COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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 Certain Regulatory And Accounting Treatments; and (4) All Other Required Approvals And Relief	))))))	Case No. 2025-00257

REBUTTAL TESTIMONY OF

MICHAEL M. SPAETH

ON BEHALF OF KENTUCKY POWER COMPANY

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TABLE OF CONTENTS

EXHIBITS

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I. INTRODUCTION

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

A. My name is Michael M. Spaeth, and I am employed by American Electric Power Service Corporation ("AEPSC") as a Regulatory Pricing & Analysis Manager. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

Q. ARE YOU THE SAME MICHAEL M. SPAETH WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my Rebuttal Testimony is to:

1. Address testimony filed by the Attorney General and Kentucky Industrial Utility Customers, Inc. ("AG-KIUC") and by the Appalachian Citizens Law Center, Kentuckians for the Commonwealth, Kentucky Solar Energy Society, and Mountain Association (collectively, "Joint Intervenors") regarding the Company's proposed residential service rate design;

2. Comment on AG-KIUC's proposed Industrial General Service ("IGS") rate design energy charge proposal;

3. Discuss AG-KIUC's concerns with the Generation Rider allocation; and

4. Respond to Kentucky Solar Industries Association, Inc. ("KYSEIA") testimony regarding the Company's COGEN/SPP tariff language.

Q. ARE YOU SPONSORING ANY REBUTTAL EXHIBITS?

A. Yes, I am sponsoring the following exhibit:

- Exhibit MMS-R1 – Generation Rider 12 CP Demand Allocation

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. The Company's proposed residential rate design works to provide winter bill relief, smooth monthly bill volatility, send an accurate price signal to customers to conserve energy when possible, and reduce intra-class subsidies paid by high-usage customers. AG-KIUC Witness Wellborn is generally supportive of the Company's proposal but suggests the Company explore the addition of multiple tiers to the basic service charge, which I discuss. I rebut Joint Intervenor Witness Colton's recommendation to deny the Company's proposed residential rate design and describe the shortfalls of his data analysis that uses median customer usage as the reference as well as Kentucky-wide data that is not specific to Kentucky Power's service territory.

I discuss the Company's response to AG-KIUC Witness Wellborn's proposal to recover only variable energy costs through the IGS energy charge.

I describe how the Company's as-filed Generation Rider rate development is sound and properly allocates the demand-related non-environmental Mitchell plant balances using the Commission-approved methodology within the Company's Purchased Power Adjustment Rider.

Finally, I respond to KYSEIA Witness Barnes' Direct Testimony regarding the Company's proposed changes to the COGEN/SPP tariff and his recommendation to eliminate the 10 kW demand charge for QF facilities that exceed 10 kW.

III. RESIDENTIAL RATE DESIGN

Q. PLEASE RESPOND TO AG-KIUC WITNESS WELLBORN'S REQUEST FOR ADDITIONAL ANALYSIS OF THE EXISTING RESIDENTIAL INTRA-CLASS SUBSIDIES.

A. The foundation of the residential intra-class subsidy is the difference between the actual fixed costs incurred by the Company to provide service to customers regardless of the level of energy used by the customers (the "Customer-Related Costs") and the revenue collected through the basic service charge. As described in my Direct Testimony, if the Company were to collect all of the $72,250,836[1] proposed residential revenue classified as Customer-Related Costs, the basic service charge for all residential customers would be $46.19.[2] Instead, the Company is only proposing to recover 61% of these Customer-Related Costs through the basic service charge.[3] The remaining 39% of the Customer-Related Costs must then be recovered through the volumetric energy charge. Under a standard rate design, with an unblocked volumetric energy rate, all the remaining Customer-Related Costs are recovered on a per kWh basis. This results in high-usage customers, especially electric-heating customers in the winter, essentially "picking up the bill" that low-usage customers are avoiding by not paying a full-cost basic service charge. This is the intra-class subsidy, between low and high usage, that the Company is addressing through the rate design.

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[1] Direct Testimony of Company Witness Michael M. Spaeth ("Spaeth Direct Testimony") at 17.

[2] *Id.* at 15.

[3] *Id.*

As discussed in the Company's response to AG-KIUC 2_92, the proposed rate design addresses the subsidy in two ways. First, the rate design increases the percentage of Customer-Related Costs recovered through the basic service charge to 61%, up from 40% at the current rates. This results in less Customer-Related Costs being paid through energy rates, aligning costs and reducing subsidies. Second, the remaining 39% of Customer-Related Costs are recovered entirely in the first energy block, which is the first 600 kWh of usage. Said another way, for all energy usage above 600 kWh, no Customer-Related Costs are being recovered. Electric-heating customers benefit the most by not having to subsidize the Customer-Related Costs of nonelectric-heating customers, especially in the winter months. In the spirit of gradualism, this approach substantially reduces intra-class subsidies, while not shocking customers with a $26 monthly basic service charge increase from $20 to $46.

Q. PLEASE ADDRESS AG-KIUC WITNESS WELLBORN'S SUGGESTION TO DEVELOP ADDITIONAL TIERS FOR THE BASIC SERVICE CHARGE.

A. In the Company's analysis of rate structures, additional basic service charge tiers were considered, yet there are two main concerns when considering adding additional tiers. The first is additional complexity in customer bills. The Company is aware that moving from the current, standard rate design to the blocked/tiered proposed design may already add complexity for customers. The Company chose not to overcomplicate the structure with more tiers/blocks than necessary. In the future, the Company would be amicable to reanalyze the number of blocks and tiers to potentially further benefit customers once they are familiar with the new rate design. Second, as I explained in my Direct Testimony, the tiered customer charge gives customers a clear and

understandable 2,000 kWh target for conservation and savings. Any additional tiers could muddy price signals and make it more difficult for customers to meaningfully interface with their bill.

Q. WHAT IS YOUR RESPONSE TO JOINT INTERVENOR WITNESS COLTON'S RELIANCE ON MEDIAN USAGE STATISTICS TO SUPPORT MUCH OF HIS ARGUMENT THAT THE COMPANY'S RESIDENTIAL RATE PROPOSAL SHOULD BE DENIED?

A. While median usage is a useful statistic for use as a benchmark in the beginning of an analysis, Joint Intervenor Witness Colton's extrapolation using percentages of medians is oversimplistic and in no way reflects the reality of the usage patterns of the Company's customers.

Shockingly, in response to the question, "Won't there be customers who have high consumption that exceeds the 2,000 kWh threshold?" Witness Colton responds, "No." Witness Colton adds that the rate design "affects few customers with usage exceeding 2,000 kWh per month."[4]

It is first worth first noting that, as shown in the Company's typical bill analysis,[5] customers with usage between 1,300 and 2,000 kWh receive smaller bill increases than the class-allocated 15% for residential customers. This is the direct benefit of the declining block energy charge. In all of Witness Colton's analysis, this fact is never discussed, and this benefit is ignored.

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[4] Direct Testimony of Joint Intervenor Witness Roger M. Colton ("Colton Direct Testimony") at 114.

[5] *See*, Attachment 29, Spaeth Workpaper 9 to the Company's response to KPSC 1-55 (KPCO_R_KPSC_1_55_Attachment29_SpaethWP9)

More profoundly, though, is the simple fact that there are significant numbers of customers with usage well and far above 2,000 kWh, especially electric heating customers in the winter. As shown in Attachment 1 to the Company's response to AG-KIUC 2-18 and reflected in AG-KIUC Witness Wellborn's Table 5, 51,056 residential customers were billed for usage above 2,000 in January 2024, representing almost 40% of residential customers. Over the whole year, 14.6% of residential bills were above 2,000 kWh. This is not an insignificant number of customers. It is factually incorrect for Witness Colton to state that there won't be customers with high usage above 2,000 kWh. In the same response, the Company showed that in January 2024, 14,662 residential (or 11.1% of residential customers) customers were above 3,500 kWh in usage. Around 7% of January residential customers are above 4,000 kWh and 2,287 electric heating customers had energy usage above 5,000 kWh.

The Company is acutely aware, through public comments and customer service interactions, of the struggle that Kentucky Power's customers are dealing with to pay their electric bills, particularly in winter months when usage spikes, and has proposed a rate design that helps alleviate that burden The average customer's typical bill increase in this proceeding is 14.9%. Increases would be 14.9% for 2,001 kWh, 10.9% for 3,000 kWh, 9.8% for 3,500 kWh, and 7.6% for 5,000 kWh. As customer usage increases, the bill impact decreases, and high-usage customers are better off under the proposed rate design.

Q. PLEASE ADDRESS YOUR CONCERNS WITH JOINT INTERVENOR WITNESS COLTON'S ANALYSIS THAT CLAIMS TO PROVE THAT LOW-INCOME CUSTOMERS ARE TYPICALLY LOW-USAGE IN THE COMPANY'S SERVICE TERRITORY.

A. First, the Company agrees with Joint Intervenor Witness Colton that the spectrum of electricity usage spans income levels. There are some high-income customers with high usage and high-income customers with low usage. Similarly, there are low-income customers with high usage and low-income customers with low usage. What is important is the distribution of these customers. The Company does not collect private customer income data and does not and cannot legally conduct income-based ratemaking, so there is not a definitive data set to determine and study the relationship in the Company's service territory between income and electricity usage.

That said, there is an intuitive and rational basis for the position that low-income households in the service territory exhibit high electricity usage. The combination of poorly weatherized homes, particularly mobile homes, and electric heat pumps can lead to high electricity usage in Appalachia's harsh and volatile winter months.

The Company has a limited ability to analyze the income levels of its customers. That said, through the Company's home energy assistance programs (HEART/THAW) and LIHEAP participation, the Company can analyze the usage statistics of its customers receiving assistance. Attachment 1 to the Company's response to JI 1-52 shows that the average LIHEAP-assisted residential customer used more electricity than the average residential customer for the period of November 2024 through April 2025. Of these customers, 66% use electric heating, compared to 63% of all residential

customers as described in my Direct Testimony.[6] While these customers are not significantly higher usage than average, the analysis undermines Colton's argument that low-income customers are typically low usage.

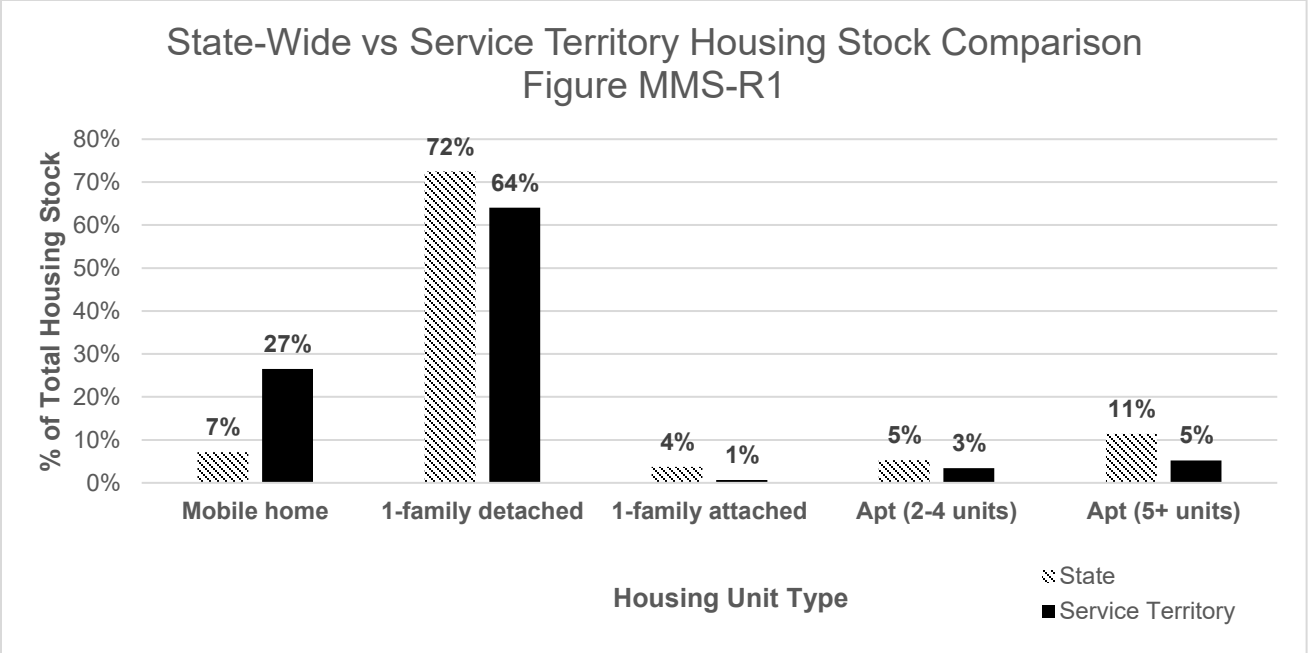
Pertaining more directly to Colton's analysis, the first, and largest, issue is his reliance on state-wide 2020 Residential Energy Consumption Survey (RECS) data. To create state-wide averages, representative of the entire population of Kentucky, urban city centers are included. As of 2024, per the U.S. Census annual estimates of resident population,[7] Of the 15 most populous cities (Louisville, Lexington, Bowling Green, Owensboro, Covington, Georgetown, Richmond, Elizabethtown, Florence, Nicholasville, Hopkinsville, Independence, Jeffersontown, Frankfort, and Henderson) in Kentucky, none are within the Company's service territory. Thus, the study overrepresents the housing and income characteristics of Kentucky's urban centers relative to the Company's service territory and is not relevant or informative.

The impact of this difference can be shown by comparing the distributions of housing unit types in the Company's service territory, available from Census Bureau data cited by Witness Colton[8], with the state-wide data from the 2020 RECS used in Witness Colton's analysis. This comparison is shown below in Figure MMS-R1.

[6] *See*, Spaeth Direct Testimony at 12.

[7] U.S. Census Bureau, Population Division, Annual Estimates of the Resident Population for Incorporated Places in Kentucky: April 1, 2020 to July 1, 2024 (SUB-IP-EST2024-POP-21).

[8] *See*, Joint Intervenor response to Company Data Request 1-8 and attached file named "Response_to_KPC_Question_8.xlsx."



Most stark is the difference in the relative number of mobile homes. The RECS data shows that roughly 7% of housing units state-wide are mobile homes, but the Census Bureau data specific to the Company's service territory shows that approximately 27% of housing units are mobile homes. This is nearly a fourfold difference. For the same underlying reasons, any company-level statistics correlated with mobile home ownership, like income and usage relationships, for example, will also drastically differ between the Company's service territory and the full state.

As shown in Figure 15 of the Direct Testimony of Witness Colton, mobile homes use the most annual electricity of any housing type, while being one of the smallest in typical square footage. As shown in Witness Colton's Table 19, 56.3% of mobile homes in the state of Kentucky are occupied by families with household incomes less than $35,000. While this exact percentage doesn't necessarily reflect the exact income levels of mobile home residents in the Company's service territory,

Witness Colton has understated, or otherwise ignored, the significance of low-income, high-usage residential customers with mobile homes in the service territory.

In summary, the Company disagrees with Witness Colton's contention that most low-income customers are low usage. The Company's data, and parts of Witness Colton's own analysis, contradicts the claim.

Q. PLEASE ADDRESS JOINT INTERVENOR WITNESS COLTON'S CONCERN THAT THE COMPANY'S RESIDENTIAL RATE DESIGN WILL DISPROPORTIONATELY AFFECT LOW-INCOME, LOW USAGE CUSTOMERS AS PRESENTED ON PAGES 111-113 OF HIS DIRECT.

A. Based on the discussion of low-income customers discussed above, I will focus only on the low usage element of Witness Colton's concern. Firstly, any increase to the basic service charge will always appear as a large percentage increase for the lowest usage customers. As the Company is proposing a $6 increase to the first-tier basic service charge, the largest percentage increase is 27.3% for a 100 kWh usage customer. While this is a large percentage, it is important to note that this reflects an actual increase of $10.52. Moreover, this is only a 12.4% higher increase than the residential class's 14.9% increase, which would be a $5.74 bill increase for a 100 kWh customer.

Q. PLEASE ADDRESS JOINT INTERVENOR WITNESS COLTON'S AND AG-KIUC WITNESS WELLBORN'S COMMENTS ABOUT THE ENERGY-CONSERVING INCENTIVE INHERENT TO THE RATE DESIGN.

A. In short, AG-KIUC Witness Wellborn is concerned that it "may not be practicable" for customers to reduce their usage below 2,000 kWh due to seasonal fluctuations. Based

on a misguided analysis in Exhibit RDC-5 to his testimony, Joint Intervenor Witness Colton claims that the existence of the incentive at all is a "fallacy."

Beginning with Witness Colton's analysis, there are several significant shortcomings. First, Colton incorrectly claims that "if a customer's use is already below 2,000 kWh in a month, the two-tiered rate structure offers no conservation incentives."[9] This is demonstrably not true. There are two clear examples to the contrary. Consider a customer whose December usage, shown on their bill, was 1,900 kWh. Even without AMI, this customer has a clear conservation goal in January, the highest usage and typically coldest month: curb usage and stay below 2,000 kWh. Alternatively, under the proposed voluntary FlexPay Program for AMI customers, Company Witness Cobern describes that the Company will provide proactive communication to customers when their usage exceeds 1,500 kWh, indicating that they are approaching the 2,000 kWh threshold to pay the second-tier customer charge.[10] As I described in my Direct Testimony, this sends a clear conservation incentive to curb usage to not pay the incremental $14 upon crossing the threshold.[11]

Moving to the analysis in Joint Intervenor Witness Colton's Exhibit RDC-5 and related findings pages 124 and 125 of his Direct Testimony, the Company notes that Witness Colton's analysis supports the proposed rate design. As shown on page 2 of Witness Colton's Exhibit RDC-5, for a 100 kWh usage reduction from 2,100 to 2,000 kWh, customers save $16 more compared to current rates. This is an absolutely

[9] Colton Direct Testimony at 123.

[10] *See* Direct Testimony of Company Witness Stevi N. Cobern at 8.

[11] Spaeth Direct Testimony at 20.

achievable reduction through behavior alone, regardless of "market barriers," resulting in a substantial bill saving. Furthermore, page 4 of Exhibit RDC-5 shows that similar savings are achieved through relatively small, achievable reductions in usage down from 2,300 kWh. A 300 kWh reduction in usage results in a bill reduction of $64.25, around $17 more than under existing rates. Throughout the test year, around 11% (10.89%) of customer bills were between 1,700 kWh and 2,300 kWh, a range within which the incentives are relevant and actionable. This analysis is irrespective of averages or medians, and reflects the actual reality of the Company's customers, unlike Witness Colton's dismissive and generalizing response to the Company's data request 1-9 which is based entirely on medians.

Beyond this usage range, the Company agrees with Witnesses Colton and Wellborn that it may be difficult or unreasonable for customers to reduce their usage below 2,000 kWh. Intentionally, and as shown in the Company's response to KPSC 2-21 and in Table 1 below, only customers with usage between 2,000 and 2,250 kWh see a larger bill increase under the proposed rate design as compared to a standard rate design. These customers can achieve substantial savings with small bill reductions. For all high usage customers above this "break-even" threshold, the proposed rate design results in lower bills.

Table 1. Proposed Rate Design Increase as Compared to Standard

	Usage Profile	Metered Energy	Current Bill	Proposed Bill	Bill Increase	% Change
Proposed	Tier 2	2,001	$ 339.86	$ 390.56	$ 50.70	14.9%
	Break-Even	2,250	$ 379.33	$ 430.98	$ 51.66	13.6%
	Low-High	2,500	$ 418.97	$ 471.55	$ 52.58	12.5%
	High	3,500	$ 577.49	$ 633.86	$ 56.37	9.8%
	High-High	5,000	$ 815.29	$ 877.32	$ 62.04	7.6%
Standard	Tier 2	2,001	$ 339.86	$ 386.70	$ 46.84	13.8%
	Break-Even	2,250	$ 379.33	$ 430.87	$ 51.54	13.6%
	Low-High	2,500	$ 418.97	$ 475.21	$ 56.24	13.4%
	High	3,500	$ 577.49	$ 652.60	$ 75.11	13.0%
	High-High	5,000	$ 815.29	$ 918.70	$ 103.41	12.7%

The Company does not expect low-income, electric-heating customers to be able to reduce their usage from 3,500 kWh to 2,000 kWh, instead, these customers benefit the most from the declining blocked energy rate, and experience a smaller percentage bill increase.

IV. IGS RATE DESIGN

Q. PLEASE ADDRESS MS. WELLBORN'S PROPOSAL TO ONLY INCLUDE VARIABLE ENERGY COSTS IN THE ENERGY CHARGE FOR THE IGS CLASS.

A. Ms. Wellborn has proposed that the IGS class energy charge only include variable energy costs in its rate development due to the fact that "large industrial customers on Rate IGS should make consumption decisions based on a price signal that reflects the variable costs that will be incurred to serve that additional energy usage."[12] AG-KIUC

[12] Wellborn Direct at page 23.

advocates for the energy rate for the IGS class to only contain variable energy costs ("primarily fuel" is Ms. Wellborn's descriptor) while assigning long-term rate base and production O&M assigned energy-related costs to the applicable demand rate. Industrial customers are generally energy savvy consumers who may be able to optimize energy consumption and improve efficiencies in order to reduce monthly bills. The Company is amenable to the change proposed by Ms. Wellborn as this rate change is contained exclusively to the IGS class and does not affect any other customer classes.

V. GENERATION RIDER RATE DESIGN

Q. MS. WELLBORN TESTIFIES THAT THE COMPANY SHOULD ALIGN THE GENERATION RIDER ALLOCATION PERCENTAGE WITH THE RATE CALCULATION. DO YOU AGREE?

A. I do not agree. The coincident peak per kWh ("CP/kWh") ratio is designed to serve as an energy-weighted proxy for allocating demand-related costs of the Generation Rider. It is based on a test year loss-adjusted 12 CP demand allocation factor divided by the loss-adjusted energy (test year energy amounts loss-adjusted to the generator) which creates a more accurate demand cost responsibility by tariff class. The rate development uses test year adjusted billing units to derive the rate factor and considers the energy at the meter, not the generator, for realized billing rates for customers. Notwithstanding the Company's position that the CP/kWh ratio is the correct allocation method for the Generation Rider, please see my Exhibit MMS-R1 – Generation Rider 12 CP Demand Allocation as Ms. Wellborn requested from the Company.

VI. COGEN/SPP

Q. IN KYSEIA WITNESS BARNES' TESTIMONY HE REFERENCES "AN EVENTUAL SUNSET" AND "THE FUTURE SUNSET OF THE COMPANY'S NET METERING TARIFF" (PP. 4, 5) TO SUPPORT HIS CLAIM THAT "THE COGEN/SPP TARIFF WOULD BE THE ONLY TARIFF OPTION FOR SMALL SELF-GENERATION CUSTOMERS THAT WOULD HAVE PREVIOUSLY QUALIFIED FOR NET METERING" (P. 5). WILL THE COMPANY'S NET METERING TARIFF SUNSET?

A. The Company has not requested any sunset to its net metering tariff, nor is there a sunset provision in the net metering statute. To the extent Witness Barnes is referring to the one percent of Kentucky Power's single hour peak load in a calendar year cap on net metering participants established in KRS 278.466(1), Kentucky Power is far from reaching that cap (12.28 MW for 2024) as demonstrated in Table 2 below:[13].

Table 2. Net Metering MW Projection

Year	MW Projection
2026	5.31
2027	6.03
2028	6.76
2029	7.48
2030	8.21
2031	8.93
2032	9.66
2033	10.39
2034	11.11
2035	11.84
2036	12.56

[13] Kentucky Power's 2024 single hour peak load was 1,288 MW on January, 17 hour-ended 0900. 1% of that amount is 12.88 MW.

There is therefore no basis to assume Kentucky Power's net metering tariff is "sunsetting" any time soon. Net metering will remain an option for all qualifying customers who simply want to self-generate for the foreseeable future, and nothing about the Company's filing creates "further obstacles" or "further hurdles"[14] for customers who simply wish to pursue self-generation.

Tariff COGEN/SPP, on the other hand, is for customers who wish to become electric power wholesalers and sell power to the Company. It should not be surprising that additional terms and conditions would apply to such a commercial arrangement.

Q. WILL THE COMPANY CORRECT THE ERRONEOUS INCLUSION OF A MINIMUM QUALFIYING FACILITY ("QF") SIZE OF 45 KW?

A. Yes.

Q. KYSEIA WITNESS BARNES CLAIMS IT IS "NONSENSICAL" TO APPLY LEGALLY ENFORCEABLE OBLIGATION ("LEO") CONDITIONS TO AS AVAILABLE ENERGY PURCHASES[15]. DO YOU AGREE?

A. No. Witness Barnes correctly identifies on page 16 of his testimony that one of the benefits to a QF owner that an LEO provides is certainty that the utility will, in fact, be required to purchase the power it produces. However, it is unclear why he believes this certainty would not be useful to a customer selling power on an "as available" basis. Moreover, Witness Barnes' Testimony on this point is internally inconsistent. Mr. Barnes states "[t]here are many provisions of power purchase agreement ("PPA")

[14] Barnes Direct Testimony at 5.

[15] *Id.* at 13.

contracts that remain valuable to both the utility, the QF, and the Commission regardless of whether the QF is selling output to the utility pursuant to a LEO."[16]

This statement presumes the Company can or should enter into a PPA before the QF owner has demonstrated basic commercial viability and financial commitment. This is precisely what the FERC order language he quotes immediately above this statement is intended to prevent. He quotes FERC as saying "we clarify that a QF must demonstrate commercial viability and a financial commitment to construct its facility pursuant to objective and reasonable state-determined criteria before the QF is entitled to a contract or LEO." This language indicates it is broadly applicable to any contract – not just those with LEO-established, long-term pricing provisions as Witness Barnes would prefer.

Q. KYSEIA WITNESS BARNES PROVIDES AN EXAMPLE WHEREBY AN EXISTING NET METERING CUSTOMER SWITCHES TO TARIFF COGEN/SPP, CLAIMING THE LEO PROVISIONS OF THAT TARIFF WOULD BE "ABSURD" IF APPLIED, AND OVERLY BROAD AND BURDENSOME (PP. 23-24). PLEASE RESPOND.

A. Witness Barnes' Testimony on this point is confusing, because his answer concludes by observing just how simple it would be for an existing net metering customer to meet the LEO provisions: "what better way to demonstrate the 'commercial viability and a financial commitment to construct the facility', as the FERC articulated, than having already constructed and interconnected it?"[17] The Company disagrees that it would be

[16] *Id.* at 22.

[17] *Id.* at 24.

burdensome for any customer to establish an LEO before the Company is obligated to enter into an agreement for the purchase of power. Indeed, it should be simple for those already connected under the net metering program.

Q. KYSEIA WITNESS BARNES CLAIMS THE LEO CONDITIONS WOULD ERECT BARRIERS TO QF DEVELOPMENT IF APPLIED TO SMALL CUSTOMER-SITED GENERATION[18], AND THAT THE PROVISIONS RELATED TO (I) FILING A FERC FORM 556; (II) REQUIRING "VAGUE, NON-SPECIFIC, AND POTENTIALLY UNTIMELY INFORMATION REGARDING SITE CONTROL; AND (III) REQUIRING A DEPOSIT FOR SYSTEM IMPACT AND FACILITY STUDIES IN PARTICULAR ARE UNREASONABLE.[19] PLEASE RESPOND.

A. The Company disagrees that any of the LEO provisions would erect barriers to the development of QFs of any size, as I describe further below.

Q. PLEASE RESPOND TO WITNESS BARNES'S CONTENTION THAT THE LEO PROVISIONS ALLOW FOR THE EXERCISE OF TOO MUCH DISCRETION BY THE COMPANY[20].

A. Witness Barnes overstates the Company's control and the discretion it may use, speculating that review of customer documentation may be subject to the "whims" of the Company and vary from employee to employee, while understating or overlooking the control of the QF to establish the LEO. Moreover, to protect the reliability and

[18] *Id.* at 13, 25.

[19] *Id* .at 26.

[20] *Id.* at 27-28.

integrity of the system for all customers, and to avoid incurring expenses unnecessarily to the detriment of all customers, the Company must be able to verify the details of the proposed interconnection and that the QF is entitled to payment for the power it sells.

Ironically, Witness Barnes' recommendation for demonstration of site control and local permitting closely aligns with the balance of responsibilities and discretion proposed by the Company. Witness Barnes recommends the use of a standard form with guidance that "reflects the specific documentation that is sufficient to document" site control and efforts to obtain local permitting approval.[21] But then he recommends that a "QF should be permitted to satisfy these criteria through means other than those specifically defined in the guidance, subject to the Company's review".[22] This second part aligns with the Company's proposal to put QFs in the driver's seat to establish site control and permitting efforts, subject to the Company's review. A standardized form such as the example he provides from North Carolina is not necessary.

Q. PLEASE ADDRESS WITNESS BARNES' CONCERNS WITH THE COMPANY'S REQUIREMENT THAT A QF FILE A FERC FORM 556.

A. As for the requirement to file a FERC Form 556, Witness Barnes takes exception to the Company requiring a QF smaller than 1 MW to file Form 556 with FERC, given FERC does not require such a filing.[23] As indicated in discovery, the Company is willing to modify this provision of its Tariff COGEN/SPP, on compliance, to eliminate the filing

[21] *Id.* at 28.

[22] *Id.*

[23] *Id.* at 29.

of the form – but the Company would still require the QF to provide much of the information presented on that form to the Company.

Form 556 requires basic data such whether it is a cogenerator or a small power production facility, expected installation and operation date, fuel type, location, expected production capacity, location of affiliated QFs (to demonstrate compliance with FERC's size limitations), etc. (There are more technical requirements for cogenerators, but these type of systems appear to be outside of Witness Barnes' concerns for owners of small renewable facilities.) The Company would need this type of information to study the connection of the QF and determine its eligibility for compensation under the tariff. It would be imprudent for the company to provide such compensation to QFs without establishing these basic facts, given that the compensation the Company pays to QF owners is reflected in the rates of all customers. A "simple customer attestation,"[24] as suggested by Witness Barnes, would be insufficient.

Q. PLEASE ADDRESS WITNESS BARNES' CONCERNS WITH THE COMPANY'S REQUIREMENT FOR STUDY DEPOSITS.

A. Witness Barnes claims that system impact studies and facilities studies are unlikely to be necessary for many small QFs, and that QF owners would have to pay for these studies "up front" regardless of whether any study will actually be needed.[25] This is a misunderstanding of the Company's proposed LEO requirement. The Company will only require a deposit for additional studies if the engineering team deems additional

[24] *Id.* at 30.

[25] *Id.*

studies are needed. This is intended to protect all customers. If the Company performs these studies and then the QF does not become operational, that cost of performing the study would have to be collected from all other customers. Requiring the deposit before performing the study ensures that the cost causer pays the cost.

The Company is amenable to adjusting the COGEN/SPP tariff language to clarify this as follows: "Proof of a deposit, paid in full, to cover the estimated costs for a system impact or facilities study, such as an engineering review or distribution study, if the Company determines that such study or studies become necessary."

Q. AT PAGE 31, KYSEIA WITNESS BARNES TAKES ISSUE WITH THE FACT THAT THE COMBINED TARIFF COGEN/SPP WOULD CONTINUE TO REFLECT A REQUIREMENT THAT FACILITIES OVER 10 KW IN SIZE TAKE SERVICE PURSUANT TO A DEMAND-METERED TARIFF. PLEASE RESPOND.

A. As observed by Witness Barnes, this requirement currently appears in the Company's COGEN/SPP I tariff and isn't stated in the Company's COGEN/SPP II tariff because it is likely such customers are already taking service pursuant to a demand-metered tariff. It is not a requirement for net metered customers. No changes would result from this requirement remaining in the proposed combined Tariff COGEN/SPP. No customers will be "shifted" to a demand-metered rate, as Witness Barnes incorrectly claims. And as had explained, the net metering tariff remains an available option for customers, with plenty of space to accommodate new net metering customers.

Q. PLEASE RESPOND TO KYSEIA WITNESS BARNES OBJECTION TO THE INCLUSION OF A DEMAND RATE REQUIREMENT FOR QF FACILITIES GREATER THAN 10 KW BEGINNING AT PAGE 31 OF HIS DIRECT TESTIMONY.

A. Mr. Barnes frames the recommendation as if the Company's COGEN/SPP language is in place to force customers to a demand rate schedule and/or limit their facility size. Neither of these assumptions is true; residential customers can make the choice to take service under NMS II or COGEN/SPP, depending upon their ability to meet the requirements, and the Company will not force them to a RSD tariff schedule as it is optional. The 10 kW threshold, currently in place in COGEN/SPP II, is specific to the non-residential customers who would necessarily be paying a demand rate whether or not the 10 kW threshold is included in the tariff.

Q. BEGINNING AT PAGE 39 OF HIS TESTIMONY, WITNESS BARNES PROVIDES COMMENTS ON THE TARIFF LANGUAGE ADDRESSING CONTRACT TERM LENGTHS AND RECOMMENDS A REVISION. PLEASE RESPOND.

A. The term of a QF's contract has always been a matter of the QF's choosing, and Witness Barnes' proposed edits are unnecessary for it to remain that way.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

VERIFICATION

The undersigned, Michael M. Spaeth, being duly sworn, deposes and says he is a Regulatory Pricing and Analysis Manager for American Electric Power Service Corporation, 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.

Michael M. Spaeth

State of Ohio)
)
County of Franklin)

Case No. 2025-00257

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Michael M. Spaeth, on 12/16/2025.

Notary Public

NOTARIAL SEAL STATE OF OHIO

BRETT E. SCHMIED, Attorney At Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date
Sec. 147.03 R.C.

My Commission Expires N/A

Notary ID Number _____