

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	CASE NO.
CLAUSE OF KENTUCKY POWER COMPANY)	2023-00008
FROM NOVEMBER 1, 2020 THROUGH)	
OCTOBER 31, 2022)	

ORDER

The Commission, pursuant to 807 KAR 5:056, Section 3(4), hereby initiates the two-year review to examine Kentucky Power Company's (Kentucky Power) application of its Fuel Adjustment Clause (FAC) from November 1, 2020, through October 31, 2022.

For the purpose of administrative efficiency, the Commission finds that the records of the prior six-month review cases of Case Nos. 2021-00292,¹ 2022-00036,² and 2022-00263,³ which include review periods that are covered in the two-year period of November 1, 2020, through October 31, 2022, should be incorporated by reference into this proceeding. Furthermore, given that Kentucky Industrial Utility Customers, Inc. (KIUC) was granted intervention in Case No. 2022-00036⁴; and the Attorney General of

¹ Case No. 2021-00292, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2020 Through April 30, 2021.*

² Case No. 2022-00036, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from May 1, 2021 Through October 31, 2021.*

³ Case No. 2022-00263, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2021 Through April 30, 2022.*

⁴ Case No. 2022-00036, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from May 1, 2021 Through October 31, 2021* (Ky. PSC May 3, 2022), Order.

the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) and KIUC were granted intervention in Case No. 2022-00263⁵ and that Case Nos. 2022-00036 and 2022-00263 are ongoing proceedings, the Commission finds that the Attorney General and KIUC should be granted intervention in this proceeding.

In Case No. 2022-00263, the Attorney General and KIUC filed a request for the Commission to conduct a formal evidentiary hearing on matters in that case.⁶ The Commission finds that due to the incorporation of Case No. 2022-00263 into the current proceeding, the Attorney General and KIUC's request to hold a hearing will be fulfilled as part of this proceeding. The Commission will schedule an evidentiary hearing, at a later date, that will consider the record of this proceeding and the ongoing Case Nos. 2022-00036 and 2022-00263. Thus, the Commission finds that it will conclude its review of Case No. 2022-00036 and Case No. 2022-00263 in this proceeding.

The Commission, on its own motion, finds that a procedural schedule is established for the orderly processing of this case. A procedural schedule is set forth in Appendix A to this Order.

In addition, Kentucky Power shall file on or before the date set forth in the procedural schedule its responses to the Commission Staff's request for information, attached to this Order as Appendix B, and shall respond to any future requests for

⁵ Case No. 2022-00263, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2021 Through April 30, 2022* (Ky. PSC Sept. 30, 2022 and Sept. 30, 2022), Orders.

⁶ Case No. 2022-00263, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2021 Through April 30, 2022* (filed Jan. 17, 2023), Request for Hearing.

information propounded by Commission Staff by the date or dates set forth on any such requests.

IT IS THEREFORE ORDERED that:

1. The Attorney General and KIUC are granted intervention in this proceeding.
2. Within seven days of the date of service of this Order the Attorney General shall file with the Commission either:
 - a. A statement as required by 807 KAR 5:001, Section 8(9)(b); or
 - b. A statement that the Attorney General will not participate in this proceeding.
3. Within seven days of the date of service of this Order KIUC shall file with the Commission either:
 - a. A statement as required by 807 KAR 5:001, Section 8(9)(b); or
 - b. A statement that KIUC will not participate in this proceeding.
4. The procedural schedule set forth in Appendix A to this Order shall be followed.
5. On or before the date set forth in the procedural schedule, Kentucky Power shall file its responses to the Commission Staff's request for information, attached to this Order as Appendix B.
6. Kentucky Power shall file with the Commission, no later than the date set forth in the procedural schedule attached as Appendix A, written direct testimony of the witnesses Kentucky Power intends to call at the scheduled hearing in this matter. The written direct testimony of these witnesses shall address, *inter alia*, the following issues:

- a. The reasonableness of Kentucky Power's fuel procurement practices during the review period;
- b. Coal suppliers' adherence to contract delivery schedules during the review period;
- c. Kentucky Power's efforts to ensure coal suppliers' adherence to contract delivery schedules during the review period;
- d. Kentucky Power's efforts to maintain the adequacy of its coal supplies in light of any coal supplier's inability or unwillingness to make contract coal deliveries;
- e. Any changes in coal market conditions that occurred during the review period or that Kentucky Power expects to occur within the next two years that have significantly affected or will significantly affect Kentucky Power's coal procurement practices;
- f. Any changes in the wholesale electric power market that occurred during the review period or that Kentucky Power expects to occur within the next two years that have significantly affected or will significantly affect Kentucky Power's electric power procurement practices;
- g. Actions taken by Kentucky Power to mitigate high fuel or purchased power related costs for its customers;
- h. Any planned outages that extended beyond the estimated time of the outage and how Kentucky Power addressed the extended outage, and any resulting capacity and energy shortfalls;

i. Whether Kentucky Power engaged in any off systems sales or intersystem sales to offset high fuel or power costs during the period under review;

j. How Kentucky Power bids its generating units into PJM energy markets, including, but not limited to the following: how Kentucky Power determines the manner in which individual generating units are offered into PJM's day ahead market (must run, economic dispatch etc.); the extent to which individual unit day ahead bids are made in consideration of other Kentucky Power or AEP East regulated affiliate generation units day ahead bids; who makes those decisions; and what level of control PJM has over the dispatch of Kentucky Power's generating units;

k. How coal consumption is recorded for a unit that is in reserve shutdown; and

l. Any cost-benefit analysis Kentucky Power has performed regarding its participation in PJM.

7. Unless otherwise ordered by the Commission, the electronic filing procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the

person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene filed after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

8. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. All documents that Kentucky Power filed with the Commission pursuant to 807 KAR 5:056, Sections 1(7) and 1(9), for the period under review are incorporated by reference into the record of this proceeding.

10. The records of the prior six-month review cases of Case Nos. 2021-00292,⁷ 2022-00036,⁸ and 2022-00263,⁹ which include review periods that are covered in the two-year period of November 1, 2020, through October 31, 2022, shall be incorporated by reference into this proceeding. The Commission shall conclude its review of Case No. 2022-00036 and Case No. 2022-00263 in this proceeding.

⁷ Case No. 2021-00292, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2020 Through April 30, 2021*.

⁸ Case No. 2022-00036, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from May 1, 2021 Through October 31, 2021*.

⁹ Case No. 2022-00263, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2021 Through April 30, 2022*.

11. Kentucky Power shall provide its response to request for information issued by Commission Staff in full. In providing its responses, Kentucky Power shall refrain from referring back to a similar question asked in a prior six-month period FAC review case. Kentucky Power may refer to a response filed in a prior FAC review case but shall still furnish all of the requested information and make note if the response merits no change.

12. Should the response merit change, then Kentucky Power may reference the response provided in a prior six-month review case and shall explain in detail what changes have occurred since the response was filed.


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00008 DATED SEP 06 2023

Last day for intervention requests to be accepted..... 09/22/2023

Kentucky Power shall file with the Commission the direct testimony of its witnesses in verified prepared form and the responses to requests for information set forth in Appendix B no later than..... 09/22/2023

All supplemental requests for information to Kentucky Power shall be filed no later than 10/06/2023

Kentucky Power shall file responses to supplemental requests for information no later than..... 10/20/2023

All additional supplemental requests for information to Kentucky Power shall be filed no later than 11/03/2023

Kentucky Power shall file responses to additional supplemental requests for information no later than 11/17/2023

Intervenor testimony, if any, in verified prepared form shall be filed no later than..... 11/27/2023

All requests for information to Intervenors shall be filed no later than..... 12/07/2023

Intervenors shall file responses to requests for information no later than..... 12/18/2023

Kentucky Power shall file, in verified form, its rebuttal testimony no later than 01/03/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00008 DATED SEP 06 2023

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY

Kentucky Power Company (Kentucky Power) pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on September 22, 2023. The Commission directs Kentucky Power to the Commission's July 22, 2021 Order in Case No. 2020-00085¹⁰ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if Kentucky Power obtains information that indicates the response was incorrect or incomplete when

¹⁰ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

made or, though correct when made, is now incorrect or incomplete in any material respect.

For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, Kentucky Power shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. For the period from May 1, 2022, to October 31, 2022 (the last six months of the period under review), provide the amount of coal purchased in tons and the percentage of purchases that were spot versus contract.

2. For the last six months of the period under review, list each coal purchase made under a long-term contract (one year or greater). For each purchase, list the following:

- a. Contract or purchase order number;
- b. The supplier's name;
- c. The location(s) of production facilities from which the coal is sourced;
- d. The method of delivery (i.e., barge, truck, rail, or other);

- e. The actual quantity received during the review period; and
 - f. Current price paid per ton.
3. a. As of the last day of the review period, state the coal inventory level in tons and in number of days' supply. Provide this information by generating station and in the aggregate.
- b. Describe the criteria used to determine the number of days' supply.
 - c. State the target coal inventory level for each generating station and for the total system.
 - d. If actual coal inventory exceeds the target inventory by ten days' supply, state the reasons for the excessive inventory.
 - (1) State whether any significant changes in the current coal inventory target are expected within the next 12 months.
 - (2) If so, state the expected change and the reasons for this change.
4. List each written coal-supply solicitation issued during the last six months of the period under review.
- a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
 - b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor(s). Provide the bid tabulation sheet or corresponding document that ranks the proposals.

(This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

5. List each oral coal-supply solicitation issued during the last six months of the period under review.

a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, identify all vendors solicited and the vendor(s) selected. Provide the bid tabulation sheet or other document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

6. For the last six months of the period under review, list each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (i.e., spot or contract). Provide the percentage of purchases that were spot versus contract.

7. For the last six months of the period under review, state whether there were any instances in which a natural gas generating unit could not be operated when it otherwise would have run due to pipeline constraints or natural gas being unavailable.

8. For the last six months of the period under review, state whether there have been any changes to hedging activities for coal or natural gas purchases used for generation since the previous Fuel Adjustment Clause (FAC) review proceeding. If so, describe the changes in detail.

9. a. State whether Kentucky Power has audited any of its fuel or transportation contracts during the last six months of the period under review.

b. If so, for each audited contract:

(1) Identify the contract;

(2) Identify the auditor; and

(3) State the results of the audit and describe the actions that

Kentucky Power took as a result of the audit.

10. a. State whether Kentucky Power is currently involved in any litigation with its current or former fuel suppliers or transportation vendors.

b. If yes, for each litigation:

(1) Identify the supplier or vendor;

(2) Identify the contract involved;

(3) State the potential liability or recovery to Kentucky Power;

(4) List the issues presented; and

(5) Provide a copy of the complaint or other legal pleading that

initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed.

c. State the current status of all litigation with suppliers or vendors.

11. a. For the last six months of the period under review, state whether there have been any changes to Kentucky Power's written policies and procedures regarding its fuel procurement.

b. If yes:

- (1) Describe the changes;
- (2) Provide the written policies and procedures as changed;
- (3) State the date(s) the changes were made; and
- (4) Explain why the changes were made.

c. If no, provide the date Kentucky Power's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

12. For the last six months of the period under review and for the years 2021 and 2022, list all firm power commitments for Kentucky Power for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW, and the purpose of the commitment (i.e., peaking, emergency, etc.).

13. Provide a monthly billing summary of sales to all electric utilities for the last six months of the period under review.

14. Provide a list, in chronological order, showing by unit, any scheduled, actual, and forced outages between for the last six months of the period under review. Provide a key for any information that is abbreviated.

15. For the last six months of the period under review, provide the monthly capacity factor at which each generating unit operated.

16. a. For the last six months of the period under review, explain whether Kentucky Power made any changes to its maintenance and operation practices or completed any specific generation efficiency improvements that affect fuel usage at Kentucky Power's generation facilities.

b. Describe the impact of these changes on Kentucky Power's fuel usage.

17. For the last six months of the period under review provide the hour by hour availability of each generating unit availability, how the unit had been bid into the day ahead market, whether the unit was operating, and if operating the minimum (economic or operational) and maximum capacity of the unit.

18. State whether Kentucky Power is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the last six months of the period under review.

19. State whether Kentucky Power is aware of any violations of 807 KAR 5:056 that occurred prior to or during the last six months of the period under review.

20. Describe the effect on the FAC calculation of line losses related to:

- a. Intersystem sales when using a third-party transmission system; and
- b. Intersystem sales when not using a third-party transmission system.

21. State whether all fuel contracts related to commodity and transportation have been filed with the Commission. If any contracts have not been filed, explain why they have not been filed and provide a copy.

22. For each generating station, state the methods of coal delivery currently available.

23. If a change in the base fuel cost is proposed, state the month to be used as the base period (b). If the base period results in a fuel cost other than one representative of current costs as prescribed by 807 KAR 5:056, Section 1(2), explain why this base

period was selected. If no change is proposed, include an explanation of the reason(s) Kentucky Power believes the current base period fuel cost should remain unchanged.

24. Provide a calculation of the fossil fuel costs F(b) that Kentucky Power proposes to use to calculate the base period fuel cost. This calculation shall show each component of F(b) as defined by 807 KAR 5:056. Explain why the fuel cost in the selected base period is representative of the level of fuel cost currently being experienced by Kentucky Power.

25. Provide a schedule showing each component of sales as defined by 807 KAR 5:056 in the selected base period (b). Explain why Kentucky Power believes that the sales in the selected base period (b) are representative of the level of kWh sales that Kentucky Power will derive from the level of fuel cost incurred during the selected base period (b).

a. Separately provide the amounts of power purchases used in the calculation of sales provided.

b. Separately provide the amounts of intersystem power sales used in the calculation of sales provided.

26. Provide a schedule showing the calculation of Kentucky Power's proposed increase or decrease in its base fuel cost per kWh to be incorporated into its base rate.

27. Provide a schedule of the present and proposed rates that Kentucky Power seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

28. Provide a copy of the current tariff showing by cross-outs and inserts all proposed changes in rates.

29. For the years ending October 31, 2021, and October 31, 2022, provide:

- a. Maximum annual system demand; and
 - b. Average annual demand.
30.
 - a. Provide a schedule of the calculation of the 12-month average line loss by month for November 2020 through October 2022.
 - b. Describe the actions that Kentucky Power has taken to reduce line loss during this period.
31. Describe in detail any hedging or hedging related activities that Kentucky Power uses in relation to power purchases. Include an explanation as to whether the Commission approved the hedging activities or the utility implemented hedging pursuant to internal company policies. If the hedging was pursuant to internal policies, provide a copy of the policy and an explanation of how long the hedging activity has been ongoing.
32. For the most recent six month period, provide in excel format with all cells visible and unprotected the peaking unit equivalent calculations.
33. Provide the most recent projected fuel requirements for the years 2023 and 2024 in tons for coal, MMBtu for natural gas, and dollars.
34. Provide the most recent sales projections for the years 2023 and 2024 in kWh and dollars.
35. Provide the planned maintenance schedule for each of the generating units for the years 2023 and 2024.
36. Identify any issues that could affect fuel costs for the two-year period that remain unresolved or unsettled. Include in the response any issues related to billings from a regional transmission operator. Consider this a continuing request to inform the

Commission if Kentucky Power becomes aware of any issues during the course of this proceeding.

37. Provide the number of Kentucky Power's coal purchase contracts that included transportation costs and those that did not from November 1, 2020, through October 31, 2022.

a. Explain how it is determined whether transportation costs will be included in the coal purchase contract.

b. When transportation is contracted for separately from the coal contract, explain whether Kentucky Power issues requests for proposals (RFP) for this service.

(1) If yes, state how often this occurs, how many vendors are included in the RFP, and how is it determined which vendors will receive the RFP.

(2) State whether Kentucky Power uses or contracts with any related parties for transportation of its coal purchases. If yes, provide the name of the related party and nature of the relationship, the period it has contracted with the party, and copies of any contracts with the related party if not previously filed with the Commission.

c. Explain in detail Kentucky Power's policies and procedures for entering into transportation contracts.

38. Explain how purchase power costs are accounted for in the calculation of the FAC when Kentucky Power experiences a planned generation outage and purchases power to meet load (i.e., whether the entire amount of the purchase power recorded in the calculation, or there is a limit as to the amount recorded). If there is a limit, explain

the basis for the limitation and how it is calculated. If there is no limit, explain the basis for including 100 percent of the purchase power costs.

39. Explain how purchase power costs are accounted for in the calculation of the FAC when Kentucky Power is not experiencing a generation outage but must purchase power in order to meet demand (i.e., whether the entire amount of the purchase power recorded in the calculation, or there is a limit as to the amount recorded). If there is a limit, explain the basis for the limitation and how it is calculated. If there is no limit, explain the basis for including 100 percent of the purchase power costs.

40. Provide the amount, by month, of costs excluded from recovery from the FAC related to non-economy purchases.

a. State whether Kentucky Power otherwise recovers the excluded costs.

b. If Kentucky Power does recover the excluded costs, explain in detail how those costs are recovered.

c. Provide the amount excluded from recovery during the review period that, if applicable, will otherwise recovered.

41. Provide the amount of current FAC fuel procurement or purchase power costs that is included in Kentucky Power's base rates.

42. Provide the amount of non-FAC fuel procurement or purchase power costs that are otherwise recovered in Kentucky Power's base rates.

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