

**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

**DIRECT TESTIMONY OF**  
**NICOLE M. COON**  
**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 Nicole M. Coon. I am employed by American Electric Power Service  
3 Corporation (“AEPSC”) as a Regulatory Consultant Principal. My business address is  
4 1 Riverside Plaza, Columbus, Ohio 43215. AEPSC is a wholly-owned subsidiary of  
5 American Electric Power Company, Inc. (“AEP”), the parent Company of Kentucky  
6 Power Company (the “Company” or “Kentucky Power”).

**II. BACKGROUND**

7 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
8 **BUSINESS EXPERIENCES.**

9 A. I graduated from Ohio State University with a Bachelor of Science degree in Business  
10 Administration majoring in Accounting and minoring in Communications in 2018. I  
11 obtained my Certified Public Accountant license in 2018 and am licensed in the state  
12 of Ohio. Prior to joining AEPSC I worked for a regional public accounting firm where  
13 I performed various financial audits of companies and prepared tax returns for  
14 individuals and companies. In 2019, I joined AEPSC as a Strategic Initiatives  
15 Associate in the Strategy and Transformation Operations Group. I later became a  
16 Strategic Initiatives Associate Senior, where I was responsible for internal and external

1 business valuation, preparing pro forma business and financial plans, performing  
2 strategic studies and analysis, and preparing executive council and board-level  
3 presentations. In 2022, I transferred to Regulatory Services to my current position as  
4 a Regulatory Consultant Principal.

5 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

6 A. I am responsible for assisting Kentucky Power and the other AEP operating companies  
7 in the preparation of their regulatory filings before this and other commissions under  
8 whose jurisdiction these companies provide electric service. My responsibilities  
9 include the preparation of cost of service analyses, rate design, special contracts, and  
10 economic analysis for the AEP operating companies.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**  
12 **PROCEEDINGS?**

13 A. Yes. I have presented testimony on behalf of Appalachian Power Company before the  
14 Virginia State Corporation Commission in Case No. PUR-2023-00212.

### **III. PURPOSE OF TESTIMONY**

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

16 A. The purpose of my testimony is to support the approval of the Renewable Energy  
17 Purchase Agreement (“REPA”) between Bright Mountain Solar, LLC (“Bright  
18 Mountain”) and Kentucky Power for the Bright Mountain Solar Project (the “Project”).

19 In my testimony, I:

- 20 • Describe and present the economic analysis for the REPA; and
- 21 • Support the rate impact of the REPA.

**IV. ECONOMIC ANALYSIS**

1 **Q. PLEASE DESCRIBE THE ECONOMIC ANALYSIS YOU CONDUCTED**  
2 **REGARDING THE REPA.**

3 A. I prepared a net present value (“NPV”) analysis that takes into account the estimated  
4 costs and benefits of the proposed Project. The cost side of the equation is the  
5 estimated cost of service resulting from the Company contracting for the REPA. The  
6 benefits included in the NPV analysis totaled \$87.202 million and were comprised of  
7 avoided generation capacity costs, energy revenues, and the value received for  
8 renewable energy certificates (“RECs”).

9 **Q. HOW DOES YOUR ANALYSIS DIFFER FROM THE ONE COMPANY**  
10 **WITNESS YETZER SPONSORS?**

11 A. Although our analyses consider some of the same data, my analysis was performed  
12 for this specific application and for the purpose of evaluating the economic and rate  
13 impacts of the proposed REPA after contract negotiations occurred. The analysis  
14 Company Witness Yetzer sponsors occurred during review of qualifying RFP  
15 responses for the purpose of ranking those proposals.

16 **Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING THE COST OF**  
17 **SERVICE CALCULATION.**

18 A. The cost-of-service calculation reflects the REPA expense that the Company will be  
19 responsible for as payment to the Project owner under the terms of the REPA. The  
20 Project’s cost of service is a product of the forecasted output of the Project (MWh) and  
21 the contract rate (\$/MWh).

1 **Q. PLEASE PROVIDE ADDITIONAL DETAILS REGARDING THE**  
2 **CALCULATION OF THE BENEFITS ASSOCIATED WITH THE**  
3 **COMPANY'S CONTRACTING OF THE REPA.**

4 A. The Company calculated the following benefits pertaining to the PPA:

5 **1. Energy** – \$42.57 million NPV benefits.

6 a. As described in the testimony of Company Witness Yetzer, Kentucky  
7 Power will receive the net revenue from the sale of energy from the  
8 Project at the applicable PJM LMP node. This calculation is the  
9 product of the MWhs of generation from the project and the forecasted  
10 LMP.

11 **2. Capacity** - \$2.06 million NPV benefits.

12 a. Transmission level market facing resources will act as capacity  
13 resources in PJM and will be included in the Company's Fixed  
14 Resource Requirement (FRR) plan and as such, the resulting unforced  
15 capacity (UCAP) has a value. This calculation is the product of the  
16 project's installed capacity ("ICAP"), the effective load carrying  
17 capability ("ELCC") percentage for fixed tilt solar resources, and the  
18 forecasted cost of capacity.

19 **3. RECs** - \$42.58 million NPV benefits.

20 a. REC Revenues - The proposed renewable generator will generate one  
21 REC for each MWh of renewable energy produced and those RECs  
22 will be transferred to the Company. This calculation is the product of  
23 the RECs generated by the Project and the forecasted REC market  
24 price. These RECs could be monetized in various REC markets or  
25 used to fulfill the Company's obligations, if any, under Rider R.P.O.  
26 (Renewable Power Option Rider).

27 **Q. ARE THERE OTHER BENEFITS NOT QUANTIFIED THAT ARE**  
28 **ASSOCIATED WITH THIS REPA?**

29 A. Yes. As described in more detail by Company Witnesses Wolfram and Yetzer, this  
30 REPA will aid the Company in fulfilling a portion of its capacity and energy needs  
31 identified in the Company's 2022 Integrated Resource Plan. The REPA is a part of the  
32 Company's least-cost, reasonable resource solution resulting from a competitive

1 request for proposals, as described by Company Witness Yetzer. Another benefit of the  
 2 REPA is that it acts as a physical hedge against buying energy in the PJM spot market,  
 3 because it will be produced by a resource that incurs no fuel costs. Said another way,  
 4 the REPA is a fixed-cost hedge on commodity price swings experienced by fossil  
 5 generators. Finally, Company Witness Wolfram also discusses the economic benefits  
 6 to the Commonwealth and Kentucky Power's service territory that are not captured by  
 7 this analysis.

## V. RATE IMPACT

8 **Q. WHAT IS THE ESTIMATED YEAR 1 RATE IMPACT ON CUSTOMER**  
 9 **RATES RESULTING FROM THE PROPOSED REPA?**

10 A. The estimated year 1 impact on Kentucky retail rates would be an increase of 0.27%.  
 11 Figure NMC-1 below presents the estimated rate impacts for residential, commercial  
 12 and industrial customers. As the figure demonstrates, the monthly bill impact for the  
 13 average residential customer using 1,128-kwh per month<sup>1</sup> is approximately \$0.34.

Figure NMC-1

	<b>Year 1 Annualized Impact</b>				<b>Class Allocation</b>
	<b>Total KPCO Retail</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	
Renewable Asset Cost of Service	\$ 12,552,635	\$ 4,612,072	\$ 2,765,613	\$ 5,174,950	Energy
Estimated Capacity Benefit	\$ (319,325)	\$ (158,324)	\$ (69,499)	\$ (91,502)	Demand
Estimated Energy Benefit	\$ (4,585,379)	\$ (1,684,754)	\$ (1,010,257)	\$ (1,890,369)	Energy
Estimated REC Sales Revenue	\$ (6,075,307)	\$ (2,232,181)	\$ (1,338,520)	\$ (2,504,607)	Energy
Net Revenue Requirement Impact	\$ 1,572,624	\$ 536,813	\$ 347,338	\$ 688,472	
<i>Avg Retail Rate Impact %</i>	<i>0.27%</i>	<i>0.21%</i>	<i>0.21%</i>	<i>0.41%</i>	
Retail Monthly Bill Impact Estimate		\$ 0.34			
<small>Typical Average Residential usage of 1,128 kwh</small>					

<sup>1</sup> Average usage as of 12-months ended December 2023.

1 **Q. PLEASE DESCRIBE THE ACCOUNTING FOR THE PROPOSED SOLAR**  
2 **REPA.**

3 A. The Company is proposing to flow all non-energy benefits and all costs through Tariff  
4 P.P.A. and will be subject to the normal true-up process currently provided for in Tariff  
5 P.P.A. Energy benefits will flow through the fuel adjustment clause in the form of  
6 energy revenues from the PJM spot energy market. Additionally, the Company is  
7 seeking deferral authority of certain costs associated with development of the Project.  
8 Company Witness Wolfram discusses that request further in his testimony.

**VI. CONCLUSION**

9 **Q. DOES THIS CONCLUDE YOUR PRE-FILED TESTIMONY?**

10 A. Yes, it does.





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#### E-Signature Summary

**E-Signature 1: Nicole Coon (NMC)**  
 July 25, 2024 07:07:42 -8:00 [F0DB67B57434] [167.239.221.102]  
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 July 25, 2024 07:07:42 -8:00 [702A278EB391] [167.239.221.104]  
 mmcaldwell@aep.com  
 I, Marilyn Michelle Caldwell, did witness the participants named above electronically sign this document.



