

**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. 2015-00232**  
**NOVEMBER 1, 2014 THROUGH APRIL 30, 2015 )**

**KENTUCKY POWER COMPANY RESPONSES TO  
COMMISSION STAFF'S FIRST SET OF DATA REQUESTS**

**August 28, 2015**







**VERIFICATION**

The undersigned, Charles F. West, being duly sworn, deposes and says he is the Manager, Coal Procurement, for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing data response for which he is identified as the witness and that the information contained therein is true and correct to the best of his information, knowledge and belief



Charles F. West

STATE OF OHIO

)

) Case No. 2015-00232

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Charles F. West, this the 20<sup>th</sup> day of August 2015.

  
Notary Public

My Commission Expires: 1/1/2019



**Donna J. Stephens**  
Notary Public, State of Ohio  
My Commission Expires 01-04-2019

**Kentucky Power Company**

**REQUEST**

For the period from November 1, 2014, through April 30, 2015, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (i.e. , spot or contract) . For the period under review in total, provide the percentage of purchases that were spot versus contract. For contract purchases, state whether the contract has been filed with the Commission. If no, explain why it has not been filed.

**RESPONSE**

Please see KPCo\_R\_KPSC1\_1\_Attachment1 to this response for a listing of each vendor from which coal was purchased, the quantities, the nature of each coal purchase, and the percentage of purchases that were spot versus contract during the period from November 1, 2014 to April 30, 2015. Contracts for all contract purchases have been filed with the Commission.

**WITNESS:** Charles F West

Counterparty	Name of Purchase	Total Tons*
Alliance Coal, LLC	Spot	20,962
Alpha Coal Sales Co., LLC	Contract	85,317
Alpha Coal Sales Co., LLC	Spot	368,351
Beech Fork Processing, Inc.	Spot	30,082
Cargill, Incorporated	Spot	259
Consolidation Coal Company - OVRI	Contract	607,707
EDF Trading North America, LLC	Spot	122,317
Koch Carbon, LLC	Contract	50,626
Koch Carbon, LLC	Spot	106,757
Kolmar Americas, Inc.	Spot	6,130
Maple Coal Co	Contract	32,877
Mercuria Energy Trading, Inc.	Spot	77,780
MR Coal Marketing & Trading, LLC	Spot	143,217
Noble Americas Corp.	Spot	11,569
Patriot Coal Sales, LLC	Contract	39,131
Patriot Coal Sales, LLC	Spot	32,362
Peabody COALTRADE, LLC	Spot	47,442
Producers Coal, Inc.	Spot	44,002
RWE Supply & Trading GmbH	Spot	134,707
S.M. & J., Inc.	Spot	87,838
Southern Coal Sales Corporation	Contract	39,768
Trafigura AG	Spot	28,358
Virginia Electric and Power Co. (Dominion Virginia)	Spot	10,696
	Grand Total	2,128,255

Total Contract	40%
Total Spot	60%

\*Sum of "Total Tons" may not match grand total due to rounding.

**Kentucky Power Company**

**REQUEST**

For the period from November 1, 2014, through April 30 , 2015, list- each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (i.e. , spot or contract). For contract purchases, state whether the contract has been filed with the Commission. If no, explain why it has not been filed.

**RESPONSE**

Kentucky Power did not purchase natural gas for generation during the review period of November 1, 2014 to April 30, 2015.

**WITNESS:** Charles F West



**Kentucky Power Company**

**REQUEST**

State whether Kentucky Power engages in hedging activities for its coal or natural gas purchases used for generation. If yes, describe the hedging activities in detail.

**RESPONSE**

Kentucky Power does not engage in hedging activities for its coal purchases used for generation. Kentucky Power does not currently purchase natural gas for generation and hence does not engage in natural gas hedging activities.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

For each generating station or unit for which a separate coal pile is maintained , state, for the period from November 1, 2014, through April 30, 2015, the actual amount of coal burned in tons, the actual amount of coal deliveries in tons, the total kWh generated, and the actual capacity factor at which the plant operated .

**RESPONSE**

Big Sandy statistics from November 1, 2014 to April 30, 2015:

Coal Burned in tons	1,075,834
Coal Delivered in tons	829,309
Total MWH Generated	2,667,082
Plant Capacity Factor, %	56.95

Mitchell statistics (Kentucky Power's share) from November 1, 2014 to April 30, 2015:

Coal Burned in tons	661,623
Coal Delivered in tons	656,375
Total MWH Generated	1,655,419
Plant Capacity Factor, %	45.09

**WITNESS:** Daniel L Moyer and David L Mell

## **Kentucky Power Company**

### **REQUEST**

List all firm power commitments for Kentucky Power from November 1, 2014, through April 30, 2015, for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW, and the purpose of the commitment (i.e., peaking, emergency).

### **RESPONSE**

(a) Firm power purchases for Kentucky Power for the period from November 1, 2014 through April 30, 2015:

AEP Generating Company (Unit Power Agreement - Rockport Plant Base Load)	393 MW
--------------------------------------------------------------------------	--------

(b) Firm power sales: Commitments for Kentucky Power Company, other than retail jurisdictional customers, are the Cities of Olive Hill and Vanceburg, Kentucky as shown below. The numbers listed below represent the customer's peak load during the review period from November 1, 2014 to April 30, 2015. The cities use the power for load-following service to their citizens.

City of Olive Hill	7.2 MW
City of Vanceburg	16.1 MW

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

Provide a monthly billing summary of sales to all electric utilities for the period November 1, 2014, through April 30, 2015.

**RESPONSE**

Please see KPCo\_R\_KPSC1\_6\_Attachment1.xls for a summary of sales to electric utilities during the review period.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

List Kentucky Power's scheduled, actual, and forced outages from November 1, 2014, through April 30, 2015.

**RESPONSE**

Please see KPCo\_R\_KPSC1\_7\_Attachment1.xls for this response.

**WITNESS:** Daniel L. Moyer and David L Mell

**Kentucky Power Company**

**REQUEST**

List all existing fuel contracts categorized as long-term (i .e. one year or more in length). Provide the following information for each contract:

- a. Supplier's name and address;
- b. Name and location of production facility;
- c. Date when contract was executed;
- d. Duration of contract;
- e. Date(s) of each contract revision , modification, or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percentage of annual requirements received during the contract's term ;
- i. Base price in dollars per ton ;
- j. Total amount of price escalations to date in dollars per ton ; and
- k. Current price paid for coal under the contract in dollars per ton (i +j).

**RESPONSE**

Please see KPCo\_R\_KPSC1\_8\_Attachment1 for the requested information.

**WITNESS:** Charles F West

This response is provided for the time period of November 1, 2014 through April 30, 2015 and lists all pertinent fuel contract information requested.

Please note that all contracts are annual fixed price agreements and do not escalate based on price indices. The response to "i" reflects the first year fixed price of the contract when executed. The response to "k" is the fixed price of the contract at the end of the review period (April 30, 2015).

**ALPHA COAL SALES CO., LLC (Contract No. 14-026)**

- a. Alpha Coal Sales Co., LLC, One Alpha Place, Bristol, VA 24202.
- b. Black Castle Mine, Boone County, WV.
- c. September 18, 2014.
- d. January 1, 2015 – December 31, 2105.
- e. None.
- f. 33,333 tons per month for January through April 2015. Contract was not in effect for the first two months of the review period.

g&h.	<u>Year</u>	<u>Tons Received - Review Period</u>	<u>Percent of Annual Requirements</u>
	2015	57,347	14%

- i. \$57.55 FOB Plant.
- j. None.
- k. \$57.55 FOB Plant.

**ALPHA COAL SALES CO., LLC (Contract No. 13-002)**

- a. Alpha Coal Sales Co., LLC, One Alpha Place, Bristol, VA 24202.
- b. Republic and Mammoth Mines in WV.
- c. November 27, 2013.
- d. January 1, 2015 – December 31, 2105.
- e. January 2, 2014.
- f. 20,000 tons per month for January through April 2015. Contract was not in effect for the first two months of the review period.

g&h.	<u>Year</u>	<u>Tons Received - Review Period</u>	<u>Percent of Annual Requirements</u>
	2015	27,881	12%

- i. \$63.25 FOB Plant.
- j. None.
- k. \$63.25 FOB Plant.

**Koch Carbon, LLC (Contract No. 14-029)**

- a. Koch Carbon, LLC 20 East Greenway Plaza, Suite 800, Houston, TX, 77046-2002
- b. Various mines located in Southern WV and Eastern KY.
- c. October 7, 2014.
- d. January 1, 2015 – December 31, 2105.
- e. None.
- f. 15,500 tons per month for January through April 2015. Contract was not in effect for the first two months of the review period.

g&h.	<u>Year</u>	<u>Tons Received - Review Period</u>	<u>Percent of Annual Requirements</u>
	2015	50,626	27%

- i. \$56.75 FOB Plant.
- j. None.
- k. \$56.75 FOB Plant.

**Maple Coal Co., LLC (Contract No. 13-003)**

- a. Maple Coal Co., LLC 702 Professional Park Drive Summersville, WV 26651.
- b. Sycamore North Surface mine from the Stockton, Winifred, Coalburg and Chilton seams in Fayette and Kanawha Counties, WV.
- c. December 17, 2013.
- d. January 1, 2014 – December 31, 2104.
- e. June 11, 2014.
- f. 15,000 tons per month for November through December 2014. Contract was not in effect for the last four months of the review period.

g&h.	<u>Year</u>	<u>Tons Received - Review Period</u>	<u>Percent of Annual Requirements</u>
	2014	32,877	18%

- i. \$58.00 FOB Plant.
- j. None.
- k. \$58.00 FOB Plant.

**OHIO VALLEY RESOURCES, INC (Contract No. 05-900)**

- a. Ohio Valley Resources, Inc., 46226 National Road, St. Clairsville, OH 43950.
- b. McElroy Mine, Marshall WV.
- c. January 1, 2006.
- d. January 1, 2007 – December 31, 2021.
- e. January 2, 2014.
- f. 2,000,000 tons per year from 2014 through 2021.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2014	311,653	16%
	2015	403,090	20%
	Review Period	607,707	

- i. \$58.055 FOB Plant\*\*
- j. None.
- k. \$58.055 FOB Plant.

\*Based on requirements through April 30, 2014.

\*\*Response reflects price as of January 1, 2014.

**Patriot Coal Sales, LLC (Contract No. 13-001)**

- a. Patriot Coal Sales, LLC 12312 Olive Blvd, St Louis, MO 63141.
- b. Blue Creek Complex located in Kanawha County, WV (Stcockton, Coalburg, Winifred seams).
- c. July 19, 2013.
- d. January 1, 2014 – December 31, 2104.
- e. June 11, 2014.



f. 20,000 tons per month for November through December 2014. Contract was not in effect for the last four months of the review period.

g&h.	<u>Year</u>	<u>Tons Received - Review Period</u>	<u>Percent of Annual Requirements</u>
	2014	39,131	16%

i. \$65.75 FOB Plant.

j. None.

k. \$65.75 FOB Plant.

**SOUTHERN COAL SALES (Contract No. 12-900)**

a. Southern Coal Sales Corporation, 302 S. Jefferson Street, Suite 600, Roanoke, VA 24011.

b. Bent Mountain Mine in Pike County, KY, Bevins Branch Mine in Pike County, KY, Beech Creek Mine in Pike County, KY, Yellow Mountain Mine in Pike County, KY, and WV3 Mine in Logan County, WV.

c. November 28, 2012.

d. January 1, 2013 – December 31, 2014.

e. None.

f. 41,667 Tons per month for Novemeber and December 2014. Contract expired December 31, 2014.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2013	246,703	49%
	2014	456,302	91%
	Review Period	39,768	

i. \$72.60 FOB Plant for 2013, \$76.60 FOB Plant for 2014.

j. None.

k. Contract expired December 31, 2014.

## **Kentucky Power Company**

### **REQUEST**

- a. State whether Kentucky Power regularly compares the price of its coal purchases to those paid by other electric utilities.
- b. If yes, state:
  - (1 ) How Kentucky Power's prices compare with those of other utilities for the review period. Include all prices used in the comparison in cents per MMBtu.
  - (2) The utilities that are included in this comparison and their locations.

### **RESPONSE**

- a. The Company performs a comparison of its coal purchases at least twice a year. Additionally, all purchase decisions are evaluated against the market at the time of the purchase to ensure the competitiveness of the purchase.
- b. (1) and (2) KPCo\_R\_KPSC1\_9\_Attachment1.pdf contains a comparison of Kentucky Power's fuel prices to fuel prices of other utilities. The fuel cost data was obtained from Velocity Suites which is a search engine that, in this case, used monthly fuel cost information from the U.S. Energy Information Agency (EIA) Form 923 for the period of November 1, 2014 through April 30, 2015.

The attachment shows that, for the companies included in the comparison, Kentucky Power has the highest fuel costs for the review period on a cents per million British Thermal Units (MMBTU) basis. However, it should be noted that the fuel being delivered to these facilities may not be of the same quality or mixture as that being delivered to Kentucky Power. A review of the sulfur data shows that Kentucky Power purchased coal with the lowest sulfur content of all of the companies included in the comparison.

For additional reference, KPCo\_R\_KPSC1\_9\_Attachment2.pdf compares companies purchasing a lower sulfur coal than the first comparison group. In this comparison, Kentucky Power has the lowest fuel costs for the review period on a cents per million British Thermal Units (MMBTU) basis. However, it should be noted that the fuel being delivered to these facilities may not be of the same quality or mixture as that being delivered to Kentucky Power. A review of the sulfur data shows that Kentucky Power purchased coal with sulfur content roughly in the middle of the companies included in the comparison.

**WITNESS:** Charles F West

KPSC Case No. 2015-00232  
Commission Staff's First Set of Data Requests  
Dated August 14, 2015  
Item No. 9  
Attachment 1  
Page 1 of 1

Operator	State	Calculated Cents/MMBtu
Duke Energy Kentucky	OH	219.55
Monongahela Power Co	WV	224.32
Louisville Gas & Electric Co	KY	236.35
Tennessee Valley Authority	TN	239.98
Big Rivers Electric Corp	KY	243.24
Kentucky Utilities Co	KY	252.35
East Kentucky Power Coop	KY	258.00
Kentucky Power Co	KY	261.33

KPSC Case No. 2015-00232  
Commission Staff's First Set of Data Requests  
Dated August 14, 2015  
Item No. 9  
Attachment 2  
Page 1 of 1

Operator	State	Calculated Cents/MMBtu
Kentucky Power Co	KY	261.33
Virginia Electric & Power Co	VA	310.18
Gainesville Regional Utilities	FL	316.93
Duke Energy Progress	NC	326.66
Duke Energy Carolinas	NC	361.09
South Carolina Generating Co Inc	SC	384.87
South Mississippi Electric Power Association	MS	384.93

**Kentucky Power Company**

**REQUEST**

State the percentage of Kentucky Power's coal, as of the date of this Order, that is delivered by:

- a. Rail ;
- b. Truck; or
- c. Barge.

**RESPONSE**

From November 1, 2014 through April 30, 2015, the percentage of Kentucky Power's coal delivery method\* is as follows:

- a. Rail: 6%
- b. Truck: 32%
- c. Barge: 33%

\*Please note that a portion of Mitchell generating station's coal is delivered by a belt conveyor system from an adjacent mine. The 29% balance of coal, not accounted for in the percentage by transportation modes above, was delivered by belt conveyor system.

**WITNESS:** Charles F West

## Kentucky Power Company

### REQUEST

- a. State Kentucky Power's coal inventory level in tons and in number of days' supply as of April 30, 2015. Provide this information by generating station and in the aggregate.
- b. Describe the criteria used to determine number of days' supply.
- c. Compare Kentucky Power's coal inventory as of April 30, 2015, to its inventory target for that date for each plant and for total inventory.
- d. If actual coal inventory exceeds inventory target by ten days' supply, state the reasons for excessive inventory.
- e. (1) State whether Kentucky Power expects any significant changes in its current coal inventory target within the next 12 months.  
  
(2) If yes, state the expected change and the reasons for this change.

### RESPONSE

- a. As of April 30, 2015 Kentucky Power's actual coal inventory levels (company share) were as follows:

Big Sandy: 86,433 tons, or 8 days of supply  
Mitchell High Sulfur: 160,913 tons, or 43 days of supply  
Mitchell Low Sulfur: 125,565 tons, or 33 days of supply

- b. Days' supply is determined by dividing the tons of coal in storage by the full load burn rate (tons per day).

For Big Sandy,  $\frac{86,433 \text{ tons in storage as of } 04/30/2015}{10,252 \text{ (full load burn rate - tons/day)}} = 8 \text{ days}$

For Mitchell High Sulfur,  $\frac{160,913 \text{ tons in storage as of } 04/30/2015}{3,716 \text{ (full load burn rate* - tons/day)}} = 43 \text{ days}$

For Mitchell Low Sulfur,  $\frac{125,565 \text{ tons in storage as of 04/30/2015}}{3,716 \text{ (full load burn rate* - tons/day)}} = 33 \text{ days}$

\*Company share of full load burn rate.

c. As of April 30, 2015,

Big Sandy: Target Inventory Days = 30 days, Actual Inventory Days = 8 days (22 days under target)

Mitchell High Sulfur: Target Inventory Days = 15 days, Actual Inventory Days = 43 days (28 days over target)

Mitchell Low Sulfur: Target Inventory Days = 30 days, Actual Inventory Days = 33 (3 days over target)

d. Spring maintenance outages in March and April at the Mitchell plant markedly reduced coal consumption. In addition, the high sulfur inventory increased due to contractual supply commitments.

e. (1) Yes.

(2) Big Sandy Unit 2 retired in May 2015, and Big Sandy Unit 1 will stop consuming coal in November 2015 in advance of Unit 1 converting to natural gas. Target coal inventory levels have decreased and will continue to decrease.

Kentucky Power does not expect any significant changes in the coal inventory target for the Mitchell plant within the next 12 months.

**WITNESS:** Charles F West



**Kentucky Power Company**

**REQUEST**

- a. State whether Kentucky Power has audited any of its coal contracts during the period from November 1, 2014, through April 30, 2015.
- b. If yes, for each audited contract:
  - (1) Identify the contract;
  - (2) Identify the auditor;
  - (3) State the results of the audit; and
  - (4) Describe the actions that Kentucky Power took as a result of the audit.

**RESPONSE**

- a. Kentucky Power did not audit any of its coal contracts during the review period from November 1, 2014 to April 30, 2015.
- b. N/A.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

- a. State whether Kentucky Power has received any customer complaints regarding its FAC during the period from November 1, 2014, through April 30, 2015.
- b. If yes, for each complaint, state:
  - (1 ) The nature of the complaint; and
  - (2) Kentucky Power's response.

**RESPONSE**

- a. Although the Company did not receive any complaints regarding its FAC via the Kentucky Public Service Commission during the review period, the Company received one complaint regarding its FAC via the Better Business Bureau.
- b. (1-2) Please see KPCo\_R\_KPSC1\_13\_Attachment1 to this response.

**WITNESS:** John A Rogness

Better Business Bureau Serving Central and Eastern Kentucky  
1390 Olivia Lane Suite 100  
Lexington, KY 40511  
Tel: 859-259-1008 Fax: 859-259-1639

DEC 11 2014

December 4, 2014

Ms. Judy K. Rosquist  
American Electric Power  
101A Enterprise Dr  
Frankfort, KY 40601-8585

RE: Case # 90073909: David M Damron

BBB offers you the opportunity to preserve consumer goodwill by addressing the issues presented in the complaint on the reverse side.

BBB takes no position as to the validity of the complaint. Our goal is to help you and the consumer resolve this issue in a mutually satisfactory manner.

In the interest of time and good customer relations, please provide BBB with written verification of your position in this matter by **December 14, 2014**. Your prompt response greatly enhances the chances for a successful resolution.

Please understand that the consumer's complaint and your response may be publicly posted on the BBB Web site. Please do not include any information that personally identifies your customer. The BBB may edit the complaint or your response to remove personally identifiable information or inappropriate language.

We encourage you to use our ONLINE COMPLAINT system to respond to this complaint. The following URL (website address) below will take you directly to this complaint and you will be able to enter your response directly on our website:

**<http://bluegrass.app.bbb.org/complaint/view/90073909/b/e0065f>**

If you are unable to respond using the Internet, then please respond in writing to the address above.

We look forward to your prompt attention to this matter.

Sincerely,

Will Yost  
859 519-4716  
willbbb@lexbbb.com  
Dispute Resolution Specialist  
BBB Complaint Department

**Better Business Bureau Serving Central and Eastern Kentucky**

COMPLAINT ACTIVITY REPORT Case # 90073909

Item No. 13  
Attachment 1  
Page 2 of 6

**Consumer Info:** Damron, David M  
13831 Grapevine Rd  
Phyllis, KY 41554-8503  
- 606 637-6107

**Business Info:** American Electric Power  
502 696-7011

**Consumer's Original Complaint :**

I am getting charged random numbers for what is listed on my bills as Fuel adjustments and assets transfer rider. I have ask several associates for the company what these are and none tell me the same thing. Many times I have heard this is the customer having to pay for a fine AEP is getting for not doing what is required of them in some way, but still haven't been told the whole details. For example, I got charged \$15.34 fuel adjustment @ 00:85200 per kwh this month and \$31.72 Asset Transfer Rider @ 17.3725% this month on a total KWH usage of 1,801. Last month I was charged \$8.53 fuel adjustment @ 0.0072500 per kwh, while being charged \$19.62 asset transfer rider @ 16.2781 per kwh.  
Product\_Or\_Service: power

**Consumer's Desired Resolution:**

DesiredSettlementID: Other (requires explanation)I want this stopped. I cannot afford paying explained in detail to where I can understand it. I looked all over the company website and cannot find any good explanation of this either. If they cannot explain it, so we can understand it, then they should not be allowed to charge it and change the charges so randomly.

**BBB Processing**

12/02/2014	web BBB	Case Received by BBB
12/03/2014	will BBB	Case Reviewed by BBB
12/03/2014	Otto EMAIL	Send Acknowledgement to Consumer
12/03/2014	Otto BBB	Notify Business of Dispute

**KENTUCKY  
POWER**  
American Electric Power

Kentucky Power  
101A Enterprise Drive  
P O Box 5190  
Frankfort, KY 40602-5190  
KentuckyPower.com

December 16, 2014

Will Yost  
1390 Olivia Lane Suite 100  
Lexington, KY 40511

RE: Case # 90073939

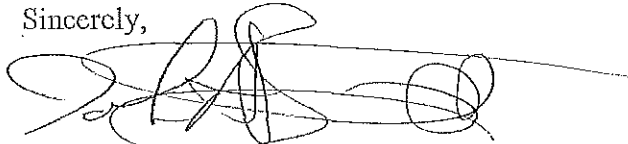
Mr. Yost,

Please find below Kentucky Power's response to the above mentioned complaint filed with your office.

Customer Service Representative for the Pikeville District contacted Mr. Damron and provided information in regards to customer's concerns. Mr. Damron also requested a written response to his concerns. Please find enclosed letter mailed to the customer on December 16, 2014.

Should you require additional information, please contact me at 502-696-7010.

Sincerely,



John A Rogness III  
Director Regulatory Services.

Enclosure

David M Damron  
13831 Grapevine Rd  
Phyllis, KY 41554-8503

Dec. 16, 2014

RE: Account #039-677-993-0

Dear Mr. Damron,

As a follow up to our phone conversation on December 16, 2014, please find below an explanation for the Asset Transfer Rider and the Fuel Adjustment Clause per your request.

**What is the Asset Transfer Rider (ATR)?**

The ATR is for service rendered on or after January 1, 2014. Upon approval from the Kentucky Public Service Commission (KPSC) in its Order dated October 7, 2013, Kentucky Power (KPCo) implemented this (ATR), to recover a portion of the costs associated with its newly acquired 50% ownership of the Mitchell Plant.

The ATR is based on a percentage of revenues and calculated on a monthly basis. The KPSC has authorized the Company to collect approximately \$1.5 million from residential customers each month. In addition, each month's calculation includes an adjustment for any under or over recovery of the ATR from two months prior.

**What is the Fuel Adjustment Clause (FAC)?**

The FAC is a charge/credit authorized by the KPSC that allows KPCo to recover the actual cost of fuel (coal or natural gas) used to generate or purchase electricity. Kentucky Power does not make a profit on its fuel costs as it simply recovers dollar for dollar the costs of purchasing fuel to power its plants. The charge will vary monthly due to the changes in the price of fuel or transportation.

**Why has the FAC increased recently?**

One of the reasons for the increase, the AEP East System Power Pool (pool), an agreement to purchase or to sell energy between KPCo and its sister companies, was terminated as of January 1, 2014. In 2013, Kentucky Power received approximately half of the electricity required to meet its retail customers' needs from this pool; this energy was the least expensive that was available to Kentucky Power's customers. Beginning in January 2014, this inexpensive energy was no longer available; thus, electricity generated at Kentucky Power's generating plants is now the least expensive energy available to KPCo customers. Even though the fuel costs associated with the energy generated at Kentucky Power's generating plants is usually less expensive than the energy available from the market, this generation is still more expensive than the energy that had been previously obtained from the pool.

Upon receipt of this letter, if you have any questions, or if you would like to discuss this matter further, you may contact me at (606) 437-3109.

Sincerely,

Linda Bevins  
Customer Services Representative



Better Business Bureau Serving Central and Eastern Kentucky  
1390 Olivia Lane Suite 100  
Lexington, KY 40511  
Tel: 859-259-1008 Fax: 859-259-1639

KPSC Case No. 2015-00232  
Commission Staff's First Set of Data Requests  
Dated August 14, 2015  
Item No. 13  
Attachment 1  
Page 6 of 6

JAN - 5 2015 RECD

December 23, 2014

Ms. Judy K. Rosquist  
American Electric Power  
101A Enterprise Dr  
Frankfort, KY 40601-8585

RE: Case # 90073909: David M Damron

Thank you for your cooperation in responding to the above consumer's complaint. Following our usual procedure, we notified the consumer of your response and requested notification of whether or not it was satisfactorily resolved. The consumer has notified our office they are satisfied. Therefore, we have closed the complaint.

Again, thank you

Sincerely,

Will Yost  
859 519-4716  
willbbb@lexbbb.com  
Dispute Resolution Specialist  
BBB Complaint Department





**Kentucky Power Company**

**REQUEST**

- a. State whether Kentucky Power is currently involved in any litigation with its current or former coal suppliers.
- b. If yes, for each litigation:
  - (1 ) Identify the coal supplier;
  - (2) Identify the coal contract involved;
  - (3) State the potential liability or recovery to Kentucky Power;
  - (4) List the issues presented; and
  - (5) Provide a copy of the complaint or other legal plead ing that initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed.
- c. State the current status of all litigation with coal suppliers

**RESPONSE**

- a. Kentucky Power is not currently involved in any litigation with its current or former coal suppliers.
- b. N/A.
- c. N/A.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

- a. During the period from November 1, 2014, through April 30, 2015, have there been any changes to Kentucky Power's written policies and procedures regarding its fuel procurement?
- b. If yes:
  - (1) Describe the changes;
  - (2) Provide the written policies and procedures as changed ;
  - (3) State the date(s) the changes were made; and
  - (4) Explain why the changes were made.
- c. If no, provide the date Kentucky Power's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

**RESPONSE**

- a. There were no changes to Kentucky Power's written policies and procedures regarding its fuel procurement during the period from November 1, 2014 through April 30, 2015.
- b. N/A.
- c. Kentucky Power's Fuel Procurement Policy was last updated in September 2012 and was provided to the Commission in Case No. 2012-00550 in March 2013.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

- a. State whether Kentucky Power is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from November 1, 2014, through April 30, 2015.
- b. If yes, for each violation:
  - (1) Describe the violation;
  - (2) Describe the action(s) that Kentucky Power took upon discovering the violation; and
  - (3) Identify the person(s) who committed the violation.

**RESPONSE**

- a. Kentucky Power is not aware of any violations of its policies and procedures regarding fuel procurement prior to or during the period from November 1, 2014 to April 30, 2015.
- b. N/A.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that are responsible for Kentucky Power's fuel procurement activities that occurred during the period from November 1, 2014, through April 30, 2015.

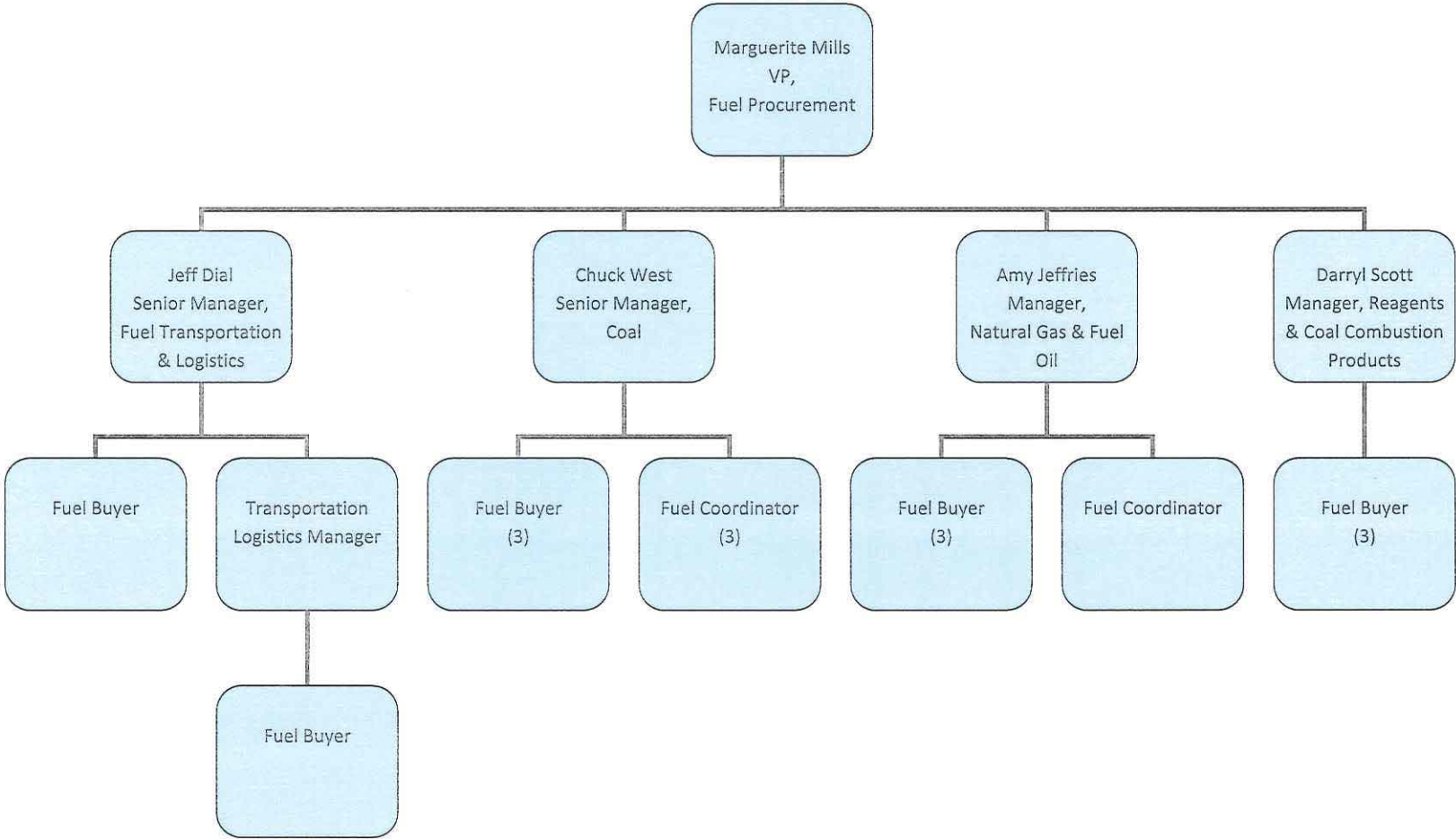
**RESPONSE**

During the period from November 1, 2014, through April 30, 2015, there were no changes in the organizational structure or management personnel of the departments or divisions that are responsible for Kentucky Power's fuel procurement activities that occurred.

Please see [KPCo\\_R\\_KPSC1\\_17\\_Attachment1.pdf](#) for organizational chart as of June 25, 2015.

**WITNESS:** Charles F West

American Electric Power Company  
Organization Chart – Regulated Fuel Procurement  
As of June 25, 2015



**Kentucky Power Company**

**REQUEST**

- a. Identify all changes that Kentucky Power has made during the period under review to its maintenance and operation practices that also affect fuel usage at Kentucky Power's generation facilities.
- b. Describe the impact of these changes on Kentucky Power's fuel usage.

**RESPONSE**

Big Sandy and Mitchell Plants made no changes during the review period to its maintenance and operation practices that would affect fuel usage.

**WITNESS:** Daniel L. Moyer and David L. Mell

**Kentucky Power Company**

**REQUEST**

List each written coal-supply solicitation issued during the period from November 1, 2014, through April 30, 2015.

- a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

**RESPONSE**

Kentucky Power did not issue written coal supply solicitations during the period from November 1, 2014 to April 30, 2015.

**WITNESS:** Charles F West

## **Kentucky Power Company**

### **REQUEST**

List each oral coal-supply solicitation issued during the period from November 1, 2014, through April 30, 2015.

- a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

### **RESPONSE**

Kentucky Power issued one oral coal supply solicitation during the period from November 1, 2014 to April 30, 2015.

- a. Why the solicitation was not written: A small volume was being sought for a short term RFP and a quick turnaround time was required. There are a limited number of truck suppliers available.

Date of solicitation: December 9, 2014.

Quantities solicited: 400,000 tons.

Description of quality of coal solicited: NYMEX quality.

Time period requested for deliveries: January 1, 2015 - March 31, 2015.

Generating unit(s) for which coal was intended: Big Sandy.



- b. Please see KPCo\_R\_KPSC1\_20\_Attachment1\_CONFIDENTIAL.pdf for all vendors solicited and documentation that ranks proposals. Confidential treatment is being sought for portions of the response in KPCo\_R\_KPSC1\_20\_Attachment1\_REDACTED.pdf.

**WITNESS:** Charles F West

<b>KPCO - BIG SANDY - 2014 tons TRUCK DELIVERED PHONE/EMAIL SOLICITATION</b>								
<b>Company</b>	<b>Tons</b>	<b>Term</b>	<b>Coal Price</b>	<b>Delivery Method</b>	<b>BTU</b>	<b>SO2</b>	<b>Ash %</b>	<b>Del \$/MMBtu</b>
MR Coal/Mercuria*	100,000	1/1/2015 - 3/31/2015	\$ 60.50	Truck	12,000	1.67	13.50%	\$ 2.521
SM&J*	90,000	1/1/2015 - 3/31/2015	\$ 61.95	Truck	12,000	1.67	12.50%	\$ 2.582
Koch*	90,000	1/1/2015 - 3/31/2015	\$ 63.25	Truck	12,000	1.67	12.00%	\$ 2.636
Alpha*	125,000	1/1/2015 - 3/31/2015	\$ 63.50	Truck	12,000	1.70	11.50%	\$ 2.646
Producers		1/1/2015 - 3/31/2015		Truck	12,000	1.67	13.50%	
Beechfork		1/1/2015 - 3/31/2015		Truck	12,000	1.60	10.50%	
Kolmar		1/1/2015 - 3/31/2015		Truck	12,000	1.67	12.50%	
Producers		1/1/2015 - 3/31/2015		Truck	12,000	1.67	13.50%	
Lafayette Energy		1/1/2015 - 3/31/2015		Truck	12,800	1.67	10.00%	

\*Winning Offer(s)



**Kentucky Power Company**

**REQUEST**

- a. List all intersystem sales during the period under review in which Kentucky Power used a third party's transmission system.
- b. For each sale listed above:
  - (1) Describe the effect on the FAC calculation of line losses related to intersystem sales when using a third party's transmission system; and
  - (2) State the line-loss factor used for each transaction and describe how that line-loss factor was determined.

**RESPONSE**

a. & b. Beginning on June 1, 2007, based on FERC Order EL06-055, PJM modified the Locational Marginal Pricing (LMP) approach to calculate transmission line loss costs on a marginal basis. The new LMP calculation reflects the full marginal cost of serving an increment of load at each bus from each resource associated with an eligible energy offer. The LMP price will be the sum of three separate components: System Energy Price, Congestion Price and Loss Price. Therefore, each spot market energy customer pays an energy price that includes the full marginal cost of energy for delivering an increment of energy to the purchaser's location. Market buyers are assessed for their incremental impact on transmission line losses resulting from total load scheduled to be served from the PJM Spot Energy Market in the day-ahead energy market at the same day-ahead loss price applicable at the relevant load bus.

Market sellers are assessed for their incremental impact on transmission line losses resulting from energy scheduled for delivery in the day-ahead market at the day-ahead loss prices applicable to the relevant resource bus.

Transactions are balanced in the real-time market using the same calculation, but are based on deviation at each bus from the day-ahead using the real time loss price.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

- a. Describe the effect on the FAC calculation of line losses related to intersystem sales when not using a third party's transmission system.
- b. Describe each change that Kentucky Power made to its methodology for calculating intersystem sales line losses during the period under review.

**RESPONSE**

- a. Line losses related to intersystem sales are excluded from the FAC calculation and thus do not affect it.
- b. Kentucky Power did not make any changes to its methodology for calculating intersystem sales line losses during the review period.

**WITNESS:** John A Rogness

**Kentucky Power Company**

**REQUEST**

State whether, during the period under review, Kentucky Power has solicited bids for coal with the restriction that it was not mined through strip mining or mountaintop removal. If yes, explain the reasons for the restriction on the solicitation, the quantity in tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitation had not been restricted.

**RESPONSE**

No. During the review period, Kentucky Power did not solicit bids for coal with the restriction that it was not mined through strip mining or mountaintop removal.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

Provide a detailed discussion of any specific generation efficiency improvements Kentucky Power has undertaken during the period under review.

**RESPONSE**

Neither the Big Sandy Plant nor the Mitchell Plant made efficiency improvements during the review period.

**WITNESS:** Daniel L Moyer and David L Mell

**Kentucky Power Company**

**REQUEST**

State whether all long-term fuel contracts related to commodity and/or transportation have been filed with the Commission. If any contracts have not been filed, explain why they have not filed and provide a copy.

**RESPONSE**

All long-term fuel contracts related to commodity and/or transportation have been filed with the Commission.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

By month, for the period November 1, 2014, through April 30, 2015, provide the amount of power purchases in excess of Kentucky Power's peaking unit equivalent during the reporting expense month that was included in Kentucky Power's FAC calculation.

**RESPONSE**

During the review period, Kentucky Power did not include any purchased power costs in excess of its peaking unit equivalent in the calculation of the FAC.

**WITNESS:** John A Rogness