

May 8, 2019 Supplemental Response.

Subsequent to filing its February 25, 2019 response to this data request, Kentucky Power Company identified the recovery through its fuel adjustment clause of those fuel-related expenses billed to the Company by PJM Interconnection, L.L.C. through billing line item 1999A, and related to the default by GreenHat Energy, LLC in the PJM Financial Transmission Right market, as an issue affecting fuel cost during the review period.

1. The Fuel-Related Nature Of Financial Transmission Rights Market Charges And Credits.

“Congestion arises when one or more constraints inhibit the economic dispatch of energy from serving load. To relieve congestion on the transmission system, generating units are dispatched out of economic order.... The increased energy costs due to the re-dispatch to relieve congestion are reflected in the congestion price component of the locational marginal price (“LMP”) and assessed to market participants such as Kentucky Power. These increased energy expenses, like energy purchased to serve Kentucky Power’s native load, reflect fuel expenses....”¹

A Financial Transmission Right (FTR) “is a financial instrument awarded to bidders in the FTR Auctions that entitle the holder to a stream of revenues (or charges) based on the hourly Day Ahead congestion price differences across the path.”² An FTR allows market participants to offset potential losses, including congestion-related costs, related to the price risk of the delivery energy to the transmission grid. As such, FTR market charges and credits reflect fuel-related charges and credits.³

The fuel-related nature of FTR market charges and credits was recognized by the Commission in its January 18, 2018 order in Case No. 2017-00179. There, the Commission authorized Kentucky Power to recover FTR market charges (PJM BLI 1500) and credits (PJM BLI 2500) through the Company’s fuel adjustment clause.⁴

¹ Direct Testimony of John A. Rogness, *In the Matter of: Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets Or Liabilities; And (5) An Order Granting All Other Required Approvals And Relief*, Case No. 2017-00179 at 16 (Ky. P.S.C. Filed July 20, 2017) (“Rogness Direct Testimony”).

² PJM Glossary, (May 1, 2019, 3:54 p.m.) https://www.pjm.com/Glossary.aspx#index_F

³ Rogness Direct Testimony at 17.

⁴ Order, *In the Matter of: Electronic Application Of Kentucky Power Company For (1) A General Adjustment Of Its Rates For Electric Service; (2) An Order Approving Its 2017 Environmental Compliance Plan; (3) An Order Approving Its Tariffs And Riders; (4) An Order Approving Accounting Practices To Establish Regulatory Assets Or Liabilities; And (5) An Order Granting All Other Required Approvals And Relief*, Case No. 2017-00179 at 44 (Ky. P.S.C. January 18, 2018).

2. The GreenHat Energy, LLC Default.

PJM on June 21, 2018 declared GreenHat in payment default of GreenHat’s FTR market financial obligations for the 2018/2019, 2019/2020, and 2020/2021 planning periods. PJM then initiated the process of closing out and liquidating GreenHat’s FTR positions. The net loss or gain on these positions are allocated to PJM members, including Kentucky Power, in accordance with the default allocation assessment provisions of sections 15.1.2A(1) and 15.2.2 of the PJM Operating Agreement. Any charges related to the liquidation of GreenHat’s position in the FTR market are allocated to Kentucky Power through PJM billing line item 1999A.

The GreenHat FTR market default charges allocated to Kentucky Power through April 2019 totaled \$233,508.86. The fuel-related portion of these charges during the same period totaled \$161,986.73. The fuel-related portion of the GreenHat FTR market default charges billed to Kentucky Power during the review period through PJM billing line item 1999A were:

Month/Year	Aug-18	Sep-18	Oct-18	Total
Amount	\$27,515.03	\$43,046.29	\$0.00	\$70,561.32

3. Recovery Of GreenHat Energy, LLC Default Charges Through Kentucky Power Company’s Tariff F.A.C.

Kentucky Power’s fuel adjustment clause tariff defines fuel costs recoverable through the Company fuel adjustment clause to include “fuel-related costs charged to the Company by PJM Interconnection LLC including but not limited those costs identified in the following Billing Line Items, as may be amended from time to time by PJM Interconnection LLC...”⁵ Among the listed PJM billing line items are FTR market charges (PJM BLI 1500) and credits (PJM BLI 2500). The fuel-related portion of the GreenHat FTR market default charges allocated to Kentucky Power through PJM billing line item 1999A, like the other FTR market charges and credits enumerated in the Company’s tariff, are properly recoverable through Kentucky Power’s fuel adjustment clause.

No fuel-related GreenHat FTR market default charges allocated to Kentucky Power through PJM billing line item 1999A were billed to the Company’s customers during the review period notwithstanding the fact they are properly recoverable through the tariff.

4. Kentucky Power’s Proposal.

Kentucky Power proposes to recover the fuel-related portion of the GreenHat FTR market default charges allocated to Kentucky Power through PJM billing line item 1999A but not billed to customers during the review period. The charges will be recovered by billing one-third of the total \$70,561.32 over a three-month period (\$23,520.44 per month) beginning the first day of the billing cycle beginning after the Commission’s order in this case. The Company’s proposal would increase the bill of the average residential customer using 1,300 kWh per month for the three-month period by approximately \$0.06 per month.

⁵ Kentucky Power Company Tariff F.A.C., Section Rate 3(e) (Tariff Sheet 5-1).

VERIFICATION

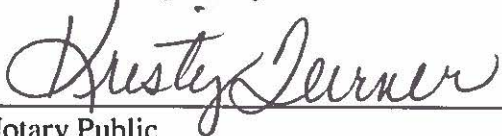
The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director of Regulatory & Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his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



Ranie K. Wohnhas

Commonwealth of Kentucky)
) Case No. 2019-00002
County of Boyd)

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this
18th day of April, 2019.



Notary Public Notary 619495

My Commission Expires March 18, 2023