

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE**  
**PUBLIC SERVICE COMMISSION OF KENTUCKY**

**IN THE MATTER OF**

**AN EXAMINATION OF THE APPLICATION )**  
**OF THE FUEL ADJUSTMENT CLAUSE OF )**  
**KENTUCKY POWER COMPANY FROM ) Case No. 2015-00232**  
**NOVEMBER 1, 2014 THROUGH APRIL 30, 2015 )**

**KENTUCKY POWER COMPANY RESPONSES TO**  
**COMMISSION STAFF'S OCTOBER 7, 2015**  
**POST HEARING DATA REQUESTS**

**October 21, 2015**



**VERIFICATION**

The undersigned, Charles F. West, being duly sworn, deposes and says he is the Manager, Coal Procurement, for American Electric Power Service Corporation, that he has personal knowledge of the matters set forth in the forgoing data response for which he is identified as the witness and that the information contained therein is true and correct to the best of his information, knowledge and belief



Charles F. West

STATE OF OHIO

)

) Case No. 2015-00232

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Charles F. West, this the 12<sup>th</sup> day of October 2015.

  
Notary Public

My Commission Expires: January 4, 2019



**Donna J. Stephens**  
Notary Public, State of Ohio  
My Commission Expires 01-04-2019

**Kentucky Power Company**

**REQUEST**

Please refer to KPCo\_R\_KPSC1\_6\_Attachment1.xls. Please define the term “physical” and “trading” as used in that attachment.

**RESPONSE**

KPCo\_R\_KPSC1\_6\_Attachment1 uses the terms “physical” and “trading.” Both terms, as described in more detail below, include both physical and non-physical transactions. The term “physical” as used on attachment KPCo\_R\_KPSC1\_6\_Attachment1 is the reference code for the journal entry prepared for account 4470175 and account 4470176. These accounts are used for internal reporting purposes only to reflect the estimated amount of Off-System Sales margin shared with retail ratepayers. These accounts offset one another and hence do not affect the amounts recovered through the fuel adjustment clause or credited or collected through Tariff S.S.C.

Included in the journal entries labeled “physical” are the gross margin from the wholesale sales of AEP’s regulated excess generation, financially-settled hedges of generation, energy auction transactions, and RTO charges and credits. Trading off-system sales includes the gains or losses from physical or financially-settled trading activity utilizing market intelligence of energy-related commodities in PJM and other RTO markets.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Please refer to the column labeled "account" on KPCo\_R\_KPSC1\_6\_Attachment1.xls.

- (a) Please provide all subaccounts associated with each account shown on KPCo\_R\_KPSC1\_6\_Attachment1.xls.
- (b) Please provide a description of each subaccount identified in your response to Item 2(a).
- (c) For each subaccount identified in your response to Item 2(a) please indicate whether it reflects a physical or non-physical sale.

**RESPONSE**

- (a) There are no sub-accounts for the items listed in the column labeled "account" on KPCo\_R\_KPSC1\_6\_Attachment1.xls.
- (b)-(c) The Company cannot provide the requested information. Kentucky Power classifies transactions reflected in the accounts shown on KPCo\_R\_KPSC\_Post\_Hearing\_2\_Attachment.xls as physical and trading and not physical and non-physical. As described in the Company's response to KPSC\_Post\_Hearing\_1\_ above, accounts labeled physical and trading include both physical and non-physical transactions.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Please refer to KPCo\_R\_KPSC1\_9\_Attachment1.xls and KPCo\_R\_KPSC1\_9\_Attachment12.xls.

- (a) Please provide the attachments electronically in spreadsheet format with the calculation formulas active.
- (b) Please provide all source documents for the values shown in the attachments.

**RESPONSE**

Please see KPCo\_R\_KPSC\_Post\_Hearing\_3\_Attachment1.xls for the data from the U.S. Energy Information Agency (EIA) Form 923 for the period of November 1, 2014 through April 30, 2015. This data was obtained via Velocity Suite, which is a search engine that gathers publicly available information. The averages and totals presented in Attachment 1 are a function of pivot tables applied to the Velocity Suite data.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

Please provide a copy of Kentucky Power's fuel cost policy maintained in accordance with PJM Manual 15

**RESPONSE**

Please see [KPCo\\_R\\_KPSC\\_Post\\_Hearing\\_4\\_Attachment1\\_Confidential.pdf](#). Confidential Treatment is being sought for the attachment in its entirety.

**WITNESS:** John A Rogness

## **Kentucky Power Company**

### **REQUEST**

Please explain how the requirements of the PJM Capacity Performance Filing will affect Kentucky Power.

### **RESPONSE**

Based on the FERC Order dated June 9, 2015 approving the PJM Capacity Performance, Fixed Resource Requirement ("FRR" or "self-supply") entities, including KPCo, are exempt from PJM Capacity Performance ("CP") requirements through the end of the PJM 2018/19 planning year that ends May 31, 2019 for generation utilized under its FRR Plan.

KPCo, along with the other AEP Companies who also are parties to the Power Coordination Agreement (PCA), APCO, I&M and WPCO, has sold surplus MWs into the 2016/17 and 2017/18 CP transition auctions. Revenues received from PJM for these sales during the delivery years, net of any performance assessment charges, will be allocated among the PCA companies based on each Company's surplus contribution to these sales in accordance with the terms of the PCA.

The impacts of the PJM CP requirements on generation, including that of KPCo, are provided in PJM Manual 18, available at [www.pjm.com/~media/documents/manuals/m18.ashx](http://www.pjm.com/~media/documents/manuals/m18.ashx).

Other general terms and requirements of CP resources, as more fully described in PJM Manual 18, include the following:

- **Capacity Performance Product.** To qualify as a CP product, a resource must have the ability to operate during all emergency conditions when called on by PJM dispatch.
- **Performance Assessments.** Units that fail to perform when being dispatched by PJM during PJM Emergency hours will be assessed a fee of approximately \$3500/MWH for each hour (or partial hour) of non-performance.
- **Annual Performance Assessment Cap.** A unit's performance assessment charge cannot exceed 1.5x Net Cost of New Entry for any single calendar year. The Net CONE for 2018/19 was approximately \$300/MW-day.

- **Percentage of Capacity Performance Assets.** In 2019/20, approximately 80% of an FRR company's portfolio must be comprised of Capacity Performance assets. Also in 2019/20, PJM will procure approximately 80% of its capacity reserve requirements as Capacity Performance. The remaining capacity will retain the characteristics of the current capacity construct rules.
- **Timing.** By 2020/21 all Kentucky Power capacity resources must meet the CP requirements or they will not be eligible to count as capacity in PJM.

**WITNESS:** John A Rogness