,
17 reasonable alternative to address a portion of the Company's energy and capacity
18 needs. Specifically, as described in the Company's direct case, the Company ran an all-

⁶ See Case No. 2014-00002, Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for Certificates of Public Convenience and Necessity for the Construction of a Combined Cycle Combustion Turbine at the Green River Generating Station and a Solar Photovoltaic Facility at the E.W. Brown Generating Station (Ky. PSC Dec. 19, 2014), Order at 10-13.

⁷ Wolfram Direct at 10.

⁸ See the Company's response to AG 2-10.

⁹ Case No. 2020-00016, Electronic Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Solar Power Contract and Two Renewable Power Agreements to Satisfy Customer Requests for a Renewable Energy Source Under Green Tariff Option #3, (Ky. PSC May 8, 2020), Order at 17.

1 source RFP for one or more power purchase agreements from the following resources
2 located in the PJM region: solar and wind, thermal, and/or standalone storage. As
3 shown in Company Witness Yetzer's Confidential Exhibit ZMY-3, the Bright
4 Mountain Project was the highest-scoring, non-fuel dependent resource to serve
5 customers. Furthermore, it was the correct time to shortlist and seek regulatory
6 approval for the Project because, as the Company explained in discovery, after the
7 promulgation of the EPA's 111(d) rule, the Company needed additional time to
8 evaluate the thermal resource bids and get updated pricing from those bidders.¹⁰
9 Moreover, had the Company waited to shortlist this Project on a similar timeline, there
10 was the potential for the costs to the developer to increase, thereby increasing the cost
11 to customers,¹¹ and the Company could have lost the opportunity altogether. As such,
12 the Company made the reasonable and prudent decision to move forward with the
13 highest-scoring, non-fuel resource, at the best price for customers.

14 **Q. IS MR. KOLLEN'S BASIS FOR HIS POSITION TO REJECT THE PROJECT**
15 **THE CORRECT STANDARD OF REVIEW FOR THE COMMISSION?**

16 No, despite being inconsistent with the evidence, 'being the wrong resource at the
17 wrong time' is not a standard by which the Commission evaluates these types of
18 applications. As I explained in my testimony, the three elements the Company satisfied
19 in its direct case were that the REPA 1) is for a lawful object within the corporate
20 purpose of the utility, 2) is necessary and appropriate for, or consistent with the proper
21 performance by the utility of its service to the public, and 3) did not impair its ability

¹⁰ See the Company's response to AG-KIUC 2-3.

¹¹ See the Company's response to AG-KIUC 2-4.

1 to perform that service.¹² Further, the Company demonstrated the Project does not
2 result in wasteful duplication.¹³

3 It is important to note that neither Mr. Kollen nor Ms. Wellborn allege the
4 Company has not met its burden of demonstrating that the Project is for a lawful object
5 or that it would impair the Company's ability to provide service. Additionally, neither
6 Mr. Kollen nor Ms. Wellborn allege the Project would result in wasteful duplication,
7 as they cannot. The Company clearly demonstrated it has both an energy and capacity
8 need and had planned to meet a portion of each of those needs with solar resources as
9 part of its preferred plan in its most recent IRP.¹⁴ As such, the Company clearly
10 demonstrated it has satisfied each of the elements required for approval of the Project.

11 **Q. AG-KIUC WITNESS KOLLEN ALSO TAKES ISSUE WITH THE FACT THAT**
12 **THE COMPANY HAD OTHER POTENTIAL RESOURCES THAT SCORED**
13 **HIGHER THAN THE BRIGHT MOUNTAIN PROJECT, THEREBY**
14 **MEANING THIS PROJECT IS NOT THE LEAST-COST, REASONABLE**
15 **RESOURCE.¹⁵ DO YOU AGREE WITH THIS ASSERTION?**

16 A. No. First and foremost, moving forward with the Bright Mountain Project does not
17 eliminate the need or impair the Company's ability to acquire additional thermal
18 generation in the future. The Company has explained why it was the most prudent
19 course of action to move forward with Bright Mountain at the time it did and why, even
20 though there were other resources still being evaluated, the Bright Mountain Project

¹² Wolfram Direct at 6- 14.

¹³ Id. at 12-13.

¹⁴ See the Company's response to KPSC 1-12.

¹⁵ Kollen Direct at 8.

1 was *part of* the least-cost, reasonable generation portfolio to serve customers.¹⁶
2 Furthermore, the Company has demonstrated the benefits of the Project to customers
3 and the limited rate increase customers would experience.¹⁷ As such, this is the least-
4 cost, reasonable offer to serve the portion of the energy and capacity needs it is intended
5 to cover.

6 **Q. AG-KIUC WITNESS WELLBORN CLAIMS THE COMPANY COULD HAVE**
7 **ALLOWED THE DEVELOPER TO RETAIN AND MONETIZE THE REC**
8 **VALUE IN EXCHANGE FOR LOWER PRICING FOR THE PROJECT.¹⁸**
9 **DOES THIS CLAIM HAVE MERIT?**

10 A. No. There is no evidence supporting AG-KIUC Witness Wellborn's claim that the
11 REPA price would be lower if the developer retained the RECs. While the Company
12 would not expect the price of the REPA to be any *higher* than the current contract price,
13 there is no guarantee that the price would be lower if the developer were able to keep
14 the RECs and liquidate them for their own benefit. Moreover, if the Company did not
15 negotiate to obtain the project's RECs, customers would lose that benefit of the reduced
16 price of the REPA through the revenues produced by liquidating those RECs in the
17 market. Therefore, the proposed structure submitted through the RFP which included
18 the Company monetizing the RECs to buy-down or reduce the REPA costs is the most
19 reasonable and prudent thing for its customers.

¹⁶ See the Company's response to AG-KIUC 2-4.

¹⁷ Wolfram Direct at 9-11, and 16. Coon Direct at 4.

¹⁸ Wellborn Direct at 11.

IV. THE BRIGHT MOUNTAIN REPA REPRESENTS A REASONABLE ENERGY AND CAPACITY RESOURCE TO SERVE CUSTOMERS

1 **Q. AG-KIUC WITNESS KOLLEN CLAIMS BRIGHT MOUNTAIN DOES NOT**
2 **PROVIDE NEEDED CAPACITY AND ENERGY.¹⁹ DO YOU AGREE?**

3 A. No. However, I do agree with Mr. Kollen that the REPA replaces the need to make
4 certain capacity purchases from the market. As noted in the direct case, the Company
5 is aware of the Commission's expectation that the vertically integrated utilities in the
6 Commonwealth replace capacity with "steel in the ground" or a Purchase Power
7 Agreement.²⁰ That is exactly what the Company is proposing to do. Instead of the
8 Company going to the market to secure short-term capacity purchases, the Company
9 has entered into a REPA with an in-state resource to serve that portion of its capacity
10 obligations. It is important to note that, although the Project's accredited capacity is
11 small, the Company would still be required to go to the market and secure a different
12 capacity resource to cover this portion of its capacity requirement if the REPA were
13 not approved. Mr. Kollen apparently recognizes the value of having owned resources
14 like the Project by the fact he later goes on to suggest that the Commission should order
15 the Company to reflect the avoided capacity costs as a credit in Tariff P.P.A.²¹

16 As it relates to energy, the Project represents a fuel-independent, physical hedge
17 against the market. The Project helps reduce exposure to volatility in natural gas and
18 coal prices. The Company, in its currently pending two-year Fuel Adjustment Clause

¹⁹ Kollen Direct at 5-6.

²⁰ Case No. 2022-00402, Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates and Approval of a Demand Side Management Plan and Approval of Fossil Fuel-Fired Generating Unit Retirements (Ky. PSC Nov. 6, 2023), Order at 95.

²¹ Kollen Direct at 10.

1 review, explained the challenges in the commodity markets this Project helps hedge
2 against. Specifically, there were points during 2022 where natural gas prices were over
3 \$9.00 per MMBtu.²² As it relates to coal procurement during that period, the Company
4 had several spot suppliers that did not meet scheduled deliveries and the Company
5 faced a constrained coal supply across the United States.²³ As the Project is a non-fuel
6 resource, there is not a similar concern with fuel price increases impacting the cost to
7 serve customers in the future.

8 Additionally, as a physical hedge, there will be times when the market clears
9 below the price of the REPA and times where it clears above the price of the REPA.
10 However, given that this is a non-fuel resource, the Project will likely clear the energy
11 market in each hour it is available to generate. In each of those instances, the Company
12 will use the revenues received to offset the cost of the Project, so there is clearly an
13 energy benefit associated with the facility. Additionally, having the REPA in place
14 ensures that energy from the Project is available only to Kentucky Power, including at
15 times when the PJM market becomes constrained or when energy is unavailable via the
16 market.

17 Absent the REPA, Mr. Kollen correctly points out the Company would be
18 reliant on the market to cover the energy necessary to serve its customers. However,
19 this position is contrary to the expectations the Commission has laid out in its recent
20 precedent. Specifically, in Case No. 2022-00402, the Commission reiterated its stance
21 that it, "...has no interest in allowing our regulated, vertically-integrated utilities to

²² See 2023-0008, Direct Testimony of Clinton Stutler at 10.

²³ See 2023-0008, Direct Testimony of Kimberly Chilcote at 9.

1 effectively depend on the market for generation or capacity for any sustained period.”²⁴
2 This Project is the first step in the Company’s initiative to address this Commission
3 directive.

**V. THE COMPANY’S PROPOSED RATEMAKING AND ACCOUNTING
TREATMENT IS REASONABLE**

4 **Q. AG-KIUC WITNESS KOLLEN CLAIMS THAT THE PROJECT WILL**
5 **RESULT IN EXCESSIVE AND UNREASONABLE RATES TO**
6 **CUSTOMERS.²⁵ DO YOU AGREE?**

7 A. No. Although the Company understands any increase in rates can be challenging for its
8 customers, the Project would represent an estimated \$0.34 residential monthly bill
9 increase in the first year. Mr. Kollen’s claim appears to be based on the fact that neither
10 he nor Ms. Wellborn believe the Company’s REC forecast. The Company, on the other
11 hand, has provided substantial evidence to demonstrate its REC forecasts are
12 reasonable and, in fact, based on the Company’s new fundamental forecast supported
13 by Company Witness Coon’s rebuttal, the REC benefits were slightly understated.
14 Accounting for the updated fundamentals forecast, the Company estimates that
15 residential customers will experience a \$0.29 monthly bill increase in the first year.

16 Additionally, as the Company explained in discovery and in its direct case, the
17 Company negotiated a variety of protections to ensure customers will not bear
18 additional costs associated with any increases in the developers cost.²⁶ As such, it is
19 clear the Project will not result in excessive and unreasonable rates.

²⁴ Case No 2022-00402, Order at 177.

²⁵ Kollen Direct at page 5.

²⁶ See Confidential Exhibit ZMY-4, Confidential Exhibit ZMY-5, and the Company’s response to AG-KIUC 2-1.

1 **Q. FINALLY, AG-KIUC WITNESS KOLLEN RECOMMENDS THE**
2 **COMMISSION REJECT THE COMPANY'S PROPOSAL TO DEFER THE**
3 **COSTS ASSOCIATED WITH THE IMPLEMENTATION AND EXECUTION**
4 **OF THE ALL SOURCE RFP, DEVELOPMENT OF A SHORTLIST OF**
5 **PROJECTS, AND THE NEGOTIATION OF THE REPA. DO YOU AGREE**
6 **WITH MR. KOLLEN?**

7 A. No. Mr. Kollen's basis for his recommendation is flawed. He claims that both internal
8 resources and outside services costs for these purposes should not be deferred because
9 they are included in the base revenue requirement.²⁷ This is not true. The Company
10 explained in discovery, these costs are incremental to the base revenue requirement
11 because they are costs directly assigned to Kentucky Power by AEP Service
12 Corporation and outside service providers that, absent this RFP process, would not
13 otherwise be allocated to Kentucky Power in the normal course of business. These
14 costs would not be captured through traditional ratemaking given the fact that procuring
15 generation resources occurs on a non-recurring and extremely limited basis.²⁸ In fact,
16 because these costs are incremental and non-recurring, these expenses would actually
17 be removed from the Company's cost of service in a base rate proceeding. Therefore,
18 deferral authority is appropriate in this instance.

²⁷ Kollen Direct at 11.

²⁸ See the Company's response to AG-KIUC 2-11.

VI. CONCLUSION

1 **Q. HAS THE COMPANY ESTABLISHED A BASIS FOR APPROVAL OF ITS**
2 **APPLICATION?**

3 A. Yes. The Company demonstrated in its direct case that the proposed REPA meets all
4 the statutory requirements for approval, is the lowest-cost, reasonable alternative to
5 serve customers, and does not result in excessive or unreasonable rates. The Company
6 also demonstrated that its proposed ratemaking and accounting treatment is
7 appropriate. As such, the Commission should approve the Application as filed.

8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes, it does.

VERIFICATION

The undersigned, Tanner S. Wolfram, being duly sworn, deposes and says he is the Director of Regulatory 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.

Tanner S. Wolfram
Tanner S. Wolfram

Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2024-00243

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Tanner S. Wolfram, on December 9, 2024

Marilyn Michelle Caldwell
Notary Public



My Commission Expires May 5, 2027

Notary ID Number KYNP71841