

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter Of:

ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	
CLAUSE OF KENTUCKY POWER COMPANY)	Case No. 2019-00002
FROM NOVEMBER 1, 2016 THROUGH)	
OCTOBER 31, 2018)	

DIRECT TESTIMONY OF
RANIE K. WOHNHAS
ON BEHALF OF KENTUCKY POWER COMPANY

**DIRECT TESTIMONY OF
RANIE K. WOHNHAS, ON BEHALF OF
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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 for Kentucky Power Company (“Kentucky Power” or “Company”).
4 My business address is 855 Central Avenue, Suite 200, Ashland, Kentucky
5 41101.

II. BACKGROUND

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCE.**

8 A. I received a Bachelor of Science degree with a major in accounting from Franklin
9 University, Columbus, Ohio, in December 1981. I began work with Columbus
10 Southern Power Company in 1978, where I worked in various customer service
11 and accounting positions. In 1983, I transferred to Kentucky Power Company and
12 worked in the areas of accounting, rates, and customer service. I became the
13 Billing and Collections Manager in 1995. My duties included overseeing all
14 billing and collection activity for the Company. In 1998, I transferred to
15 Appalachian Power Company and worked in the rates department. In 2001, I
16 transferred to the American Electric Power Service Corporation (“AEPSC”),
17 working as a Senior Rate Consultant. In July 2004, I transferred back to
18 Kentucky Power Company and assumed the position of Manager, Business

1 Operations Support. I was promoted to Director in April 2006. I was promoted
2 to my current position as Managing Director, Regulatory and Finance effective
3 September 1, 2010.

4 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR,**
5 **REGULATORY AND FINANCE?**

6 A. I am primarily responsible for managing the regulatory and financial strategy for
7 Kentucky Power. This includes planning and executing rate filings for both
8 federal and state regulatory agencies, as well as filings for certificates of public
9 convenience and necessity before this Commission. I am also responsible for
10 managing the Company's financial operating plans. Included as part of this
11 responsibility is the preparation and coordination of various capital and O&M
12 operating budgets with other American Electric Power Company, Inc. affiliates. I
13 work with various AEPSC departments to ensure that adequate resources such as
14 debt, equity, and cash are available to build, operate, and maintain Kentucky
15 Power's electric system assets used to provide service to the Company's retail and
16 wholesale customers. I report directly to Brett Mattison, President and Chief
17 Operating Officer of Kentucky Power in my role as Managing Director,
18 Regulatory and Finance.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

20 A. Yes, I have testified on multiple occasions in a wide variety of proceedings.
21 These include numerous rate cases; fuel adjustment clause cases; an
22 environmental compliance plan case; various certificate applications for
23 transmission projects; the proceeding to transfer a fifty percent undivided interest

1 in the Mitchell generating station to Kentucky Power, and in connection with the
2 Company's application to convert Big Sandy Unit 1 to a gas-fired unit.

III. PURPOSE OF YOUR TESTIMONY

3 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

4 A. I am supporting the Company's decision to increase the base fuel rate. Also, I
5 will address changes in the wholesale electric power market during the review
6 period, or that are expected to occur in the coming two years, that significantly
7 affected or are expected to significantly affect Kentucky Power's electric power
8 procurement practices. The remaining subjects identified in the Commission's
9 February 11, 2019 order are addressed by Company witnesses Jeffries and Stutler.

IV. BASE FUEL RATE

10 **Q. WHAT IS THE COMPANY'S CURRENT BASE FUEL RATE, AND**
11 **WHEN DID THE COMPANY LAST MODIFY IT?**

12 A. In its August 11, 2015 Order, the Commission approved the Company's current
13 rate of 2.725 cents per kWh, which was a reduction from 2.840 cents per kWh.
14 The base fuel rate of 2.725 cents per kWh was placed into effect with the first
15 billing cycle in October 2015. In the Company's previous two-year review, Case
16 No. 2017-00001, Kentucky Power requested, and the Commission approved, no
17 change to the base fuel rate of 2.725 cents per kWh.

18 **Q. WHAT BASE FUEL RATE IS THE COMPANY PROPOSING IN THIS**
19 **CASE?**

1 A. As demonstrated in the Company's February 25, 2019 response to the
2 Commission's data request Item No. 22, the Company is proposing to increase the
3 base fuel rate from 2.725 cents per kWh to 2.851 cents per kWh.

4 **Q. WHAT MONTH IS THE COMPANY USING AS THE BASE PERIOD**
5 **FOR THE CHANGE IN BASE FUEL COST?**

6 A. As set forth in the Company's response to KPSC-22, the Company used April
7 2017 as the representative review period month for the base period.

8 **Q. PLEASE DESCRIBE THE PROCESS THE COMPANY USED IN**
9 **REACHING ITS RECOMMENDATION TO INCREASE ITS CURRENT**
10 **BASE FUEL RATE TO 2.851 CENTS PER KWH?**

11 A. Kentucky Power focused its review on historical fuel costs for the entire 24-
12 month review period, as well as the Company's forecasted cost of fuel for
13 calendar years 2019 and 2020.

14 **Q. WHAT WERE THE COMPANY'S FUEL COSTS DURING THE TWO-**
15 **YEAR REVIEW PERIOD?**

16 A. Table 1 below provides the Company's fuel costs and compares to the costs to the
17 base fuel rate in effect during the subject month.

Table 1
Fuel Rate Comparison

Month & Year	Final Cost \$	Total Sales kWh	Monthly Fuel Rate in Cents per kWh (C2) / (C3)	Base Fuel Rate Cents per kWh	Cents per kWh (Below) or Above Base Fuel Rate (C4) - (C5)
1	2	3	4	5	6
November 2016	13,648,375	465,829,000	2.930	2.725	0.205
December 2016	16,435,523	571,200,000	2.877	2.725	0.152
January 2017	15,460,187	548,930,000	2.816	2.725	0.091
February 2017	12,905,555	461,262,000	2.798	2.725	0.073
March 2017	13,605,255	498,010,000	2.732	2.725	0.007
April 2017	11,814,526	414,368,000	2.851	2.725	0.126
May 2017	9,330,071	426,798,000	2.186	2.725	(0.539)
June 2017	11,985,080	449,586,000	2.666	2.725	(0.059)
July 2017	14,842,832	498,506,000	2.977	2.725	0.252
August 2017	13,107,553	477,094,000	2.747	2.725	0.022
September 2017	11,549,078	417,090,000	2.769	2.725	0.044
October 2017	11,259,881	422,652,000	2.664	2.725	(0.061)
November 2017	11,376,889	474,769,000	2.396	2.725	(0.329)
December 2017	15,958,442	582,926,000	2.738	2.725	0.013
January 2018	22,686,953	666,166,000	3.406	2.725	0.681
February 2018	14,803,119	473,769,000	3.125	2.725	0.400
March 2018	16,585,877	515,732,000	3.216	2.725	0.491
April 2018	15,574,952	438,038,000	3.556	2.725	0.831
May 2018	13,965,876	464,278,000	3.008	2.725	0.283
June 2018	14,841,932	473,917,000	3.132	2.725	0.407
July 2018	14,752,788	502,560,000	2.936	2.725	0.211
August 2018	14,532,144	496,364,000	2.928	2.725	0.203
September 2018	13,683,640	457,153,000	2.993	2.725	0.268
October 2018	12,353,689	445,306,000	2.774	2.725	0.049
Two Year Average			2.884		0.159

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The average fuel cost for the two-year review period was 2.884 cents per kWh, which is 0.159 cents greater than the current base fuel rate. During the two-year review period, the cost of fuel fluctuated between a high of 3.556 cents per kWh (April 2018) to a low of 2.186 cents per kWh (May 2017). This represents fluctuations as high as 30% above the current rate to as low as 20% below the current rate. Significant fluctuations such as those experienced during the two-year review period increase the monthly volatility in a customer's bill and create uncertainty when customers are trying to budget for their month's expenses.

1 **Q. WHAT ARE THE COMPANY’S 2019 AND 2020 PROJECTED FUEL**
 2 **COSTS?**

3 A. The Company’s projected fuel costs for calendar years 2019 and 2020 are 2.809
 4 cents per kWh and 2.872 cents per kWh, respectively. As reflected in Table 2
 5 below, 2019 and 2020 fuel cost projections are approximately 3.1% to 5.4% more,
 6 respectively, than the current base fuel rate of 2.725 cents per kWh.

Table 2					
Fuel Cost and Sales Projections					
Year of Projection	Projected Fuel Cost	Projected kWh Sales	Projected Fuel Cost in cents/kWh	Fuel Cost in Current Base Rates in cents/kWh	Difference in Fuel Cost in cents/kWh
2019	\$174,134,560	6,199,610,000	2.80880	2.725	0.08380
2020	\$177,700,560	6,187,819,000	2.87178	2.725	0.14678
Average			2.84029	2.725	0.11529

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8 **Q. HOW DO THESE PROJECTED COSTS COMPARE WITH THE**
 9 **COMPANY’S HISTORICAL FUEL COSTS DURING THE TWO-YEAR**
 10 **REVIEW PERIOD?**

11 A. The Company’s average forecasted fuel cost for 2019 and 2020 is 2.840 cents per
 12 kWh, or 0.044 cents per kWh (1.5%) less than the 2.884 cents per kWh average
 13 fuel cost during the review period.

14 **Q. HOW DOES THE COMPANY’S FORECASTED AVERAGE FUEL COST**
 15 **FOR 2019 COMPARE TO ITS FORECASTED AVERAGE FUEL COST**
 16 **FOR 2020?**

1 A. The Company’s forecast indicates that average annual fuel costs for 2019 and
 2 2020, although less than the average fuel cost during the two-year review period,
 3 will increase in 2020 as compared to 2019.

4 **Q. WHY DID THE COMPANY CHOOSE APRIL 2017 AS THE MONTH TO**
 5 **REPRESENT THE BASE FUEL COSTS?**

6 A. April 2017 was the month with the approximate median (13 of 24 months) fuel
 7 cost during the review period. It also was the review period month that most
 8 closely approximated the midpoint (2.84029 cents per kWh) of projected fuel
 9 costs for 2019 and 2020. Finally, there were no forced outages during the month
 10 of April 2017.

11 **Q. IS IT REASONABLE TO LEAVE THE CURRENT BASE FUEL RATE OF**
 12 **2.725 CENTS PER KWH UNCHANGED IN LIGHT OF THE COMPANY’S**
 13 **FUEL COSTS DURING THE REVIEW PERIOD AND PROJECTED**
 14 **FUEL COSTS FOR 2019 AND 2020?**

15 A. No. The current base fuel rate is 0.159 cents per kWh (5.8%) less than the
 16 average fuel cost during the 24-month review period. It is also 0.115 cents per
 17 kWh (4.2%) less than the forecasted 2019-2020 average cost of fuel. Maintaining
 18 the current base fuel rate of 2.725 cents per kWh would likely result, as was the
 19 case for 2018, in customers seeing a fuel adjustment charge each month of 2019
 20 and 2020.

21 **Q. IS THE PROPOSED BASE FUEL RATE OF 2.851 CENTS PER KWH**
 22 **REASONABLE?**

1 A. Yes. Monthly fuel costs vary as evidenced by the Company’s experience during
 2 the review period. The proposed base fuel rate of 2.851 cents per kWh is the
 3 historical monthly fuel cost that most closely approximates the midpoint of the
 4 forecasted average annual fuel cost for 2019 and 2020. Because the Company
 5 forecasts that fuel costs will tend to rise over the next two-year period, the use of
 6 the midpoint for the forecast period is anticipated to help limit the amount of any
 7 fuel adjustment clause credit or charge in 2019 and 2020.

8 **Q. WHEN DOES THE COMPANY REQUEST THAT THE PROPOSED NEW**
 9 **BASE FUEL RATE BE PLACED INTO EFFECT?**

10 A. The Company requests that the proposed base fuel rate of 2.851 cents per kWh be
 11 placed into effect beginning billing cycle one of the first billing month following
 12 the date of the Commission’s order in this case.

V. WHOLESALE ELECTRIC POWER MARKET

13 **Q. WERE THERE ANY CHANGES IN THE WHOLESALE POWER**
 14 **MARKET DURING THE REVIEW PERIOD THAT SIGNIFICANTLY**
 15 **AFFECTED KENTUCKY POWER’S ELECTRIC POWER**
 16 **PROCUREMENT PRACTICES?**

17 A. No. As the result of the Order in Docket No. ER16-372-002, issued February 3,
 18 2017, and implemented by PJM in November 2017, FERC approved PJM’s
 19 flexible hourly offer proposal. PJM’s proposal allows market participants to
 20 submit resource offers that vary by hour in the day-ahead market and to update
 21 their offers in the real-time market. However, these changes did not have a

1 significant impact on the Company's power procurement practices during the
2 review period.

3 **Q. ARE THERE ANY CHANGES IN THE WHOLESALE POWER**
4 **MARKETS THAT YOU EXPECT IN THE NEXT TWO YEARS THAT**
5 **MAY SIGNIFICANTLY AFFECT KENTUCKY POWER'S ELECTRIC**
6 **POWER PROCUREMENT PRACTICES?**

7 A. The Company does not expect any changes in the next two years that will
8 significantly impact its power procurement practices.

9 **Q. WERE THERE ANY CHANGES TO THE COMPANY'S GENERATION**
10 **FLEET DURING THE REVIEW PERIOD THAT AFFECTED THE**
11 **COMPANY'S POWER PROCUREMENT PRACTICES?**

12 A. No.

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

14 A. Yes.

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
Ranie K. Wohnhas

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

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this
25 day of February, 2019.

Trisha M. Young Blum
Notary Public

My Commission Expires 3-18-19

