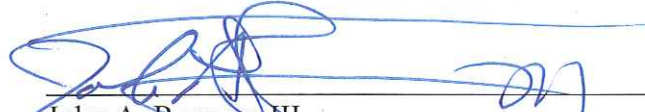


VERIFICATION

The undersigned, John A. Rogness III, being duly sworn, deposes and says he is the Director Regulatory Services for Kentucky Power, 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/her information, knowledge and belief.



John A. Rogness III

COMMONWEALTH OF KENTUCKY)
) Case No. 2016-00001
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by John A. Rogness III, this the 28th day of March 2016.



Notary Public

My Commission Expires: January 23, 2017

VERIFICATION

The undersigned, Charles F. West, being duly sworn, deposes and says he is the Manager, Coal Procurement for American Electric Power Service Corporation, 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

Charles F. West

STATE OF OHIO

)

) Case No. 2016-00001

COUNTY OF FRANKLIN

)

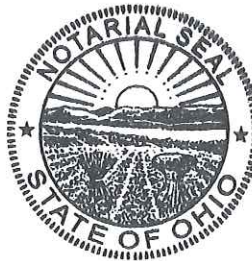
Subscribed and sworn to before me, a Notary Public in and before said County and State, by Charles F. West, this the 21st day of March, 2016.

Donna J. Stephens

Notary Public

My Commission Expires:

1/4/2019



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

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Commission's February 5, 2016 Request for Information ("Commission's First Request"), Item 6, KPCO R PSC 1 6 Attachment1.xls.

- a. Explain why the grand total in the Revenue column for each month does not reconcile with the Total Sales for Resale Revenues shown on page 2 of 2 of the System Sales Clause filing for the same month. For example, the grand total shown in cell G190 for May 2015 is \$6,169,537.35. The Total Sales for Resale Revenues shown on page 2 of 2 for the System Sales Clause filing for May 2015 is \$6,132.574.
- b. If the response to part a. above is that the amounts should not reconcile, explain why the amounts reconciled for the months of November 2014 and February 2015 during the previous review period.

RESPONSE

a and b.

Please see KPCO_R_PSC_3_1_Attachment1.xls for the reconciliation. The reconciliation required the amendment of KPSC_1_6_Attachment1.xls as indicated on KPCO_R_PSC_3_1_Attachment1.xls. The second part of the reconciliation previously was addressed by the Company, as described below, in its December 2015 (November 2015 expense month) filing. Those amounts are also reflected on KPCO_R_PSC_3_1_Attachment1.xls.

1) Because of an erroneous query used in the compilation of KPSC_1_6_Attachment1.xls, the attachment as filed on February 19, 2016 reported inaccurate amounts for the months June 2015 through October 2015 during the review period. Column (4) of the "Reconcile" tab on KPCO_R_PSC_3_1_Attachment1.xls reflects the amounts that should have been reported on KPSC_1_6_Attachment1.xls. The same erroneous query was used in the compilation of the totals shown in KPSC_1_6_Attachment1.xls in Case No. 2015-00232. Corrected totals for this sixth month period are reported in Column (4) of the "Reconcile" tab on KPCO_R_PSC_3_1_Attachment1.xls. The erroneous query did not affect the amounts billed to the Company's customers because it was used only in the compilation of KPSC_1_6_Attachment1.xls as filed in Case No. 2015-00232 and Case No. 2016-0001.

2) Account 4470001 and Account 4470151 revenues were erroneously excluded by Kentucky Power in its System Sales calculation for the June 2015 through October 2015 expense months. The omitted revenues are shown at Column (6) and Column (7) for June 2015 through October 2015 of the "Reconcile" tab of KPCO_R_PSC_3_1_Attachment1.xls This issue was identified

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December 2015 and an adjustment of \$3,309,951 was included in the December 2015 filing (November expense month).

The grand total shown in cell G190 for May 2015 (\$6,169,537.35) of KPSC_1_6_Attachment1.xls includes a \$36,963 true-up of April 2015 amounts. The Total Sales for Resale Revenues shown on page 2 of 2 for the System Sales Clause filing for May 2015 (\$6,132,574) omitted the true-up amount. The April 2015 true-up (reflected in the May 2015 expense month) was omitted from page 2 of 2 for the System Sales Clause filing for May 2015 because Tariff SSC was set at zero in April and May 2015.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Commission's First Request, Item 8. The second contract listed on page 1 of 2 is a contract between Ohio Power Company and Alpha Coal Sales. and supplies the Mitchell station. The contract shown on page 2 of 2 is between Ohio Power Company, Consolidation Coal Company, and McElroy Coal Company, also for supply to the Mitchell station. Explain why Kentucky Power is not a party to these contracts and state the benefits and risks of this arrangement.

RESPONSE

Kentucky Power is a party to both agreements. The contract between Ohio Power Company and Alpha Coal Sales (second contract listed on page 1 of 2 of Kentucky Power's response to the Commission's First Request, Item 8) was assigned to Kentucky Power on January 2, 2014 in conformity with the Commission's October 7, 2013 Order in Case No, 2013-00578 approving, *inter alia*, the transfer to Kentucky Power of a fifty percent undivided interest in the Mitchell generating station's assets and liabilities. The contract and the assignment notice were not filed with the Commission at the time, but were filed on March 2, 2016 and March 3, 2016, respectively, following the investigation initiated by the Commission's Order in Case No. 2016-00073. For reference, the contract and assignment notice are attached as KPCO_R_PSC_3_2_Attachment 1.

The contract between Ohio Power Company, Consolidation Coal Company, and McElroy Coal Company (listed on page 2 of 2 of Kentucky Power's response to the Commission's First Request, Item 8) was assigned to Kentucky Power on December 31, 2013 in connection with the Mitchell Transfer described above. The contract and assignment notice were filed with the Commission in March of 2014. For reference, the contract and assignment notice are attached as KPCO_R_PSC_3_2_Attachment 2.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Commission's First Request, Item 25. The question should have asked whether all fuel contracts related to commodity and/or transportation had been filed with the Commission instead of specifying long-term contracts. State whether all contracts have been filed.

RESPONSE

As of the date of this response, Kentucky Power confirms it has filed all fuel contracts related to commodity and/or transportation and entered into through January 2016.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to Commission Staff's Second Request for Information ("Staffs Second Request"), Item 2.a. Page 1 of 3 of the response states that Kentucky Power became a party to a rail use agreement and barge transportation agreement on September 12, 2013, "given its duties as Operator of the Mitchell generation station." The response also states that the use of the rail car services for the Big Sandy station during the review period was limited to May 2015.

- a. Explain the correlation between Kentucky Power becoming an operator of the Mitchell Station and the need for the use of rail car services at the Big Sandy station.
- b. State whether Kentucky Power contracted for rail car services for the Big Sandy station prior to September 2013.
- c. Provide the percentage of coal delivered by rail, truck, and barge to the Big Sandy station each month from January 2013 through October 2015.

RESPONSE

- a. There is no direct relation. In planning for the transfer of the Mitchell plant to be operated by Kentucky Power, Kentucky Power determined that it was not a party to the AEP System Rail Car Use Agreement. Because rail service could be used to serve the Mitchell generating station (barging is currently more cost effective for the Mitchell generating station), Kentucky Power was added as a party to the agreement.
- b. Kentucky Power was not a named party to any written contract for rail car services for the Big Sandy station prior to September 2013. Kentucky Power nevertheless received rail car services prior to September 2013 for the Big Sandy station on terms consistent with the April 1, 1982 AEP System Rail Car Use Agreement. As a result, Kentucky Power benefitted from using rail cars leased or owned by affiliate operating companies on cost basis. Kentucky Power also benefited from the use of a reduced number of rail cars than would have been required if it had operated its own fleet of rail cars for its exclusive use, or if Kentucky Power paid rail carriers to provide its rail cars.

- c. The percentage of coal delivered by rail, truck, and barge to the Big Sandy station each month from January 2013 through October 2015 is attached as KPCO_R_PSC_3_4_Attachment 1. Please note that the Big Sandy station does not have the capability to receive coal deliveries by barge due to the depth of the Big Sandy River at the plant location.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Staff's Second Request, Item 2.c.

- a. The response states that "KPCO R_PSC_2_2_Attachment1 represents a portion of the charges included in the 1510001 coal inventory piles for the Big Sandy generating station and the Mitchell generating station " Attachment 1 to the response is the AEP System Rail Car Use Agreement. Confirm that the agreement was the intended attachment for this statement.
- b. Refer to page 15 of 15 of Attachment 1. State to which agreement this page is an appendix.

RESPONSE

- a. The statement cannot be confirmed. The response should have stated "KPCO_R_PSC_2_2_Attachment3 represents a portion of the charges included in the 1510001 coal inventory piles for the Big Sandy generating station and the Mitchell generating station".
- b. Page 15 of 15 of Attachment 1 is an appendix to The Barge Transportation Agreement described in Kentucky Power's response to the Staff's Second Request, Item 2.a. The appendix was inadvertently attached to the end of the System Rail Car Use Agreement.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Staff's Second Request, Item 2, Attachment 3.

- a. Explain why the barging charges for September 2015 for the Mitchell station were considerably higher than for the other five months of the review period.
- b. Provide this schedule for the months of November 2014 through April 2015.

RESPONSE

- a. Barging charges are related to the amount of coal received. With the exception of August 2015, the difference between the barging charges for September 2015 and the remainder of the review period reflects the much larger amounts of coal received by barge in September 2015. The amount of coal received by barge in August 2015 was similar to the amount of coal received in September 2015. The barging charges shown for August 2015 are net of a credit received as part of the August 2015 quarterly system barge cost true-up.
- b. Please see KPCO_R_PSC_3_6_Attachment1 for the requested information. Please note a quarterly system barge cost true-up is reflected in February of 2015.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Explain how the existence of the rail car use agreement and barge transportation agreement impact the analysis of coal bids received by Kentucky Power.

RESPONSE

When Kentucky Power is analyzing bids received as part of a solicitation for coal supply, the bids are compared to one another on a delivered cost basis. The delivered cost includes transportation costs associated with delivery of coal to the power plants. If a bid is not inclusive of transportation costs, or if the bid leaves the option open for transportation service to be provided by either the buyer or the seller, Kentucky Power will utilize costs associated with any required transportation charge (rail or truck), or the Rail Car Use Agreement, or the Barge Transportation Agreement (whichever is applicable) to determine total delivered cost of each bid which is then used for comparison purposes.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Refer to Kentucky Power's response to the Staff's Second Request, Item 3. The response provides a heat rate of 10,400 Btu/kWh for the months of September through May, and a heat rate of 10,800 Btu/kWh for the months of June through August, used to calculate the cost of the hypothetical simple cycle gas turbine. State whether these heat rates are for maximum load (most efficient level) at which it is expected the hypothetical unit could operate during those months.

RESPONSE

The heat rates used by Kentucky Power in making its peaking unit equivalent calculation are those specified in the Commission's October 3, 2002 Order in Case No. 2000-00495-B dated October 3, 2002. It provided:

A General Electric simple cycle gas turbine has a heat rate of 10,400 Btu/kWh at 50° Fahrenheit (winter operation) and 10,800 Btu/kWh at 90° Fahrenheit (summer operation).

(Page 3 at n. 2). These values were proposed in 2002 by Kentucky Power in connection with its request to use the hypothetical peaking unit equivalent calculation as part of its determination of the fuel cost of the Company's highest cost generating unit available to be dispatched to serve native load during the reporting expense month. Because of the lapse of time since the values were proposed, the Company's records do not indicate the source of these values or whether the values represent the "heat rates ... for maximum load (most efficient level) at which it is expected the hypothetical unit could operate during those months."

Based on the professional judgment of Company's current employees, the summer and winter heat rates proposed to the Commission are consistent with full load (e.g. maximum efficiency) values for a generic combustion turbine that would have been available at the time this information was provided to the Commission.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Refer to the supplemental responses to Staffs Second Request filed by Kentucky Power on March 15, 2016. Confirm that the only difference in the original and supplemental responses is the identification of the witness in the supplemental responses.

RESPONSE

Confirmed.

WITNESS: John A Rogness