

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)
Six-Month Billing Period Ending December 31, 2025)

Case No. 2026-00071

DIRECT TESTIMONY OF
JOHN D. CULLOP
ON BEHALF OF KENTUCKY POWER COMPANY

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EXHIBITS

| <u>EXHIBIT</u> | <u>DESCRIPTION</u> |
|-----------------------|--|
| EXHIBIT JDC-1 | Illustration of changes to Form 3.10 and Form 3.30 |

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I. INTRODUCTION

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

2 A. My name is John D. (J.D.) Cullopp. 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.

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

3 A. Yes. I have submitted testimony in two of the Company's recent examinations of the
4 environmental surcharge, in Case No. 2025-00036 and Case No. 2025-00267. I also
5 submitted testimony in Case No. 2025-00257, the Company's most recent base rate case.

III. PURPOSE OF TESTIMONY

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

7 A. My testimony supports the Company's monthly environmental surcharge filings during the
8 review period.

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

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

- 11 • EXHIBIT JDC-1: Illustration of changes to Form 3.10 and Form 3.30

IV. OPERATION OF THE ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD

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

13 A. This review covers the 6-month period from the expense months of July 2025 through
14 December 2025.

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

17 A. The Company operated its environmental surcharge in accordance with its Tariff E.S., as
18 approved in its 2023 Base Rate Case (Case No. 2023-00159), over the course of the review
19 period.

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

3 A. Yes. The Commission's December 30, 2025 Order in Case No. 2025-00175 approved
4 Kentucky Power to make the ELG investments necessary to continue receiving capacity
5 and energy from the Mitchell Plant beyond December 31, 2028. In accordance with that
6 Order, the Company updated its Form 3.10 and Form 3.30 for December 2025 expense
7 month to include the following¹:

- 8 • Form 3.10 – Line 13 for ELG regulatory asset;
- 9 • Form 3.10 – Line 42 to isolate the depreciation expense specific to the capital plant
10 portion of the ELG Project;
- 11 • Form 3.10 – Line 44 for the monthly installment of the ELG regulatory asset to be
12 amortized through 2040; and
- 13 • Form 3.30 – Project 23 (ELG Project) was added to Kentucky Power's
14 Environmental Compliance Plan.

15 However, while the forms were updated, no costs associated with these changes were
16 included for these new line items during the review period.

V. ADJUSTMENTS

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

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

¹ Please see **EXHIBIT JDC-1** for an illustration of these changes as presented in Kentucky Power's environmental surcharge filing for expense month December 2025.

VI. 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.

KENTUCKY POWER COMPANY
Environmental Surcharge
Form 3.10 - Mitchell Environmental Costs

| Ln. No. | Cost Component | Non-FGD Costs | FGD Costs | Total Costs |
|---------|---|-----------------------|-----------------------|-----------------------|
| 1 | Utility Plant at Original Cost | \$ 409,569,396 | \$ 329,127,459 | \$ 738,696,856 |
| 2 | Less Accumulated Depreciation | \$ 188,233,303 | \$ 173,762,352 | \$ 361,995,656 |
| 3 | Less Accumulated Deferred Income Tax | \$ 56,501,506 | \$ 46,899,292 | \$ 103,400,798 |
| 4 | Net Utility Plant | \$ 164,834,587 | \$ 108,465,815 | \$ 273,300,402 |
| 5 | *SO2 Emission Allowance Inventory | \$ 8,397,188 | \$ - | \$ 8,397,188 |
| 6 | *CSAPR S02 Emission Allowance Inventory | \$ 19,963 | \$ - | \$ 19,963 |
| 7 | *CSAPR NOx Emission Allowance Inventory (Seasonal) | \$ - | \$ - | \$ - |
| 8 | *CSAPR AN Emission Allowance Inventory (Annual) | \$ - | \$ - | \$ - |
| 9 | Limestone Inventory (1540006) | \$ - | \$ 1,686,144 | \$ 1,686,144 |
| 10 | Urea Inventory (1540012) | \$ 279,426 | \$ - | \$ 279,426 |
| 11 | Limestone In-Transit Inventory (1540022) | \$ - | \$ - | \$ - |
| 12 | Urea In-Transit Inventory (1540023) | \$ 321,502 | \$ - | \$ 321,502 |
| 13 | *****ELG Regulatory Asset Balance | \$ - | \$ - | \$ - |
| 14 | Construction Work in Progress (CWIP) | \$ - | \$ - | \$ - |
| 15 | Cash Working Capital Allowance | \$ 306,526 | \$ 169,938 | \$ 476,463 |
| 16 | Non-FGD Rate Base as of 3/31/2023 | \$ 196,186,892 | | |
| 17 | Additional Non-FGD Rate Base Post 3/31/2023 | \$ (22,027,700) | | |
| 18 | Total Rate Base | \$ 174,159,192 | \$ 110,321,896 | \$ 284,481,088 |
| 19 | ***WACC for Non-FGD Rate Base as of 3/31/2023 | 8.21% | 0.68% | 0.68% |
| 20 | ***WACC for FGD and Non-FGD Additions to 3/31/2023 Rate Base | 8.16% | 0.68% | 0.68% |
| 21 | Monthly Return for Non-FGD Rate Base as of 3/31/2023 | \$ 1,342,245 | | \$ 1,342,245 |
| 22 | Monthly Return for FGD and Non-FGD Additions to 3/31/2023 Rate Base | \$ (149,788) | \$ 750,189 | \$ 600,401 |
| 23 | Monthly Disposal (5010000) | \$ - | \$ (80,093) | \$ (80,093) |
| 24 | Monthly Fly Ash Sales (5010012) | \$ 1,249 | \$ - | \$ 1,249 |
| 25 | Monthly Urea Expense (5020002) | \$ 102,624 | \$ - | \$ 102,624 |
| 26 | Monthly Trona Expense (5020003) | \$ - | \$ - | \$ - |
| 27 | Monthly Lime Stone Expense (5020004) | \$ - | \$ 271,851 | \$ 271,851 |
| 28 | Monthly Polymer Expense (5020005) | \$ - | \$ - | \$ - |
| 29 | Monthly Lime Hydrate Expense (5020007) | \$ - | \$ - | \$ - |
| 30 | Monthly WV Air Emission Fee | \$ 5,475 | \$ - | \$ 5,475 |
| 31 | **SO2 Consumption | \$ 1,020 | \$ - | \$ 1,020 |
| 32 | **CSAPR S02 Consumption | \$ 5 | \$ - | \$ 5 |
| 33 | CSAPR Annual NOx Consumption | \$ - | \$ - | \$ - |
| 34 | CSAPR Seasonal NOx consumption | \$ - | \$ - | \$ - |
| 35 | Total Monthly Operation Costs | \$ 1,302,831 | \$ 941,947 | \$ 2,244,778 |
| 36 | Monthly FGD Maintenance Expense | \$ - | \$ 106,180 | \$ 106,180 |
| 37 | Monthly Non-FGD Maintenance Expense | \$ 107,984 | \$ - | \$ 107,984 |
| 38 | Total Monthly Maintenance Expense | \$ 107,984 | \$ 106,180 | \$ 214,163 |
| 39 | Monthly Depreciation Expense | \$ 934,939 | \$ 811,848 | \$ 1,746,787 |
| 40 | Monthly Catalyst Amortization Expense | \$ 98,347 | \$ - | \$ 98,347 |
| 41 | ****Monthly CCR Depreciation Expense | \$ 351,647 | \$ - | \$ 351,647 |
| 42 | *****Monthly ELG Depreciation Expense | \$ - | \$ - | \$ - |
| 43 | Monthly Legacy CCR-ELG Rules - ARO Depreciation and Accretion Expense | \$ 233,396 | \$ - | \$ 233,396 |
| 44 | *****Monthly Installment of ELG Regulatory Asset Amortization | \$ - | \$ - | \$ - |
| 45 | Monthly Property Tax | \$ 20,311 | \$ 16,321 | \$ 36,632 |
| 46 | Total Monthly Other Expenses | \$ 1,638,639 | \$ 828,169 | \$ 2,466,808 |
| 47 | Total Monthly Operation, Maintenance, and Other Expenses | \$ 1,856,996 | \$ 1,126,107 | \$ 2,983,103 |
| 48 | O&M for corresponding month of test year | \$ 1,333,813 | \$ 1,096,895 | \$ 2,430,708 |
| 49 | Difference in Test Year Month O&M & Current Month O&M | \$ 523,183 | \$ 29,213 | \$ 552,395 |
| 50 | Gross-up for Uncollectible Expense & KPSC Maint Fee 0.005523 | \$ 2,890 | \$ 161 | \$ 3,050.88 |
| 51 | Total Revenue Requirement | \$ 3,052,343 | \$ 1,876,457 | \$ 4,928,800 |

* Inventory Includes Total Kentucky Power allowances inventory.

** Includes Consumption for Mitchell only.

*** In accordance with the Commission's January 19, 2024 Order in Case No. 2023-00159 Mitchell Non-FGD rate base as of 3/31/2023 is to utilize an ROE of 9.75 percent and the return on additional Mitchell Non-FGD plant an ROE of 9.65 percent.

**** In accordance with the Commission's July 15, 2021 and May 3, 2022 Orders in Case No. 2021-00004 and December 30, 2025 Order in Case No. 2025-00175.

***** In accordance with the Commission's December 30, 2025 Order in Case No. 2025-00175.

KENTUCKY POWER COMPANY
Environmental Surcharge
Form 3.30 - Mitchell Plant Original Plant and Accumulated Depreciation

| Plant | Description | Total In Service Cost | Accumulated Depreciation |
|--------------|--|------------------------------|---------------------------------|
| Mitchell | FGD | \$329,127,459 | \$173,762,352 |
| Mitchell | Mitchell Units 1 and 2 Water Injection | \$117,322 | \$70,768 |
| Mitchell | Low NOX Burners | \$2,566,586 | \$1,648,143 |
| Mitchell | Low NOX Burner Modification | \$14,195,467 | \$7,733,325 |
| Mitchell | SCR | \$160,980,728 | \$89,594,784 |
| Mitchell | Landfill | \$17,679,194 | \$9,582,614 |
| Mitchell | Coal Blending Facilities | \$16,417,970 | \$8,573,821 |
| Mitchell | SO3 Mitigation | \$10,970,473 | \$5,755,441 |
| Mitchell | Mitchell Plant Common CEMS | \$1,348,291 | \$770,321 |
| Mitchell | Replace Burner Barrier Valves | \$4,324,175 | \$2,433,489 |
| Mitchell | Gypsum Material Handling Facilities | \$16,167,946 | \$8,435,302 |
| Mitchell | Precipitator Modifications - Mitchell Plant Units 1 and 2 | \$12,781,397 | \$6,469,726 |
| Mitchell | Bottom Ash and Fly Ash Handling - Mitchell Plant Units 1 and 2 | \$21,542,460 | \$11,384,108 |
| Mitchell | Mercury Monitoring (MATS) - Mitchell Plant Units 1 and 2 | \$3,289,331 | \$1,295,443 |
| Mitchell | Dry Fly Ash Handling Conversion - Mitchell Plant Units 1 and 2 | \$64,634,316 | \$20,909,031 |
| Mitchell | Coal Combustion Waste Landfill - Mitchell Plant Units 1 and 2 | \$36,907,469 | \$11,771,566 |
| Mitchell | Electrostatic Precipitator Upgrade - Mitchell Plant Unit 2 | \$4,547,451 | \$956,156 |
| Mitchell | Wastewater Ponds (CCR) | \$21,098,821 | \$849,266 |
| Mitchell | Water Biological Treatment System with Ultrafiltration (ELG) | \$0 | \$0 |
| Mitchell | Non-FGD Total | \$409,569,396 | \$188,233,303 |

