

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. 2012-00550
NOVEMBER 1, 2010 THROUGH OCTOBER 31, 2012)

KENTUCKY POWER COMPANY RESPONSES TO
COMMISSION STAFF'S APRIL 9, 2013 HEARING DATA REQUESTS

April 16, 2013

VERIFICATION

The undersigned, Lila P. Munsey, being duly sworn, deposes and says she is the Manager, Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief

Lila P. Munsey
Lila P. Munsey

COMMONWEALTH OF KENTUCKY)
) Case No. 2012-00550
COUNTY OF FRANKLIN)


Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lila P. Munsey, this 12th day of April 2013.

Judith A Rosquist 481393
Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

The undersigned, Aaron M. Sink, being duly sworn, deposes and says he is Plant Manager – Big Sandy for Kentucky Power Company, 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 information, knowledge and belief



Aaron M. Sink

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2012-00550
COUNTY OF BOYD)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Aaron M. Sink, this the 10th day of April 2013.



Notary Public

My Commission Expires: 03-21-17

Kentucky Power Company

REQUEST

Please refer to the Company's response to Item No. 5. Please explain the increase in tons of coal forecasted to be burned in 2014 over the tons forecasted to be burned in 2013.

RESPONSE

The increase in forecasted coal to be burned in 2014 is due to the planned addition of 50% of the Mitchell Plant.

As a consequence of Kentucky Power being a member of PJM, all KPCo generation resources are dispatched on an economic basis, within operational constraints, at the direction of PJM to meet total PJM load. The 2014 forecast reflects this fact. Consequently, to the extent that KPCo generation resources burn coal to provide energy above its hourly needs, this fuel cost will not be assigned to KPCo retail customers, and customers will benefit from the majority of the margins arising from such off system sales.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Please explain how settlements with coal suppliers are accounted for in the Fuel Adjustment Clause and whether they are passed through to customers.

RESPONSE

Settlement charges or credits are booked to the coal inventory account and would be included in the total fuel costs used in the calculation of the amount billed, or credited, under the Fuel Adjustment Clause (FAC).

Example 1: If KPCo receives a future payment for the settlement in the bankruptcy proceeding with Trinity Coal, the credit will flow through the FAC to customers.

Example 2: As for the Appalachian Fuels bankruptcy proceeding, once the settlement agreement was finalized in November 2012, the customers received (through the FAC) the benefit of the settlement. In effect, KPCo received coal without payment and this benefit flowed through the FAC to KPCo customers.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Please refer to the Company's response to Item No. 30. Please explain why the capacity factor was abnormally low during the period from May 1, 2012 to October 31, 2012.

RESPONSE

Big Sandy Unit 1 had two planned boiler outages, one April through May and one September through November, that account for the loss of approximately 560,448 MWh during the period. This is about 60% of all lost MWh for the period.

Big Sandy Unit 2 had one planned boiler outage September through December that was responsible for a loss of 1,171,200 MWh during the period. This is also about 60% of all lost MWh for the period. Unit 2 also had an unplanned outage to address a variety of issues in May through June for a loss of 522,120 MWh. Together these two outages account for 72% of the lost MWh for the period.

The low capacity factor at Big Sandy during the May 1, 2012 to October 31, 2012 time frame was primarily driven by planned boiler outages for both unit 1 and unit 2. Planned outages are scheduled and coordinated on an AEP East system-wide basis. The continued reduction in demand from sluggish economic conditions, the availability of energy for affiliate pool transactions, low prices in the PJM wholesale electricity market, and the maintenance requirements of the other units in the AEP East generation fleet were all system conditions that were taken into account when scheduling the planned outages at Big Sandy. These factors accounted for most of the balance of the depressed capacity factor.

WITNESS: Aaron M. Sink