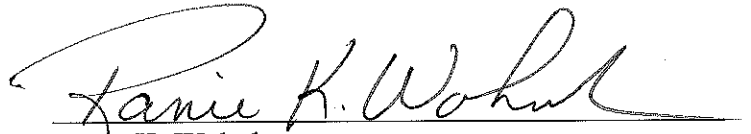


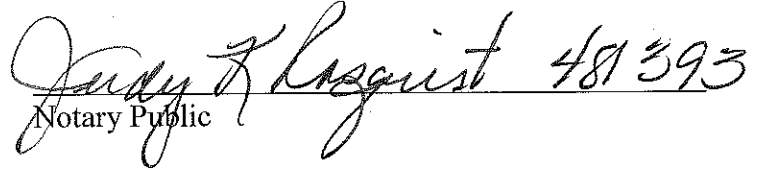
**VERIFICATION**

The undersigned, Ranie K. Wohnhas being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power Company, that he has personal knowledge of the matters set forth in the forgoing testimony and the information contained therein is true and correct to the best of his information, knowledge, and belief.

  
Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY    )  
  ) Case No. 2016-00073  
COUNTY OF FRANKLIN        )

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Ranie K. Wohnhas, this the 2<sup>nd</sup> day of March, 2016.

  
Notary Public

My Commission Expires: January 23, 2017

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

In the Matter of:

AN INVESTIGATION OF THE ACCURACY OF )  
KENTUCKY POWER COMPANY'S FUEL ) Case No. 2016-00073  
ADJUSTMENT CLAUSE FILINGS )

**DIRECT TESTIMONY OF**

**RANIE K. WOHNHAS**

**ON BEHALF OF KENTUCKY POWER COMPANY**

**DIRECT TESTIMONY OF  
RANIE K. WOHNHAS, ON BEHALF OF  
KENTUCKY POWER COMPANY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**CASE NO. 2016-00073**

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**DIRECT TESTIMONY OF  
RANIE K. WOHNHAS, ON BEHALF OF  
KENTUCKY POWER COMPANY  
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**I. INTRODUCTION**

1 **Q: PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A: My name is Ranie K. Wohnhas. My position is Managing Director, Regulatory  
3 and Finance, Kentucky Power Company (“Kentucky Power” or “Company”). My  
4 business address is 101 A Enterprise Drive, Frankfort, Kentucky 40601.

**II. BACKGROUND**

5 **Q: PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
6 **BUSINESS EXPERIENCE.**

7 A: I received a Bachelor of Science degree with a major in accounting from Franklin  
8 University, Columbus, Ohio in December 1981. I began work with Columbus  
9 Southern Power in 1978 working in various customer services and accounting  
10 positions. In 1983, I transferred to Kentucky Power Company working in  
11 accounting, rates and customer services. I became the Billing and Collections  
12 Manager in 1995 overseeing all billing and collection activity for the Company.  
13 In 1998, I transferred to Appalachian Power Company working in rates. In 2001,  
14 I transferred to the American Electric Power Service Corporation (“AEPSC”)  
15 working as a Senior Rate Consultant. In July 2004, I assumed the position of  
16 Manager, Business Operations Support and was promoted to Director in April  
17 2006. I was promoted to my current position as Managing Director, Regulatory  
18 and Finance effective September 1, 2010.

1 **Q: WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR,**  
2 **REGULATORY AND FINANCE?**

3 A: I am primarily responsible for managing the regulatory and financial strategy for  
4 Kentucky Power. This includes planning and executing rate filings for both  
5 federal and state regulatory agencies and certificate of public convenience and  
6 necessity (“CPCN”) filings before this Commission. I also oversee the filings  
7 made by the Company to support its fuel adjustment clause (“FAC”) and  
8 environmental surcharge. I am also responsible for managing the Company’s  
9 financial operating plans including various capital and O&M operational budgets  
10 that interface with all other AEP organizations affecting the Company’s  
11 performance. As part of the financial strategy, I work with various AEPSC  
12 departments to ensure that adequate resources such as debt, equity, and cash are  
13 available to build, operate, and maintain Kentucky Power’s electric system assets  
14 providing service to our retail and wholesale customers. In my role as Managing  
15 Director, Regulatory and Finance, I report directly to Gregory G. Pauley,  
16 President and Chief Operating Officer of Kentucky Power.

17 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

18 A: Yes. I have testified before this Commission in various fuel review proceedings  
19 and filed testimony in the Company’s four most recent base rate case filings, Case  
20 No. 2005-00341, Case No. 2009-00459, Case No. 2013-00197, and Case No.  
21 2014-00396. Other cases in which I have testified include an environmental  
22 compliance plan, Case No. 2011-00401; a real-time pricing proceeding, Case No.  
23 2012-00226; the transfer of an undivided interest in the Mitchell Generating

1 Station to Kentucky Power, Case No. 2012-00578; and the CPCN filing to  
2 convert Big Sandy Unit 1 to gas, Case No. 2013-00430.

**III. PURPOSE OF TESTIMONY**

3 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
4 **PROCEEDING?**

5 A: The purpose of my testimony is to address the issues identified by the  
6 Commission in its February 11, 2016 Order establishing this case, and the  
7 discrepancy between the information included in the “Analysis of Coal and Oil  
8 Purchases” during the period February 2013 through December 2015 that is part  
9 of the Company’s monthly FAC backup information, and other information filed  
10 by the Company. In addition, I will address the other topics described below.

11 **Q. WHAT WAS THE DISCREPANCY?**

12 A. The Company misidentified the state of origin and accompanying Mine Safety  
13 and Health Administration (“MSHA”) district code for some of the coal  
14 purchased by the Company. Specifically, the Analysis of Coal and Oil Purchases  
15 reflected that all coal purchased by Kentucky Power since February 2013 was  
16 mined in Kentucky. Other information filed by Kentucky Power, including data  
17 request responses in Case No. 2015-00232 and the filed fuel contracts, correctly  
18 reported that during that same time period Kentucky Power purchased coal  
19 sourced from mines in Kentucky and West Virginia.

20 I will refer to the erroneous reporting of the state of origin and MSHA  
21 district as the “Discrepancy.”

1 **Q. PLEASE IDENTIFY THE TOPICS COVERED BY YOUR TESTIMONY.**

2 A. My testimony addresses the Discrepancy and specifically provides:

3 1. A detailed discussion of the origin and reasons for the Discrepancy.

4 Also presented is a discussion of why the Discrepancy was not sooner  
5 discovered and reported;

6 2. A discussion of the corrections necessary to previously filed FAC  
7 backup documentation;

8 3. A listing of the personnel, including name, title, and description of  
9 duties, involved in the supply, preparation, or review of the  
10 information, data, or statistics included in the monthly FAC backup  
11 documentation;

12 4. A detailed description of the internal review process utilized by the  
13 Company prior to the establishment of this case to verify the accuracy  
14 of the monthly FAC backup documentation prior to its filing;

15 5. A detailed description of the review undertaken since the date of the  
16 order establishing this case to verify the accuracy of the Company's  
17 monthly FAC backup documentation;

18 6. A discussion of the procedures that Kentucky Power is implementing  
19 to enhance the review its FAC filings; and

20 7. A summary of the Company's coal purchases by state of origin during  
21 the period from January 2012 through December 2015.

22 **Q: HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH**  
23 **YOUR TESTIMONY?**

1 A: Yes. I am submitting the following exhibits with my testimony:

- 2 • **EXHIBIT RKW-1**: Example of Coal Contract Data Summary Sheet;
- 3 • **EXHIBIT RKW-2**: Monthly FAC Backup Filing Review Flowchart;
- 4 • **EXHIBIT RKW-3**: List of Individuals Preparing or Reviewing the
- 5 monthly FAC backup documents;
- 6 • **EXHIBIT RKW-4**: Corrected “Analysis of Purchases” Schedules;
- 7 • **EXHIBIT RKW-5**: Spot Market Purchase Contracts not previously
- 8 filed with the Commission; and
- 9 • **EXHIBIT RKW-6**: Analysis of Coal Purchased and Percentage Share
- 10 by Mine Source State.

**IV. INITIAL REMARKS**

11 **Q. DO YOU HAVE ANY OPENING REMARKS?**

12 A. Yes. As Managing Director, Regulatory and Finance, I am ultimately responsible  
 13 for ensuring that all filings made by Kentucky Power with the Commission are  
 14 both accurate and complete. I and the other Kentucky Power personnel located in  
 15 Kentucky, along with those AEPSC personnel located elsewhere who support us,  
 16 recognize and take seriously our responsibility to ensure the accuracy of all  
 17 information submitted to this Commission. We did not meet our own standards  
 18 with respect to those portions of Kentucky Power’s monthly FAC backup  
 19 documents that mis-identified the source state of the coal purchased. I regret that  
 20 the inadvertent errors were made, and that they continued for as long as they did.

21 **Q. DID THE ERRORS AFFECT THE AMOUNT PAID BY THE**  
 22 **COMPANY’S CUSTOMERS?**



1 A. No. The Discrepancy did not affect the pricing or other financial information  
2 filed by Kentucky Power in connection with its FAC calculation and thus did not  
3 affect the amount paid by the Company’s customers.

4 **Q. WERE THE ERRORS INTENTIONAL?**

5 A. No. As I describe below in more detail, the processes broke down for reporting  
6 the origin of the coal purchases and for reviewing that information in connection  
7 with filings made at this Commission. This is not an effort to mitigate the errors  
8 or their duration. Rather, I want to assure the Commission, its Staff, and the  
9 Company’s customers that the errors were unintentional.

10 **Q. DID KENTUCKY POWER MAKE OTHER FILINGS WITH THE**  
11 **COMMISSION IDENTIFYING THE SOURCE OF THE COAL**  
12 **PURCHASED FOR ITS GENERATING STATIONS DURING THE**  
13 **INVESTIGATION PERIOD?**

14 A. Yes. The sources of coal purchases during the period under investigation were  
15 accurately disclosed by the Company in at least two other types of filings:

16 ➤ Kentucky Power filed coal contracts and other purchase  
17 agreements during the period at issue in this investigation with the  
18 Commission. These correctly identified the origin of the coal.

19 ➤ Kentucky Power filed data request responses in the following cases  
20 that correctly identified the origin of the coal:

- 21 • Case No. 2013-00261 – Staff 1-8
- 22 • Case No. 2013-00444 – Staff 1-8
- 23 • Case No. 2014-00225 – Staff 1-8

1 • Case No. 2014-00450 – Staff 1-15

2 • Case No. 2015-00232 – Staff 1-8

3 **Q. ARE YOU SUGGESTING THAT THESE CORRECT FILINGS**  
4 **SOMEHOW MITIGATE THE ERRONEOUS BACKUP FILINGS?**

5 A. No. Kentucky Power recognizes its obligation to use its best efforts to ensure all  
6 filings are accurate. Nor am I suggesting the fact that the correct information was  
7 otherwise available imposes an obligation on the Commission, its Staff, the  
8 Company’s customers, or the public to cross-check the Company’s filings. That  
9 obligation lies with the Company. But the fact that the correct information was  
10 publicly filed by the Company is indicative of a central point I want to leave with  
11 the Commission: the errors were inadvertent and at no time was Kentucky Power  
12 attempting to deceive or mislead the users of its filings.

13 **Q. IN PARAGRAPH 17 OF THE SETTLEMENT AGREEMENT APPROVED**  
14 **BY THE COMMISSION IN CASE NO. 2012-00578 THE COMPANY**  
15 **AGREED “TO CONTINUE TO PROCURE COAL FOR THE MITCHELL**  
16 **UNITS WITH NO BIAS AGAINST COAL PRODUCED IN KENTUCKY.”**  
17 **HAS THE COMPANY COMPLIED WITH THAT SETTLEMENT**  
18 **PROVISION?**

19 A. Yes. Kentucky Power purchased for each of its generating stations, including  
20 Mitchell units, the least-cost fuel available to the Company that was compatible  
21 with the units’ operating characteristics and needs, and without bias against coal  
22 produced in Kentucky.

**V. ORIGINS AND REASONS FOR THE DISCREPANCY**

1. Kentucky Power’s Monthly FAC Backup Filings.

1 **Q. PRIOR TO DESCRIBING THE ORIGIN OF THE DISCREPANCY**  
2 **PLEASE DESCRIBE THE COMPANY’S MONTHLY FUEL**  
3 **ADJUSTMENT CLAUSE BACKUP DOCUMENTATION AND HOW IT IS**  
4 **PREPARED.**

5 A. Each month, in compliance with the Commission’s November 25, 1981 order in  
6 Case No. 8058-A, the Company files information with the Commission to support  
7 the Company’s calculation of the FAC factor and implementation of its fuel  
8 adjustment clause. The Company’s monthly FAC backup filing is comprised of  
9 six types of documents:

- 10 • Coal and Oil Fuel Inventory Schedules
- 11 • Analyses of Coal and Oil Purchases
- 12 • Schedule of Power Transactions
- 13 • Monthly Energy Purchases Summary
- 14 • Unit Performance Data (Appendix A)
- 15 • Copies of the Company’s Fuel Contracts

16 This information supports the Company’s monthly calculation of the FAC factor.  
17 The Analyses of Coal and Oil Purchases contained the error leading to the  
18 Discrepancy.

2. The Preparation of the FAC Backup Filing.

19 **Q. WHICH AEPSC GROUPS PREPARE THE BACKUP FAC FILINGS**  
20 **KENTUCKY POWER SUBMITS MONTHLY?**

1 A. The FAC backup filings are prepared by three AEPSC groups. They are:

AEPSC GROUP	DOCUMENT
Fuel Accounting	Coal and Oil Fuel Inventory Schedules
	Analyses of Coal and Oil Purchases
	Unit Performance Data (Appendix A)
Settlements	Power Transaction Schedules
	Monthly Energy Purchases Summary
Fuel Cost Recovery	Copies of the Company’s Fuel Contracts

2 Although Kentucky Power reviews the documents and compiles and submits them  
 3 to the Commission monthly, Kentucky Power does not prepare the backup  
 4 documentation.

5 **Q. FROM WHERE DO THESE AEPSC GROUPS OBTAIN THE**  
 6 **INFORMATION TO COMPILE THE DOCUMENTS PROVIDED TO**  
 7 **KENTUCKY POWER FOR THE MONTHLY FAC BACKUP FILING?**

8 A. The information primarily is obtained from two databases maintained by AEPSC  
 9 for Kentucky Power and the other AEP operating companies: ComTrac and  
 10 PowerTracker. The unit performance data included in Appendix A is obtained  
 11 from the Generation Availability Data System (“GADS”) database. Copies of the  
 12 Company’s fuel contracts are obtained from the Fuel Commodity and  
 13 Transportation Contracts Online (“Contracts Online”) system.

14 **Q. FROM WHERE DOES THE FUEL ACCOUNTING GROUP OBTAIN**  
 15 **THE INFORMATION IT USES?**

16 A. The Fuel Accounting Group utilizes information from ComTrac to prepare the  
 17 Coal and Oil Inventory Schedules and the Analyses of Coal and Oil Purchases.  
 18 Unit performance data from GADS is summarized in Appendix A of the monthly  
 19 backup filing. ComTrac is a proprietary database licensed by AEPSC for the

1 administration and maintenance of fuel supply and transportation contracts.  
2 ComTrac includes information regarding (1) the terms of each of the contracts  
3 entered into by Kentucky Power for the purchase of coal, oil, and consumables,  
4 (2) actual deliveries of fuel pursuant to these contracts or through purchases on  
5 the spot-market; and (3) Kentucky Power’s consumption of purchased coal, oil,  
6 and consumables.

7 **Q. WHICH AEPSC GROUPS PROVIDE THE INFORMATION FOR ENTRY**  
8 **INTO THE COMTRAC SYSTEM?**

9 A. ComTrac is populated with information from the following AEPSC groups: the  
10 Fuel Procurement Group, the Fuel Contract Administration Group, and the Fuel  
11 Accounting Group. Additionally, plant personnel enter information regarding  
12 received tons and quality of deliveries.

13 These groups collectively administer all aspects of Kentucky Power’s coal  
14 supply process from contracting to consumption. First, the Fuel Procurement  
15 Group competitively secures the least-cost coal supply contracts based on the  
16 operating requirements of the Company’s coal-fired generation fleet. Once  
17 negotiations with potential suppliers are completed, a contract between Kentucky  
18 Power and the coal supplier is prepared. This contract identifies all applicable  
19 terms and conditions, including the mine sources by state and county. In addition,  
20 the Fuel Procurement Group makes spot market purchases when necessary on  
21 behalf of the Company. The Fuel Procurement Group then prepares a summary  
22 data document for each contract and spot purchase. An example of the summary  
23 data document is included as **EXHIBIT RKW-1**.

1           Next, the Fuel Contract Administration Group uses the summary data  
2 document prepared by the Fuel Procurement Group to enter key information  
3 relating to each coal supply agreement into ComTrac. This information includes  
4 the terms of the contracts, mine source or transportation loadout, and state of  
5 origin for the coal.

6           Finally, the Fuel Accounting Group provides information relating to the  
7 administration of the coal supply contracts and spot purchases. The Fuel  
8 Accounting Group uses ComTrac for processing invoices received from fuel and  
9 transportation suppliers, maintaining fuel inventories, determining the cost of fuel  
10 consumption, performing month-end close, posting necessary financial  
11 information to the Kentucky Power's General Ledger, and the submission of  
12 certain external reports.

13 **Q. FROM WHERE DO THE SETTLEMENTS GROUP AND FUEL COST**  
14 **RECOVERY GROUP OBTAIN THE INFORMATION USED IN THEIR**  
15 **PREPARATION OF FAC BACKUP DOCUMENTATION?**

16 A. The Settlements Group utilizes the PowerTracker system to obtain information for  
17 the Power Transaction Schedules and the Monthly Purchases Summary.  
18 PowerTracker is a proprietary database licensed by AEPSC to manage the AEP  
19 operating companies' operation within the PJM system, including information  
20 relating to Kentucky Power's sale and purchase of energy within PJM.

21           The Fuel Cost Recovery Group obtains the contracts from the Contracts  
22 Online system and reviews the underlying fuel supply contracts for Kentucky

1 Power. It then provides those contracts to the Company for filing with the  
2 Commission.

3 **Q. WHAT WAS THE PROCESS USED TO REVIEW THE FAC BACKUP**  
4 **DOCUMENTATION?**

5 A. The documentation that comprises Kentucky Power’s monthly FAC backup filing  
6 is subject to two separate reviews. One review is performed by groups within  
7 AEPSC, and a second, more limited review, is performed by personnel in  
8 Kentucky Power’s Regulatory Group. A generalized flow chart showing the  
9 review process is included as EXHIBIT RKW-2.

10 **Q. PLEASE DESCRIBE THE REVIEW UNDERTAKEN BY AEPSC**  
11 **PERSONNEL?**

12 A. The Analyses of Coal and Oil Purchases (prepared by the Fuel Accounting  
13 Group) are reviewed by the Fuel Cost Recovery Group to confirm that the amount  
14 of coal acquired during the month is consistent with the data in the ComTrac  
15 system. This review is separate from the supervisory review within the Fuel  
16 Accounting Group of the cost of the coal acquired. With these two steps, the  
17 review emphasized those fields (coal amounts and costs) that affected the  
18 calculation of the fuel adjustment clause factor and hence the amounts paid by  
19 Kentucky Power’s customers.

20 The Settlements Group provides copies of the Power Transaction  
21 Schedules and the Monthly Energy Purchases Summary to the Fuel Accounting  
22 Group. The Fuel Accounting Group reviews these documents and confirms that

1 the fuel burned and costs contained therein are consistent with the records in  
2 ComTrac.

3 Each of these parties informs the Kentucky Power Regulatory Group when  
4 its review is complete.

5 **Q. WHAT IS THE REVIEW PROCESS USED BY KENTUCKY POWER?**

6 A. The documents comprising the Company's monthly FAC backup filing are  
7 transmitted to the Kentucky Power Regulatory Group by the AEPSC group that  
8 prepares them. The Kentucky Power Regulatory Group does not have access to  
9 the source data used to prepare these documents and, as a result, its review is  
10 more limited. The Kentucky Power Regulatory Group reviews the backup  
11 documents for compliance with the filing requirements established by the  
12 Commission and consistency with the Company's generation operations during  
13 the month. The Kentucky Power Regulatory Group also confirms the accuracy of  
14 certain formulas in spreadsheet documents. Finally, the Kentucky Power  
15 Regulatory Group cross checks the information across the documents received  
16 from different AEPSC support groups for internal consistency. Once that review  
17 is complete, the Kentucky Power Regulatory Group compiles the documents into  
18 the Company's monthly FAC backup filing and submits it to the Commission.

19 The Kentucky Power Regulatory Group did not confirm the accuracy of  
20 the information contained in the ST and District columns of the Analysis of Coal  
21 and Oil Purchases. Nor, in preparing responses to data requests in connection  
22 with periodic fuel adjustment clause proceedings, did Kentucky Power Regulatory  
23 Group personnel compare the Analysis of Coal and Oil Purchases to the data



1 request responses, and supporting information, indicating the state and district of  
2 origin of coal purchases.

3 **Q. HISTORICALLY, HAS THE REVIEW PROCESS IDENTIFIED ERRORS**  
4 **IN PREPARATION OF THE MONTHLY FAC BACKUP FILINGS?**

5 A. Yes. Both the AEPSC support groups and the Kentucky Power Regulatory Group  
6 have identified occasional errors in the course of their review. The backup  
7 documentation has been corrected prior to filing the documents with the  
8 Commission.

9 **Q. CAN YOU PROVIDE A LIST OF THE INDIVIDUALS WHO SUPPLIED,**  
10 **PREPARED, OR REVIEWED ANY OF THE INFORMATION, DATA, OR**  
11 **STATISTICS INCLUDED IN KENTUCKY POWER’S MONTHLY FAC**  
12 **BACKUP FILINGS?**

13 A. Yes. A list of the individuals who supplied, prepared, or reviewed any of the  
14 information included in Kentucky Power’s monthly FAC backup filings for the  
15 period February 2013 through December 2015 is provided in EXHIBIT RKW-3.

3. Causes of the Discrepancy.

16 **Q: WHAT CAUSED THE DISCREPANCY IN THE REPORTING OF THE**  
17 **COMPANY’S COAL PURCHASES?**

18 A. At its core, there were two causes of the Discrepancy: (1) a failure to enter the  
19 proper source mine state and MSHA district in the Analyses of Coal; and Oil  
20 Purchases and (2) a failure to recognize and correct the error.

21 **Q. YOU INDICATED EARLIER THAT INCORRECT INFORMATION WAS**  
22 **REPORTED IN THE “ST” AND MSHA DISTRICT CODE FIELDS OF**

1           **THE “ANALYSIS OF COAL AND OIL PURCHASES.” PLEASE**  
2           **DESCRIBE THE “ANALYSIS OF COAL AND OIL PURCHASES.”**

3    A.    The Analysis of Coal and Oil Purchases is a summary of key data for the coal  
4           purchased by the Company during the month through long term contracts and in  
5           the spot market. It includes information regarding the source of the coal, the  
6           amount purchased from each source, the quality of the coal purchased, and the  
7           price. The document also includes similar information regarding oil purchased by  
8           the Company during the month. The information for the Analysis of Coal and Oil  
9           Purchases comes from ComTrac.

10   **Q.    WHY DID THE ANALYSES OF COAL AND OIL PURCHASES INCLUDE**  
11       **INCORRECT INFORMATION REGARDING THE STATE OF ORIGIN**  
12       **OF PURCHASED COAL?**

13    A.    The preparation of the Analyses of Coal and Oil Purchases is largely a manual  
14           process that requires the preparer to incorporate fuel acquisition, quality, and cost  
15           data from ComTrac. This manual process utilizes the prior month’s Analysis of  
16           Coal and Oil Purchases as a base document, and the Fuel Accounting Group  
17           updates various data fields as they change from month to month.

18                 In the first quarter of 2013, the Fuel Accounting Group transitioned its  
19           operations from Canton, Ohio to AEP’s Columbus, Ohio headquarters. As part of  
20           this consolidation, new individuals within the Fuel Accounting Group were  
21           assigned to prepare Kentucky Power’s monthly FAC backup filings, including the  
22           Analysis of Coal and Oil Purchases.

1           Following the transfer, the individual within the Fuel Accounting Group  
2           preparing the Analysis of Coal and Oil Purchases, Brian Elswick, and his  
3           supervisor, Brian Lysiak, assumed the “ST” and “District” columns contained  
4           fixed values that were not to be updated. These inadvertent mistakes continued  
5           on, in part, due to a lack of understanding and training as to what the state  
6           identifier was intended to refer to. As a result, the information contained in  
7           ComTrac, was not transferred to the ST and District columns of the Analysis of  
8           Coal and Oil Purchases.

9   **Q.   WHY WAS THE DISCREPANCY NOT DISCOVERED BY KENTUCKY**  
10 **POWER PERSONNEL PRIOR TO THE COMPANY’S SUBMISSION OF**  
11 **THE FAC BACKUP DOCUMENTATION TO THE COMMISSION?**

12 A.   AEPSC and Kentucky Power personnel focused their attention and reviews on  
13       those portions of the filings that could affect the rates paid by the Company’s  
14       customers. This is both logical and appropriate. Where the Company and  
15       AEPSC fell short was in failing to ensure the information was correctly reported  
16       in ST and District columns of the Analysis of Coal and Oil Purchases, and in  
17       reviewing the submissions in their entirety. The errors were inadvertent. There  
18       was no effort to mislead.

19 **Q.   WERE THE ERRORS IN ANY WAY RELATED TO THE COMPANY’S**  
20 **APPLICATION IN CASE NO. 2012-00578 FOR AUTHORITY TO**  
21 **ACQUIRE A 50% UNDIVIDED INTEREST IN THE MITCHELL**  
22 **GENERATING STATION AND SUBSEQUENT ACQUISITION OF THE**  
23 **INTEREST?**

1 A. No. Although the Company filed its application in Case No. 2012-00578 in  
 2 December 2012, or approximately two months prior to the investigation period,  
 3 the transfer of responsibility for preparation of Kentucky Power’s FAC backup  
 4 documentation from Canton to Columbus was wholly unrelated to the application.  
 5 Secondly, the Commission did not approve the application until October 7, 2013,  
 6 and the transfer of the interest in the Mitchell generating station to Kentucky  
 7 Power did not occur until December 31, 2013.

**VI. AEPSC AND KENTUCKY POWER’S REVIEW OF  
 THE MONTHLY FAC BACKUP FILING DOCUMENTS  
 SINCE THE ENTRY OF THE ORDER INITIATING THIS PROCEEDING**

8 **Q. UPON BEING INFORMED OF THE DISCREPANCY, DID AEPSC AND**  
 9 **KENTUCKY POWER REVIEW ITS PAST MONTHLY FAC BACKUP**  
 10 **FILINGS?**

11 A. Yes. AEPSC and the Company conducted a comprehensive review of its monthly  
 12 FAC backup filings beginning with the February 2013 filings identified by the  
 13 Commission in their order.

14 **Q. HOW WAS THE COMPREHENSIVE REVIEW CONDUCTED?**

15 A. To ensure there were no issues in the underlying mine state data, the Fuel  
 16 Procurement Group reviewed all of the contracts submitted to the Commission  
 17 from February 2013 through December 2015 to confirm that the state of origin for  
 18 the purchased coal that was specified in the contracts was correct.

19 Kentucky Power and the AEPSC Fuel Accounting Group joined to  
 20 compare the monthly FAC filings beginning with the February 2013 filings with  
 21 the actual data in ComTrac. This review confirmed that the values identified in

1 the “ST” and “District” columns in the Analyses of Coal and Oil Purchases did  
2 not correctly represent the state and MSHA district of the source mine.

3 **Q. DID THE COMPANY IDENTIFY ANY ADDITIONAL ERRORS IN THE**  
4 **MONTHLY FAC BACKUP FILINGS FROM FEBRUARY 2013 TO THE**  
5 **PRESENT?**

6 A. Yes, the Company identified two additional errors during the period from  
7 February 2013 through December 2015: one relating to the Analyses of Coal and  
8 Oil Purchases, and a second error relating to contracts filed with the Commission.

9 **Q. CAN YOU PLEASE DESCRIBE THE ADDITIONAL ERROR RELATING**  
10 **TO THE ANALYSES OF COAL AND OIL PURCHASES?**

11 A. Yes. The monthly FAC backup filings also included errors in the column labeled  
12 “MT” on the Analyses of Coal and Oil Purchases. This column identifies the  
13 method of transportation by which the coal was delivered to the Company’s  
14 generating facilities. For Big Sandy, during the review period all of reported  
15 entries were either “T” or “B,” thereby denoting delivery by truck or barge,  
16 respectively. During this period, however, certain of the deliveries were made to  
17 Big Sandy by rail and should have been designated with an “R.”

18 For the Mitchell plant, certain deliveries identified as being made by truck  
19 or barge were made by rail, or by conveyor belt from the mine mouth located  
20 adjacent to the Mitchell generating station. These deliveries should have been  
21 designated with codes of “R” or “C,” respectively.

22 **Q. WHAT WAS THE CAUSE OF THIS ERROR?**

1 A. The cause of this inadvertent error was similar to the error regarding the reporting  
2 of the state of origin and MSHA district for coal purchased by the Company. This  
3 error arose from a failure to train the AEPSC personnel who assumed the  
4 responsibility for preparing the reports about the nature of the data to be entered  
5 into the form properly, and from a failure to identify and correct this error during  
6 review.

7 **Q. DID THIS ERROR AFFECT THE CALCULATION OF THE**  
8 **COMPANY’S FAC FACTOR DURING THIS PERIOD?**

9 A. No.

10 **Q. WHAT WAS THE ERROR RELATING TO THE CONTRACTS FILED**  
11 **WITH THE COMMISSION?**

12 A. During the Company’s and AEPSC’s comprehensive review of the monthly FAC  
13 backup filings during the period from February 2013 through December 2015, it  
14 was discovered that seven spot market purchase contracts and one spot market  
15 purchase contract assignment were not filed with the Commission. While copies  
16 of the fully-executed documentation were not filed with the Commission, the  
17 Company included information regarding these spot markets purchases, including  
18 the quantity, quality, and cost of the coal purchased, in the applicable Analyses of  
19 Coal and Oil Purchases.

20 **Q. WHY DID THIS ERROR OCCUR?**

21 A. Much like the creation of the Analyses of Coal and Oil Purchases, the  
22 identification of spot market purchase contracts to be filed with the Commission  
23 is a manual process. When the Fuel Procurement Group agrees to terms with a

1 spot market supplier, it prepares and executes a contract for execution by the  
2 counterparty. Once the contract has been executed on behalf of Kentucky Power,  
3 the Fuel Contract Administration Group enters the key contract terms into the  
4 ComTrac database. Because the contract terms are entered into ComTrac, the  
5 Fuel Accounting Group can access the spot market purchase information for  
6 inclusion in the Analyses of Coal and Oil Purchases.

7 While the terms of spot market agreements are entered into ComTrac once  
8 the agreement is executed on behalf of Kentucky Power, the agreement is not  
9 uploaded to the Contracts Online system until later. The Fuel Cost Recovery  
10 Group's exclusive reliance on Contracts Online system to identify the Kentucky  
11 Power fuel contracts for filing resulted in a failure to identify all Kentucky Power  
12 spot market purchase agreements for filing with the Commission.

13 This process and, in particular, the lack of a process to cross-check the  
14 identified contracts with information available in ComTrac, as well with  
15 information available from personnel in the Fuel Procurement, Fuel Accounting,  
16 and Fuel Contract Administration Groups, led to the error.

17 **Q. DID THE FAILURE TO FILE THE SPOT MARKET CONTRACTS**  
18 **AFFECT THE COMPANY'S CALCULATION OF THE FAC FACTOR?**

19 A. No. The correct information regarding the amount of coal purchased on the spot  
20 market and the purchase price was included in the Company's calculation of the  
21 FAC factor.

22 **Q. HAS THE COMPANY UPDATED THE MONTHLY FAC BACKUP**  
23 **FILINGS FROM FEBRUARY 2013 TO THE PRESENT?**

1 A. Yes. The Company has updated its monthly FAC backup filings from 2013 to the  
2 present to incorporate necessary changes to the Analyses of Coal and Oil  
3 Purchases. These changes correct the source mines state, source mine MSHA  
4 district, and transportation method during that period. Copies of the updated  
5 Analyses of Coal and Oil Purchases are provided in EXHIBIT RKW-4 to my  
6 testimony. Additionally, copies of the contracts that were omitted have been filed  
7 with the Commission. They also are included as EXHIBIT RKW-5.

8 **Q. DID THE COMPANY AND AEPSC REVIEW THE OTHER**  
9 **DOCUMENTS CONTAINED IN THE MONTHLY FAC BACKUP**  
10 **FILING?**

11 A. Yes. All of the documents were reviewed.

12 **Q. WERE THERE ANY ERRORS IDENTIFIED IN THE OTHER**  
13 **DOCUMENTS THAT COMPRISE THE COMPANY'S MONTHLY FAC**  
14 **BACKUP FILINGS?**

15 A. No.

**VII. AEPSC AND KENTUCKY POWER'S REVIEW OF THE**  
**COMPANY'S 2012 FAC BACKUP FILINGS**

16 **Q. DID THE COMPANY REVIEW ANY MONTHLY FAC FILINGS**  
17 **OUTSIDE OF THE PERIOD IDENTIFIED IN THE COMMISSION'S**  
18 **ORDER?**

19 A. Yes. The Company reviewed its monthly FAC backup filings from January 2012  
20 through January 2013.

21 **Q. WHY DID THE COMPANY EXTEND THE REVIEW PERIOD?**



1 A. The Company extended the review period beyond that specified in the  
2 Commission's order to test its findings from the review period. The Company did  
3 not find any errors in data fields outside those implicated during the review  
4 period.

5 **Q. DID THE COMPANY IDENTIFY ANY ERRORS IN THE MONTHLY**  
6 **FAC BACKUP FILINGS MADE BETWEEN JANUARY 2012 AND**  
7 **JANUARY 2013?**

8 A. Yes. The "ST" and "District" columns in the Analyses of Coal and Oil Purchases  
9 contained incorrect information. During the period from January 2012 through  
10 January 2013, the Fuel Accounting Group personnel preparing the Analyses of  
11 Coal and Oil Purchases populated the "ST" column with the state where a coal  
12 supply contract's loadout point was located and not the state of origin of the coal.  
13 The loadout point is the rail terminal or barge dock where the coal was shipped to  
14 Kentucky Power or the Big Sandy Plant for truck deliveries. The state where the  
15 loadout point was located is not necessarily the state where the source mine was  
16 located.

17 **Q. WHAT WAS THE CAUSE OF THIS ERROR?**

18 A. Much like the error in identifying the state of origin for Kentucky Power's coal  
19 purchases, the use of the loadout point state instead of the mine state arose from a  
20 lack of understanding by the personnel preparing the document of the information  
21 that was supposed to be entered into the form.

22 **Q. DID THE COMPANY'S COMPREHENSIVE REVIEW OF THE**  
23 **MONTHLY FAC BACKUP FILINGS ENCOMPASSING THE PERIOD**

1           **JANUARY 2012 THROUGH DECEMBER 2015 IDENTIFY ANY ERRORS**  
 2           **RELATING TO THE AMOUNT OF COAL PURCHASED OR THE PRICE**  
 3           **OF THAT COAL?**

4           A.    No. The Company’s review of the monthly FAC filings confirmed that the  
 5           amount of coal purchased by the Company and the price of that coal was  
 6           accurately reported to the Commission. These errors did not affect the  
 7           Company’s calculation of the FAC factor.

**VIII. CHANGES TO THE MONTHLY FAC BACKUP**  
**FILING REVIEW PROCESS**

8           **Q.    HAS THE COMPANY IMPLEMENTED ANY CHANGES TO ITS**  
 9           **PROCESS FOR REVIEWING ITS MONTHLY FAC FILINGS?**

10          A.    Yes. As I mentioned earlier, the causes of the errors identified above were  
 11          incomplete training of AEPSC personnel compiling the backup documentation  
 12          and the failure of supervisory personnel to identify the error. As such, AEPSC  
 13          has implemented changes to its review process.

14                   Specifically, the Fuel Accounting group has implemented a monthly  
 15          review by Brian Lysiak, the group’s supervisor, which will be conducted prior to  
 16          providing the backup monthly filing to the Kentucky Power Regulatory group.  
 17          This review will ensure that the proper data, including the state and MSHA  
 18          district of the source mine, are utilized in preparing the monthly FAC filings.

19                   As part of this expanded monthly review, the Fuel Accounting Group will  
 20          confirm with the Contract Administration Group that the MSHA district codes  
 21          assigned to the source mine conforms to the most current listing on the MSHA  
 22          website. This review will also ensure the continued complete and accurate

1 reporting of all other data, e.g., volumes (tons), pricing, and quality specifications  
 2 in the Analyses of Coal and Oil Purchases.

3 **Q. WILL THE COMPANY TRAIN PERSONNEL DIFFERENTLY AS A**  
 4 **RESULT OF THE DISCREPANCY?**

5 A. Yes. As I mentioned earlier, a cause of the Discrepancy was a failure to properly  
 6 train personnel assigned and review to preparing the Company’s monthly FAC  
 7 backup filings. As a result, personnel who are assigned to prepare and review  
 8 documents that are a part of the Company’s monthly FAC backup filing will be  
 9 trained on what category of data should be used to complete the forms. To assist  
 10 in this training, each AEPSC support group responsible for preparation of a  
 11 portion of the monthly FAC backup filing will prepare an instructional document  
 12 describing clearly the process for preparing and reviewing that filing.

13 **Q. WHAT PROCEDURES WILL AEPSC IMPLEMENT IN CONNECTION**  
 14 **WITH THE FILING OF FUEL SUPPLY CONTRACTS WITH THE**  
 15 **COMMISSION?**

16 A. The AEPSC groups responsible for managing the Company’s fuel contracting,  
 17 (Fuel Procurement, Fuel Contract Administration, and Fuel Cost Recovery) will  
 18 jointly examine the procedures for identifying the contracts and spot market  
 19 purchase agreements for filing with the Commission. Through this process a  
 20 system will be developed to coordinate better the sharing of information regarding  
 21 the existence of all agreements for the purchase of coal and oil, and to identify  
 22 contracts for filing with the Commission.

1 **Q. WHAT ADDITIONAL REVIEWS WILL KENTUCKY POWER**  
2 **IMPLEMENT TO PREVENT RECURRENCE OF THESE ERRORS?**

3 A. Kentucky Power will strengthen its general review of its monthly FAC backup  
4 filing prior to filing it with the Commission. John A. Rogness, Steve Sharp or  
5 Amy Elliott will review each of the schedules that comprise the backup filing  
6 provided by the Fuel Cost Recovery Group, Settlements Group and the Fuel  
7 Accounting Group. As the schedules are received, the Kentucky Power  
8 Regulatory Group will continue to cross-check the information for accuracy and  
9 consistency.

10 The Kentucky Power Regulatory Group will cross-check the state of  
11 origin in the Analysis of Coal and Oil Purchases schedule against the source mine  
12 locations listed in coal contracts. Prior to finalizing the monthly FAC backup  
13 filing, the Kentucky Power Regulatory Group will communicate with the Fuel  
14 Accounting Group to confirm the accuracy of the information or address any  
15 questions that arise. Once any issues have been resolved and the information is  
16 accurate, the monthly FAC backup filing will be assembled for filing with the  
17 Commission.

18 The Kentucky Power Regulatory Group will also, as part of its six-month  
19 and two-year FAC review proceedings, cross check its data request responses  
20 regarding fuel contracts against the monthly FAC backup filings for that period.  
21 While that cross-check will not prevent an inadvertent error in the monthly  
22 backup filing, it will prevent such an error from continuing.

1 **Q. IS KENTUCKY POWER CHANGING THE MANNER IN WHICH IT**  
2 **IDENTIFIES CONTRACTS FOR FILING WITH THE COMMISSION?**

3 A. Yes. Each month during the review of the FAC backup filing, the Kentucky  
4 Power Regulatory Group will cross-check the contracts listed in Column C of the  
5 “Analyses of Coal Purchases” against the Company’s internally-maintained list of  
6 contracts filed with the Commission. The Kentucky Power Regulatory Group  
7 will make additional contract filings as required. This will serve as an additional  
8 check and balance on the process being developed within AEPSC for better  
9 identifying the contracts to be filed.

**IX. PERCENTAGE OF COAL FROM KENTUCKY**

10 **Q. HAS THE COMPANY CALCULATED THE PERCENTAGE OF COAL IT**  
11 **PURCHASED FROM KENTUCKY MINES?**

12 A. Yes. The Company coordinated with the Fuel Accounting Group to review the  
13 source mine state for the coal purchased by Kentucky Power from January 2012  
14 through December 2015. This review included both the coal purchased under  
15 long-term contracts and the coal purchased on the spot market. The information  
16 includes coal purchased for the Big Sandy generating station and Kentucky  
17 Power’s share of the coal purchased for the Mitchell Plant. This analysis showed  
18 that during the period of 2012 through 2015, Kentucky Power acquired coal from  
19 mines in Kentucky and West Virginia as described below:

YEAR	TONS (KY)	TONS (WV)	% (KY)	% (WV)
2012	498,541	1,147,505	30	70
2013	541,502	475,682	53	47
2014	1,433,796	1,642,161	47	53
2015	818,151	1,322,230	38	62
<b>TOTAL</b>	<b>3,291,990</b>	<b>4,587,578</b>	<b>42</b>	<b>58</b>

1 A month-by-month summary of the percentage of coal purchased by Kentucky  
2 Power from each source mine state during the period of 2012 through 2015 is  
3 included in **EXHIBIT RKW-6**.

4 **Q: DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 A: Yes.