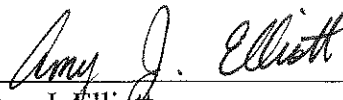


VERIFICATION

The undersigned, Amy J. Elliott, being duly sworn, deposes and says she is a Regulatory Consultant Sr. in Regulatory Services for Kentucky Power, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge, and belief



Amy J. Elliott

COMMONWEALTH OF KENTUCKY)
) Case No. 2017-00282
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Amy J. Elliott, this 30th day of October, 2017.



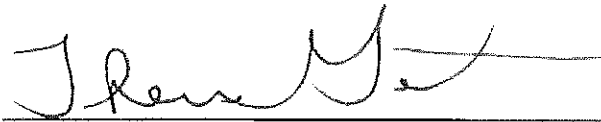
Notary Public

Notary ID 571144

My Commission Expires: January 23, 2021

VERIFICATION

The undersigned, Thomas E. Gant, being duly sworn, deposes and says he is a Supervisor in the Fuel and Contract Accounting Department for American Electric Power and 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 information, knowledge and belief



Thomas E. Gant

STATE OF OHIO

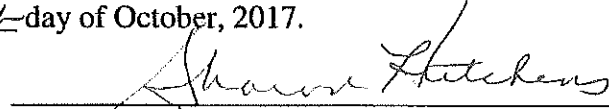
)

) Case No. 2017-00282

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Thomas E. Gant, this the 30~~th~~ day of October, 2017.



Notary Public

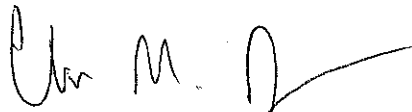
My Commission Expires: 11-17-19



Sharon Hutchens
Notary Public-State of Ohio
My Commission Expires
November 17, 2019

VERIFICATION

The undersigned, Clinton M. Stutler, being duly sworn, deposes and says he is the Fuel Buyer Principal for American Electric 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 information, knowledge and belief



Clinton M Stutler

STATE OF OHIO

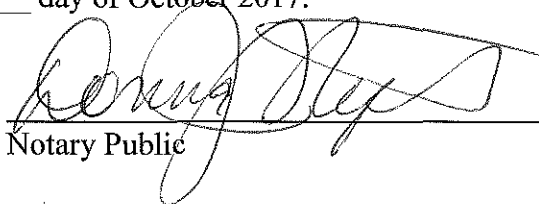
)

) Case No. 2017-00282

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Clinton M Stutler, this the 27th day of October 2017.



Notary Public

My Commission Expires: January 4, 2019



Donna J. Stephens
Notary Public, State of Ohio
My Commission Expires 01-04-2019

VERIFICATION

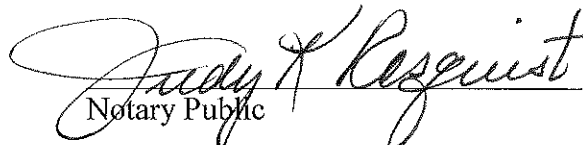
The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director Regulatory and Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein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



Ranie K. Wohnhas

COMMONWEALTH OF KENTUCKY)
) Case No. 2017-00282
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 25th day of October 2017.



Notary Public

ID # 571144

My Commission Expires January 23, 2021

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

DATA REQUEST

KPSC_PH_001 Provide an update to Kentucky Power's response to the Commission's August 30, 2017 request for information, Item 19, confidential attachment 2, showing explanations for each lowest-cost bid not selected.

RESPONSE

In order to realize economies of scale and to enhance the competitiveness of the offers received, American Electric Power Service Corporation (AEPSC) typically issues a written Request for Proposal (RFP) to purchase coal on behalf of multiple operating companies. Following the evaluation of each RFP, the offers are equitably distributed among such operating companies.

With respect to Kentucky Fuel Adjustment Clause 2017-00282, KPSC 1-19 Confidential Attachment 2, the offer provided by the first listed company did not meet the quality specifications required by the Plant and was excluded from consideration. The remaining offers were then evaluated and the chosen offers were assigned to participating operating companies so that the weighted average, quality adjusted, delivered \$/MMBtu of the offers assigned to Kentucky Power were comparable to the weighted average, quality adjusted, delivered \$/MMBtu of the top six offers accepted by AEPSC. This method is designed to divide the best offers among all parties in the most equitable manner.

Witness: Clinton M. Stutler

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

DATA REQUEST

KPSC_PH_002 Explain how Kentucky Power determines what percentage of spot coal versus contract coal it purchases.

RESPONSE

Kentucky Power, as with all American Electric Power Company Inc.'s operating companies, does not have guidelines requiring specific percentages of spot purchases and specific percentages of contract purchases. Kentucky Power's procurement strategy includes layering supply agreements, both spot and contract, into the existing portfolio to align with expected consumption.

Demand volatility for coal-fired generation continues to persist in the marketplace. Exceptionally low gas prices, coupled with the increased use of renewable generation sources, has made it increasingly difficult to manage coal inventories that, in some cases, would increase beyond the pile's capacity without intervention. By increasing the use of spot purchases, coal inventories have become more manageable. Additionally, spot purchases provide opportunity to make purchases when advantageous market conditions exist, which provides cost savings for customers. In the current coal market where excess coal capacity exists, utilizing spot contracts, which provide the flexibility to obtain coal supply at market prices, are essentially the same as utilizing long-term contracts with frequent re-openers to reset the price to market, without committing the Company to purchase the coal volume.

As illustrated within Kentucky Fuel Adjustment Clause 2017-00282, KPSC 1-1 Attachment 1, Kentucky Power's current position includes 55 percent spot purchases, and 45 percent contract purchases. This position enables Kentucky Power to mitigate coal price volatility, while at the same time, remain sensitive to inventory flexibility and current market conditions. For the near term, the Company anticipates maintaining similar percentages of spot and contract purchases going forward.

Witness: Clinton M. Stutler

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 1 of 3

DATA REQUEST

KPSC_PH_003 Refer to the October 12, 2017 filing ("October 12, 2017 filing") made by Kentucky Power which is attached as an Appendix A to this request. State when Kentucky Power first became aware that certain information from its previous backup filings was incorrect.

RESPONSE

The changes were discovered as part of a comprehensive, multi-month review of all of Kentucky Power's regulatory processes ordered by Kentucky Power President Matthew Satterwhite starting in May of 2017. The changes first were identified and compiled internally with the intention of informing the Commission upon completion of the deeper review of the overall fuel adjustment clause filing process. The Company would have informed the Commission upon discovery if any of the changes included in the October 12, 2017 filing had a financial impact on customers. The items included in the October 12, 2017 update did not have a financial impact on the Company's customers.

The comprehensive review of the Company's fuel adjustment clause regulatory filing processes was completed in late September 2017, although Kentucky Power continues to examine its processes for further improvement. Reviews of other regulatory filings and Company processes relating to those filings continue.

The October 12, 2017 filing included six updates to previous filings:

- (a) the Company corrected the Unit Performance Data for the Mitchell Plant in the January 2017 to March 2017 expense month filings to modify the calculation of the number of days of coal on the ground at the plant;
- (b) the Company corrected the Analysis of Coal Purchases for the Mitchell Plant in the January 2017 to March 2017 expense month filings to correct the mode of transportation for the delivery of coal to the plant;
- (c) the Company corrected the FOB Mine price per ton in the December 2016 expense month filings for the Consolidated Coal Company and McElroy Coal Company contract;
- (d) the Company modified the state and district of coal supplied under the River Trading¹ and Noble² contracts in the December 2016, January 2017 and February 2017 expense

¹ The source for the River Trading contract originally was listed as West Virginia in the December 2016 expense month filing, as Kentucky in the expense month filing for January 2017, and as Kentucky in the February 2017

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 2 of 3

months' filings to reflect the vendor's contractual ability to provide the coal from mines in West Virginia and Kentucky. Only a single source state and district were listed in the original filings;

(e) the Company modified the source of coal for Ember Coal contract in the February 2017 expense month filings to reflect the fact that the coal purchased under the contract was to be produced from Kentucky mines and not West Virginia mines; and

(f) the Company supplemented the Analysis of Coal Purchases sheets in the December 2016 through February 2017 expense months to provide additional information concerning transportation costs.

As part of its comprehensive review of all filing procedures following the May 15, 2017 meeting with the Commission, and as discussed in more detail in response to PH-6, members of the Kentucky Power Regulatory Services group, working with American Electric Power Service Corporation personnel, are undertaking a system-wide review of all Kentucky Power's process and mechanisms. The Company determined the need to finish the comprehensive review of its fuel adjustment clause regulatory processes and filings and report any changes in a single filing.

During its comprehensive review of its fuel adjustment clause filings and processes Kentucky Power identified in July 2017 the need to modify the reported sources of coal for the River Trading and Noble contracts to reflect the vendor's contractual ability to provide the coal from mines in West Virginia and Kentucky. Changes (a), (b), and (c) were identified in June 2017 as part of the ongoing comprehensive review of Kentucky Power's fuel adjustment clause filings and processes. The need to correct the source of coal produced under the Ember Coal contract was identified in August 2017 as part of this same comprehensive review. The additional footnotes were added to assist the Commission in its review of the filings.

It is important to note that a management change in the Frankfort Regulatory office was made during this comprehensive internal review. Prior to leaving Kentucky Power on July 13, 2017, John A. Rogness III was the member of the Kentucky Power Regulatory Services Group who reviewed the fuel adjustment clause back-up filings for accuracy. Unfortunately, the Company is unable to determine conclusively whether Mr. Rogness was aware of all of these six updates earlier than the comprehensive review, or if those issues were shared with Staff prior to his departure. The Company's review of Mr. Rogness' available papers and other communications, and well as his communications with other members of the regulatory group prior to his departure, do not indicate he was aware of the need for the changes other than those updates detected between the third week in June and Mr. Rogness' departure in July. Mr. Rogness had a

expense month filing. The filings were corrected on October 12, 2017 to reflect that under the contract the coal could be produced from mines in West Virginia and Kentucky.

² The source for the Noble contract originally was listed as Kentucky in the December 2016, January 2017, and February 2017 expense month filings. The filings were corrected on October 12, 2017 to reflect that under the contract the coal could be produced from mines in West Virginia and Kentucky.

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 3 of 3

good relationship with the Staff and talked to members frequently, as a previous member of Staff, but there is nothing memorialized in a Company document that shows he was aware of or shared the issues with Staff beyond what is represented here.

Witness: Ranie K. Wohnhas
 Amy J. Elliott

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

DATA REQUEST

KPSC_PH_004

Refer to the revised analysis of coal purchases schedule for December 2016 from the October 12, 2017 filing. Also refer to the analysis of coal purchases schedule for December 2016 that was filed February 16, 2017, and is attached to this request as Appendix B. a. The revised schedule shows that for the Consolidated Coal Company and McElroy Coal Company contract, the FOB Mine price per ton was \$53.72. The original filing listed the FOB Mine price per ton for the same contract as \$52.48. Explain which price is correct. b. Explain why this change was not mentioned in the cover letter to the October 12, 2017 filing. c. The revised schedule lists the coal for the River Trading contract and Noble contract as originating in both Kentucky and West Virginia, whereas the original schedule lists the coal for the River Trading contract as originating solely from West Virginia, and the coal for the Nobel contract as originating solely from Kentucky. Explain this discrepancy and explain why it is not mentioned in the cover letter to the October 12, 2017 filing.

RESPONSE

a. \$53.72 is the correct price.

b and c. Kentucky Power's October 12, 2017 transmittal letter was not intended to list each revision. To avoid confusion, and to assist Staff's review, Kentucky Power in the future will provide a written description of all changes in the event it updates its filings in the future.

Kentucky Power previously failed to list all contractual sources of coal with respect to those contracts that permitted the seller to supply coal from multiple states or districts. As part of the comprehensive review ordered by Mr. Satterwhite, Kentucky Power modified its processes to report all possible geographic sources for coal under each contract.

Witness: Ranie K. Wohnhas
 Amy J. Elliott

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

DATA REQUEST

KPSC_PH_005

Refer to the revised analysis of coal purchases schedule for December 2016 from the October 12, 2017 filing. Footnote A states in part that: "The quarterly true-ups are not associated with one specific vendor, so we have reported it on the contract with the highest transportation costs for the period."

- a. Explain whether Kentucky Power utilizes one or multiple shippers to provide transportation of coal.
- b. If Kentucky Power utilizes multiple shippers to provide transportation of coal, explain why it is reasonable to assign all transportation true-ups to one contract.

RESPONSE

a. Kentucky Power utilizes a single shipper (AEP's River Transportation Division) to transport purchases that are subject to quarterly true-ups. For clarity, the high-sulfur coal is transported by conveyor from an adjacent mine and is not subject to transportation costs for barging. Only low-sulfur coal purchases involve transportation costs subject to quarterly true-ups.

b. Not Applicable.

Witness: Clinton M. Stutler

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 1 of 4

DATA REQUEST

KPSC_PH_006

In the Direct Testimony of Ranie K. Wohnhas provided on March 2, 2016, in Case No. 2016-00073, an investigation initiated by the Commission to investigate the accuracy of Kentucky Power's backup filings, Kentucky Power claimed it had taken the following corrective actions implemented changes to its process for reviewing monthly FAC filings to ensure that the information reported is accurate; provided additional training for those employees assigned to prepare and review its monthly FAC back-up filings; caused to be prepared an instructional document clearly describing the process for preparing and reviewing the filings; and directed its Regulatory Group to review each of the schedules which constitute the FAC back-up filing and to cross-check that information for accuracy and consistency. Given these procedures, and the length of time they have been in place, explain why the issues giving rise to the October 12, 2017 filing were not detected sooner and reported to the Commission.

RESPONSE

Under the procedures described in Mr. Wohnhas' March 2, 2016 testimony these errors should have been detected by Kentucky Power. The procedures described in Mr. Wohnhas' testimony initially were implemented and helped the Company to provide more accurate fuel adjustment clause filings. For example, the Company's comprehensive review resulted in no changes to the Analysis of Coal Purchases or Unit Performance Data within its back-up filings for the period from March 2016 to October 2016. Additionally, since the 2016-00073 case, the Company has properly identified and filed all fuel and transportation contracts.

Notwithstanding the improvements produced by these processes, the breakdowns in implementing the procedures that led to the six updates described in the Company's response to PHDR-3, and that are described below, were not identified until a comprehensive and deeper review and revision of Kentucky Power's fuel adjustment clause processes and filings. That deeper review resulted from an order by Kentucky Power President and Chief Operating Officer Matthew J. Satterwhite in May 2017. The Company determined the need to complete the comprehensive review of its fuel adjustment clause regulatory processes and filings and to report any changes in a single filing at the completion of the review.

The Company recognizes the importance of reporting corrections in filings to the Commission in a timely manner. In the present case, Kentucky Power thought it appropriate to finish its

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 2 of 4

complete review and provide the update in a single filing instead of filing ongoing piecemeal updates. In retrospect, the Company realizes it should have done a better job of communicating to the Commission the level of review it was conducting and provided informal updates along the way. The filing of the updates in a letter form only was also a mistake in communication. The Company should have sought leave to schedule an informal conference to explain the greater efforts the Company was taking and the corrections needed as a result of the review. The Company commits to change that going forward and partake in a more open dialogue in this process improvement effort.

The Company's retrospective examination of the causes of the inaccuracies in the fuel adjustment clause back-up filings indicate the errors originated beginning in late 2016 when there was a substantial turnover in the personnel in the American Electric Power Service Corporation Fuel Accounting group. The Fuel Accounting group compiles and prepares much of the back-up filing information. The procedures described in Mr. Wohnhas' testimony did not anticipate the significant turnover experienced. The lack of proper training of the new personnel resulted in errors in the backup information that were not detected by the Kentucky Power Regulatory Services group until the comprehensive review ordered by Mr. Satterwhite and described below. To assist in avoiding such breakdowns going forward, the Fuel Accounting group developed the Regulatory Policy/Procedure attached hereto as [KPCO_R_KPSC_PH_6_Attachment1.pdf](#).

Following the May 15, 2017 meeting with the Commission, Mr. Satterwhite called for a complete review of all of the Company's filing processes, including Kentucky Power's fuel adjustment clause filing procedures. The review was ordered to examine not only the processes used to prepare and review regulatory filings, but also to review the accuracy of past filings and internal processes for simplification and efficiencies. The intent was to eliminate errors going forward.

The comprehensive review of the Kentucky Power filing processes was two-fold. First, Mr. Satterwhite asked American Electric Power Service Corporation Director of Regulatory Case Management, Annette P. Richardson, to provide a skill and process assessment of the regulatory office to provide an unbiased third-party assessment by someone outside of Kentucky Power. Ms. Richardson enlisted the help of American Electric Power Service Corporation's Financial Audit Services Group, which also traveled to Frankfort, in the review. After that review, Mr. Wohnhas was charged with devising a plan to review all the processes, to make the required improvements to the system, and to correct any problems found.

Ms. Richardson reported directly to Mr. Satterwhite for purposes of her review. She was asked to do a review of the Kentucky Power Regulatory Services group's operations from the janitor up to Mr. Satterwhite. Mr. Satterwhite informed the internal staff that Ms. Richardson was reviewing the operations at his request and that she was to receive the full cooperation of every member of the office. Ms. Richardson traveled to Frankfort on multiple occasions to interview

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 3 of 4

the Kentucky Power Staff, to observe the work environment, and to review the offices processes in light of best practices in other jurisdictions. She discussed with Mr. Satterwhite opportunities for improvement as she progressed through her review

The next phase of the review ordered by Mr. Satterwhite was for Mr. Wohnhas to develop a plan to systematically address the deficiencies in the regulatory operations and execute that plan to avoid mistakes and change processes to be simpler and more efficient. Mr. Wohnhas was instructed to strip the whole system down and challenge everything the Company does to ensure it makes sense and that a top quality product is produced.

Mr. Wohnhas developed a schedule to review the work filed by Kentucky Power. His review included members of the American Electric Power Service Corporation Financial Audit Services group to incorporate its experience in designing procedures to detect and eliminate errors. That overall plan is now being worked and processes are being added as the Company determines there is additional opportunity for improvement.

The review of the fuel adjustment clause regulatory procedures and filings is now complete and led to the filing of the changes identified in the Company's October 12, 2017 filing. The review of fuel adjustment clause filings and procedures included Tom Gant, Fuel Accounting Supervisor, who traveled to Frankfort on July 31, 2107 to meet with the current members of the Kentucky Power Regulatory Services group, Amy Elliott and Steve Sharp. There he discussed process improvement and how better to coordinate the activities of the American Electric Power Service Corporation's Fuel Accounting group and the Kentucky Power Regulatory Services group.

Through these efforts, Kentucky Power and American Electric Power Service Corporation implemented the following improvements to its fuel adjustment clause filing processes:

- ▶ The back-up filings initially are compiled by American Electric Power Service Corporation's Fuel Accounting group. One of the improvements to come out of the comprehensive review is that the supervisor of the Fuel Accounting group has a more direct role in the review of the filings. In addition, the reports now are being delivered to Kentucky Power ten to 13 days prior to their due date to provide additional time for review by the Kentucky Power Regulatory Services group in conjunction with American Electric Power Service Corporation employees. Prior to this change the reports were provided 2-3 days prior to their due date. This change provides the Kentucky Power Regulatory Services group additional time to review documents, to schedule and conduct the review call described below, and to make any required changes. This improvement was instituted beginning July 2017.

- ▶ American Electric Power Service Corporation's Fuel Accounting group, Fuel Cost Recovery group, and Settlements group provide the information used to develop the back-up filings. Kentucky Power's Regulatory Services group meets on a monthly basis with

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

Page 4 of 4

personnel from these groups to review each page of the back-up filings to spot anomalies, identify the need for explanatory footnotes, and otherwise to identify any possible errors prior to the submission of the filings to the Commission. This improvement was instituted beginning July 2017.

▶ Additional footnotes are being added to the back-up filing to provide further explanation of anomalies. This process improvement is designed to provide more complete information to the Commission. This improvement was instituted beginning July 2017.

▶ The back-up filings are being prepared using more “look-up formulas” to reduce inadvertent errors introduced through manual data entry. “Look-up formulas” are commands that search the appropriate data bases and automatically populate the relevant fields of the back-up filing. For example, the Company’s Unit Performance Data included as Appendix A of the back-up filings is now populated directly from standard generation reports and requires no manual inputs. Kentucky Power’s retrospective review of prior fuel adjustment clause back-up filings as part of the larger review of all filing processes initiated by Mr. Satterwhite indicated that many of the errors originated in the manual transfer of data from data bases to back-up filings. This improvement, which is intended to reduce human error, was instituted beginning July 2017.

▶ Kentucky Power developed an additional review document to be used as a checklist by its Regulatory Services group in reviewing the back-up filings prior to submitting the filings to the Commission. The review document standardizes the review process and was instituted beginning July 2017.

▶ Multiple persons are now reviewing fuel adjustment clause back-up filings prior to submission to the Commission. Kentucky Power instituted multiple-person final reviews of back-up filings beginning July 2017.

The use of multiple reviewers beginning in June 2017 is one of the improvements Kentucky Power instituted as part of the complete review ordered by Mr. Satterwhite in May 2017 of the processes for the preparation of and timely and accurate submission of all regulatory filings, not just those related to the fuel adjustment clause. The comprehensive review process initiated by Mr. Satterwhite is ongoing, and includes identified steps and target dates for completing each step. Attached as [KPCO_R_KPSC_PH_6_Attachment2.pdf](#) is a summary of the review process, a description of the status of Kentucky Power’s comprehensive review of all of its regulatory filings, and a process improvement action plan for future review of Kentucky Power’s regulatory processes. The action plan was prepared by Mr. Wohnhas to guide the comprehensive review.

Witness: Ranie K. Wohnhas
 Amy J. Elliott
 Thomas E. Gant



Regulatory Policy/Procedure

Policy/Procedure Title	Kentucky Commission Report	Date	
Author:	Tom Gant – East Fuel Accounting Supervisor	Status: (Draft, Approved)	Approved

Purpose

To ensure the accuracy and completeness of the KY Commission Report on a monthly basis, prior to providing to Kentucky Commission.

Procedure

Timing:

On a monthly basis, AEP Fuel Accounting is responsible for accounting, in compliance with accounting standards, for all fuel operations at both Big Sandy and Mitchell Power Plants. This is completed through accumulation of data including contract terms (Contract Administration), shipped tons (Transportation Provider), unloaded tons (Plant Personnel), quality specifications (Dolan Lab), consumed tons (Plant Personnel), burn qualities (Plant Personnel), etc. These processes and procedures are completed during the first 6 business days of the subsequent month. While a number of inputs and groups have are needed to ensure accuracy and completeness of the accounting, AEP has implemented a system to ensure the accuracy and completeness of all inputs, ComTrac (Commodities Tracking).

At the end of subsequent month, AEP Fuel Accounting accumulates all the accounting/operational information needed to present the activity for both Mitchell and Big Sandy Power Plants to the Commission. AEP Fuel Accounting provides the report to the KY Power Regulatory Team prior to end of the month. Below are the detailed procedures.

Critical Common Functions Performed (in order):

Big Sandy Power Plant Report

‘Fuel Inventory Sch-Gas’ & ‘Analysis of Gas Purchases’ Tabs

During AEP Fuel Accounting’s close process (discussed above), internal reports are created to accumulate current month natural gas activity at Big Sandy Plant. This includes the beginning balance, receipts/purchases, consumption and ending balance. These are called our Page 24 reports and it is the underlying report for the ‘Fuel Inventory Sch – Gas’ in the Kentucky Commission Report.

- Key Controls
 - To ensure **no manual** entry into the tab, the Page 24 (SOX controlled for accuracy and completeness) is linked into the tabs, meaning that it automatically pulls the information from our secure LAN network report.
 - The Delivered Cost column in the ‘Analysis of Gas Purchases’ tab should always tie to the dollar amount purchases on the ‘Fuel Inventory Sch-Gas’ tab. An automated check has been built into the ‘Fuel Inventory Sch-Gas’ to ensure that these amounts tie. This ensures that all purchases were completely and accurately pulled from the Page 24 report.
 - The Net MMBTU Purchased column in the ‘Analysis of Gas Purchases’ tab should always tie to the MMBTU purchased on the ‘Fuel Inventory Sch-Gas’ tab. An automated check has been built into the ‘Fuel Inventory Sch-Gas’ to ensure that these amounts tie. This ensures that all purchases were completely and accurately pulled from the Page 24 report.

‘Appendix A’ Tab

During the month, all plant activity is fed into AEP Power GADS System. This system accumulates a complete amount of operational data for all plants and is fed by a number of systems including GenCheckout (generation data), PowerDART (Outage data), PeopleSoft (operations and maintenance data), ComTrac (coal fuel data) and FuelWorks (natural gas fuel data). On a monthly basis, AEP Fuel Accounting



Regulatory Policy/Procedure

validates that all information accurately and completely fed into the system, by tying information in Power GADS to source systems and reports. Once validated, AEP Fuel Accounting uses a number of GADS System Reports to populate the information in the "Appendix A" tab. Also, AEP Fuel Accounting has an external reporting responsibility to the EIA on a monthly basis related to generation values. This report is called the EIA-923 Report and is used to populate the 'Appendix A' tab.

- Key Controls
 - To ensure **no manual** entry into the tab, the GADS reports used are copied into the Kentucky Commission Report and automatically linked to the correct position. Also, information from our internal reports are linked that automatically pulls the information from our secure LAN network report. This allows each month for the Fuel Accountant to simply update the reports to current month and all calculations remained unchanged.
 - Row 2a of the tab 'BTU's Consumed (MMBTU)' will always tie back to the MMBTU consumed per the 'Fuel Inventory Sch-Gas' tab.
 - While GADS Reports are the system of record for the 'Appendix A' tab, the amounts reported in the Power GADS System should tie to the externally reported EIA-923 report.

Mitchell Power Plant Report

'Fuel Inventory Sch-Coal' & 'Fuel Inventory Sch-Oil' Tabs

During AEP Fuel Accounting's close process (discussed above), internal reports are created to accumulate current month coal and fuel oil activity at Mitchell Plant. This includes the beginning balance, receipts/purchases, consumption and ending balance. These are called our Page 24 reports and it is the underlying report for the 'Fuel Inventory Sch-Coal' & 'Fuel Inventory Sch-Oil' tabs in the Kentucky Commission Report.

- Key Controls
 - To ensure **no manual** entry into the tab, the Page 24 (SOX controlled for accuracy and completeness) is linked into the tabs meaning that automatically pulls the information from our secure LAN network report.

'Appendix A' Tab

During the month, all plant activity is fed into AEP Power GADS System. This system accumulates a complete amount of operational data for all plants and is fed by a number of systems including GenCheckout (generation data), PowerDART (Outage data), PeopleSoft (operations and maintenance data), ComTrac (coal fuel data) and FuelWorks (natural gas fuel data). On a monthly basis, AEP Fuel Accounting validates that all information accurately and completely fed into the system, by tying information in Power GADS to source systems and reports. Once validated, AEP Fuel Accounting uses a number of GADS System Reports to populate the information in the "Appendix A" tab. Also, AEP Fuel Accounting has an external reporting responsibility to EIA on a monthly basis related to generation values. This report is called the EIA-923 Report and is used to populate the 'Appendix A' tab.

- Key Controls
 - To ensure **no manual** entry into the tab, the GADS reports used in the tab are copied into the Kentucky Commission Report and automatically linked to the correct position. Also, information from our internal reports are linked that automatically pulls the information from our secure LAN network report. This allows each month for the Fuel Accountant to simply update the report to current month and all calculations remained unchanged.
 - Row 2a of the tab 'BTU's Consumed (MMBTU)' will always tie back to the MMBTU consumed per the 'Fuel Inventory Sch-Gas' tab.

'Analysis of Coal Purchases' Tab

During AEP Fuel Accounting's close process (discussed above), Comtrac (Commodities Tracking) System is used to bring all information providers and data together to ensure accuracy and completeness of receipt activity. We use the receipt information from ComTrac to populate the 'Analysis of Coal Purchases' tab in the Kentucky Commission Report.

- Key Controls
 - A complete query and PIVOT of the ComTrac System receipts is placed into the KY Commission Report workbook. This allows for automated checks to be completed for the



Regulatory Policy/Procedure

Contract #, product code, tons purchased, price per ton FOB mine costs, and per ton transportation cost.

- Based on the fact that Mitchell Power Plant only receives coal via barge (except Consolidation Coal for which is conveyor belt feed from the mine), the mode of transportation has been hard coded into the report.
- The total system weighted average per ton delivered cost of the coal should always tie to the per unit cost of purchases in the 'Fuel Inventory Sch-Coal' tab.
- The total delivered per unit cost of the oil should always tie to the per unit cost of purchases in the 'Fuel Inventory Sch-Oil' tab
- Based on the fact that we contractually agree to the various sources of coal for each contract, we document a complete listing of states for each contract based on the fully executed and signed contract (filed with the Commission).

Overall Review and Process Procedures

The processes, procedures and controls documented above relate to the Fuel Accountant accumulating the data and preparing the file for review. This is the first step of the process. Below are the subsequent review procedures:

Fuel Accounting Supervisor

The Fuel Account provides all electronic and hard copy support associated with the Big Sandy and Mitchell Plant Commission Reports. The Fuel Accounting Supervisor re-performs the processes and procedures above to ensure accurate and complete data for each row and column of the report.

After review by the Fuel Accounting Supervisor, the information in the Mitchell and Big Sandy Commission Reports will be accurate and complete from an accounting perspective. The Fuel Accounting Supervisor documents any unique or special circumstances that cause information in the report to differ from historical and contractual amounts. This would be in the notes section of the 'Analysis of Coal Purchases' tab. Once the Fuel Accounting Supervisor has completed all documentation and approvals, an email communication to the Fuel Accountant is provided documenting the approval and communicating notes they want passed on the KY Regulatory Team.

KPCo Regulatory Team (Others)

The KY Power Regulatory Team, and other key individuals identified across the company will receive the KY Commission Reports prior to the 1st calendar day following the subsequent month. This gives the collective team a number of days to review and have questions ready prior to the monthly KY Commission Report Review meeting. The KY Commission Report Review meeting has been established by the KPCo Regulatory Team to get everyone on the phone and discuss the report for the month. The meeting is led by the Fuel Accounting Supervisor in which is walks through each step of the reports and explains amounts and trends. Each member of the team throws out questions. There are two outcomes of the meeting, either a modification is needed or the collective team agrees to the report.

A couple days prior to the filing deadline (15th of month), Amy Elliot and/or Stephen Sharp PDF the Commission Reports and all applicable back-up for submission and prior to submitting it is provided to the AEP Fuel Accounting Supervisor, and other key individuals across the company through Microsoft Outlook. A vote add-in is used to allow for the final reviewers to accept the final version or decline the final version and ask questions. This ensures that the final PDF version is exactly what was approved and reviewed during the monthly meeting. Also, it allows for review of other schedules and reports supporting the filing. After all approvals have been received, the KY Regulatory Team submits the report to the Commission.

Control (SOX):

N/A – No regulatory SOX control processes. These processes and procedures are business processes.

- Numerous SOX and operational controls to ensure the accuracy and completeness of the data into ComTrac System.



Regulatory Policy/Procedure

- All other key controls are documented above.

Reviewed/Approved By:

East Fuel Accounting

Edit History

Tom Gant 10/27/2017

**Kentucky Power Company
Regulatory Services
Process Improvement Review Action Plan
October 2017 Status**

The Company has been working diligently to review and improve its processes for regulatory filings. As of October, the Company has completed an initial review of its processes for the Fuel Adjustment Clause (FAC) backup filing, the Fuel Adjustment Clause factor calculation, the Purchased Power Adjustment (PPA) calculation, and the System Sales Clause (SSC) factor calculation. The Company is in the process of examining its Environmental Surcharge (ES) procedures and is working toward having multiple persons trained in the preparation of the ES. It has also worked to improve its processes for answering data responses and developed an action plan for the continuing examination of its regulatory processes. A copy of the Company's action plan follows the summary below. The Company has discussed process improvements for each of its monthly filings.

Even after the reviews for certain filings have been completed, the Company will continue to look for efficiency and process improvements. With the Company's self-examination the regulatory calendar has been redesigned, and periodic meetings have been established so that individuals from other departments are more aware of regulatory occurrences.

The Company continues to look for methods for reducing the risk of human error and strives to incorporate more lookup formulas from standardized reports. However, the review is not limited to eliminating errors. The Company also wants to ensure that the information presented to the Commission is not only accurate but also clear and meaningful. When helpful for review, the Company is attempting to provide additional information and explanations.

The Company wants to make sure that the reasons for performing tasks are valid. The comprehensive review of procedures is also focused on reducing rate volatility and simplifying filings. Although the complete examination of each process may be incomplete, the Company is making strides toward improvement.

Base Rate Case

The Company incorporated its process improvement initiative in its pending rate case in testimony review, the calculation of adjustments, and discovery. An example of process improvement from the Company's recent rate case filing is that in addition to the regular review that occurs within a department, each witness in the case was assigned an individual who was familiar with their subject material to review exhibits and testimony for accuracy.

- The Kentucky Power Regulatory Services department, AEPSC Regulatory Case Management, and Paul Chodak AEP Executive Vice President of Utilities, met with the witnesses and preparers of data responses prior to data requests being issued to emphasize the importance of providing accurate and complete data responses.

- The Kentucky Power Regulatory Service Department began to utilize AEPSC's print shop to print and assemble the data responses. The Company found this to be a more efficient use of its resources and led to a reduced possibility of attachments or responses being left out of the paper copies.
- Kentucky Power instituted a two-person electronic filing system. A complete list of all attachments to be filed is compared to the list of documents uploaded to the Commission's website prior to submitting the electronic filing. This reduces the risk of attachments or responses not being filed.
- To reduce rate volatility and the burden on the Commission staff of monthly reviews, the Company has proposed annual factors rather than monthly factors for the PPA and SSC filings in its pending rate case

Tariff Redesign

- Another major overhaul that the Company is working toward is a redesign of its tariff system. Currently, the Company's tariffs are in a single word document for each page of each tariff.
- The Company is migrating toward including all tariff pages in a single document. Having a single document for tariffs will eliminate the version control problems that led to the deficiency notice in its pending rate case.
- The Company anticipates that these changes can be complete prior to the filing of the compliance tariffs in this case.

Fuel Adjustment Clause Back-up Filing

- The back-up filings initially are compiled by American Electric Power Service Corporation's Fuel Accounting group. One of the improvements to come out of the comprehensive review is that the supervisor of the Fuel Accounting group has a more direct role in the review of the filings. In addition, the reports now are being delivered to Kentucky Power ten to 13 days prior to their due date to provide additional time for review by the Kentucky Power Regulatory Services group in conjunction with American Electric Power Service Corporation employees. Prior to this change the reports were provided 2-3 days prior to their due date. This change provides the Kentucky Power Regulatory Services group additional time to review documents, to schedule and conduct the review call described below, and to make any required changes. This improvement was instituted beginning July 2017.
- American Electric Power Service Corporation's Fuel Accounting group, Fuel Cost Recovery group, and Settlements group provide the information used to develop the back-up filings. Kentucky Power's Regulatory Services group meets on a monthly basis with personnel from these groups to review each page of the back-up filings to spot anomalies, identify the need for explanatory footnotes, and otherwise to identify any

possible errors prior to the submission of the filings to the Commission. This improvement was instituted beginning July 2017.

- Additional footnotes are being added to the back-up filing to provide further explanation of anomalies. This process improvement is designed to provide more complete information to the Commission. This improvement was instituted beginning July 2017.
- The back-up filings are being prepared using more “look-up formulas” to reduce inadvertent errors introduced through manual data entry. “Look-up formulas” are commands that search the appropriate data bases and automatically populate the relevant fields of the back-up filing. For example, the Company’s Unit Performance Data included as Appendix A of the back-up filings is now populated directly from standard generation reports and requires no manual inputs. Kentucky Power’s retrospective review of prior fuel adjustment clause back-up filings as part of the larger review of all filing processes initiated by Mr. Satterwhite indicated that many of the errors originated in the manual transfer of data from data bases to back-up filings. This improvement, which is intended to reduce human error, was instituted beginning July 2017.
- Kentucky Power developed an additional review document to be used as a checklist by its Regulatory Services group in reviewing the back-up filings prior to submitting the filings to the Commission. The review document standardizes the review process and was instituted beginning July 2017.
- Multiple persons are now reviewing fuel adjustment clause back-up filings prior to submission to the Commission. Kentucky Power instituted multiple-person final reviews of back-up filings beginning July 2017.
- The use of multiple reviewers beginning in June 2017 is one of the improvements Kentucky Power instituted as part of the complete review ordered by Mr. Satterwhite in May 2017 of the processes for the preparation of and timely and accurate submission of all regulatory filings, not just those related to the fuel adjustment clause. The comprehensive review process initiated by Mr. Satterwhite is ongoing, and includes identified steps and target dates for completing each step. Attached as [KPCO_R_KPSC_PH_Attachment2.pdf](#) is a summary of the review process, a description of the status of Kentucky Power’s comprehensive review of all of its regulatory filings, and a process improvement action plan for future review of Kentucky Power’s regulatory processes. The action plan was prepared by Mr. Wohnhas to guide the comprehensive review.

Fuel Adjustment Clause Factor Calculation

- AEPSC Fuel Accounting and Kentucky Power Regulatory Services have always (at least for the past 10 years) separately prepared the monthly FAC calculation.
- The independent preparation process includes a tie-out sheet in which AEPSC Fuel Accounting ensures that there is no difference in the two calculations.

- The Company built on the strengths of dual independent calculations and added a final step in which AEPSC Fuel Accounting confirms by email that the calculations from the two groups match. To eliminate any possible version control discrepancy, the email includes the factor as calculated by both groups.
- Kentucky Power Regulatory Services had previously (prior to 2017) initiated a simplification process for the monthly filing calculation wherein more numbers were automatically populated from standard general ledger queries.
- There was also a recent review performed of the forced outage and peaking unit equivalent worksheets in which the worksheets were automated so as to require fewer manual inputs and reduce the risk for human error. These calculations are performed by the AEPSC Regulatory Pricing Department using data from PowerTracker. The Kentucky Power regulatory team reviews these calculations on a monthly basis.

Purchased Power Adjustment

- Much like the calculation of the Fuel Adjustment Clause, the calculation of the Purchased Power Adjustment is performed independently by both the Kentucky Power Regulatory team and AEPSC Fuel Accounting.
- The main area of process improvement for the Purchased Power Adjustment was the creation of an internal control document that could also serve as a training document..

Demand-Side Management (DSM)

- The Company is currently developing a simplified method for calculating the DSM surcharge and intends to introduce this to the Commission prior to year-end 2017.
- The simplified method will revise the cumulative participant methodology and corresponding lost revenue calculation.
- The proposed methodology will also introduce a single rate rather than use a range between the floor and ceiling factors.
- As part of this comprehensive review of the DSM calculation, the Company expects the proposed change in methodology to calculate the DSM factor will reduce rate volatility.

Environmental Surcharge Mechanism

- In its effort to reduce rate volatility, the Company sought to use the most recent monthly average revenues to calculate its surcharge factors rather than the most recent month's revenue. The Commission authorized the proposed methodology in Case No. 2016-00109.

- In its effort to reduce the risk of human error, the Company is training another preparer. This independent preparer has now performed the calculation for a few months, allowing the former preparer to be responsible for review.
- The Environmental Surcharge calculation is being updated to include more lookup formulas that pull data from reports that have been incorporated into the calculation. These lookup formulas reduce the risk of error.

Big Sandy Retirement Rider (BSRR)

- During July and August and as part of its comprehensive review of its processes and procedures, the Company altered its previous process for the BSRR.
- Prior to the calculation being performed by Regulatory Pricing, a cross-check of the accounting detail was performed by multiple accounting groups.
- The calculation was then reviewed by the Kentucky Power Regulatory Services Group and a separate AEPSC Regulatory Pricing group.
- The Company held multiple review meetings with the individuals who participated in the compilation and review. To aid in the Commission's review of the filing and in its effort to provide more meaningful information to the Commission, the Company provided the information requested at the previous year's informal conference in addition to the completed calculation forms. This additional information included accounting detail.

Big Sandy 1 Operation Rider (BS1OR)

- The AEPSC Regulatory Pricing group performs the BS1OR calculation. Standard practice is that Kentucky Power Regulatory Services review the calculation.
- In its effort to reduce the risk of human error, and in addition to the normal review that is performed by the Kentucky Power Regulatory Services group, the Company requested that a separate AEPSC Regulatory Pricing department review the calculation.
- The Company also held two review meetings with the individuals who had participated in the compilation and review.

Capacity Charge (CC) Filings

- As is its standard practice, the Kentucky Power Regulatory Services Group compiled the information for the Capacity Charge filing.
- A thorough review was performed by multiple persons in the AEPSC Regulatory Pricing group.
- The Company held an additional review meeting that included members of AEPSC Regulatory Pricing and AEPSC Regulated Accounting to discuss and review the calculation to ensure accuracy.

<u>Initiative</u>	<u>Start Date</u>	<u>Completion Date</u>
Overall Regulatory Compliance Review		
Complete review of Regulations, Statutes, and Commission Orders to ensure compliance	June 2017	January 2018
Base Rate Case		
Implement new review process	May 2017	June 2017
Revise Internal Tariff System	July 2017	February 2018
Data Requests		
Develop & Implement process using new software (ARCS)	July 2017	August 2017
Adjust process after 1st set of DR's in base rate case	August 2017	September 2017
Evaluate ARCS System for possible improvements	October 2017	Ongoing
Fuel Adjustment Clause Backup Filing		
Identify Necessary Changes & File Updates	June 2017	October 2017
Monthly back-up information - review current process for possible changes	June 2017	October 2017
Evaluate Contract Identification & Filing Process	June 2017	October 2017
Secondary/Ongoing Process Evaluation	October 2017	December 2017
Fuel Adjustment Clause Factor Calculation		
Monthly factor - review current process for possible changes	July 2017	July 2017
Secondary/Ongoing Process Evaluation	February 2018	February 2018
System Sales Clause		
Monthly factor calculation process review	July 2017	July 2017
Establish Best Practices for changes proposed in rate case	June 2017	January 2018
Secondary/Ongoing Process Evaluation	June 2018	August 2018
Purchase Power Adjustment		
Evaluate Monthly factor calculation process	July 2017	July 2017
Develop Internal Control Document for current process	July 2017	July 2017
Establish Best Practices for changes proposed in rate case	June 2017	January 2018
Secondary/Ongoing Process Evaluation	June 2018	August 2018
Environmental Surcharge		
Initial Review of calculation process	July 2017	July 2017
Train additional preparers	January 2017	December 2017
Secondary/Ongoing Process Evaluation	March 2018	May 2018

Demand Side Management

Annual factor - determine and introduce proposed changes to current calculation	September 2017	December 2017
Secondary/Ongoing Process Evaluation	June 2018	September 2018

Vegetation Management - March 31 filing

Review possible changes to current methodology	February 2018	March 2018
Secondary/Ongoing Process Evaluation	February 2019	March 2019

Vegetation Management - September 30 filing

Review possible changes to current methodology	June 2018	September 2018
Secondary/Ongoing Process Evaluation	June 2019	September 2019

KPSC Customer Complaints

Process Review for web-based credit issues	October 2017	January 2018
Examine current procedures & implement necessary changes	January 2018	February 2018
Secondary/Ongoing Process Evaluation	March 2018	April 2018

Decommissioning Rider

Annual factor - establishment of additional review steps	June 2017	August 2017
Secondary/Ongoing Process Evaluation	June 2018	August 2018

Franchise Process

Review possible changes to current methodology for franchise renewals	March 2018	May 2018
Review franchise annexation procedures	March 2018	March 2018
Secondary/Ongoing Process Evaluation	July 2018	August 2018

Evaluate Available Resources & Technology

Utilize AEPSC Print Shop to duplicate complete filing packets	September 2017	September 2017
Evaluate technological needs & identify resources	December 2017	Ongoing

Note: The Company will continue to add regulatory processes as identified. If certain reviews require additional time, the timeline for later reviews may require adjustment.

Kentucky Power Company
KPSC Case No. 2017-00282
Commission Staff's Post Hearing Data Requests
Dated October 20th, 2017

DATA REQUEST

KPSC_PH_007 Explain who is responsible for reviewing Kentucky Power's Fuel Adjustment Clause and backup files to ensure the information reported therein is correct.

RESPONSE

Currently, Ranie K. Wohnhas, as the Managing Director of Regulatory and Finance, has the daily responsibility for ensuring the accuracy of all regulatory filings, including Kentucky Power's fuel adjustment clause filings. He reports directly to Matthew J. Satterwhite who is ultimately responsible for all Kentucky Power Company operations, including its filings, as its President and Chief Operating Officer.

Prior to July 2017, John A. Rogness III was the manager in charge of the Kentucky Power Regulatory Services group. He had daily managerial responsibility for the fuel adjustment clause filings. Mr. Rogness also reviewed the back-up filings prior to their submission. Mr. Rogness reported directly to Mr. Wohnhas and was assigned responsibility for implementing the commitments made by Mr. Wohnhas' in his March 2, 2016 testimony before the Commission. Mr. Wohnhas assumed all responsibility for Mr. Rogness' daily regulatory managerial duties upon Mr. Rogness' departure from the Company in July 2017.

Witness: Ranie K. Wohnhas