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February 9, 2018

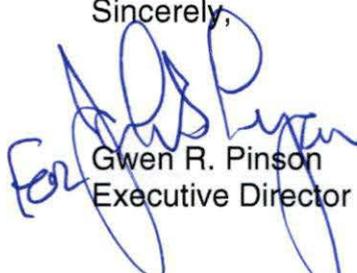
PARTIES OF RECORD

Re: Case No. 2017-00446

Attached is a copy of a memorandum, which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter.

If you have any questions, please contact Quang Nguyen, Commission Staff Attorney, at 502-782-2586.

Sincerely,



Gwen R. Pinson
Executive Director

QN/ph

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Quang D. Nguyen, Assistant General Counsel 

DATE: February 8, 2018

RE: Case No. 2017-00446
Electronic Application of Kentucky Power Company for (1) Authority Pursuant to KRS 278.218 to Sell Up to 400,000 Tons of Coal, Scheduled for Delivery to the Mitchell Generating Station in 2018; and (2) For All Other Required Approvals and Relief

Pursuant to a Commission Staff Notice issued on January 23, 2018, an informal conference was held on January 31, 2018, at the Commission's offices in Frankfort, Kentucky. The purpose of the informal conference was to discuss any and all issues related to Kentucky Power Company's ("Kentucky Power") application. A list of the attendees is attached hereto.

Commission Staff began the discussions by inquiring about the excess Northern Appalachian ("NAPP") coal inventory at the Mitchell Generating Station and how this situation occurred. Kentucky Power representatives stated that the excess NAPP coal under the Consol contract is primarily a result of the recent market conditions, in which natural gas units are setting the clearing price and the units at the Mitchell Generating Station are not able to clear those prices and, thus, are not being called upon to run as often as in the past. Kentucky Power representatives noted that in 2006, which was when the Consol contract was executed, the Mitchell Generating Station burned approximately 2 million tons, in total, of high sulfur coal annually. Currently, the Mitchell Generating Station is burning approximately 1.4–1.6 million tons of high sulfur coal annually and approximately 1.7 million tons of low sulfur coal, or Central Appalachian ("CAPP") coal. As of January 29, 2018, the NAPP coal inventory at the Mitchell Generating Station is equivalent to about a 53-day full burn, while the target inventory for the station is a 15-day full burn. Lastly, Kentucky Power representatives stated that the market for NAPP coal is not very liquid as compared to the CAPP coal market as there are a few large producers of NAPP coal. According to Kentucky Power, the current market price for NAPP coal for 2018 is \$36.25, but this reflects a conservative price.

Kentucky Power representatives stated that the excess NAPP coal will be sold through a broker or directly to an unaffiliated third party and that, if sold through a broker, the brokerage fee would be reflected in the selling price of the coal so that

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Kentucky Power will not pay the fee. The Kentucky Power representatives also stated that if 400,000 tons are not sold in 2018, those tons could be deferred to 2019. Kentucky Power representatives further stated that even if 400,000 tons were sold or deferred, the Mitchell Generating Station would still have an excess of 200,000 tons remaining.

There being no further discussions, the informal conference was adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)
POWER COMPANY FOR (1) AUTHORITY) CASE NO.
PURSUANT TO KRS 278.218 TO SELL UP TO) 2017-000446
400,000 TONS OF COAL, SCHEDULED FOR)
DELIVERY TO THE MITCHELL GENERATING)
STATION IN 2018; AND (2) ALL OTHER)
REQUIRED APPROVALS AND RELIEF)
)
)
)
)
)

Informal Conference – January 31, 2018

Please sign in:

NAME	REPRESENTING
<u>Quang D. Nguyen</u>	<u>PSC</u>
<u>Chris Wheeler</u>	<u>PSC - FA</u>
<u>Matthew Baer</u>	<u>PSC - FA</u>
<u>DENZIL WELSH</u>	<u>AEP</u>
<u>Amy Elliott</u>	<u>KPCo</u>
<u>Clint Stutler</u>	<u>AEP</u>
<u>MARK R Overstreet</u>	<u>ST. LOUIS & MISSOURI R.R. KY. P.C.</u>
<u>Steve Sharp</u>	<u>KPCo</u>
<u>Jim Livens</u>	<u>PSC - via teleconference</u>
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