

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>AN EXAMINATION OF THE APPLICATION</b>	)	
<b>OF THE FUEL ADJUSTMENT CLAUSE OF</b>	)	
<b>KENTUCKY POWER COMPANY FROM</b>	)	<b>CASE NO. 2014-00450</b>
<b>NOVEMBER 1, 2012 THROUGH OCTOBER</b>	)	
<b>31, 2014</b>	)	

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**  
**AND THE ATTORNEY GENERAL'S**  
**RESPONSE TO KENTUCKY POWER COMPANY'S**  
**FIRST REQUEST FOR INFORMATION**

1. Please provide all schedules, tables, and charts included in the testimony and exhibits to the testimony of Mr. Kollen in electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Please see KIUC / AG response to Staff 1-2.

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2. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the testimony of Mr. Kollen. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Please see KIUC / AG response to Staff 1-2.

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3. Please reference page 5, lines 1-3, of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the calculation of fuel expenses referenced therein. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please see attachment A to Staff 1-2, tab "Comp. Alloc. KIUC 1-12 (recons)" row 29. These values are sourced from the Company's response to KIUC 1-12.

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4. Please reference page 5, lines 7-16, of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the calculation of values listed below. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

- a. The percentage of total system no load costs allocated to off-system sales during the review period.
- b. The percentage of off-system sales during the review period;
- c. The actual fuel and purchased power expense during the review period;
- d. The fuel and purchased power expense allocated to native load customers during the review period under the "Commission methodology"; and
- e. The fuel and purchased power expense allocated to off system sales during the review period under the "Commission methodology."

**RESPONSE:**

Please see Attachment A to Staff 1-2, tab "Charts" and "EKPC Allocated No-Load"

Please note that Mr. Kollen's calculations were made for the period starting January 1, 2014 contemporaneous with the Mitchell acquisition. Therefore, the calculations on the referenced lines reflect a 10 month period and not the entirety of the two year review period.

- a. Please see Attachment A to Staff 1-2, tab: "EKPC Allocated No Load" cell: AF14
- b. Please see attachment A to Staff 1-2, tab: "Charts" cell: K135

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- c. Please see attachment A to Staff 1-2, tab: "Charts" cell: H138
- d. Please see attachment A to Staff 1-2, tab: "Charts" cell: G139
- e. Please see attachment A to Staff 1-2, tab: "Charts" cell: F139

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5. Please reference the graph titled "Monthly Reserve Margin on page 8 of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of this graph. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

RESPONSE:

Please see attachment "G" to Staff 1-2.

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6. Please reference page 9, lines 1-8, of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the calculation of off-system sales percentages contained therein. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please see:

- attachment "A" to Staff 1-2, tab: "Comp. Allo. Gen KIUC 1-11" cell G33
- attachment "A" to Staff 1-2, tab: "Charts" cell K135
- attachment "D" to Staff 1-2, tab: "Jan 2014 – Oct 2014 (short) cells: P26:P28

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7. Please reference the graph titled "Comparison of Percentage of Costs and Percentage of Energy Allocated between OSS and NL" on page 11 of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of this graph. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please see attachment "A" to Staff 1-2, tab: "Charts" cells: U5:Y17 and graph below those cells.



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8. Please reference the table titled "Allocation of Fuel Costs and Purchase Power by Method (Jan-Oct 2014)" on page 12 of the testimony of Mr. Kollen.

a. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of this table. The requested information, if so available, should be provided in an electronic format, with formulas intact and visible, and no pasted values.

b. Please explain the bases for the difference in the values in the Total column between the rows labeled "Company Methodology," "Commission Methodology," and "EKPC Restack."

**RESPONSE:**

a. Please see attachment "A" to Staff 1-2, tab: Charts starting at cell: B126.

b. The EKPC Restack total was calculated based on hourly data provided by the Company. The Company Methodology total was obtained from monthly data also provided by the Company. While both sets of data were supplied by the Company, the hourly data, when summed, was slightly different (less than 1%) than the monthly data that the Company provided. In order to perform KIUC's reallocation it was necessary to use the Company's hourly results.

The reason the Company Methodology total and the Commission Reallocation total results are identical is because KIUC also used the Company's monthly results to derive the Commission Reallocation results. Had KIUC used the Company's hourly results to derive the Commission Reallocation results, the same difference would have resulted.

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9. Please reference page 20, lines 3-4, of the testimony of Mr. Kollen where Mr. Kollen states, "No other utility in the Commonwealth uses the Kentucky Power allocation methodology, including EKPC and Duke, which also are PJM members."

a. On a utility by utility basis, provide all evidence and support relied upon by Mr. Kollen to make this statement.

RESPONSE:

The other utilities in Kentucky do not recognize theoretical “no load” costs for fuel cost allocation purposes. Under EKPC’s fuel cost allocation approach, “[f]uel is allocated between native-load sales and off-system sales on a stacked cost basis. EKPC considers each hour of operation, determines if a sale was made from its system during that hour and then allocates the highest cost resource(s) to that sale for FAC purposes. The process of stacking and assigning the highest cost resources to off-system sales protects EKPC’s native load from having no-load cost assigned inappropriately.”<sup>1</sup> EKPC “does not track no-load cost and does not segregate no-load cost in its energy accounting for the fuel clause.”<sup>2</sup>

Duke Energy Kentucky, Inc. (“Duke”) described its fuel cost allocation process as follows: “After the generating unit is dispatched, the actual energy costs consumed in a generating unit is allocated as either native or non-native based on a stacking process, allocating the lowest cost resources to native load first.”<sup>3</sup> Duke “doesn’t track how much of the total energy cost consumed in a month is related to no-load costs.”<sup>4</sup>

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<sup>1</sup> EKPC Response to Commission Staff’s Information Request Dated 08/13/014, Case No. 2014-00226, Request 29.

<sup>2</sup> EKPC Response to Commission Staff’s Information Request Dated 08/13/014, Case No. 2014-00226, Request 29.

<sup>3</sup> Duke Kentucky Response to Staff First Set of Data Requests, Case No. 2014-00229, Staff-DR-01-029.

<sup>4</sup> Duke Kentucky Response to Staff First Set of Data Requests, Case No. 2014-00229, Staff-DR-01-029.

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Both Kentucky Utilities Company (“KU”) and Louisville Gas & Electric Company (“LG&E”) “use the After-the-Fact Billing (‘AFB’) model to determine the joint dispatch savings between LG&E and KU and to allocate the highest cost energy to off-system sales.”<sup>5</sup> LG&E and KU “[do] not utilize the term ‘No load costs’ in the dispatch and operation of [their] system[s].”<sup>6</sup>

Big Rivers Electric Corporation (“Big Rivers”) uses a form of system average cost allocation between native load and off-system sales, but “[t]he no-load cost is a cost Big Rivers does not quantify because Big Rivers does not operate at a no-load state.”<sup>7</sup> According to Big Rivers “there is no distinction made in the allocation of these theoretical costs between native-load and off-system sales.”<sup>8</sup>

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<sup>5</sup> LG&E Response to Information Request in Appendix of Commission’s Order Dated August 13, 2014, Case No. 2014-00228, Question No. 25; KU Response to Information Request in Appendix of Commission’s Order Dated August 13, 2014, Case No. 2014-00227, Question No. 25.

<sup>6</sup> LG&E Response to Information Request in Appendix of Commission’s Order Dated August 13, 2014, Case No. 2014-00228, Question No. 27; KU Response to Information Request in Appendix of Commission’s Order Dated August 13, 2014, Case No. 2014-00227, Question No. 27.

<sup>7</sup> Big Rivers Response to Commission Staff’s Request for Information Date August 13, 2014, Case No. 2014-00230, Item No. 29.

<sup>8</sup> Big Rivers Response to Commission Staff’s Request for Information Date August 13, 2014, Case No. 2014-00230, Item No. 29.

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10. Please reference page 20, line 19, through page 21, line 5, of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of the fuel and purchase power expense contained therein. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please see attachment "A" to Staff 1-2, tab: Charts, cells: K141, H138, G138, K142, F138 and K143.

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11. Please reference the table titled "Kentucky Power Company Allocation of Unit Fuel Costs to Native Load and Off System Sales (S/MWh)" on page 21 of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the development of this table. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

**RESPONSE:**

Please see attachment "E" to Staff 1-2.

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12. Please reference page 23, lines 12-25, of the testimony of Mr. Kollen. Please provide all workpapers, source documents, and electronic spreadsheets used in the calculation of the values listed below. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.

- a. The percentage of hours during the review period when off-system sales were made.
- b. The percentage of hours when "the native load was the sum of the unit minimums and the Company sold this generation and more off-system."

**RESPONSE:**

- a. Please see attachment "F" to Staff 1-2, tab: "analysis" cell: H2
- b. Please see attachment "F" to Staff 1-2, tab: "data for pivot" cell: X51

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13. Please confirm that during the review period the Company's customers benefited from the additional generation provided by the Company's ownership of both its undivided 50% interest in the Mitchell generating station and Big Sandy Unit 2 through the avoidance of fuel costs and market purchases that would have exceeded the Mitchell fuel costs, including the no load fuel costs, during that same period. If you cannot confirm this statement, please explain the basis for your inability to confirm.

RESPONSE:

KIUC cannot confirm that the Company's customers have benefited from the Company's ownership of the Mitchell and Big Sandy 2 units during the overlap period from January 1, 2014 through May 31, 2015. This would require a comparison of total revenue requirements, including fixed costs and fuel costs, similar to the analyses performed in the Mitchell acquisition case. The effect on fuel expense cannot be viewed in isolation. KIUC did not perform a comparison of total revenue requirements in this proceeding. KIUC also did not perform a comparison of the Company's actual fuel costs to a case without the Mitchell units. Instead, KIUC focused on the reasonable allocation of actual fuel costs that were incurred during the review period between native load customers and off-system sales.

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14. Please refer to page 28, lines 1-10, of the testimony of Mr. Kollen.
- a. Please confirm that a representative from LG&E and KU testified in Case Nos. 2014-00228 (LG&E) and 2014-00227 (KU) that while those companies do not separately identify no load costs, they "utilize the heat rate curves and the fuel cost to calculate an incremental cost for the highest cost units that are allocated to off-system sales."
  - b. If you cannot confirm the statement in subpart a, please explain the basis for your inability to confirm.
  - c. Please confirm that in its December 10, 2014 response to a post-hearing data request in Case No. 2014-00227 (attachment A to these data requests) KU confirmed its representative testified " that Mr. Conroy's testimony indicates that, for KU's coal units, the minimum costs to operate the units are paid for by native load customers."
  - d. If you cannot confirm the statement in subpart c, please explain the basis for your inability to confirm.
  - e. Please confirm that in its December 10, 2014 response to a post-hearing data request in Case No. 2014-00228 (attachment B to these data requests) LG&E confirmed its representative testified " that Mr. Conroy's testimony indicates that, for LG&E's coal units, the minimum costs to operate the units are paid for by native load customers."
  - f. If you cannot confirm the statement in subpart e, please explain the basis for your inability to confirm.
  - g. Please confirm that the Company, LG&E, and KU each allocate costs to offsystem sales based on incremental fuel costs and not average costs.



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- h. If you cannot confirm the statement in subpart g, please explain the basis for your inability to confirm.
- i. Please confirm that the minimum costs to operate the Company's coal-fired generating units remain with its native load customers.
- j. If you cannot confirm the statement in subpart i, please explain the basis for your inability to confirm.
- k. Please confirm that the minimum costs to operate KU's coal-fired generating units remain with its native load customers.
- l. If you cannot confirm the statement in subpart k, please explain the basis for your inability to confirm.
- m. Please confirm that the minimum costs to operate LG&E's coal-fired generating units remain with its native load customers.
- n. If you cannot confirm the statement in subpart m, please explain the basis for your inability to confirm.
- o. Please provide a copy of the agreement referenced on page 28, lines 7-9 of the testimony of Mr. Kollen.

**RESPONSE:**

- a,b. The question does not provide a reference to prefiled testimony, discovery responses, or testimony at hearing. Without such a reference, Mr. Kollen cannot confirm the specific statement attributed to "a representative" from LG&E and KU.

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- c,d. Confirmed.
- e,f. Confirmed.
- g,h. Denied. The Company allocates a portion of its minimum segment costs to off-system sales when the capacity of the minimum segments exceeds native load.
- i,j. Refer to the responses to parts (g) and (h) of this question.
- k,l. Confirmed.
- m,n. Refer to the responses to parts (k) and (l) of this question.
- o. Mr. Kollen does not have a copy of the agreement.

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15. Please refer to page 29, lines 13-14, of the testimony of Mr. Kollen and the claimed \$2.872 million due in interest.

- a. Please provide all workpapers, source documents, and electronic spreadsheets used in the calculation of the claimed interest amount. The requested information should be provided in an electronic format, with formulas intact and visible, and no pasted values.
- b. Please identify and provide each source for the values used in computing the \$2.872 million value.
- c. Please provide Mr. Kollen's basis for using the Company's weighted cost of capital in calculating the interest claimed due, including, but not limited to, all statutes, regulations, and orders of the Public Service Commission of Kentucky relied upon by Mr. Kollen in doing so.

**RESPONSE:**

- a. Please see KIUC / AG response to Staff 1-2 and attachment "A"
- b. Please see KIUC / AG response to Staff 1-2 and attachment "A"
- c. Please refer to the response to Staff 1-1.