

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

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JUL 13 2012

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF

APPLICATION OF KENTUCKY POWER COMPANY)
TO WITHDRAW ITS TARIFF RTP PENDING)
SUBMISSION BY THE COMPANY AND APPROVAL) CASE NO. 2012-00226
BY THE COMMISSION OF A NEW REAL-TIME)
PRICING TARIFF)

KENTUCKY POWER COMPANY'S RESPONSE TO
COMMISSION STAFF FIRST SET OF DATA REQUESTS

July 13, 2012

Kentucky Power Company

REQUEST

Refer to Kentucky Power's June 1, 2012 Application ("June 1 Application"), pages 3-4, paragraph 8. Provide in electronic format, with formulas intact and unprotected, the applicable tariffs and the supporting calculations used in determining Kentucky Power's average embedded capacity costs for the eligible Real Time Pricing ("RTP") customers of \$13.165 per kW-month.

RESPONSE

The Company's embedded capacity cost for eligible RTP customers is \$13.615 per kW-month and is based on the KPCo Rate Case No. 2009-00459. The \$13.165 per kW-month figure used in the Application was a typographical error. Cost data is shown on page 1 of KPSC 1-1 Attachment 1, found on the accompanying CD. Note that this case was settled and the cost data, which was not filed, represents the Company's reflection of the terms of the settlement agreement in that case.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the June 1 Application, page 4, paragraph 11. Provide in electronic format, with formulas intact and unprotected, the calculations, by customer, supporting Kentucky Power's statement that "the Company could experience a revenue loss of approximately \$10 million to \$20 million during the period July 1, 2012 to June 30, 2013."

RESPONSE

The approximate revenue loss value is based on the Company's assumption that three of the largest customers requesting service under Tariff RTP would place nearly half to all of their load on Tariff RTP. A summary of these calculations is presented in KPSC 1-2 Attachment 1 on the accompanying CD. Calculations by customer that support this summary can be found in KPSC 1-2 Attachments 2-4 on the accompanying CD.

Confidential treatment is being sought for Attachments 2-4.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

In the event the Commission requires Kentucky Power to: (1) continue its existing RTP Tariff until otherwise ordered by the Commission; or (2) continue the RTP Tariff on a permanent basis, explain whether the revenue loss of approximately \$10 million to \$20 million would be a one-time nonrecurring loss or an annually recurring loss under each scenario.

RESPONSE

At least through the 2016 planning year, the loss will reoccur annually.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

If Kentucky Power files a base rate proceeding reflecting the \$10 million to \$20 million revenue loss in its test year, explain which class of customers would make up the \$10 million to \$20 million shortfall.

RESPONSE

If Kentucky Power files a base rate proceeding, a class cost-of-service study would be prepared to functionalize, classify, and allocate the Company's costs by tariff class. Using this tool, the Company would propose a customer class allocation to recover the total revenue requirement. The KPSC will make the final decision on the customer class allocation to recover the Company's revenue requirement from its various tariff and revenue classes.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Refer to the June 1 Application, page 5, paragraph 12. It states, “[t]he Company recognizes its obligation under the Commission’s Order in Case No. 2009-00459 to offer a Real-Time Pricing tariff through June 29, 2013. The Company also recognizes the interest of both the Commission and certain of its customers in the continued availability of a Real-Time Pricing tariff.”⁽¹⁾ Explain whether Kentucky Power maintains it has an obligation to serve customers under the RTP Tariff that was part of the stipulation agreement in Case No. 2009-00459⁽²⁾ or under the proposed Rider RTP filed with the Commission on June 11 , 2012.

RESPONSE

Under the Unanimous Settlement Agreement in Case No. 2009-00459, the Company has an obligation to provide access to a real-time mechanism through June 2013. It can meet that obligation by providing service under either Tariff RTP or Rider RTP.

WITNESS: Ranie K. Wohnhas

(1) Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates (Ky. PSC Jun. 28, 2010)

(2)* Id.

Kentucky Power Company

REQUEST

Is Kentucky Power aware that, in Case No. 2011-00428,⁽³⁾ the Commission authorized Duke Energy Kentucky's Rate RTP Program to continue until otherwise ordered by the Commission?

RESPONSE

Yes.

WITNESS: Ranie K. Wohnhas

(3) Case No. 2011-00428, Application of Duke Energy Kentucky for Approval to Modify and Extend the Availability of its Rate RTP, Real Time Pricing Program (Ky. PSC Dec. 28, 2011).

Kentucky Power Company

REQUEST

Is Kentucky Power aware that, in Case No. 2012-00010⁽⁴⁾ the Commission authorized Kentucky Utilities Company and Louisville Gas and Electric Company to continue their Real-Time Pricing Riders on a permanent basis?

RESPONSE

Yes.

WITNESS: Ranie K Wohnhas

(4) Case No 2012-00010, Request of Kentucky Utilities Company and Louisville Gas and Electric Company to Continue Their Real-Time Pricing Riders on a Permanent Basis (Ky. PSC Mar. 20, 2012).

Kentucky Power Company

REQUEST

Refer to the June 1 Application, Direct Testimony of Ranie K. Wohnhas ("Wohnhas June 1 Testimony") page 7, line 3, which states, "[r]ecently, three large customers requested to move up to 200 megawatts of load onto Tariff RTP.⁽³⁾" Provide the footnote reference.

RESPONSE

Catlettsburg Refining LLC - Catlettsburg, US 23 S
AK Steel Corp - Ashland, Russell Rd
Air Products and Chemicals, Inc. - Ashland Plant

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the June 1 Application, Wohnhas June 1 Testimony, page 8, Table 1, line 19. Provide the specific reference in Case No. 2009-00459 where the calculation of the cost-based capacity charge for the QP and CIP-TOD⁽⁵⁾ tariffs can be located.

RESPONSE

Please refer to page 1 of KPSC 1-1 Attachment 1 on the accompanying CD for this calculation.

WITNESS: Ranie K Wohnhas

(5) "QP" is a reference to Quantity Power. "CIP-TOD" is a reference to Commercial Industrial Power-Time of Day.

Kentucky Power Company

REQUEST

The December 21 , 2006 Order in Case No. 2006-00045,⁽⁶⁾ page 13, states that “[t]he Commission believes that some of the large commercial and industrial customers of the other jurisdictional utilities may benefit from real-time pricing tariffs because such customers have greater operating flexibility and, therefore, greater ability to modify their consumption patterns.” Explain Kentucky Power’s understanding of the Commission’s statement.

RESPONSE

Kentucky Power understands the statement to mean that real-time pricing tariffs are intended only for those large commercial and industrial customers who have the operating flexibility (i.e. the ability to curtail or shift their load from a high pricing period to a lower pricing period) to take advantage of the real-time pricing signals from the market. The only way to "modify their consumption patterns" is for such customers to either curtail load during a higher priced period and/or shift that load to a lower priced period. Kentucky Power understands the phrase "some of the large commercial and industrial customers" to mean that not all customers have the operating flexibility to curtail or shift load to respond to real-time market signals and hence would not take service under a real-time pricing tariff. Kentucky Power further believes that the Commission's statement is fully consistent with and further supports Kentucky Power's position that real-time pricing tariffs, including Tariff RTP, are not intended to provide benefits to customers who do not curtail or shift load from higher cost to lower cost periods.

WITNESS: Ranie K Wohnhas

(6) Case No. 2006-00045, Consideration of the Requirements of the Federal Energy Policy Act of 2005 Regarding Time-Based Metering, Demand Response, and Interconnection Service (Ky. PSC Dec. 21 , 2006)

Kentucky Power Company

REQUEST

Reference 807 KAR 5:011, Section 3(4), which states, “[t]he front cover page of a tariff shall contain the following... (e) Signature of the officer of the utility authorized to issue tariffs.”

Provide the following:

- (a) A list of Kentucky Power’s officers and their titles as of June 1, 2012.

- (b) Is Kentucky Power currently billing any customers pursuant to a tariff which, when filed, did not have the signature of the officer of the utility authorized to issue tariffs? If yes, provide a description of each such tariff.

RESPONSE

- a. The following is a list of Kentucky Power Company's corporate officers as of June 1, 2012:

- Nicholas K. Akins, Chairman of the Board & Chief Executive Officer
- Gregory G. Pauley, President & Chief Operating Officer
- Brian X. Tierney, Vice President & Chief Financial Officer
- Joseph M. Buonaiuto, Chief Accounting Officer, & Controller
- Lisa M. Barton, Vice President
- Michael Heyeck, Vice President
- Jeffery D. LaFleur, Vice President
- Timothy K. Light, Vice President
- Mark C. McCullough, Vice President
- Robert P. Powers, Vice President
- Mark A. Pyle, Vice President - Tax
- Barbara D. Radous, Vice President
- Scott N. Smith, Vice President
- Dennis E. Welch, Vice President
- David M. Feinberg, Secretary
- Charles E. Zebula, Treasurer
- Andrew B. Reis, Assistant Controller
- Julie Williams, Assistant Controller
- Thomas G. Berkemeyer, Assistant Secretary
- Jeffrey D. Cross, Assistant Secretary
- Renee V. Hawkins, Assistant Treasurer

b. The following tariff sheets were signed by Lila P. Munsey, Manager of Regulatory Services for Kentucky Power, and approved by the KPSC Tariff Branch:

- 1-1 Index
- 2-11 Terms & Conditions of Service, Residential and Small Commercial Bill Form
- 2-12 Terms & Conditions of Service, Reserved for Future Use
- 2-13 Terms & Conditions of Service, Large Commercial and Industrial Bill Form
Page 1
- 2-14 Terms & Conditions of Service, Large Commercial and Industrial Bill Form
Page 2
- 22-2 Tariff D.S.M.C. (Demand Side Management Adjustment Clause) Page 2
- 23-1 Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management)
Page 1
- 23-2 Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management)
Page 2
- 23-3 Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management)
Page 3
- 30-1 Tariff R.T.P. (Experimental Real-Time Pricing Tariff) Page 1
- 30-2 Tariff R.T.P. (Experimental Real-Time Pricing Tariff) Page 2

KPCo is currently billing under Tariff D.S.M.C. - Demand Side Management Adjustment Clause, Tariff R.C.L.M. - Pilot Residential and Small Commercial Load Management, and Tariff R.T.P. Tariff sheet 22-2 describes the floor and ceiling limits used to derive the DSM adjustment factor that is applied to all residential and commercial customers. Tariff sheet 23-2 describes the monthly \$5 billing credit applied to residential and small commercial customers who have enrolled in the pilot program.

WITNESS: Ranie K. Wohnhas

Kentucky Power Company

REQUEST

Refer to Kentucky Power's June 11, 2012 Application ("June 11 Application") proposing a Rider Real-Time Pricing ("Rider RTP"), page 8, paragraph 22. It states: "Rider RTP will be offered on an experimental basis, subject to the orders of the Commission, through June 30, 2015. On or before December 30, 2015, the Company will file with the Commission and serve on any parties an evaluation of the Rider RTP." In the event the Commission approves Kentucky Power's proposed Rider RTP, in an effort not to disrupt any customer's operation that may be on Rider RTP on June 30, 2015, would Kentucky Power file an evaluation by December 30, 2014 to allow the Commission a six-month period for review prior to Rider RTP's proposed termination date?

RESPONSE

Yes.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to the June 11 Application, Direct Testimony of Ranie K. Wohnhas ("Wohnhas June 11 Testimony") page 7, line 8. Explain whether the word "administration" should be inserted following the word "billing."

RESPONSE

Yes, the word "administration" was unintentionally deleted from that sentence.

WITNESS: Ranie K Wohnhas

Kentucky Power Company

REQUEST

Refer to Wohnhas June 11 Testimony, RKW Exhibit 1, 2nd Revised Sheet No. 30-2, which states “[a] customer’s bill will only vary from its Standard Bill to the extent that its hourly usage pattern varies from its CBL.”⁽⁷⁾ Explain whether it is more accurate to state that, except for the program charge, a customer’s bill will only vary from its standard bill to the extent that its hourly usage pattern varies from its Customer Base Line. If not, explain.

RESPONSE

The Company agrees that the Program Charge also contributes to the variance between a standard bill and a bill that utilizes the Rider RTP.

WITNESS: Ranie K Wohnhas

(7) “CBL” is a reference to Customer’s Baseline Load.

Kentucky Power Company

REQUEST

Refer to Kentucky Power's June 1 Application, paragraph 5, page 3. Kentucky Power states that three large customers recently inquired about moving as much as 200 MW of load onto Tariff RTP. Since the inception of Tariff RTP, identify:

- (a) The identity of each customer that has inquired about moving any portion of its load onto Tariff RTP.
- (b) The amount of load each customer has inquired about moving onto Tariff RTP.
- (c) If not placed on Tariff RTP, the reason the customer was not placed on the tariff. Include in the explanation whether the customer withdrew interest, or the customer was denied participation.
- (d) If not directly addressed in the response to Question 2, provide the lost revenues that would have resulted to Kentucky Power if each customer who inquired about moving any portion of its load onto Tariff RTP had been served under Tariff RTP for the 12 months ending December 31, 2011 and for the 12 months ending July 1, 2012.

RESPONSE

- a-b. The name of the customers and the amount of load they indicated to Kentucky Power they intended to move to Tariff RTP are shown on page 3 of this response.
- c. Sidney Coal (Alpha Natural Resources) inquired but did not pursue enrollment. The following two customers requested to transfer load to Tariff RTP but were unable to qualify as explained below:

Kentucky Power Company

1. EQT Gathering LLC's Derby Compressor Station has a demand of less than 1,000 kW and there were 10 customers in the queue.
 2. Air Liquide's plant in Ashland was not eligible because there were 10 customers in the queue.
- d. A list of the estimated lost revenues that would have resulted to Kentucky Power if each customer who inquired about transferring load onto Tariff RTP had been served under that tariff in calendar year 2011 and the year ended July 1, 2012 are shown on page 4 of this response.

WITNESS: Ranie K Wohnhas

Kentucky Power Company
Tariff RTP Customer Comparison

<u>Customer</u>	<u>Tariff</u>	<u>Current Contract (in kW)</u>	<u>Demand to remain on Tariff CIP or QP (in kW)</u>	<u>Demand to transfer to Tariff RTP (in kW)</u>	<u>Request No.</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Kentucky Power Company
 Tariff RTP Customer Comparison

<u>Customer</u>	<u>Approximate Gain or (Loss) of 2011 Revenue</u>	<u>Approximate Gain or (Loss) of TYE 7-1-12 Revenue</u>
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Total of 10 Enrolled customers	(1,768,338)	(9,320,603)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Total of all 13 customers that inquired	(1,669,451)	(10,228,094)