VERIFICATION

The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his/her information, knowledge and belief.

John A. Rogness III

COMMONWEALTH OF KENTUCKY)
) Case No. 2017-00001
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the 20th day of March 2017.

Judy K Rosquist 571144
Notary Public

My Commission Expires: January 23, 2021

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

Charles F. West

STATE OF OHIO	)	
	)	Case No. 2017-00001
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 8th day of March 2017.

Donna J. Stephens

Notary Public

My Commission Expires: January 4, 2019

NOTARIAL SEAL STATE OF OHIO

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

Q - 1 Refer to Kentucky Power's response to the Commission's February 6, 2017, Request for Information ("February 6, 2017, Request"), Item 1. The response states "[l]n addition, beginning with the October 2015 expense month, the methodology used by Kentucky Power to calculate its fuel costs was modified in accordance with the settlement agreement approved by the Commission in Case No. 2014-00396." Given that the settlement agreement in that proceeding allowed Kentucky Power to allocate fuel costs as it had done historically, explain the modification referenced in the response.

A - 1 Consistent with the Commission's orders in Case Nos. 2014-00225 and 2014-00450, Kentucky Power excluded all Mitchell no load costs from recovery through the fuel adjustment clause for the period January 1, 2014 through May 31, 2015. Beginning June 1, 2015, Kentucky Power allocated fuel costs to off-system sales in accordance with paragraph 11(e) of the April 30, 2015 Settlement Agreement approved by the Commission in Case No. 2014-00396 with certain modifications not relevant to this response.

The methodology described in paragraph 11(e) of the Settlement Agreement, reflects the Company's historical fuel cost allocation methodology. The statement quoted in this data request was included in the Company response to KPSC 1-1 for completeness.

Q - 2 Refer to Kentucky Power's response to the February 6, 2017, Request, Item 43. The response explains why Kentucky Power initially used the published price of natural gas in Platts Gas Daily but does not address whether a change should be made so that Kentucky Power uses the price it pays for natural gas to operate Big Sandy unit 1. Explain why a change should not be made to Kentucky Power's current practice. If a change is ordered by the Commission, given that various prices could be paid during a month for natural gas, explain how the natural gas rate for calculating the peaking unit equivalent for the month should be determined.

A - 2 In calculating the peaking unit equivalent it is not practicable to use the actual price paid by Kentucky Power for natural gas purchased for Big Sandy Unit 1. The peaking unit equivalent is calculated hourly and uses a daily-determined gas price. Big Sandy Unit 1, by contrast, does not run every day of each month and as a result gas typically is not purchased for Big Sandy Unit 1 on those days it is not scheduled to run. For example, in January 2017, gas was purchased for Big Sandy Unit 1 on eight of the 31 days of the month. In February 2017, gas was purchased for Big Sandy Unit 1 on 12 of the 28 days of the month. If the Company were required to use the cost of gas purchased for Big Sandy Unit 1 in calculating the peaking unit equivalent data would not have been available for 23 of the 31 days of data required to make the January calculations, and 16of the 28 days of data required to make the February calculations.

Nor would it appropriate to use some hybrid of actual purchase prices for Big Sandy Unit 1 on the days gas is purchased for it, and Platts Gas Daily prices on those days when gas is not purchased for Big Sandy Unit 1. The gas prices published in Platts Gas Daily are based on surveys and other reported data, and are intended to be representative of market prices in the particular markets for which Platts Gas Daily publishes prices. It is a calculated value. The price paid for gas on those days in which gas is purchased for Big Sandy Unit 1 is an actual price based on a single or small number of purchases. It also appropriately contains cost components, such as the transportation and related FERC-tariffed charges associated with the Kentucky Power-negotiated firm gas transportation contract, that are either different from or not included in the price published in Platts Gas Daily. Using a hybrid methodology that employs actual data on those days gas is purchased for Big Sandy Unit 1, and the Platts Gas Daily published prices on the remaining days of each month, could result in anomalies and distortions that might result in calculating peaking unit equivalent prices using differently defined data sets.

If a change is ordered by the Commission in this proceeding to the methodology used by Kentucky Power to calculate the peaking unit equivalent, the methodology should be modified to include all associated costs to deliver gas to a peaking unit in addition to using, as is the current practice, the Platts Gas Daily Columbia Gas Appalachian price for natural gas.

KPSC Case No. 2017-00001
Commission Staff's Second Set of Data Requests
Item No. 3

Witness: John A. Rogness

Q - 3 Refer to the Direct Testimony of John A. Rogness ("Rogness Testimony"), pages 5 and 6, which state, " .... the cost of fuel fluctuated between a high of 3.322 cents per kWh (December 2014) to a low of 2.436 (December 2015)." Confirm that the lowest fuel cost during the review period was 2.284 cents for September 2015, as shown on page 5 of the Rogness Testimony.

A - 3 Confirmed.

Q - 4 Refer to the Rogness Testimony, page 6, line 4. Explain how the 0.014 cents per kWh was calculated.

A - 4 Please refer to Rogness Testimony page 6, Table 1, column 6. Averaging the kWh differences between the monthly fuel rate (column 4) and the base fuel rate (column 5) beginning with October 2015 ((0.143 cents per kWh) through October 2016 (0.289 cents per kWh) equals 0.014. The calculation is [(0.143)+(0.240)+(0.289)+(0.122)+(0.248)+(0.252)+(0.021)+(0.226)+(0.232)+(0.260)+(0.222)+(0.358)+(0.289)] / 13 = 0.014.

Q - 5 Refer to the Rogness Testimony, page 8, line 1. State whether the 0.225 cents per kWh should be .272 cents per kWh.

A - 5 Yes. The sentence beginning at line 1 of page 8 should read, "The current base fuel rate is 0.272 cents per kWh (-8.1%) less than the average fuel cost during the final five months of the review period following the return of Big Sandy Unit 1 to service."

Q - 6 Refer to the Direct Testimony of Charles F. West ("West Testimony"), page 5. Confirm that Contract Status (4) should use the word "expires" instead of "expired." If this cannot be confirmed, explain.

A - 6

Confirmed.

Q - 7 Refer to the West Testimony, page 10, lines 4-6, which states "[i]n the future, we expect coal pricing in the eastern market will increase when natural gas prices allow a coal price increase or when the export market picks up to the point that demand exceeds available supply." Given this statement, explain why Kentucky Power is projecting lower fuel costs in 2017 and 2018 as discussed in the Rogness Testimony, pages 6-7.

A - 7 Currently, coal pricing for 2017 is mostly committed at an average price that is lower than 2016. Mitchell's coal supply for 2018 is only partially committed but at a lower average price. Based on the current forward curves for natural gas and the projected demand for export coal, both Central App and Northern App prices are expected to stay relatively soft through 2019. However, the possibility exists for increased volatility in coal prices if natural gas pricing increases substantially or an increase in export demand exceeds the available supply.

Q - 8 State whether Kentucky Power engaged in virtual transactions in its regional transmission organization during the two-year review period. If yes, explain: 1)how the transactions were accounted for; and 2) the effect the transactions had on the calculation of the fuel adjustment clause, if any.

A - 8 Yes. American Electric Power Service Corporation, acting on behalf of the east operating companies, including Kentucky Power, engaged in virtual transactions within PJM during the two-year review period. Kentucky Power received an allocation of the virtual transactions based on the Power Coordination Agreement among KPCo and the other parties to the Power Coordination Agreement.

1) The values of the virtual transactions are accounted for in account 4470010. Account 4470010 is used to calculate the System Sales Clause Factor on page 1 of 2 of the System Sales Clause Schedule filed monthly with the Commission. The System Sales Clause Factor and the Fuel Adjustment Clause factor are netted on the Summary of Adjustment Clauses Schedule filed monthly with the Commission. That net amount appears on the customers' bills as the "Fuel Adj" billing line item.

2) The Company's books do not classify transactions recorded in Account No. 4470010 as virtual transactions and otherwise.