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 9th day of March 2016.

Judy K Rosquist 481393
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

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 15th day of March, 2016.

Notary Public

My Commission Expires: 1/4/2019

NOTARIAL SEAL
STATE OF OHIO

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, Item 26, page 3 of 3, the column in the chart labeled Peaking Equivalent As Filed." Confirm that the amount for December 2014 should be shown as $122,499 rather than the $170,252 shown in the chart. If this can be confirmed, provide a revised chart with the correct amount. If this cannot be confirmed, provide a copy of the fuel adjustment clause ("FAC") filing which shows the $170,252 amount.

RESPONSE

The Company agrees that the entry for December 2014 for the column labeled "Peaking Unit Equivalent As Filed," should have been $122,499.30. The confusion resulted from the Company's use of an ambiguous column heading for the second column. The second column heading should have read "Peaking Unit Equivalent Exclusion As Calculated" and not "Peaking Unit Equivalent Exclusion As Filed."

The correct "as calculated amount," shown below, is $170,252.52. The as filed amount of $122,499.30 included a true-up of $47,752.22 from October 2014 and is the result of subtracting $47,752 from the as calculated amount of $170,252.52. Please see the Power Transaction Schedule for December 2014, page 4 of 4, Section (B) Identifiable Fuel Cost (Peaking Unit Equivalent) in KPCo_R_PSC_2_1_Attachment1.pdf for further details of the calculation of the $122,499.30 "as filed" amount.

A copy of the requested revised chart is below. The only change is to the second column heading. None of the dollar amounts were changed.

Revised	Peaking Unit Equivalent Exclusion As Calculated	Peaking Unit Equivalent Exclusion As Revised	Difference
November 2014	$ 225,392	$ 55,704	$ 169,688
December 2014	$ 170,252	$ 167,916	$ 2,335
January 2015	$ 3	$ 3	$ ---
February 2015	$ 232,812	$ 232,693	$ 119
March 2015	$ 234,199	$ 201,020	$ 33,179
April 2015	$ ---	$ ---	$ ---
TOTAL	$ 862,657	$ 657,335	$ 205,322

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

State whether Kentucky Power leases or owns any barges, railcars, or other assets related to the transportation of coal. If so, provide the following:

a. The date each purchase/lease was entered into;

b. The reason for entering into each purchase/lease, including the cost benefit:

c. The types of costs associated with the lease/ownership that are recovered through the FAC;

d. By month, the amount of each cost identified in part c. above recovered through the FAC during the period under review; and

e. The advantages and disadvantages of the lease/ownership compared to not leasing/owning.

RESPONSE

Kentucky Power does not own or lease barges, rail cars, or other assets used to transport coal to its coal-fired generating stations. The Company was a party during the review period to service agreements under which it received barge and rail car services. The prior operator of the Mitchell generating station was party to both agreements. Both agreements were amended on Sept. 12, 2013 to add Kentucky Power as a party given its duties as Operator of the Mitchell generating station. The information provided below relates to these service agreements.

a. In anticipation of the December 31, 2013 transfer to Kentucky Power of a 50% undivided interest in the Mitchell generating station, the "AEP System Rail Car Use Agreement" and the "Barge Transportation Agreement" were amended to add Kentucky Power as a party.

(i) The AEP System Rail Car Use Agreement is dated April 1, 1982. Kentucky Power became a party to the agreement on September 12, 2013 through Amendment 2 to the AEP System Rail Car Use Agreement.

Kentucky Power and other regulated affiliates that are parties to the AEP System Rail Car Use Agreement share rail car services under the AEP System Rail Car Use Agreement. The Big Sandy generating station's use of rail car services during the review period was limited to May 2015. With the retirement of Big Sandy Unit 2, and the conversion of Big Sandy Unit 1 to use natural gas, the Big Sandy generating station will no longer receive rail car services under the agreement. The Mitchell plant is not currently receiving coal by rail. The Rail Car Use Agreement provides operational flexibility to the Mitchell plant. Rail transportation costs are not covered by the Rail Car Use Agreement.

Rail transportation costs, as opposed to the rail car services provided under the AEP System Rail Car Use Agreement, are billed pursuant to agreements with the applicable rail carriers.

The agreement and its amendments are included as KPCO_R_PSC_2_2_Attachment1.

(ii) The Barge Transportation Agreement is dated May 1, 1986. Kentucky Power became a party to the agreement on September 12, 2013 through Amendment 1 to the Barge Transportation Agreement.

Indiana Michigan Power Company's (I&M's) River Transportation Division ("RTD") provides barge services under the Barge Transportation Agreement to Kentucky Power, Appalachian Power Company (APCo), and I&M using barges and tow boats that are owned or leased by APCo and I&M. Kentucky Power is not a party to the underlying ownership or lease agreements. Stated barge rates are utilized for billing purposes. Stated barge rates are established each year based on forecasted costs and the number of tons of coal required by a plant and source of those tons. Barge costs are reviewed quarterly and a true-up to actual costs is conducted. The Mitchell generating station is allocated its proportional share of barge service costs based on utilization of RTD services provided.

The agreement and its amendments are included as KPCO_R_PSC_2_2_Attachment2.

b. & e. Kentucky Power entered into the agreements to utilize existing AEP system company transportation assets to provide the required barge and rail car services at its proportional share of the actual rail car service costs based on rail car utilization, and its proportional share of barging service costs based on its utilization of RTD services, with a stipulated return. This arrangement allows Kentucky Power the benefit of reliability and flexibility for coal deliveries to the plants by utilizing AEP system assets to respond to significant changes in coal requirements at its plants. The use of shared assets provides economies of scale and optimization. Without optimization, the closest available shared asset may not be used, thereby requiring more assets for each operating company to meet its needs. This would result in higher cost for Kentucky Power's customers.

c. & d. See KPCO_R_PSC_2_2_Attachment 3 for a monthly breakdown of rail car service costs and barge service costs allocated to Kentucky Power's coal inventory during the review period. The monthly breakdown of rail car and barge service costs included in 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.

The rail car and barge service costs are reflected in the weighted average cost of the coal pile for each respective reporting month, which is then multiplied by the respective month's consumed tons of coal and charged to 5010001 coal consumption. The rail car and barge service costs thus are an embedded component of the 5010001 fuel costs and are recovered through the Company's fuel adjustment clause.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

When calculating its highest-cost unit available to be dispatched for purposes of power purchase exclusion from the fuel adjustment clause, state the level of operation for the peaking unit equivalent used in the calculation (i.e., minimum level, maximum level, some other level of operation) and provide the unit heat rate used in the calculation.

RESPONSE

When calculating the peaking-unit equivalent, Kentucky Power uses, in accordance with the Commission's Order in *In the Matter of: An Examination By The Public Service Commission Of The Application Of The Fuel Adjustment Clause Of American Electric Power Company From May 1, 2001 Through October 31, 2001*, Case No. 2000-00495-B at 2 n.3 (Ky. P.S.C. October 3, 2002), a heat rate of 10,400 Btu/kWh for the months of September through May (winter operation) and 10,800 Btu/kWh for the months of June through August (summer operation) in calculating the cost of its hypothetical simple cycle gas turbine.

Otherwise, the Company does not use a unit's level of operation or heat rate on an hourly basis in calculating the highest cost unit. Instead, the Company uses the most recent actual monthly fuel cost for each unit to calculate an average rate (i.e. total monthly fuel cost / net MWh generated).

WITNESS: John A Rogness