

**SUPPLEMENTAL 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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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.

5 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. On March 2, 2016 I filed my testimony in response to the Commission’s
7 February 11, 2016 Order establishing this case.

8 **Q. BEFORE ADDRESSING THE DETAILS OF YOUR TESTIMONY,**
9 **PLEASE TELL THE COMMISSION WHETHER THE INFORMATION**
10 **BEING PROVIDED IN CONNECTION WITH YOUR SUPPLEMENTAL**
11 **TESTIMONY AFFECTED THE COMPANY’S RATES AND CHARGES,**
12 **OR THE AMOUNTS PAID BY KENTUCKY POWER’S CUSTOMERS.**

13 A. There was no effect. The inadvertent delay I describe below, like the errors I
14 discussed in my March 2, 2016 testimony, did not affect the Company’s

1 calculation of its fuel adjustment clause factor, or the rates and charges paid by
2 the Company’s customers.

II. PURPOSE OF THE SUPPLEMENTAL TESTIMONY

3 **Q. WHY ARE YOU FILING THIS SUPPLEMENTAL TESTIMONY?**

4 A. Kentucky Power and American Electric Power Service Corporation (“AEPSC”)
5 take seriously their obligation to provide the Commission and its staff, the
6 Company’s customers, and the public with complete and accurate information
7 concerning the Company and its operations. After filing my March 2, 2016
8 testimony, I determined, as described below, my testimony should be
9 supplemented to present a complete and accurate presentation of the results of the
10 Company’s investigation. Specifically, Kentucky Power and AEPSC determined
11 that six transportation contracts had not been filed with the Commission. Copies
12 of the six transportation contracts are included as **Exhibit RKW-S1** to this
13 testimony

14 **Q. WHAT ISSUES DO YOU ADDRESS IN THIS TESTIMONY?**

15 A. My supplemental testimony addresses the Company’s discovery of the delay in
16 filing the six transportation agreements, an explanation for why the agreements
17 were not filed, and the additional procedures the Company and AEPSC are
18 implementing to improve the timely and complete filing of all fuel and
19 transportation contracts.

20

III. THE TRANSPORTATION CONTRACTS

1 **Q. HOW DID KENTUCKY POWER DETERMINE THAT THE SIX**
2 **IDENTIFIED TRANSPORTATION CONTRACTS HAD NOT BEEN**
3 **FILED?**

4 A. At page 25 of my March 2, 2016 testimony I indicated:

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

11 On March 1, 2016 Staff filed its supplemental data requests in the Case No. 2016-
12 00001, *In The Matter Of: An Examination Of The Application Of The Fuel*
13 *Adjustment Clause Of Kentucky Power Company From May 1, 2015 Through*
14 *October 31, 2015*. Data Request KPSC 2-2 sought information concerning the
15 Company's ownership or lease of barge and rail transportation assets. Although
16 Kentucky Power does not own or lease barge or rail transportation assets, it is a
17 party to two agreements pursuant to which it receives barge and rail car services.

18 In the course of preparing the response to KPSC 2-2, and as I indicated in
19 my March 2, 2016 testimony regarding additional procedures to be undertaken by
20 the Company, Kentucky Power cross-checked its response to KPSC 2-2 against
21 its records concerning contracts filed with the Commission as part of the
22 Company's backup FAC filings. In so doing, the Company discovered that it
23 failed to file the April 1, 1982 AEP System Rail Car Use Agreement. (Kentucky

1 Power became a party to the AEP System Rail Car Use Agreement on September
2 12, 2013 through Amendment 2 to the agreement.) An investigation was
3 conducted to determine if any other transportation agreements required to be
4 submitted in connection with backup documentation filed during the period
5 March 2012 through March 2016 (actuals relating to the period January 2012
6 through January 2016) were not filed. In addition, I am providing the
7 Commission with a revised Exhibit RKW-3 (filed as Exhibit RKW-S2 to this
8 testimony). The revised page supplements the earlier-filed list with those persons
9 who supplied, prepared, or reviewed information concerning transportation
10 contracts required to be filed as part of Kentucky Power’s FAC backup filings.

11 **Q. HOW WAS THE INVESTIGATION CONDUCTED AND WHAT WAS**
12 **THE RESULT?**

13 A. The AEPSC Fuel Accounting Group provided a list of each transportation invoice
14 paid by Kentucky Power during the investigation period with vendor and contract
15 number information. This information was used to “pull” each identified
16 contract. The contracts themselves were then cross-checked by the Kentucky
17 Power Regulatory Group against the list developed by Kentucky Power of all
18 contracts previously filed with the Commission.

19 Kentucky Power and AEPSC discovered six transportation-related
20 agreements, including the rail services agreement that triggered the supplemental
21 investigation, that were in effect during all or some part of the period between
22 January 2012 through January 2016 (relating to backup document required to be

1 filed March 2012 through March 2016), and that were not filed as part of the
2 Company's fuel adjustment clause backup filings. They are:

- 3 ➤ The January 1, 2015 CSX Transportation, Inc. Private Price List
4 And Contract (CSXT 13958);
- 5 ➤ The August 4, 2014 BWC Trucking Company, Inc. Motor Carrier
6 Contract (Contract No. Tr14009);
- 7 ➤ The June 25, 2014 CSX Transportation, Inc. Private Price List
8 And Contract (CSXT 13565);
- 9 ➤ The May 19, 2014 CSX Transportation, Inc. Private Price List
10 And Contract (CSXT 13475);
- 11 ➤ The December 4, 2015 R.W. Earhart Motor Carrier Contract (03-
12 FO-15-002); and
- 13 ➤ The September 12, 2013 Amendment No. 2 to the April 1, 1982
14 AEP System Rail Car Use Agreement.

15 **Q. WAS THE APRIL 1, 1982 AEP SYSTEM RAIL CAR USE AGREEMENT**
16 **FILED WITH THE COMMISSION?**

17 A. Because of the intervening 36 years, Kentucky Power cannot locate a copy of the
18 AEP System Rail Car Use Agreement or other document in its records (such as a
19 transmittal letter) that is file-stamped or otherwise marked to indicate the
20 agreement was filed. Based on my memory, which was confirmed by a
21 conversation with a former employee of Kentucky Power, I nevertheless
22 concluded the agreement likely was filed.

23 **Q. DID YOU CONFIRM THESE WERE THE ONLY UNFILED**
24 **TRANSPORTATION CONTRACTS?**

1 A. Yes. The six contracts I identify above are the only transportation agreements not
2 previously filed by the Company with the Commission.

3 **Q. HAVE THE SIX TRANSPORTATION CONTRACTS BEEN FILED WITH**
4 **THE COMMISSION?**

5 A. Yes. They were filed on March 18, 2016 and March 22, 2016.

6 **Q. DID THE COMPANY RE-CONFIRM FOLLOWING THE DISCOVERY**
7 **OF THE OMITTED TRANSPORTATION AGREEMENTS THAT, WITH**
8 **THE FILING OF THE SEVEN SPOT MARKET CONTRACTS**
9 **DESCRIBED AT PAGE 19 OF YOUR MARCH 2, 2016 TESTIMONY, ALL**
10 **FUEL CONTRACTS IN EFFECT DURING THE INVESTIGATION**
11 **PERIOD HAD BEEN FILED WITH THE COMMISSION?**

12 A. Yes. Upon the discovery of the unfiled transportation contracts the Kentucky
13 Regulatory Group cross-checked all fuel contracts listed on the Analysis of
14 Purchases Schedule with the list developed by the Kentucky Regulatory Group of
15 fuel contracts filed with the Commission. This review re-confirmed that all fuel
16 contracts required to be filed during the investigation period had been filed with
17 the Commission.

**IV. REASONS FOR THE DELAY IN IDENTIFYING AND FILING THE SIX
TRANSPORTATION CONTRACTS**

1 **Q. DID KENTUCKY POWER DETERMINE WHY THE SIX CONTRACTS**
2 **WERE NOT FILED AT OR ABOUT THE TIME THEY WERE**
3 **EXECUTED?**

4 A. Yes. The AEPSC Fuel Cost Recovery Group used Contracts Online to identify
5 contracts for filing. For each month's backup filing the Fuel Cost Recovery Group
6 identified fully-executed contracts posted to Contracts Online for the calendar
7 month two months prior to the month in which the backup filing was made. (The
8 backup filing is filed 45 days after the close of the month for which the backup
9 filing is provided.) Following the initiation of this investigation, the Fuel Cost
10 Recovery Group determined that, at times, there were delays related to the full
11 execution of the agreements and their availability in Contracts Online. As a result,
12 some agreements fell outside the parameters used by the Fuel Cost Recovery
13 Group for identifying Kentucky Power contracts to be filed with the Commission
14 in the backup filing.

15 **Q. WHY WERE THESE SIX TRANSPORTATION AGREEMENTS NOT**
16 **DISCOVERED DURING THE COURSE OF THE INVESTIGATION**
17 **DESCRIBED IN YOUR MARCH 2, 2016 TESTIMONY?**

18 A. Kentucky Power and AEPSC regret the oversight. Between February 11, 2016,
19 when the Commission entered its Order initiating this investigation, and March 2,
20 2016 when my testimony was filed, AEPSC and Kentucky Power were

1 simultaneously investigating the discrepancy, reviewing the backup documentation
2 for the four year period to identify any additional errors, reviewing contracts, and
3 assisting with the preparation of my testimony. In addition, both the Kentucky
4 Power Regulatory Group and AEPSC were working to identify the cause of the
5 errors and beginning work to develop processes to improve the accuracy and
6 completeness of the FAC backup documentation filed with the Commission.
7 Unfortunately, these processes were not fully developed or implemented prior to
8 my testimony being filed on March 2, 2016. In particular, the process for cross-
9 checking the filed transportation contracts against vendor and contract number
10 information available from the Fuel Accounting Group had not been fully
11 implemented. As a result, the six contracts were not included with the corrections
12 I identified in my earlier testimony.

13 **Q. WERE THESE OMISSIONS INTENTIONAL?**

14 A. No. The Kentucky Power and AEPSC personnel involved in identifying contracts
15 did not appreciate the delay in the availability of the contracts in Contracts Online.
16 They thus in good faith believed the parameters used to identify contracts to be
17 filed were reasonable and would identify all contracts to be filed. While
18 regrettable, the delay in filing the contracts was inadvertent.

19 **Q. DID KENTUCKY POWER BENEFIT FINANCIALLY, OR DID ITS**
20 **CUSTOMERS SUFFER ANY FINANCIAL DISADVANTAGE, AS A**
21 **RESULT OF THE DELAY IN FILING THE FUEL TRANSPORTATION**
22 **CONTRACTS?**

1 A. No. Notwithstanding the delay in identifying and filing the six fuel transportation
 2 contracts, the financial terms of the contracts were correctly represented in the
 3 calculation of Kentucky Power’s fuel adjustment clause factor. As a result, the
 4 omission did not affect the amount paid by Kentucky Power’s customers or the
 5 revenues received by Kentucky Power.

V. **CHANGES TO THE PROCESS FOR FILING ALL CONTRACTS**
WITH THE COMMISSION AS PART OF THE COMPANY’S FAC
BACKUP DOCUMENTATION

6 **Q. WHAT CHANGES TO THE PROCESS FOR FILING CONTRACTS WITH**
 7 **THE COMMISSION AS PART OF THE COMPANY’S FUEL**
 8 **ADJUSTMENT CLAUSE BACKUP DOCUMENTATION ARE AEPSC**
 9 **AND KENTUCKY POWER IMPLEMENTING TO PROVIDE FOR THE**
 10 **TIMELY FILING OF SUCH AGREEMENTS?**

11 A. The Commission’s February 12, 2016 Order prompted a comprehensive re-
 12 examination of the processes used to identify and file all contracts required to be
 13 filed with the Commission. As part of this re-examination AEPSC and Kentucky
 14 Power’s Regulatory Service Group identified four new or modified procedures:

15 (1) Documentum will be used by the Fuel Cost Recovery Group to
 16 identify fully executed agreements for filing as part of the FAC backup
 17 documentation. Documentum is an enterprise content management system used
 18 by Kentucky Power as a repository for storing and retrieving images of executed
 19 fuel contract documents. The information available through Documentum will

1 better and more timely allow the identification of fully-executed contracts
 2 required to be filed with the Commission.

3 (2) ComTrac will be used by the Fuel Cost Recovery Group to review
 4 coal purchases (including vendors), which will be supplemented with other
 5 information contained in the Company’s FAC backup documentation concerning
 6 fuel vendors. These results in turn will be compared to the Kentucky Power
 7 Regulatory Service Group’s list of contracts filed with the Commission. Any
 8 contracts not filed can be promptly identified and filed.

9 (3) Using invoices paid the AEPSC Fuel Accounting Group will
 10 provide the Kentucky Power Regulatory Service Group with monthly reports
 11 listing vendors and contract numbers for fuel and transportation payments.
 12 (Alternatively, the contracts themselves will be provided.) This information will
 13 be compared to the list of contracts filed with the Commission. Any contracts
 14 identified by the AEPSC Fuel Accounting Group and the Kentucky Power
 15 Regulatory Service Group but not yet filed will be promptly filed.

16 (4) The AEPSC Fuel Procurement Group and AEPSC Contract
 17 Administration Group, acting at the behest of the AEPSC Fuel Cost Recovery
 18 Group, will examine the list of fuel and transportation contracts to be filed in each
 19 FAC backup filing and confirm the list is complete.

20 In addition, and as I explained at page 25 of my earlier testimony, the Kentucky
 21 Power Regulatory Service Group will cross-check its data request responses in six-

1 month and two-year FAC review cases against its backup filings for the review
2 period to ensure all contracts have been filed.

3 **Q. HOW WILL THESE CHANGES ADDRESS THE INADVERTENT**
4 **ERRORS THAT DELAYED THE FILING OF THE CONTRACTS**
5 **REQUIRED TO BE FILED AS PART OF KENTUCKY POWER’S FAC**
6 **BACKUP DOCUMENTATION?**

7 A. The use of the multiple processes described above to identify the contracts
8 required to be filed, and the comparison of the identified agreements with the list
9 of contracts previously filed, along with Kentucky Power’s supplemental review of
10 all identified vendors and contract numbers against the previously filed agreements
11 should permit Kentucky Power and AEPSC to identify and file the required
12 agreements in a timely fashion.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.