COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter Of:

The Application of the Fuel Adjustment Clause of	)	
Kentucky Power Company from November 1, 2013	)	**Case No. 2014-00225**
Through April 30, 2014	)	

REBUTTAL TESTIMONY

OF

RANIE K. WOHNHAS

November 5, 2014

VERIFICATION

The undersigned, Ranie K. Wohnhas being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Ranie K. Wohnhas

Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
) Case No. 2014-00225
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 4th day of November 2014.

Judy K Rosquist 481393

Notary Public

My Commission Expires: January 23, 2017

REBUTTAL TESTIMONY OF
RANIE K. WOHNHAS, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

CASE NO. 2014-00225

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RANIE K. WOHNHAS, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

I. INTRODUCTION

Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Ranie K. Wohnhas. My position is Managing Director, Regulatory and Finance, Kentucky Power Company ("Kentucky Power" or "Company"). My business address is 101 A Enterprise Drive, Frankfort, Kentucky 40602.

II. BACKGROUND

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I earned a Bachelor of Science degree with a major in accounting from Franklin University, Columbus, Ohio in December 1981. I began work with Columbus Southern Power Company in 1978 working in various customer services and accounting positions. In 1983, I transferred to Kentucky Power working in accounting, rates and customer services. I became the Billing and Collections Manager in 1995 overseeing all billing and collection activity for the Company. In 1998, I transferred to Appalachian Power Company ("APCo") working in rates. In 2001, I transferred to the American Electric Power ("AEP") Service Corporation ("AEPSC") working as a Senior Rate Consultant. In July 2004, I assumed the position of Manager, Business Operations Support with Kentucky Power and was promoted to Director in April 2006. I was promoted to my current position as Managing Director, Regulatory and Finance effective September 1, 2010.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR, REGULATORY AND FINANCE?

A. I am primarily responsible for managing the regulatory and financial strategy for Kentucky Power. This includes planning and executing rate filings for both federal and state regulatory agencies and certificate of public convenience and necessity ("CPCN") filings before this Commission. I am also responsible for managing the Company's financial operating plans including various capital and O&M operational budgets that interface with all other AEP organizations affecting the Company's performance. As part of the financial strategy, I work with various AEPSC departments to ensure that adequate resources such as debt, equity and cash are available to build, operate, and maintain Kentucky Power's electric system assets providing service to our retail and wholesale customers. In my role as Managing Director, Regulatory and Finance, I report directly to Gregory G. Pauley, President and Chief Operating Officer of Kentucky Power.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. I have testified before this Commission in various fuel review proceedings and filed testimony in the Company's three most recent base rate case filings, Case No. 2005-00341, Case No. 2009-00459 and Case No. 2013-00197. Other cases in which I have testified include a CPCN application for construction of the Softshell – Bonnyman transmission line, Case No. 2011-00295; an environmental compliance plan, Case No. 2011-00401; a real-time pricing proceeding, Case No.

2012-00226; the Company's application to transfer an undivided 50% interest in the Mitchell Generating Station to Kentucky Power, Case No. 2012-00578; and the CPCN application for the conversion of Big Sandy Unit 1 to gas, Case No. 2013-00430.

III. PURPOSE OF TESTIMONY

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: The purpose of my testimony is to identify and address a number of erroneous contentions advanced by KIUC and Attorney General ("KIUC/AG") Witnesses Kollen and Hayet. In particular, my testimony addresses four topics: (1) how Kentucky Power's allocation of no load costs during the review period comports with the Company's historical practices, (2) how Kentucky Power's allocation of no load costs is consistent with the Stipulation and Settlement Agreement in Case No. 2012-00578, (3) the implication of the allocation process proposed by the KIUC/AG witnesses on the Company's Commission-approved base rates, and (4) how KIUC/AG Witness Kollen misrepresents Kentucky Power's earnings during the review period.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Yes, I am sponsoring Exhibit RKW-1 – a calculation of fuel costs at Mitchell and Big Sandy Unit 2.

IV. HISTORICAL ALLOCATION OF NO LOAD COSTS

Q. MR. KOLLEN STATES AT PAGE 3 OF HIS TESTIMONY THAT THE COMPANY'S ALLOCATION METHODOLOGY FORCES NATIVE

LOAD CUSTOMERS TO PAY UNJUST AND UNREASONABLE FUEL ADJUSTMENT CLAUSE ("FAC") RATES TO ENHANCE THE PROFITABILITY OF THE COMPANY'S OFF-SYSTEMS SALES. IS THIS CORRECT?

A. No. The method that the Company used to allocate costs between Off-System Sales (OSS) and native load fairly allocates no load costs to the Company's native load customers. This method, which did not change with the Company's acquisition of its 50% undivided interest in the Mitchell generating station or the termination of the AEPSC Interchange Pool Agreement, has been used by the Company for at least the past 30 years. It is premised upon the fundamental fact that Kentucky Power's generating units were built or acquired for the purpose of serving, and are operated to serve, native load customers first. I do not understand Mr. Kollen to contend to the contrary. In fact, the Company used this allocation methodology prior to implementing the System Sales Clause (the sharing mechanism between the Company and customers) in 1988. The allocation process has always properly allocated the no load cost to native load customers. As further detailed in the rebuttal testimony of Company Witness Pearce, this allocation methodology is also both fair and consistent with Kentucky Power's membership in PJM Interconnection.

Q. 807 KAR 5:056 SECTION 1(3)(E) PROVIDES THAT "ALL FUEL COSTS SHALL BE BASED ON WEIGHTED AVERAGE INVENTORY COSTING." IS NOT THE COMPANY'S ALLOCATION METHODOLOGY CONTRARY TO THIS PROVISION?

A. No. There is a difference between providing fuel costs at a weighted average inventory cost versus how those costs are allocated. The Company has always provided fuel costs for recovery through the monthly FAC filing at a weighted average inventory cost level in compliance with 807 KAR 5:056. However, 807 KAR 5:056 does not address the allocation methodology of those costs.

V. <u>MITCHELL STIPULATION AND SETTLEMENT AGREEMENT</u>

Q. WITNESS KOLLEN CLAIMS THE COMPANY FAILED TO DISCLOSE IN CASE NO. 2012-00578 THE MATERIAL FACT THAT CUSTOMERS WOULD FACE AN INCREASE IN FUEL COSTS DUE TO THE COMPANY'S ALLOCATION APPROACH. IS THIS CORRECT?

A. No. The Company calculated the estimate in Paragraph 2 of the July 2, Stipulation and Settlement Agreement as an example of the potential fuel savings available to the Company's customers due to the Mitchell transfer. These estimated savings arise from Mitchell's ability to burn a mixture of high sulfur coal and low sulfur coal instead of only higher-cost low sulfur coal required by Big Sandy Unit 2. This is made clear by the language of Paragraph 2: "Because of the anticipated lower fuel costs of Mitchell Units 1 and 2 vis-à-vis the anticipated fuel costs of the Big Sandy Units, the transfer of the Mitchell units to Kentucky Power is expected to provide Kentucky Power customers with the benefit of reduced fuel costs of approximately $2.50/MWh." Mr. Kollen's accusation is unfounded and premised upon an apples and oranges comparison.

Q. HAS THE COMPANY CALCULATED THE FUEL SAVINGS PRODUCED THROUGH KENTUCKY POWER'S OWNERSHIP OF THE

FIFTY PERCENT UNDIVIDED INTEREST IN THE MITCHELL GENERATING STATION?

A. Yes. Please understand that, as the Stipulation and Settlement Agreement makes clear, the $16.75 million in fuel savings was only an estimate based upon historical information. With that in mind, Exhibit RKW-1 demonstrates that from January through August of 2014 the cost difference between the high and low-sulfur coals used at Mitchell and the low-sulfur coal used at Big Sandy Unit 2 was $9,884,747. On an annual basis those savings would equal $14,827,121 or almost 89% of the estimated amount.

Q. DID THE COMPANY WITHHOLD FROM THE COMMISSION THE RISK THAT DURING THE INTERIM PERIOD WHEN THE COMPANY OWNED AND OPERATED BOTH BIG SANDY AND MITCHELL THERE MIGHT BE A HIGHER LEVEL OF NO LOAD COSTS?

A. Absolutely not. The Company did not intend to modify the no load cost allocation methodology and accordingly never considered it necessary to raise the issue. More fundamentally, the higher no load costs are driven principally by the fact that the extreme cold weather experienced during the January and February 2014 Polar Vortex created a seldom-seen and never-contemplated demand for the Company’s generation. Had the Company’s service territory experienced weather during the winter of 2014 similar to that experienced during the winter of 2013, the demand for the Company’s energy would not have been nearly as high as was experienced during the winter of 2014 and the no load costs would have been lower.

Q. DID THE INTERNAL CUSTOMERS OF KENTUCKY POWER COMPANY BENEFIT FROM THE COMPANY OWNING BOTH BIG SANDY UNIT 2 AND AN UNDIVIDED 50% INTEREST IN MITCHELL DURING THE POLAR VORTEX?

A. Yes. As discussed in the testimony of Company Witness Pearce, Kentucky Power's ownership of both Big Sandy Unit 2 and Mitchell protected Kentucky Power's customers from market volatility and higher costs during the extreme cold of the Polar Vortex period. Had the Company not had both Mitchell and Big Sandy Unit 2 available to meet internal load, it would have been forced into significant market purchases to meet weather-related, increased internal demand. These market purchases would have cost Kentucky Power's customers approximately $9.9 million more than what the Company recovered via the FAC during the review period.

Q. DID THE JULY 2, 2013 STIPULATION AND SETTLEMENT AGREEMENT IN CASE NO. 2012-00578 CHANGE THE ALLOCATION OF OSS MARGINS?

A. Yes. Paragraph 7 of the Stipulation and Settlement Agreement provides for the Company to retain all OSS revenues above $15,290,363 effective January 1, 2014 and until new base rates are set by the Commission.

Q. WHY WAS PARAGRAPH 7 INCLUDED IN THE STIPULATION AND SETTLEMENT AGREEMENT?

A. Paragraph 1 of the Stipulation and Settlement Agreement only provided the Company with a partial recovery ($44 million annually or approximately 40%) of the estimated costs associated with Kentucky Power's fifty percent undivided interest in the Mitchell generating station. To help offset the "certainty" of this very substantial loss during the interim period the Company would own and operate both Big Sandy and its undivided interest in the Mitchell generating station, the parties to the Stipulation and Settlement Agreement agreed to, and the Commission approved, the modification of the Company's OSS clause to provide Kentucky Power with the ***opportunity*** to "earn back" some but not all (under most reasonably foreseeable circumstances) of these lost revenues through a change in the OSS margin allocation. The risk of less than projected OSS was thus entirely on Kentucky Power, and a warmer than normal winter would have severely limited the Company's opportunity to recover some of the lost revenues associated with only a partial recovery of the Mitchell asset. It is also important to recognize that Kentucky Power's customers continue to enjoy through lower base rates the entire benefit of the first $15.3 million in OSS margins.

Q. DID THE EXISTENCE OF PARAGRAPH 7 OF THE STIPULATION AND SETTLEMENT AGREEMENT AFFECT THE COMPANY'S OPERATION OF ITS GENERATION ASSETS?

A. No. Kentucky Power operated its generation assets in the same fashion it would have if it continued after December 31, 2014 to split OSS margins with its customers. The Intervenors contention to the contrary is without basis in fact. As Company Witness Pearce describes, Kentucky Power is required by PJM to offer all of its units into the PJM Day Ahead Market and not just those required to meet its native load. It did just this and in the same manner both before and after

January 1, 2014 (the effective date of the elimination of OSS sharing through Paragraph 7 of the Stipulation and Settlement Agreement). The only thing that would change, as stated previously, is how much the units would run based upon the impact of weather.

VI. KENTUCKY POWER'S BASE RATES

Q. HOW DOES THE CHANGE TO THE COMPANY'S ALLOCATION METHOD PROPOSED BY MR. KOLLEN IMPLICATE THE COMPANY'S BASE RATES APPROVED BY THE COMMISSION IN CASE NO. 2009-00459?

A. The allocation method proposed by Mr. Kollen is inconsistent with the May 19, 2010 Unanimous Settlement Agreement resolving Case No. 2009-00459 and establishing the Company's current base rates ("Unanimous Settlement Agreement"). Mr. Kollen's proposal would increase the cost of OSS to the Company, thereby reducing the Company's OSS margins, without the necessary corresponding increase in the amounts recoverable under base rates.

Q. PLEASE EXPLAIN HOW OSS MARGINS ARE RELATED TO BASE RATES.

A. The Unanimous Settlement Agreement, signed by both KIUC and the Attorney General, established the Company's current annual revenue requirement. The Unanimous Settlement Agreement set forth the amount of the revenue requirement that the Company can recover through base rates. As part of establishing the amount recoverable through base rates, Kentucky Power's customers were "credited" with the test year amount of off-system sales margins.

If the Company's OSS margins exceed the margins credited against base rates, the excess was split on a 60/40 basis, with the customers receiving 60%. If the OSS margins were less than the amount credited against base rates, the customers were charged 60% of the shortage. This arrangement benefitted the Company's customers through reduced base rates.

Q. HOW DID NO LOAD COSTS FACTOR INTO THE ESTABLISHMENT OF THE TEST YEAR OSS MARGIN CREDITED AGAINST BASE RATES?

A. Since OSS margins are simply the profits from off-system sales, they are calculated by subtracting the costs of making the sales from the revenues received from those sales. During the test year used for establishing the OSS margins credited against base rates in Case No. 2009-00459, the costs of off-system sales included only the incremental costs associated with making those off-system sales. In that test year, no load costs were allocated to native load customers, as they had been for decades before. Thus, the OSS margins credited to (and thereby reducing) base rates in Case No. 2009-00459 were calculated without any no-load costs allocated to off-system sales.

Q. HOW WOULD THE APPROACH PROPOSED BY MR. KOLLEN AFFECT THE AMOUNT THE COMPANY WOULD NEED TO RECOVER VIA BASE RATES?

A. Contrary to the approach proposed by Mr. Kollen the allocation of no load costs cannot occur in a vacuum. As discussed above, the Company calculated the test year OSS margins to be credited against base rates utilizing only the incremental costs incurred in making those off-system sales. Consistent with historical practice and the fact that the generation assets serve the Company's internal customers first, Kentucky Power assigned no load costs to native load in their entirety. Again, the OSS margin credit reduced base rates for the Company's customers.

If Mr. Kollen's no-load cost allocation method were used, the Company's test year OSS margin would have been lower. As a result the OSS margin credit against base rates would have been lower. The lower OSS margin credit would have required the amount recoverable through base rates to increase for the Company to meet its Commission approved revenue requirement. Because they are interrelated methods for the Company to meet its Commission approved revenue requirement, any decrease in the OSS margin credited against base rates must be balanced by a corresponding increase in the amount recoverable through base rates. Mr. Kollen's approach ignores this fundamental concept and must therefore be rejected.

VII. KENTUCKY POWER'S NET INCOME

Q. DO YOU AGREE THAT THE CHART AT PAGE 28 (EXHIBIT LK 8) OF MR. KOLLEN'S TESTIMONY CORRECTLY SHOWS THE COMPANY'S NET INCOME FOR THE IDENTIFIED FOUR-MONTH PERIODS?

A. Yes.

Q. DID MR. KOLLEN CALCULATE THE COMPANY'S CORRESPONDING RETURN ON EQUITY ("ROE") DURING EACH TIME PERIOD?

A. No.

Q. WAS IT IMPORTANT THAT HE DO SO?

A. Yes. Although the Company's net income during the period January to April 2014 was greater than its net income during the corresponding four month period in 2013 its equity investment also increased between the two periods. This increase occurred mostly as a result of Kentucky Power's acquisition of its interest in the Mitchell generating station. The important metric for evaluating the financial performance of the Company is not net income as Mr. Kollen would have you believe, but rather the Company's return on equity. Mr. Kollen omits this from his chart and testimony.

Q. DID YOU CALCULATE KENTUCKY POWER'S ROE DURING THE PERIODS ILLUSTRATED BY MR. KOLLEN IN LK 8?

A. Yes. Before discussing those results it is important to note that Mr. Kollen's chart is misleading for two additional reasons. First, the first four-month period, January to April 2010 illustrated by Mr. Kollen occurs prior to the June 29, 2010 effective date of the Company's current base rates. The comparison of the Company's net income over a period two to six months immediately *prior* to the establishment of the Company's current base rates, which were designed to increase Kentucky Power's revenues by $63.66 million, with its net income after the establishment of those new rates, is another example of Mr. Kollen's penchant for apples and oranges comparisons.

Second, as discussed above, Paragraph 7 of the July 2, 2014 Stipulation and Settlement Agreement modified the Company's Tariff S.S.C. to eliminate the 60%/40% sharing of O.S.S. margins above the $15.3 million credited to customers through base rates in order to allow the Company the opportunity to earn back some of the certain losses associated with the limited recovery of the Mitchell asset. But for that change the Company's net income for the period January to April 2014 would have been approximately $8.4 million lower.

Q. WITH THOSE UNDERSTANDINGS, WHAT WAS THE CORRESPONDING ROE DURING THE PERIODS SHOWN ON LK 8?

A. The on-going ROE (eliminates any one-time, non-recurring event over the prior twelve month period) is the twelve month rolling ROE as of April of each four month period illustrated on LK 8 and was:

April	ROE
2010	4.42%
2011	9.87%
2012	8.89%
2013	11.55%
2014	6.44%

Q. DID KENTUCKY POWER EXCEED ITS AUTHORIZED ROE LEVEL OF 10.50% DURING ANY OF THESE PERIODS?

A. Only once, and that was in 2013 – *prior* to the Mitchell Transfer.

Q. MR. KOLLEN ALSO STATES ON PAGE 27 OF HIS TESTIMONY THAT THE OFF-SYSTEM SALES PROFITS WERE SIGNIFICANT BEGINNING IN JANUARY 2014 THROUGH APRIL OF 2014 COMPARED TO DECEMBER 2013. IS THIS CORRECT?

A. They did increase over the December 2013 level. However, as described above, a potential increase in off-system sales margins was anticipated by Paragraph 7 of the Stipulation and Settlement Agreement and approved by the Commission as a mechanism for the Company to mitigate against the financial impacts associated with only a partial recovery of the Mitchell asset.

Q. WAS THIS BECAUSE OF ANY FUEL COSTS BEING IMPROPERLY ALLOCATED TO NATIVE LOAD CUSTOMERS AS MR. KOLLEN STATES ON PAGE 29 OF HIS TESTIMONY?

A. No. As described in the testimony of Company Witness Pearce, there was no change in the allocation method of no load fuel costs with the addition of the Mitchell units. The increase in off-system sales margins was primarily due to an unforeseen increase in demand arising from the Polar Vortex. Because of the Polar Vortex and the operation of Paragraph 7 of the Stipulation and Settlement Agreement, which allowed the Company to keep all profits from sales above the base rate level of $15.3 million, the Company was able to obtain higher than expected off-system sales margins.

Q. DID THESE OFF-SYSTEM SALES MARGINS ACHIEVED FROM JANUARY 2014 THROUGH APRIL 2014 DRIVE THE COMPANY'S ROE ABOVE THE AUTHOIZED LEVEL OF 10.50%?

A. No. The on-going ROE for Kentucky Power Company as of April, 2014 was 6.44%. This is only 61% of the Company's allowed ROE.

Q. WHAT WAS THE COMPANY'S ROE WHEN THE STIPULATION AND SETTLEMENT AGREEMENT WAS SUBMITTED TO THE

COMMISSION AND AT YEAR END 2013 WHEN THE MITCHELL TRANSFER CLOSED?

A. The Company's on-going ROE was 9.52% as of July 2013 and 7.44% as of December 2013.

Q. HOW DOES THE COMPANY'S ROE FOR THE PERIOD ENDED APRIL 2014 COMPARE TO ITS ROE FOR THE PERIODS ENDED JULY 2013 AND DECEMBER 2013?

A. At 6.44% it is 32% and 13% less than its ROE for the twelve month periods ending July 2013 and December 2013 respectively. Even with the Company retaining 100% of the OSS margins above the $15.3 million built into base rates Kentucky Power's ROE has declined following the Mitchell Transfer.

Q. HAVE THE COMPANY'S CUSTOMERS BENEFITED FROM THE STIPULATION AND SETTLEMENT AGREEMENT?

A. Yes. As explained by Company Witness Pearce, without the Company's interest in the Mitchell generating station during the Polar Vortex, customers would have paid approximately $9.9 million dollars in additional costs due to exposure to the volatile market. In addition to the other benefits noted in the Commission's October 7, 2013 Order approving the Mitchell Transfer, the Company acquired a fifty percent interest in a well-maintained, low-cost, environmentally controlled baseload generation asset. The Mitchell Generating Station was acquired with the long-term in mind – its expected 25 year remaining operating life – and not simply the four months of this FAC review period, or even the interim period during which the Company anticipates operating Big Sandy Unit 2 in addition to its fifty percent undivided interest in the Mitchell generating station. These benefits were obtained by the Company's customers at a very significant discount from the Company's authorized 10.50% ROE.

Q. WHAT WOULD THE ROE BE IF THE COMMISSION WERE TO ACCEPT THE $13.512 MILLION ADJUSTMENT WITNESS HAYET PROPOSED IN HIS TESTIMONY?

A. From the April 2014 level of 6.44%, it would reduce the ROE to an estimated level of 5.2%. Again, this is only 50% of the Company's authorized ROE and 30% below the December 2013 level immediately prior to the Mitchell Transfer. Even with the opportunity to keep 100% of the OSS margins above the $15.3 million base level, the Company only mitigated a portion of its Mitchell-related revenue shortfall.

Q. DOES THE ADJUSTMENT SPONSORED BY KIUC AND THE ATTORNEY GENERAL CONFLICT WITH THE ALLOCATION METHODOLOGY IN EFFECT AT THE TIME OF STIPULATION AND SETTLEMENT AGREEMENT AS WELL AS THE COMMISSION'S ORDER APPROVING THE AGREEMENT?

A. Yes. Kentucky Power allocated no load costs in January, February, March, and April 2014 in the same manner it did in January through April 2013, January through April 2004, January through April 1994 and earlier. Second, the Stipulation and Settlement Agreement explicitly provides the Company with the opportunity to recover some of the losses resulting from the partial recovery of Mitchell-related costs through Tariff ATR. Any adjustment to costs incurred during the period the Stipulation and Settlement Agreement rates are in effect is contrary to the agreement.

Q. IF THE COMMISSION WERE TO APPROVE THE PROPOSED ADJUSTMENT, DO YOU AGREE THAT THE AMOUNT SHOULD BE $13,512,141?

A. No. First and foremost, the Company continues to advocate that there should be no adjustment to the FAC calculations for this six-month test period or for any period of time during the effective two-year review period. Second, as described above, if the Commission nevertheless determines that a change in the allocation methodology is required, any change must coincide with the implementation of new base rates and the establishment of a new base level of OSS margins to be fair and equitable to all parties. Finally, the Company is not aware of any FAC proceeding where an adjustment (credit or charge) has ever included interest at any rate. Accordingly, the Company disagrees with both the need for and the amount of Mr. Kollen's proposed adjustment.

VIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. Contrary to the testimony of KIUC/AG Witnesses Kollen and Hayet, Kentucky Power allocated no load costs to its native load customers in a manner that was fair, just and reasonable. The Company's allocation method during the review period was consistent for both its historical practice and with the calculation of the OSS margin credited against base rates in the Company's last base rate case. Further, and importantly, KIUC/AG Witness Kollen misses the mark with his criticism of the implementation of the Commission-approved Stipulation and Settlement Agreement in Case No. 2012-00578. The Company has not reaped a windfall at the expense of its customers, instead a historically cold winter allowed the Company to mitigate the financial impacts of recovering only a portion of the Mitchell asset during this interim period.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

Kentucky Power Company
Mitchell Plant Fuel Savings Analysis
2014

	KPCo Total Net Generation (MWh)	Mitchell Generation	Big Sandy Generation Cost Cents per kWh	Total Actual Monthly Fuel Cost	Total Cost if Mitchell Generation was Generated at Big Sandy	Difference (Savings)	Cumulative Subtotal	Fuel Savings
January	1,234,094	359,030	31.18	$ 36,263,242	$ 36,602,770	$ 339,528		
February	1,071,896	301,325	29.54	$ 31,450,611	$ 31,045,801	$ (404,810)	$ (65,282)	
March	1,008,980	430,697	31.38	$ 27,468,669	$ 29,113,109	$ 1,644,439	$ 1,579,157	
April	1,047,016	368,914	30.22	$ 29,143,320	$ 30,741,964	$ 1,598,644	$ 3,177,801	
May	834,160	317,266	32.61	$ 23,945,242	$ 26,341,422	$ 2,396,180	$ 5,573,981	
June	1,139,377	349,479	30.32	$ 32,093,602	$ 33,670,219	$ 1,576,617	$ 7,150,599	
July	1,100,916	432,602	29.75	$ 30,017,879	$ 31,851,243	$ 1,833,364	$ 8,983,963	
August	1,179,866	378,408	28.60	$ 32,175,647	$ 33,076,431	$ 900,784	$ 9,884,747	
Total				**$ 242,558,212**	**$ 252,442,959**	**$ 9,884,747**		**4.0752%**