

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 1st Meeting of the 2023 Interim

June 8, 2023

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Natural Resources and Energy was held on June 8, 2023, at 1:00 PM in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jim Gooch Jr., Co-Chair; Senator Brandon Smith, Co-Chair; Senator Cassie Chambers Armstrong, Senator Robby Mills, Senator John Schickel, Senator Adrienne Southworth, Senator Johnnie Turner, Senator Robin L. Webb, Senator Gex Williams, Representative Jared Bauman, Representative John Blanton, Representative Adam Bowling, Representative Randy Bridges, Representative Lindsey Burke, Representative Beverly Chester-Burton, Representative Patrick Flannery, Representative Al Gentry, Representative Daniel Grossberg, Representative DJ Johnson, Representative Suzanne Miles, Representative Tom Smith, Representative Bill Wesley, and Representative Richard White.

Guests: Cindy Wiseman, President and Chief Operating Officer, Kentucky Power; and Amy Elliott, External Affairs Manager, Kentucky Power.

LRC Staff: Stefan Kasacavage, Kayla Carroway, Tanya Monsanto, Rachel Hartley, and Emily Wiley.

Referred Administrative Regulations

Chair Gooch provided a brief overview of the administrative regulations on the agenda.

301 KAR 004:110 *Proposed* - Administration of drugs to wildlife.

301 KAR 002:090 *Proposed* - Means by which migratory game birds may be taken.

301 KAR 002:015 *Proposed* - Feeding of wildlife.

301 KAR 005:022 *Proposed* - License, tag, and permit fees.

301 KAR 005:020 *Proposed* - License agent requirements and responsibilities.

301 KAR 005:010 *Proposed* - License agent applications and agreements.

301 KAR 005:001 *Proposed* - Definitions for 301 KAR Chapter 5.

301 KAR 002:300 *Proposed* - Black bear seasons and requirements.

301 KAR 002:144 *Proposed* - Fall wild turkey hunting.

301 KAR 003:120 *Proposed* - Commercial nuisance wildlife control.

301 KAR 002:245 *Proposed* - Wanton waste and disposal of big game and upland game birds.

Discussion of the Cancellation of the Proposed Sale of Kentucky Power from American Electric Power to Liberty Utilities

Amy Elliott thanked the members for working with Kentucky Power to pass 23RS SB192 to allow for the securitization of certain utility regulatory assets, which will save Kentucky Power customers money.

Cindy Wiseman stated that, two years ago, Kentucky Power's parent company, American Electric Power (AEP), announced a strategic review of Kentucky Power. This review resulted in the initiation of the sale process of Kentucky Power from AEP to Liberty Utilities. On April 17, 2023, Kentucky Power and Liberty Utilities announced a mutual agreement to terminate the proposed sale. There was no single reason for termination, except for how long the sale was taking for approval. Ms. Wiseman stated that Kentucky Power is still dedicated to their customers and service region.

Ms. Wiseman stated that, since 2008, Kentucky Power has lost over 11,400 customers and experienced a 26 percent overall reduction in sales. She stated that this decrease trends with population loss in the region. The cost to serve is higher, due to fewer customers per square mile and line mile. Customers of Kentucky Power are also using more electricity than the national average. Kentucky Power is acutely aware of the challenging circumstances.

Ms. Wiseman stated that Kentucky Power's short-term strategies for helping their customers with rising energy costs include: securitizing a large portion of their rate base, focus on low-income programs, and community support. Ms. Elliott stated that Kentucky Power is working to change bill due dates from 15 to 21 days. Kentucky Power will file a rate review this summer and will file their securitization application on the effective date for 2023RS SB192, which is June 29, 2023. There are two benefits through securitization to customers, which include reduction of financing costs and spread of costs over a longer period of time.

In response to Chair Gooch, Ms. Elliott stated that Kentucky Power was not insured for natural disaster losses when Kentucky was affected by flooding and ice storms. Ms. Wiseman stated that utilities are normally not insured for acts of nature.

Ms. Wiseman stated that Kentucky Power's long-term strategies include: economic development, energy efficiency, and partnering to improve the region. Ms. Elliott stated that Kentucky Power revamped its economic development efforts in 2012. Efforts have been focused on site and building development, workforce training, and supporting regional economic development organizations. Kentucky Power spends \$800,000 per year on economic development. The company's economic development team has responded to 20 requests for information (RFIs) totaling \$17 billion in investments. Kentucky Power's hope is that some of the RFIs will come to fruition.

Ms. Wiseman stated that eastern Kentucky needs extreme improvements in weatherization and efficiency. The average customer for Kentucky Power uses 1,300 kilowatt-hours of electricity per month. Kentucky Power recently completed a market study to reintroduce Targeted Energy Efficiency programs. Kentucky Power is dedicated to the eastern Kentucky region and plans to improve reliability and safety for customers and employees.

In response to Chair Gooch, Ms. Wiseman stated that Kentucky Power has lost about 11,000 customers in 15 years and sales are down by 26 percent. She stated that some large load mining customers account for the loss. Regarding the percentage of power production in Kentucky, Ms. Wiseman stated that she did not know the exact percentage, but that Kentucky Power operates the roughly 300 MW Big Sandy Plant in Kentucky and has 50 percent ownership of the AEP Mitchell Plant, which is a coal fired plant in West Virginia, until 2028. The company also purchases least cost power in the market. Ms. Wiseman stated that Kentucky Power did not cut off any power to private customers during the winter of 2022. Ms. Elliott stated that there

are a few industrial customers who participate in an interruptible service tariff, which caused those customers to lose power briefly. Ms. Wiseman stated that Kentucky Power is taking efforts to identify new generation sources.

In response to Chair Smith, Ms. Wiseman stated that Kentucky Power is filing a rate case at the end of June 2023. They are working to keep rates low, but usage rates are higher in eastern Kentucky than in other parts of the state, and the past two to three years, Kentucky Power has lost about 2,000 customers. Investments in infrastructure and diversification of their generation fleet are necessary to evolve.

In response to Chair Smith, Ms. Elliott stated that Kentucky Power sent out meter inspectors after the eastern Kentucky floods to prevent further billing of those properties affected. For properties that weren't identified, Kentucky Power was able to remedy bills for customers who contacted the company. Kentucky Power will remain with AEP for the foreseeable future.

In response to Representative Wesley, Ms. Wiseman stated that Kentucky Power has programs in place to support customers in need. Moving forward, the company is looking at low income assistance programs to expand its support. Ms. Elliott stated that there are customer service representatives to remedy individual concerns, if needed. Ms. Wiseman requested that legislators tell constituents to contact Kentucky Power if there are issues with services.

In response to Representative Burke, Ms. Wiseman stated that it may be possible to further provide assistance by marrying other public services with Kentucky Power to support their service region. Kentucky Power is considering the opportunity to utilize renewable resources such as solar power.

Chair Gooch stated the committee will be approving the block grant for the Low Income Home Energy Assistance Program (LIHEAP) at the next interim joint committee meeting on July 20, 2023.

In response to Senator Webb, Ms. Wiseman stated that there are challenges ahead of Kentucky Power. The company is doing their part in economic development and attempting to mitigate rates of electricity, but they cannot do it alone. There is a plan to add renewable energy and more natural gas to Kentucky Power's generation portfolio.

In response to Representative Flannery, Ms. Wiseman stated that she does not know how many customers are not utilizing LIHEAP, that are qualified. The root issue is that there are not enough funds to support everyone that needs LIHEAP. Ms. Wiseman stated that Kentucky Power is not ready to expand to electric vehicles due to lack of infrastructure and demand.

In response to Chair Gooch, Ms. Wiseman stated that securing any power generation source is a lengthy and expensive process.

Adjournment

There being no further business, the meeting was adjourned.