

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

An Electronic Examination By The Public Service	)	
Commission of the Environmental Surcharge	)	
Mechanism of Kentucky Power Company for the	)	Case No. 2025-00267
Two-Year Billing Period Ending June 30, 2025	)	

DIRECT TESTIMONY OF

JOHN D. CULLOP

ON BEHALF OF KENTUCKY POWER COMPANY

**DIRECT TESTIMONY OF
JOHN D. CULLOP ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

CASE NO. 2025-00267

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION	1
II. BACKGROUND	1
III. PURPOSE OF TESTIMONY	2
IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD	2
V. ADJUSTMENTS	4
VI. RETURN ON EQUITY	4
VII. ROLL-IN OF ENVIRONMENTAL COSTS TO BASE RATES	5
VIII. CONCLUSION.....	6

EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
EXHIBIT JDC-1	Direct Testimony of John D. Cullop in Case No. 2025-00036

**DIRECT TESTIMONY OF
JOHN D. CULLOP ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

CASE NO. 2025-00267

I. INTRODUCTION

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

2 A. My name is John D. (J.D.) Cullop. My position is Regulatory Consultant Senior for
3 Kentucky Power Company (“Kentucky Power” or the “Company”). My business address
4 is 1645 Winchester Avenue, Ashland, Kentucky 41101.

II. BACKGROUND

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

7 A. I received a Bachelor of Business Administration degree from Morehead State University
8 in Morehead, Kentucky in 2016. From 2017 through 2022 I worked at Lithko Contracting,
9 LLC., a concrete contracting company based out of West Chester, Ohio, as a tax and
10 accounting analyst. I then worked in a corporate accounting and analyst position with Big
11 Sandy Distribution, Inc., until I accepted my current position with Kentucky Power
12 Company in August 2024.

13 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
14 **KENTUCKY POWER?**

15 A. My primary responsibility is supporting the Company’s various regulatory activities. As
16 part of these responsibilities, I prepare the Company’s monthly Fuel Adjustment Clause
17 (“FAC”) filings, monthly Tariff Environmental Surcharge (“Tariff E.S.”) filings, and assist
18 with the Company’s other periodic regulatory filings.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
2 **PROCEEDINGS?**

3 A. Yes. I submitted testimony in the Company's most recent examination of the
4 environmental surcharge for three six-month periods, in Case No. 2025-00036. I also
5 submitted testimony in Case No. 2025-00257, the Company's currently pending base rate
6 case before this Commission.

III. PURPOSE OF TESTIMONY

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

8 A. My testimony supports the Company's monthly environmental surcharge filings during the
9 two-year review period (July 2023 through June 2025). In addition, my testimony
10 addresses the return on equity ("ROE") and environmental base rates during the review
11 period and going forward.

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

13 A. Yes. I am sponsoring the following exhibit:

- 14 • Exhibit JDC-1 – Direct Testimony of John D. Cullop in Case No. 2025-00036

IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE
REVIEW PERIOD

15 **Q. WHAT IS THE PERIOD OF REVIEW FOR THIS CASE?**

16 A. This review covers the two-year period from the expense months of July 2023 through June
17 2025.

1 **Q. PLEASE DESCRIBE THE OPERATION AND CALCULATION OF THE**
2 **ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD?**

3 A. The review period includes periods subject to the Commission's orders in Case No. 2020-
4 00174 (base rate case effective for service rendered on and after January 14, 2021 through
5 January 15, 2024), Case No. 2023-00159 (base rate case effective for service rendered on
6 and after January 16, 2024), Case No. 2021-00004 (2021 Environmental Compliance Plan
7 ("2021 ECP")), and Case No. 2023-00372 (examination of the environmental surcharge
8 mechanism for the two-year periods ending June 30, 2021 and June 30, 2023).

9 The Company operated its environmental surcharge in accordance with its Tariff
10 E.S. as approved by the Commission in the cases mentioned above over the course of the
11 review period and appropriately pro-rated the applicable environmental surcharge rates
12 when necessary.

13 **Q. HAS THE COMMISSION RECENTLY REVIEWED THE ENVIRONMENTAL**
14 **SURCHARGE?**

15 A. Yes, in Case No. 2025-00036, the Commission reviewed the Environmental Surcharge for
16 the time periods of: (1) July 1, 2023 – December 31, 2023; (2) January 1, 2024 – June 30,
17 2024; and (3) July 1, 2024 – December 31, 2024. This case is opened to review those same
18 time-periods, plus the additional six-month period of January 1, 2025 – June 30, 2025.

19 **Q. WHAT WERE THE COMMISSION'S FINDINGS IN CASE NO. 2025-00036?**

20 A. After examination, the Commission found that the environmental surcharge amounts
21 determined by Kentucky Power for the six-month billing periods ended December 31,
22 2023, June 30, 2024, and December 31, 2024, are just and reasonable.

1 **Q. WERE THERE ANY PERTINENT CHANGES TO THE ENVIRONMENTAL**
2 **SURCHARGE DURING THE REVIEW PERIOD IN THIS CASE?**

3 A. Yes. As further explained in my direct testimony in Case No. 2025-00036¹, which is
4 included as Exhibit JDC-1, multiple Commission orders in the cases listed above resulted
5 in changes to the environmental surcharge during the review period. The Company's
6 application of the relevant changes in its Tariff E.S. and environmental surcharge forms
7 during the review period was consistent with the Commission's orders in each case.

8 **Q. WERE THERE ANY FURTHER CHANGES TO THE ENVIRONMENTAL**
9 **SURCHARGE DURING THE FINAL SIX MONTHS OF THE REVIEW PERIOD**
10 **NOT SUBJECT TO REVIEW IN CASE NO. 2025-00036?**

11 A. No.

V. ADJUSTMENTS

12 **Q. HAS THE COMPANY IDENTIFIED ANY ADJUSTMENTS TO BE ADDRESSED**
13 **FOR THE CURRENT REVIEW PERIOD?**

14 A. No. The Company is not proposing any adjustments in connection with this proceeding.

VI. RETURN ON EQUITY

15 **Q. WHAT RETURN ON EQUITY IS THE COMPANY PROPOSING?**

16 A. The Company is proposing a 9.65% ROE for the environmental surcharge until the
17 Commission establishes a new rate, for example, in the Company's current base rate case
18 (Case No. 2025-00257).

¹ Cullop Direct Testimony at pg. 3, ln 4 – pg. 8, ln 2, *In The Matter Of: An Electronic Examination By The Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Power Company for the Six-Month Billing Periods Ending December 31, 2023, June 30, 2024, and December 31, 2024*, Case No. 2025-00036 (Ky. P.S.C. February 28, 2025).

1 **Q. WHAT IS THE BASIS FOR THIS PROPOSAL?**

2 A. The proposed ROE is consistent with the Commission’s January 19, 2024 Order in Case
3 No. 2023-00159² and June 20, 2025 Order in Case No. 2025-00036³. Specifically, these
4 Orders authorized and directed Kentucky Power to use an ROE of 9.65%, a weighted
5 average cost of capital (“WACC”) of 6.79%, a tax gross-up factor (“GRCF”) of 1.339896,
6 and an overall grossed-up return (“Pre-Tax WACC”) of 8.16% in all monthly
7 environmental surcharge filings. Accordingly, an ROE of 9.65% is reasonable until the
8 Commission establishes a new rate.

VII. ROLL-IN OF ENVIRONMENTAL COSTS TO BASE RATES

9 **Q. IS THE COMPANY PROPOSING TO ROLL ANY ENVIRONMENTAL COSTS**
10 **INTO ITS BASE RATES AS PART OF THIS TWO-YEAR REVIEW?**

11 A. No. The Company is not proposing to roll any environmental costs into its base rates in
12 this case. This approach is consistent with the approach advocated by the Company in prior
13 two-year environmental surcharge review proceedings. The Company is proposing to
14 establish new environmental base rates in its currently pending base rate case, Case No.
15 2025-00257.

² The January 19, 2024 Order in Appendix A, pg. 5, established a ROE of 9.75% for base rates, and “9.65% ROE will be applicable to the equity component of the Company’s riders to which a weighted average cost of capital is applied.”

³ The June 20, 2025 Order, pg. 4, “the Commission finds that the rates used are reasonable and that the combination of these components, which produces an overall grossed-up rate of return of 8.16 percent, should be used in all monthly environmental surcharge filings subsequent to the date of this Order.”

VIII. CONCLUSION

1 **Q. WERE THE RATES CHARGED THROUGH THE ENVIRONMENTAL**
2 **SURCHARGE DURING THE REVIEW PERIOD IN ACCORDANCE WITH**
3 **TARIFF E.S. AND APPLICABLE COMMISSION ORDERS?**

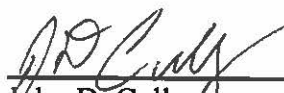
4 **A.** Yes. The environmental surcharge rates were fair, just, and reasonable because the rates
5 charged complied with the Company's Commission approved tariffs and the Commission's
6 applicable orders.

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

8 **A.** Yes, it does.

VERIFICATION

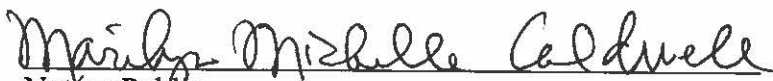
The undersigned, John D. Cullop, being duly sworn, deposes and says he is the Regulatory Consultant Senior for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.


John D. Cullop

Commonwealth of Kentucky)
)
County of Boyd)

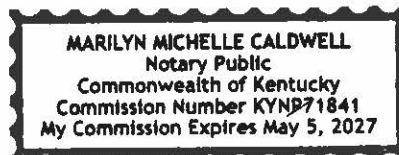
Case No. 2025-00267

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John D. Cullop, on 10/14/2025.


Notary Public

My Commission Expires May 5, 2027

Notary ID Number KYNP71841



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

An Electronic Examination By The Public Service	)	
Commission of the Environmental Surcharge	)	
Mechanism of Kentucky Power Company for the	)	Case No. 2025-00036
Six-Month Billing Periods Ending December 31,	)	
2023, June 30, 2024, and December 31, 2024	)	

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TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION	1
II. BACKGROUND	1
III. PURPOSE OF TESTIMONY.....	2
IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD	2
V. ADJUSTMENTS	8
VI. CONCLUSION.....	8

EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
EXHIBIT JDC-1	Illustration of ES Forms' Reorganization

**DIRECT TESTIMONY OF
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CASE NO. 2025-00036

I. INTRODUCTION

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

2 A. My name is John D. (J.D.) Cullop. My position is Regulatory Consultant Senior for
3 Kentucky Power Company (“Kentucky Power” or the “Company”). My business address
4 is 1645 Winchester Avenue, Ashland, Kentucky 41101.

II. BACKGROUND

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

7 A. I received a Bachelor of Business Administration degree from Morehead State University
8 in Morehead, Kentucky in 2016. From 2017 through 2022 I worked at Lithko Contracting,
9 LLC., a concrete contracting company based out of West Chester, Ohio, as a tax and
10 accounting analyst. I then worked in a corporate accounting and analyst position with Big
11 Sandy Distribution, Inc., until I accepted my current position with Kentucky Power
12 Company in August 2024.

13 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH**
14 **KENTUCKY POWER?**

15 A. My primary responsibility is supporting the Company’s various regulatory activities. As
16 part of these responsibilities, I prepare the Company’s monthly Fuel Adjustment Clause
17 (“FAC”) filings, monthly Environmental Surcharge Tariff (“Tariff E.S.”) filings, and assist
18 with the Company’s other periodic regulatory filings.

III. PURPOSE OF TESTIMONY

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

2 A. My testimony supports the Company's monthly environmental surcharge filings during the
3 review period (July 2023 through December 2024).

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

5 A. Yes. I am sponsoring the following exhibits:

- 6 • EXHIBIT JDC-1: Illustration of ES Forms' Reorganization

**IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE
 REVIEW PERIOD**

7 **Q. WHAT IS THE PERIOD OF REVIEW FOR THIS CASE?**

8 A. This review covers three 6-month periods from the expense months of July 2023 through
9 December 2024.

10 **Q. PLEASE DESCRIBE THE OPERATION AND CALCULATION OF THE
11 ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD?**

12 A. The review periods include periods subject to the Commission's orders in Case No. 2020-
13 00174 (base rate case effective for service rendered on and after January 14, 2021 through
14 January 15, 2024), Case No. 2023-00159 (base rate case effective for service rendered on
15 and after January 16, 2024), Case No. 2021-00004 (2021 Environmental Compliance Plan
16 ("2021 ECP")), and Case No. 2023-00372 (examination of the Environmental Surcharge
17 mechanism for the two-year periods ending June 30, 2021 and June 30, 2023).

18 The Company operated its environmental surcharge in accordance with its Tariff
19 E.S. as approved over the course of the review period, and pro-rated applicable
20 environmental surcharge rates for certain expense months when new rates were approved

1 as described in my next answer. The Company's approach in this regard was consistent
2 with its approach in other circumstances where the Commission authorized changes in
3 tariff rates for services rendered after certain dates.

4 **Q. WERE THERE ANY PERTINENT CHANGES TO THE ENVIRONMENTAL**
5 **SURCHARGE DURING THE REVIEW PERIOD?**

6 A. Yes. Below provides a summary of the major changes made to the environmental surcharge
7 during the review period.

8 Case No. 2020-00174 (2020 Base Rate Case)

9 In its January 13, 2021 Order and February 22, 2021 rehearing Order in Case No. 2020-
10 00174, the Commission:

- 11 • Determined cash working capital should be removed from the Tariff E.S. rate;
- 12 • For non-Rockport environmental projects, established a ROE of 9.10%¹, a
13 weighted average cost of capital ("WACC") of 6.11%, gross revenue conversion
14 factor ("GRCF") of 1.352731 and resultant rate of return of 7.50%; and
- 15 • Established new monthly environmental base amounts.

16 The Company appropriately pro-rated the January 2021 expense month to account for the
17 Commission's Order stating the above changes were to take effect with service rendered
18 on and after January 14, 2021.

19 Regarding this review period, the environmental base amounts, WACC, GRCF, and
20 resultant rate of return for non-Rockport environmental projects established in this case

¹ The February 22, 2021 Order stated at pp. 22 that the Company "will revise its monthly forms to calculate the return on Mitchell Non-FGD plant as of March 31, 2020, with an ROE of 9.3 percent and the return on additional Mitchell Non-FGD plant with an ROE of 9.1 percent."

1 were in effect from the beginning of this review period in July 2023 through January 15,
2 2024 when the Commission's January 19, 2024 Order in Case No. 2023-00159 took effect.

3 Case No. 2021-00004 (2021 ECP)

4 In its July 15, 2021 Order in Case No. 2021-00004, the Commission approved the inclusion
5 of Project 22 for the construction and associated work in connection with the wastewater
6 ponds necessary to meet the requirements of Coal Combustion Residual ("CCR") rule at
7 the Mitchell Plant. Further, the Order:

- 8 • Affirmed the 9.10% ROE for non-Rockport environmental projects established in
9 the above (Case No. 2020-00174);
- 10 • Approved the addition of the construction work in progress to the environmental
11 surcharge rate base until new assets are placed in service; and
- 12 • Approved the Company's request to recover the already incurred costs for the
13 planning of Project 22 on a levelized basis.

14 In the Company's September 20, 2021 environmental surcharge filing the Company
15 notified the Commission that it updated its reporting formats commensurate with the Order.
16 Further, the Company appropriately pro-rated the September 2021 expense month to
17 account for the Commission's Order stating the above changes were to take effect with
18 service rendered on and after September 28, 2021.

19 Additionally, the Commission's May 3, 2022 Order provided that:

- 20 • A 20% depreciation rate should be utilized for the CCR project; and
- 21 • Steam Electric Effluent Limitation Guideline ("ELG") compliance project costs
22 incurred prior to July 15, 2021 Order totaling approximately \$1.4 million were
23 prudently incurred preconstruction activities appropriate for the pursuit of a CPCN

1 and approved the Company's request to establish a regulatory asset to be amortized
2 and recovered through Tariff E.S. over two years.

3 In the Company's June 20, 2022 environmental surcharge filing the Company notified the
4 Commission that it updated its reporting formats commensurate with the Order. The above
5 did not require proration as the amended Tariff E.S. sheets were approved on a bills
6 rendered basis effective September 29, 2022 (first billing cycle for October 2022).

7 Regarding this review period, the Company concluded recovery of a return on pre-
8 August 2021 Construction Work in Progress associated with the work at the Mitchell
9 Generating Station to comply with the Environmental Protection Agency's Coal
10 Combustion Residuals Rule in October 2023. This was recovered on a levelized basis over
11 a 27-month period beginning with August 2021 expense month in accordance with the
12 Commission's Order², and the amount for return was included on Line 10A of Form 1.0.

13 In its April 2024 filing, the Company amortized the final monthly installment of its
14 regulatory asset for ELG compliance project costs incurred prior to July 15, 2021. These
15 installments were included on Line 41 of Form 3.13 / Form 3.10.

16 On September 10, 2024, the wastewater ponds built in association with the
17 Commission's approval of the CCR project went into service. Accordingly, the following
18 updates were made to Form 3.10 in the Company's October 2024 report (September
19 expense month) consistent with the Commission's above Orders in this case:

- 20 • Lines 1 through 4 (calculation of net plant) – began inclusion of these costs;
21 • Line 13 (CWIP) – ceased inclusion of this project;

² Order at 24-25, *In The Matter Of: Electronic Application Of Kentucky Power Company For Approval Of A Certificate Of Public Convenience And Necessity For Environmental Project Construction At The Mitchell Generating Station, An Amended Environmental Compliance Plan, And Revised Environmental Surcharge Tariff Sheets*, Case No. 2021-00004 (Ky. P.S.C. July 15, 2021).

- 1 • Line 38 (monthly depreciation expense) – ensured that the wastewater ponds
- 2 were not captured within this line as it has its own unique depreciation rate; and
- 3 • Line 40 (monthly CCR depreciation expense) – began inclusion in this line
- 4 based on the 20% rate approved by the Commission in its May 3, 2022 Order
- 5 in this case.

6 As explained in the November 18, 2024 cover letter, Kentucky Power began

7 recognizing asset retirement obligation (“ARO”) accretion expense and ARO depreciation

8 expense related to incremental ARO associated with the Federal EPA’s Revised CCR and

9 ELG Rules. Based on the Commission’s May 2, 2022 Order in Case No. 2021-00004,

10 costs associated with Mitchell Plant, specifically costs of CCR compliance, are recoverable

11 through the Company’s Environmental Surcharge. Accordingly, Form 3.10 was further

12 updated in the October 2024 filing to include on a going forward basis Line 41 (monthly

13 legacy CCR Rule – ARO depreciation and accretion expense).

14 Case No. 2023-00159 (2023 Base Rate Case)

15 In its January 19, 2024 Order in Case No. 2023-00159, the Commission:

- 16 • Approved the removal of Rockport related forms in their entirety (3.20 and 3.21)
- 17 and references to Rockport throughout the other forms where applicable;
- 18 • Approved the reformatting and reorganization of the Forms³;
- 19 • For rider mechanisms to which a WACC is applied, established an ROE of 9.65%⁴,
- 20 a WACC of 6.79%, a GRCE of 1.339896, and a resultant rate of return of 8.16%;

³ See Exhibit JDC-1 for details on the reorganization of Tariff E.S. Forms which was approved in Case No. 2023-00159.

⁴ The January 19, 2024 Order in Appendix A, pg. 5, established a ROE of 9.75% for base rates, and “9.65% ROE will be applicable to the equity component of the Company’s riders to which a weighted average cost of capital is applied.”

- Reestablished an allowance for cash working capital based on the authorized net operations and maintenance expense lead days of 53.92; and
- Established new monthly base amounts.

The Company appropriately pro-rated the January 2024 expense month to account for the Commission's Order stating the above changes were to take effect with service rendered on and after January 16, 2024.

Form 2.00 (previously Form 1.10) was updated to reflect the new environmental base amounts.

Form 3.10 (previously Form 3.13) was updated to reflect the approved WACC and was pro-rated in January for the period beginning January 16, 2024.

Form 3.50 (previously Form 3.33) was updated to include the cash working capital allowance based on the authorized lead days. While Form 3.33 was filed monthly, it was not utilized within the calculation for environmental surcharge factors due to the Commission's January 13, 2021 Order in Case No. 2020-00174. The calculations in Form 3.50 are included on Line 14 of Form 3.10.

Case No. 2023-00372 (Examination of the Environmental Surcharge for the two-year periods ending June 30, 2021 and June 30, 2023)

In their August 8, 2024 Order in Case No. 2023-00372, the Commission approved the Company's determination that it had an under-recovery amount of \$295,255 related to a misallocation of funds to be collected which was not reflected on Form 1.01, Line 10A for its April 2021 filing.

The Commission ordered that the total amount should be collected in the environmental surcharge in the first billing month after the date of the Order. Accordingly,

1 this was included on Form 1.10, Line 10B in the Company's July 2024 filing (billed in
2 September 2024).

V. ADJUSTMENTS

3 **Q. HAS THE COMPANY IDENTIFIED ANY ADJUSTMENTS TO BE ADDRESSED**
4 **FOR THE CURRENT REVIEW PERIOD?**

5 A. No. The Company is not proposing any adjustments in connection with this proceeding.

VI. CONCLUSION

6 **Q. WERE THE RATES CHARGED THROUGH THE ENVIRONMENTAL**
7 **SURCHARGE DURING THE REVIEW PERIOD IN ACCORDANCE WITH**
8 **TARIFF E.S. AND APPLICABLE COMMISSION ORDERS?**

9 A. Yes. The environmental surcharge rates were fair, just, and reasonable because the rates
10 charged complied with the Company's Commission approved tariffs and the Commission's
11 applicable orders.

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

13 A. Yes, it does.