

Kentucky Power Company  
KPSC Case No. 2020-00174  
Sierra Club Second Set of Data Requests  
Dated September 16, 2020  
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**DATA REQUEST**

**SC\_2\_001** In reference to KPC response to Sierra Club Data Request 1 (marked as SC\_1\_001 in KPC’s response; hereinafter these Supplemental Data Requests will adopt that notation by KPC), including the statement that “It is imperative that the Company transition to AMI due to the expected increase of customers installing distributed energy resources, combined with the short supply of the existing ERT meter devices to measure the tariff parameters. ...”, and KPC’s response to SC\_1\_005:

- a. Please specify the number of customers that KPC expects newly to install distributed solar customers, and over what time period, in referring to that “expected increase.” If KPC had no specific figure in mind, please state so, and provide an estimation. In answering, please distinguish between residential, commercial, and industrial customers, specifying the number of new customers that KPC expects for each.
- b. Please specify or estimate the number of each of residential, commercial, and industrial customers, respectively, that would be able newly to take net metering service under the 1% cap proposed in the Net Metering Service II tariff. In other words, please translate that 1% level into numbers of new customers.
- c. Please identify the aggregate number of customers whom KPC anticipates will have installed distributed solar and will take distributed solar customers after the conclusion of this rate case—i.e., the sum of (a) existing customers who already have distributed solar and take service under the existing net metering tariff, and whom KPC anticipates will continue to take service, and (b) new customers who will install distributed solar and will take service under any new net metering tariff that may be approved in this case. Again, please distinguish between residential, commercial, and industrial customers.
- d. Please discuss whether, to the best of KPC’s knowledge or ability to estimate, there is current or prospective interest in distributed solar and net metering service among KPC’s customer base that exceeds the 1% level proposed in the Net Metering Service II tariff; and if so, please identify the degree of such excess interest, as a percentage and as a corresponding number of customers (again distinguishing between residential, commercial, and industrial customers). In other words, discuss whether and to what extent (in percentage and number of customers) that 1% cap will inhibit some amount of customers who are interested in taking net metering service from doing so.

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- e. Please confirm whether KPC views the 1% cap as statutorily permitted versus statutorily obligated. If the former, please discuss why KPC is exercising discretion to impose the 1% limit, rather than choosing to allow more of its customers to take advantage of net metering.

**RESPONSE**

- a. The Company is unable to quantify or estimate how many customers will install distributed solar in the future.
- b. The 1% of system peak net metering cap is statutory, proposed tariff NMS II is based upon the prevailing statute.
- c. Please refer to the Company's response to Joint Intervenors 1-1; please also refer to part a. of this response.
- d. Please refer to the Company's response to part a. The Company cannot speculate regarding the impact of the statutory 1% cap on customer interest in net metering service.
- e. The Company objects to this request as seeking a legal conclusion. Without waiving this objection, the Company states as follows: Please refer to the Company's response to part b.

Witness: Alex E. Vaughan

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**DATA REQUEST**

**SC\_2\_002** In reference to KPC response to SC\_1\_006, including the statement “the Company states that its tariff rates, as required by law, are based upon its cost of providing electric service to its customers,” as well as the Direct Testimony of Alex E. Vaughn at 27:14–28:3, including his statement that “[t]he following items are not included in the avoided cost rate nor are they cost of service items” (emphasis added) and his choice to advance an opinion on what considerations or components are “appropriate[]” to include and exclude in formulating KPC’s avoided cost rates for the NMS II tariff:

- a) Keeping in mind Mr. Vaughn’s choice to advance an opinion on the “appropriate[ness]” of including versus excluding certain items in rate formulation, please explain the basis—i.e., legal, technical, and/or otherwise—for Mr. Vaughn’s use of that term. In other words, please clarify what authorities or reasoning Mr. Vaughn meant to invoke and rely on for his assertion that exclusion/inclusion of certain considerations in calculating avoided cost are “appropriate[.]”
- b) Please define, and discuss all the components of, KPC’s “cost of providing electric service to customers” as used by KPC in its response to SC\_1\_006; and confirm whether that answer is coextensive with what Mr. Vaughn meant in the foregoing testimony by “cost of service items” (if not, please explain).
- c) Please clarify whether it is Mr. Vaughn’s opinion that “cost of service items” (as Mr. Vaughn intended that phrase in the cited testimony) are, and must be, the exclusive basis of the “avoided cost rate.” If not, please identify and explain the other bases or considerations upon which KPC does or may base its tariff rates, providing any applicable illustrations.
- d) Please discuss whether, in what ways, and to what extent KPC takes economic development in its service territory into account when formulating its tariff rates, and indicate in your response whether or not KPC considers that to be a “cost of service” item.

**RESPONSE**

a. Please refer to the Company's response to Sierra Club 1-6. Company witness Vaughan is relying upon the cost based electric service the Company provides its customers in the

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Commonwealth and those accounting costs of service deemed allowable by this Commission in the Company's cost of service and the rates it charges customers.

b. Company witness Vaughan is referring to those accounting costs of service included in Section V, schedules 2-5 of the Company's filing.

c. Yes, it is the opinion of Company witness Vaughan that the avoided cost rate paid to proposed tariff NMS II customers for excess generation should be based on actual accounting costs of electric service the Company incurs that can be avoided in certain circumstances. See also the Company's response to part b.

d. The Company has a Commission approved economic development rider (EDR) for the purpose of adding load to the Company's service territory in a manner where the incremental contribution to the fixed cost of electric service is greater than the marginal cost of serving said load. Yes, the Company considers the fixed accounting costs of providing electric service to be a "cost of service" item, and since they are fixed in nature, the more contribution towards those costs the Company can achieve through increased loads such as those promoted by Tariff EDR the more opportunity there is to lower the overall rates of all customers.

Witness: Alex E. Vaughan

**DATA REQUEST**

- SC\_2\_003** In reference to KPC response to SC\_1\_008, including its statement in response to part (b) that “On a daily basis, AEPSC Commercial Operations conducts a review that incorporates a variety of information including, but not limited to, Mitchell unit availability, market price expectations, compliance testing requirements and contractual constraints of the plant’s fuel supply. From this review, AEPSC Commercial Operations determines the commitment status of each unit for the next market day.”:
- a. Please provide any memoranda or other documents that KPC may possess or have access to that sets out the general procedure involved, factors considered, weight given to each factor, in that “review” to which KPC was referring. If no such documents setting out the general procedure exist, please state so explicitly. (Sierra Club’s request for documents in its Initial Data Request 8(b)—“... Please also provide any documents that may exist that define or reflect the foregoing.”—already encompassed this instant request, and KPC provided no documents in response.)
  - b. In light of the above-cited response, coupled with the component of Sierra Club’s initial request seeking clarification on the role of Wheeling Power in the decision- making process behind Mitchell’s commitment, please clarify whether AEPSC Commercial Operations has exclusive authority to “determine[] the commitment status of each unit for the next market day,” or instead whether Wheeling Power has some role in making the decision, providing input (even if non-dispositive); and if the latter, please explain.
  - c. Please identify the commitment mode/status in PJM (e.g., self-committed/self- scheduled, economic/market commitment, etc.) of each Mitchell unit for each day of the test year period.
  - d. To the extent not already described in any documents that KPC may produce in response to (a) above (and if they are, provide, in response to the below, specific citations to such documents):
    - i. Please describe AEPSC Commercial Operations’ process for determining whether to self-schedule a Mitchell unit in the day-ahead energy market at the unit’s minimum operating level and allow the unit to dispatch economically above the minimum level.
    - ii. Please describe AEPSC Commercial Operations’ process for determining whether to economically dispatch a generator in the day-ahead energy market.

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- iii. Please identify and explain all factors, both quantitative and qualitative, that AEPSC Commercial Operations considers in its unit commitment decision-making process.
- iv. Please indicate whether the AEPSC Commercial Operations performs economic analyses to inform its unit-commitment decisions for Mitchell.
  - 1. If not, explain why not.
  - 2. If so:
    - a. Provide all such analyses conducted during the test year period in native, machine readable format.
    - b. Identify each category of cost and revenue accounted for in such analyses.
    - c. Identify whether such analyses are conducted differently for periods immediately preceding or following unit outages, and explain any differences.
    - d. Please indicate the timeframe over which AEPSC Commercial Operations evaluates whether a unit's commitment decision maximizes a unit's economic value to customers.
- v. Please provide all memoranda, reports, presentations, correspondence, or other documents created for, or during, the test year period that discuss the AEPSC Commercial Operations unit-commitment and dispatch practices, strategies, and outcomes, as may pertain to Mitchell.

**RESPONSE**

- a. The Company objects to this subpart of the request on the grounds and to the extent that the request is overly broad and unduly burdensome, particularly to the extent that the questions requests “any” memoranda or documents that the Company “may possess or have access to”. Furthermore, PJM has provided rules governing participation in its energy markets via PJM Manual 11 and further clarified the cost-based offer requirements in PJM Manual 15, both of which are available at PJM.com. AEPSC Commercial Operations operates within these established rules.
- b. AEPSC Commercial Operations is the final authority that determines the commitment status for each available generating unit for the next market day.

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- c. Please see the Company's response to Staff 5-06 for the requested information.
  
- d.
  - i. On a daily basis, a six-day estimate of potential margins is prepared and reviewed by AEPSC Commercial Operations. From this review, the commitment status of every unit is reviewed and determined for the next market day.
  
  - ii. See the Company's response to subpart i above.
  
  - iii. The Company objects to this subpart of the request on the grounds and to the extent that the request is overly broad and unduly burdensome, particularly to the extent that it requests "all" factors. Subject to and without waiving this objection, the Company states, when considering the commitment status of the Mitchell units, the variable costs of the unit are considered versus the forecasted LMP to determine potential margins. Other factors considered for unit commitment include start-up costs safely managing fuel inventories, evaluating contractual commitments, mandatory environmental or NERC/RTO capability required testing and the safe operation of the asset and all employees.
  
  - iv. See the Company's response to subpart i above.
    - i. Not applicable.
    - ii. The Company objects this subpart of the request on the grounds and to the extent the request is overly broad and unduly burdensome, particularly to the extent that the question requests "all" analyses. Kentucky Power further objects to the request as requiring the creation of information in a form that it does not currently exist, and as imposing an obligation that is unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence. In support of this objection, the Company states that each daily analysis is a separate workbook that encompasses an analysis for all AEP units within PJM. To provide the requested information for the Mitchell plant, each daily workbook would need to be scrubbed by removing non-responsive information. This process would require considerable man-hours and a customized program for this case. Further, the data is stale the minute it is produced because AEP Commercial Operations constantly incorporates changes in load expectations, LMP forecasts, etc. The daily analyses are not updated every time one of

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those variables changes. They provide a snapshot in time that is used as a starting point for the unit bids that are ultimately submitted to PJM.

- v. The Company objects to this subpart of the request on the basis that the request is overly broad, unduly burdensome, and is not reasonably calculated to lead to the discovery of admissible evidence.

Witness: Jason M. Stegall





### KY Discovery Verification - Stegall.docx

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#### E-Signature Summary

**E-Signature 1: Jason M. Stegall (JMS)**

September 25, 2020 06:32:40 -8:00 [8E8ABDA85AA4] [167.239.221.84]  
jmstegall@aep.com (Principal) (Personally Known)

**E-Signature Notary: Brenda Williamson (Bw)**

September 25, 2020 06:32:40 -8:00 [A52935DC5E6D] [167.239.221.84]  
bgwilliamson@aep.com  
I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Jason M. Stegall, being duly sworn, deposes and says he is a Manager-Regulatory Pricing & Analysis for American Electric Power Service Corporation that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

  
Signed on 2020/09/25 06:32:40 -8:00  
Jason M. Stegall

STATE OF OHIO


)


) Case No. 2020-00174

COUNTY OF FRANKLIN

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Subscribed and sworn to before me, a Notary Public in and before said County and State, by  
09/25/2020 \_\_\_\_\_, this \_\_\_\_ day of September, 2020.

  
Signed on 2020/09/25 06:32:40 -8:00

  
Brenda G. Williamson  
Commission # 2016-RE-579446  
Electronic Notary Public  
State of Ohio  
My Comm Exp. Apr 25, 2021  
Notary Stamp: 2020/09/25 06:32:40 PST AS2938DCSER0

3DD7AFA0-0B18-427E-A839-7D9F42ACFDEA --- 2020/09/25 06:19:28 -8:00 --- Remote Notary





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### E-Signature Summary

**E-Signature 1: Alex E Vaughan (AEV)**

September 24, 2020 12:06:53 -8:00 [695DBC43E413] [167.239.2.88]  
 aevaughan@aep.com (Principal) (Personally Known)

**E-Signature Notary: Brenda Williamson (BW)**

September 24, 2020 12:06:53 -8:00 [ABA201A38BF6] [167.239.2.87]  
 bgwilliamson@aep.com  
 I, Brenda Williamson, did witness the participants named above electronically sign this document.



VERIFICATION

The undersigned, Alex E. Vaughan, being duly sworn, deposes and says he is a Director-Regulatory Pricing & Renewables for American Electric Power Service Corporation that he has personal knowledge of the matters set forth in the forgoing responses and the information contained therein is true and correct to the best of his information, knowledge and belief after reasonable inquiry.

*Alex E Vaughan*  
Signed on 2020/09/24 12:06:53 -8:00  
Alex E. Vaughan

STATE OF OHIO

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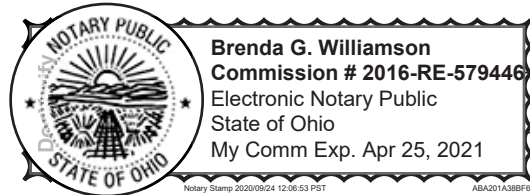
) Case No. 2020-00174

COUNTY OF FRANKLIN

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Subscribed and sworn to before me, a Notary Public in and before said County and State, by  
09/24/2020 \_\_\_\_\_, this \_\_\_\_ day of September, 2020.

*Brenda Williamson*  
Signed on 2020/09/24 12:06:53 -8:00



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