



## **Kentucky Power Company**

### **REQUEST**

Refer to Kentucky Power's response to Commission Staffs First Request for Information ("Staffs First Request"), Item 3. Given that errors were found by Commission Staff and Kentucky Power in the updated pages filed with the Direct Testimony of Ranie K. Wohnhas, explain why the Commission should have confidence in the review process established by Kentucky Power to ensure that the monthly fuel adjustment clause backup filings are correct.

### **RESPONSE**

Kentucky Power Company regrets the errors in the updated pages filed with Mr. Wohnhas' direct testimony.

Between February 11, 2016 and March 2, 2016 Kentucky Power investigated the five areas for testimony identified by the Commission in its February 11, 2016 Order establishing this proceeding. The Company also examined and provided testimony on two other areas, including examining an additional year of filings (2012) to identify other errors (if any) and to test its understanding of the issues revealed by its investigation. The Company also outlined modifications to its review procedures (see Wohnhas direct testimony pgs. 23-26) for reviewing the FAC backup filings. These procedures reduced the number of steps required to produce, and persons involved in gathering, the necessary data and making the required filings.

As with any change to procedures some time is required to optimize the procedures, and for the persons implementing the modified procedures to become fully familiar with them. Testing and implementation of the modified procedures revealed additional omissions and errors not captured in the March 2, 2016 filing. Kentucky Power subsequently brought those errors to the Commission's attention by correcting them on its own initiative in its subsequent filings. Kentucky Power also identified some additional modifications to its review procedures (see Wohnhas supplemental testimony pgs. 9-11) for reviewing the FAC backup filings.

Continued experience with the modified procedures will enhance the Company's ability to produce correct filings. Kentucky Power will also continue to monitor its monthly back-up filings closely to ensure they are correct and complete.

**WITNESS:** Ranie K Wohnhas

## **Kentucky Power Company**

### **REQUEST**

Refer to Kentucky Power's response to Staffs First Request, Item 4, which states that the previously used coal district number 8 "was a CSX coal rate district that is specific to the Big Sandy Coal Rate District."

- a. Explain why Kentucky power originally utilized coal district identification based upon the CSX coal rate district numbers.
- b. Confirm that the CSX coal rate district numbers are based upon the coal districts found in the Bituminous Coal Act of 1937, 18 U.S.C.A. § 828 et seq.,(repealed 1966). If this cannot be confirmed, provide supporting documentation that the coal districts originated from CSX.
- c. Explain why Kentucky Power opted to stop using the previously used coal district numbers in favor of using the Mine Safety and Health Administration ("MSHA") coal district numbers during the course of this proceeding rather than at an earlier time.
- d. The response states that Kentucky Power "determined that the use of the MSHA district codes was a more meaningful representation of the coal district." Explain how the MSHA numbers are more meaningful.

**RESPONSE**

- a. The Company lacks information sufficient to permit it to respond definitively. The Company's records do not indicate the basis for its decision to use what the Company's current employees believe are CSX coal transportation rate districts in the "District" column of the monthly back-up documentation. The CSX coal transportation rate district is information otherwise used in the Company's business to determine rail costs.

The term "District" as used in the monthly fuel adjustment clause back-up filing is undefined in the materials available to Kentucky Power.

- b. Kentucky Power's records do not indicate the source of the CSX coal transportation rate districts or their boundaries, and thus the Company cannot confirm that "the CSX coal transportation rate districts are based upon the coal districts found in the Bituminous Coal Act of 1937, 15 U.S.C.A. § 828 *et seq.*, (repealed 1966)." Kentucky Power asked current CSX employees if the CSX coal transportation rate districts were based upon the coal districts established by the Bituminous Coal Act of 1937 and they likewise were unable to confirm the relation, if any, between the CSX coal transportation rate districts and the coal districts established by the Bituminous Coal Act of 1937.

Kentucky Power acknowledges that District 8 established by the Bituminous Coal Act of 1937 includes 28 counties in eastern Kentucky in addition to counties in West Virginia, Virginia, North Carolina, and Tennessee. *See* Bituminous Coal Act of 1937, Pub. L. No. 75-48, Annex to Act, 50 Stat. 72, 92-93 (1937). As such, it does not appear that the current CSX coal transportation rate district 8 conforms to District 8 as defined in the Bituminous Coal Act of 1937, Annex to Act, as originally enacted.

The understanding that the district numbers formerly reported were the CSX coal transportation rate districts is premised upon discussions with current American Electric Power Service Corporation personnel. Kentucky Power and American Electric Power Service Corporation lack documentation of the understanding that the previously used "coal districts originated with CSX." *See* <https://www.csx.com/index.cfm/library/files/customers/commodities/coal/big-sandy/> for a map of the current CSX coal transportation rate district encompassing eastern Kentucky.

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c.-d. From at least 2013 until the initiation of this proceeding, Kentucky Power erroneously treated the information entered in the "District" column of the monthly FAC back-up filing as a "fixed" value and thus the Company did not consider changing the district numbering scheme. *See* Direct Testimony of Ranie K. Wohnhas at 15-16. With the initiation of this proceeding and the recognition of the uses being made of the district as reported on the monthly FAC back-up filing, Kentucky Power determined that using MSHA districts better reflects the uses being made of the information.

The MSHA districts are more meaningful because the boundaries of each MSHA district are defined by a governmental agency and thus may be more readily available and determinable. Moreover, it is Kentucky Power's understanding that the MSHA districts cover all coal mining regions in the United States. The CSX coal transportation rate districts are more limited and may be modified as the business operations of CSX change.

Kentucky Power is willing to use the district reporting enumeration the Commission determines best meets the Commission's needs.

**WITNESS:** Ranie K Wohnhas