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. 2016-00230
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 22nd day of November 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

Charles F. West

STATE OF OHIO)
) Case No. 2016-00230
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 22nd day of November 2016.

Donna J Stephens

Notary Public

My Commission Expires: January 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

Please refer to the Company's response to KPSC 1-6. For the period November 2015 the Grand Total of off-system sales revenue is reported to be $1,324,064.72. For the same period the Company reported in its fuel adjustment clause filings off-system sales of $ 4,677,199. Please reconcile the differing off-system revenue amounts reported for November 2015. If the amounts cannot be reconciled please explain why.

RESPONSE

The difference results from a $3,309,951 adjustment credited to customers in the Company's November 2015 system sales clause filing. The adjustment was required because accounts 4470001 and 44700151 inadvertently were omitted from the off-system sales revenue calculation for the months of June 2015 through October 2015.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please refer to the Company's response to KPSC 1-8, pages 1 and 2 of 4. The terms of Alpha Coal Sales Co., LLC contract numbers 14-032 and 15-001 indicate the effective date of the agreements was January 1, 2016. Footnote 1 to the responses indicates that the reported tons received under the two contracts "[i]nclude[] tonnage delivered in 2015 in the Review Period."

(a) Please confirm that coal was delivered in 2015 under the identified Alpha Coal Sales Co., LLC contracts; and

(b) If coal was delivered in 2015 under the identified Alpha Coal Sales Co., LLC contracts please explain the reason for the delivery before the effective date of the contracts.

RESPONSE

(a) Confirmed. Coal was delivered under these two contracts for Alpha Coal Sales Co. contracts LLC 14-032 and 15-001 in November and December, 2015.

(b) The coal delivered in 2015 under the identified contracts was delivered on a "pre-shipment" basis, prior to the start of the normal deliver period, in lieu of the Company purchasing coal from the market.

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Please refer to the Company's response to KPSC 1-10. The response indicates that for the review period 47% of the coal received at the Mitchell generating station was "delivered by a belt conveyor system from an adjacent mine…." Provide the following information with respect to the described belt conveyor system:

(a) The identity and percentage of ownership of the portion of the belt conveyor system owned by Kentucky Power and other American Electric Power Company, Inc. ("AEP") operating companies; and

(b) The date the belt conveyor system was installed;

(c) If any part of the belt conveyor system is not owned by Kentucky Power or another AEP operating company please:

(i) Identify the entity other than an AEP operating company with an ownership interest in the belt conveyor system; and

(ii) the point of demarcation between the portion owned by the AEP operating companies and the portion owned by an entity other than an AEP operating company.

RESPONSE

a. Please see KPCO_R_PSC_PH3_Attachment1.pdf. The portions of the belt conveyor system labeled in yellow (Mitchell Plant HSC-1 Conveyor; Mitchell Plant HSC-1 Conveyor; Mitchell Plant HSC-1 Conveyor; and Mitchell High Sulfur Coal Scale) on KPCO_R_PSC_PH3_Attachment1.pdf are jointly owned by Kentucky Power Company and Wheeling Power Company. Kentucky Power and Wheeling Power each own a 50% undivided interest in the identified part of the belt conveyor system. The remainder of the belt conveyor system (Murray Conveyor 3100 and Murray Coal Diversion Gate) is labeled in orange and is wholly-owned by Murray Coal Company.

b. The portions of the belt conveyor system jointly owned by Kentucky Power and Wheeling Power were placed in service on July 9, 2007. The Company lacks knowledge of when the abutting Murray Coal wholly-owned portion of belt conveyor system was installed.

c. Please see the Company's response to PHDR-3(a). The point of demarcation between the Kentucky Power/Wheeling Power portion of the belt conveyor and the Murray Coal portion is juncture of Mitchell Plant HSC-1 Conveyor (jointly owned by Kentucky Power and Wheeling Power) and the Murray Coal Diversion Gate (owned by Murray Coal Company).

WITNESS: Daniel L Moyer

Kentucky Power Company

REQUEST

Please refer to Staff Exhibit 1 (March 2016 Kentucky Power Company Analysis of Coal Purchases). Page 1 of the exhibit indicates the delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company was $90.93 per ton. The delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company for February 2016 and April 2016 was $53.70 and $52.69 respectively.

(a) Please confirm the reported March 2016 $90.93 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company.

(b) If the Company cannot confirm the March 2016 $90.93 delivered cost per ton of coal please provide the actual March 2016 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company and recalculate the fuel adjustment clause factor filed in April 2016 for May 2016 billing using the corrected March 2016 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company .

(c) Provide a full explanation for the difference between the February and April 2016 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company and the actual March 2016 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company.

RESPONSE

(a) Confirmed. The Company's March 2016 delivered cost per ton of coal purchased from Consolidation Coal Company and McElroy Coal Company (CONSOL/McElroy) was $90.93.

(b) Not applicable.

(c) The $90.93 delivered cost per ton for March 2016 deliveries from CONSOL/McElroy is calculated by dividing Kentucky Power's $10,177,795 share of March 2016 fuel costs by the Company's share (111,930 tons) of delivered coal ($10,177,795/111,930 = $90.93/ton). The $10,177,795 in March 2016 fuel costs comprises two components: (a) $6,166,995 for the 111,930 delivered tons at a price of $55.10/ton (reflecting accounting adjustments related to coal quality); and (b) Kentucky Power's $4,010,800 share[1] of the March 2016 payment made in accordance with the March 2016 contract amendment filed with the Commission in April 2016. A copy of the amendment (Amendment 2016-1 to Sales Agreement 07-77-05-900) is attached as KPCO_R_PSC_PH4_Attachment1.PDF. By means of the payment the Mitchell Plant reduced its 2016 contractual obligation of 2,000,000[2] tons by 800,000 tons[3] ("Buydown") at a net cost to Kentucky Power's customers of $9,675. The explanation for the contract amendment and the calculation of the net cost to Kentucky Power's customers follows.

The CONSOL/McElroy agreement includes a price reopener each year for one-third (approximately 666,000 tons) of the contracted 2,000,000 ton coal volume. The price reopener reduces coal cost volatility and helps maintain the delivered cost per ton at a price closer to market. In 2015, during the price reopener negotiations for one-third of the 2016 tonnage, the Company determined that it would be unable to burn or store onsite the 2015 shortfall tonnage, plus the 2016 contracted tonnage of 2,000,000 tons. (Shortfall is the negative difference between the actual tons of coal delivered in a contract year versus the tons of coal contracted for delivery in that contract year). Unless Kentucky Power acted to reduce the 2016 contract requirement the Company would be required to pay for the transportation and offsite storage of its share of the coal that could not be stored onsite.

To address the storage constraints and the forecasted 2016 demand at the Mitchell Plant for the CONSOL/McElroy coal, Kentucky Power entered the price reopener negotiations in 2015 (for one-third of the tonnage to be delivered in 2016) with the intent of reducing its contractual commitment or by reaching agreement on a purchase price that would permit the Company to resell the coal into the market at a breakeven price or better. The negotiations typically last a few months, but in this case, they were extended multiple times and finally concluded by verbal agreement in the fourth quarter of 2015.

Through these 2015 price reopener negotiations for the Segment C tonnage (one-third of the coal to be delivered in 2016) Kentucky Power and CONSOL/McElroy agreed to a purchase price of $36.820/ton for Kentucky Power's fifty percent share (approximately 330,000 tons) of the Segment C contracted amount. The negotiated price was below market at the time of the agreement and was calculated at an amount that would permit Kentucky Power to reduce its 2016 contractual obligation (either by selling the coal into the market or the Buydown) at little or no cost. With this agreement, the contract price for Kentucky Power's 1,000,000 ton share of the CONSOL/McElroy 2016 contractual deliveries was $50.177/ton calculated as show in Table 1 on the next page:

Table 1		
Segment	**Tons**	**$/Ton**

[1] The total plant Buydown payment was $8,021,600.

[2] Total plant contractual obligation. Kentucky Power's share was one-half or 1,000,000 tons.

[3] Total plant Buydown. Kentucky Power's share of the Buydown Tonnage was one-half or 400,00 tons.

A (price negotiated in 2013)	333,500	58.060
B (price negotiated in 2014)	333,500	55.630
C (price negotiated in 2015)	333,000	36.820
TOTAL	**1,000,000**	**$50.177**

Because the Company found it unlikely to sell the coal into the market in light of the significantly reduced demand for coal as a result of warm winter weather and low natural gas prices, and also to align the 2016 deliveries to the Mitchell Plant's forecasted coal consumption, Kentucky Power continued negotiations with CONSOL/McElroy to reach agreement on the Buydown. The result of these continued negotiations was the Buydown memorialized in the March 2016 contract amendment.

The effect of the amendment was to reduce Kentucky Power's 2016 1,000,000 ton contractual obligation by 400,000 tons to 600,000 tons.[4] The Buydown payment of $4,010,800 was calculated as follows: Kentucky Power "purchased" the 400,000 tons at $50.177/ton (the average of the Segment A, Segment B, and Segment C prices) and "sold" the tonnage back to CONSOL/McElroy at a market-based price of $40.15/ton. The difference between the "purchase" and "sale" prices was $10.027/ton or $4,010,800 ([$50.177/ton-$40.15/ton] x 400,000/tons = $4,010,800]). (The terms "buy" and "sold" are used to describe the economic effect of the Buydown calculation. There was no was no actual purchase or sale of the coal and no physical delivery of the tonnage to or from Kentucky Power.)

Through the combination of the negotiation of a below market price of $36.820/ton for the Segment C tonnage and the Buydown Kentucky Power avoided the transportation and offsite storage costs for the 400,000 tons it "sold back" to CONSOL/McElroy. Although the Buydown required a one-time payment of $4,010,800 by Kentucky Power (thereby increasing the March 2016 delivered cost of coal to $90.93/ton) this "cost" is properly spread over the entirety of Kentucky Power's 2016 contractual obligation of 600,000 tons. So calculated, the net cost to customers is equal to the difference between $56.845/ton original coal purchase requirement pricing (the average of the Segment A and Segment B pricing) less the amended pricing requirement of $56.862 (including the $4,010,800 Buydown payment) multiplied by the 600,000 tons under the amended agreement: ($56.845-$56.862 = $0.017/ton) x 600,000 tons = $10,200 (the difference being due to rounding). *See* Table 2:

[4] Wheeling Power's 2016 1,000,000 ton commitment similarly was reduced upon identical terms by 400,000 tons through the amendment.

Table 2			
Original Coal Purchase Requirement			
Segment	Tons	$/Ton	
A	333,500	$	58.06
B	333,500	$	55.63
TOTAL	**667,000**	**$**	**56.845**
Total Coal Purchase Cost		$	37,915,615
New Coal Purchase Requirement			
NEW TOTAL	600,000	**$**	**50.177**
Total Coal Purchase Cost		$	30,106,200.00
Buy-Down Tonnage Payment		$	4,010,800
Total Coal Cost		$	34,117,000
Cost/Ton including payment		**$**	**56.862**

WITNESS: Charles F West

Kentucky Power Company

REQUEST

Please state when the Company began using its highest cost generation (including the hypothetical peaking unit equivalent) for purposes of calculating the amount excluded from recovery through the Company's fuel adjustment clause, if any, of purchased power costs incurred in connection with a forced outage.

RESPONSE

The Company began using its highest cost generation (including the hypothetical peaking unit equivalent) in its forced outage calculations beginning May 2015.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Please refer to the Company's response to KPSC 2-2(b)(3). By month for the period November 2014 through and including June 2015 calculate the amount that would have been excluded from recovery through the FAC using both replacement generation and replacement power in the calculation of total substitute cost compared to the assigned cost of the unit suffering a forced outage. (The peaking unit equivalent rate should not be used in the calculation.) Include in the response the supporting calculations in Excel spreadsheet format with the formulas intact and unprotected. For each month compare the revised amount with the amount Kentucky Power excluded from recovery.

RESPONSE

Please see KPCO_R_PSC_PH_6_Attachments1.xls for the requested analysis. Using the methodology stated in the question would produce for the period November 2014 - June 2015 an additional exclusion of $32,673.62.

The Company will refund the $32,673.62 in the first filing following the Commission's Order.

WITNESS: John A Rogness

Kentucky Power Company

REQUEST

Kentucky Power Company and Commission Staff are directed to confer and to attempt to reach agreement on the applicability prospectively of the Commission's April 2, 2002 and October 3, 2002 Orders in Case No. 2000-00495-B to the calculation of the amount excluded from recovery through the Company's fuel adjustment clause of purchased power costs incurred in connection with a forced outage. Kentucky Power shall report the results of the discussions.

RESPONSE

Company met with Commission staff on November 16, 2016. Please see Informal Conference ("IC") Memorandum and the Company's November 23, 2016 comments.

WITNESS: John A Rogness