

Kentucky Power Company

REQUEST

Refer to the response to Item 38 of the February 5, 2015 Request.

a. The response states that the PJM billing line items are "allocated between off system sales obligation and Kentucky Power's internal load requirements."

(1) Explain in detail how the PJM billing line items are allocated between off-system sales and internal load requirements.

(2) By month, for the period January 1, 2014 through October 31, 2014, provide the allocations of the PJM billing line items between off-system sales and internal load requirements.

b. For the months of January 2014 and August 2014, provide a copy of the PJM invoice/statement which supports the amounts recorded in the FAC for those expense months. If necessary, provide a reconciliation of the amounts in the invoice/statement to the amounts recorded in the FAC.

c. Refer to Attachment 1, tab "Sheet 1." For each column, columns D through L, explain what is represented and how the amount in the column was calculated.

d. Refer to Attachment 2. Account 4470207 is identified as a charge and account 4470208 is identified as a credit. Explain why the opposite is shown for those accounts for period 9 of 2013 and period 5 of 2014 in the table.

RESPONSE

1) Amounts included in the FAC for PJM BLI 1200 and 1205 represent PJM spot market energy purchase amounts. The allocation of these amounts between off system sales obligations and Kentucky Power's internal load requirements is determined hourly based on the economic dispatch process in PowerTracker using the spot market energy purchase cost (\$/MWh) compared to the to the cost (\$/MWh) of other resources.

a.(2) See attachment KPSC_2_12_Attachment1.xlsx, for the allocation between off-system sales (OSS) and internal load (LSE) requirements.

b. See attachment KPSC_2_12_Attachment2.pdf, for the January 2014 PJM invoice. See attachment KPSC_2_12_Attachment3.pdf, for the August 2014 PJM invoice. The reconciliation of the amounts in the invoice to the amounts recorded in the FAC are in KPSC_2_12_Attachment4.xls

c. Explanation of Purchase Power Allocation as shown on KPSC_1_38_Attachment1, tab "Sheet 1":

Column D: Total Purchase MWh

Column E: Total Purchase Energy Cost

Column F: Total Purchase Fuel Cost

Column G: Purchase MWh allocated to Off-System Sales by PowerTracker reconstruction process

Column H: Purchase Energy Cost allocated to Off-System Sales by PowerTracker reconstruction process

Column I: Purchase Fuel Cost allocated to Off-System Sales by PowerTracker reconstruction process

Column J: Purchase MWh allocated to Firm (Internal) Load = Column D – Column G

Column K: Purchase Energy Cost allocated to Firm (Internal) Load = Column E – Column H

Column L: Purchase Fuel Cost allocated to Firm (Internal) Load = Column F – Column I

d. Journal entries to reclassify certain PJM ancillary service costs were made during the months of September 2013 and May 2014. The September 2013 journal entries were included in Case No. 2013-00261 and described at the October 7, 2013 Informal Conference. The Informal Conference Memorandum is attached as KPSC_2_12_Attachment5.pdf.

The reason for the May 2014 reclassification is that Kentucky Power conducted an internal review of its PJM allocations after the termination of the AEP East System Pool and the acquisition of 50% of the Mitchell Plant. Some IT interface allocations were not properly allocating marginal losses between LSE and OSS. The actual amounts from PJM were correct but the allocations were not. These corrections were reviewed and the interfaces were corrected beginning with the April 2014 actual cycle. Manual journal entries were made for the January through March 2014 time period. The issue did not impact 2013 or prior because it related only to the actual set-up of the Mitchell plant in the allocation system. The one-time correction was made in May.

Revised Response filed June 2, 2015

Please see Attachment 1 to the Company's June 2, 2015 revised response to KPSC 2-12

WITNESS: John A Rogness