Kentucky Power Company
KPSC Case No. 2020-00019
Commission Staff's 1st Set of Data Requests
Dated March 26, 2020

DATA REQUEST

KPSC 1_1 Refer to the application in general. Confirm that Kentucky Power did not request approval of the proposed Special Contract under Tariff E.D.R. because the proposed Special Contract does not meet the terms and conditions for service under Tariff E.D.R., and, if confirmed, describe how the proposed special contract does not meet the terms and conditions for service under Tariff E.D.R.

RESPONSE

Confirmed. The proposed special contract is for the customer's entire load, which is not incremental. Tariff E.D.R. also did not meet the rate structure the customer required to convert its business model and continue operating in the Company's service territory.

Witness: Brian K. West

DATA REQUEST

KPSC 1_2 Refer to Case No. 2017-000179, Order Denying Progress Metal Reclamation Company d/b/a Mansbach Metal Company's Motion to Intervene, pages 4– 53 in which the Commission strongly encouraged Kentucky Power to supplement Tariff E.D.R. to develop economic development options similar to options developed by Kentucky Power to revitalize the coal extraction and processing industry in Kentucky Power's service territory. Describe in specific details what actions Kentucky Power has taken to address the development of retention rates and economic incentives for existing businesses in Kentucky Power's service territory, and state whether Kentucky Power plans to implement changes to its Tariff E.D.R. to address the issue of retention rates for existing customers.

RESPONSE

The Company has acted on the Commission's recommendation in Case No. 2017-00179 to "identify economic development options similar to those created for the coal industry."

The tariff provisions originally proposed by Kentucky Power and approved by the Commission in Case No. 2017-00099 provided the Company the flexibility to retain customers engaged in the extraction or processing of coal by developing special contracts. The Company has filed several special contracts with the Commission since the Commission's order initially approving the tariff provisions in Case No. 2017-00099.

The Company similarly worked with Mansbach Metal to develop a special contract that contained many of the same options provided to coal companies under the tariff provisions approved in Case No. 2017-00099 (e.g. the coal-related provisions of Tariff C.S.-I.R.P. that shorten the length of the contract). Though there were efforts by both companies, the parties failed to reach agreement on the terms of a special contract. A positive note is that as of the filing of this response, Mansbach is still a customer of Kentucky Power.

When the Company learned that Air Products was considering shuttering its facility because of the impending closure of A. K. Steel, Kentucky Power contacted Air Products and set up a meeting to discuss what could be done to aid their retention in Ashland. The result of that meeting and many others that followed is the special contract currently before the Commission. The Company had similar discussions with Air Liquide when Kentucky Power learned that Air Liquide was planning to reduce load at its Ashland facility because of the upcoming closure of A. K. Steel. The parties were not able to reach an agreement.

The retention of existing customers is just as important as bringing on new customers or the expansion of existing customers. The use of the special contract has proved to be an important tool to work with customers on a case-by-case basis. The Company continues to believe that economic retention-focused special contracts should be evaluated on a case-by-case basis and tailored to the facts and circumstances unique to each customer seeking such an agreement. Kentucky Power further plans to review Tariff E.D.R., as it does with all tariffs, in connection with its next base rate case filing.

Witness: Brian K. West

DATA REQUEST

KPSC 1_3 Refer to the application, Exhibit 3.

a. Explain why there is no capacity charge for years 5–7 in the “Offer Pricing” tab.
b. Explain the derivation of the rates in the “All in Price $/kWh” column in the “Offer Pricing” tab.
c. Confirm that the New Total Load listed in the “Offer Pricing” tab represents Air Products’ estimated total load after the implementation of the Special Contract and not the incremental new load.
d. Explain the differences between the Additional Usage from Special Contract (kWh) figure in the “Summary” tab and the Annual Additional On-Peak kWh figure in the “Additional Load” tab.
e. Confirm that absent this Special Contract, Kentucky Power believes that Air Products will cease production all together and that because of this Special Contract, if approved, Air Products has committed to increase production by the amount listed in the “Additional Load” tab.

RESPONSE

a. There is no capacity charge for years 5-7 in the “Offer Pricing” tab because the Company’s Capacity Charge rider ends in December 2022.

b. The contract pricing is the result of negotiations between the Company and the customer to arrive at an all-in cost of electricity over the term of the contract that allows the customer to transition its business model and avoid the loss of $3.2 million of non-fuel revenues that would be borne by other customers and the Company should this customer cease operations in the Company’s Kentucky service territory.

c. Confirmed. The customer expects to use more kWh annually by changing how it will operate under its new business model.

d. The Additional Usage from Special Contract (kWh) amount in the Summary tab is the difference between the three year average kWh usage set forth in cell B52 of the Bill History tab and the new expected annual kWh consumption level set forth in cell E7 of the Additional Load tab.

e. Air Products has represented to the Company that absent this special rate structure and contract that it will cease operations at the Ashland facility. The higher annual kWh load is what the customer is expecting based on its new operating model that it is forced to transition to absent being able to sell product directly to AK Steel.

Witness: Brian K. West

DATA REQUEST

KPSC 1_4 Refer to the application, Exhibit 2, page 9 of 21, Section 5.4. Explain how Kentucky Power allocates customer revenues normally, absent special contracts.

RESPONSE

Revenues are allocated absent a special contract to the rate components that produced the billed revenue. This contract was negotiated as an all-in annual rate and as such the Company must allocate the resulting revenues for revenue and rider accounting purposes.

Witness: Brian K. West

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and states he is the Director of Regulatory Services for Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing responses, and that the information contained therein is true correct to the best of his information, knowledge, and belief.

Brian K. West

Commonwealth of Kentucky	)	
	)	Case No. 2020-00019
County of Boyd	)	

Subscribed and sworn before me, a Notary Public, by Brian K. West this 27th day of March, 2020

Trisha Nance
Notary Public

My Commission Expires: 9-26-2023

OFFICIAL SEAL
TRISHA NANCE
NOTARY PUBLIC - KENTUCKY
STATE-AT-LARGE
My Comm. Expires September 26, 2023
ID # 632421