DATA REQUEST

1_1 In its application at 15-16, Kentucky Power states:

> [T]he Company will continue to demonstrate through a current marginal cost analysis submitted with each proposed Tariff E.D.R. agreement "that the discounted [Tariff E.D.R.] rate exceeds the total short-run (marginal) costs associated with serving that customer for each year of the discount period." The Company also will include as part of its ongoing annual Tariff E.D.R. reports the incremental costs and revenues associated with each Tariff E.D.R. customer.
>
> …
>
> These provisions, as was the case with the Nucor agreements, will help ensure that any Tariff E.D.R. agreement "exceed variable costs [associated with the agreement]"and contribute to a portion of the utility's fixed costs that otherwise would have been paid by nonparticipating ratepayers.

a. Describe precisely how Kentucky Power will calculate the marginal costs for a prospective EDR customer in order to make the demonstration required by Finding 6 of Administrative Order 327.
b. Confirm that agreements to be entered with prospective EDR customers will require that customer to cover the actual and entire marginal costs for service of that load including capacity and energy purchases necessitated by that service.
c. Confirm that costs associated with capacity and/or energy purchases made in order to serve new EDR clients will not be averaged and spread across the customer base through the fuel adjustment clause or some other mechanism.
d. Confirm that if capacity and/or energy costs for procurements necessitated by additional EDR load were averaged across the entire customer base, during times of relatively high market prices, this could increase costs on non-EDR ratepayers.

RESPONSE

a. Please see the Company's response to KPSC 1_4(a) for the requested information.

b. The Company cannot provide the requested confirmation. Prospective EDR customers will be required to cover actual marginal costs for service as defined by the applicable marginal cost analysis (KPCO_R_KPSC_1_4_Attachment1). Consistent with other EDR agreements approved by the Commission, the analysis does not include capacity and energy purchases requirement to serve them.

Pending the Company's 2022 Integrated Resource Plan ("IRP"), Kentucky Power will make bilateral purchases to meet the needs of EDR customers during times when excess capacity may not exist.

Tariff E.D.R includes a provision that reduces the customer's EDR credits when market purchases are required under certain circumstances. The Company's position is that, as explained below, this tariff provision would not apply to the typical EDR contract following the expiration of the Rockport UPA.

First, because of the expiration of the Rockport UPA in December 2022, the Company will be required to purchase excess capacity to serve all customers, not just EDR customers. Thus, the provision of Tariff E.D.R. reducing credits in the event capacity purchases are required to serve the EDR customers are inapplicable because the Company will not be purchasing excess capacity solely to serve EDR customers. Second, many EDR customers, particularly cryptocurrency mining operations, have designated 10 percent, on average, of their Total Capacity Reservation as Firm Capacity beginning in year one of the contract, while the remaining 90 percent of their load remains interruptible under Rider D.R.S. Thus, for a cryptocurrency mining EDR customer with a Total Capacity Reservation of 20 MW, only 2 MW of the customer's load will be counted toward the Company's PJM capacity requirements; little additional capacity would need to be purchased to serve the customer.

c. The Company cannot provide the requested confirmation. Kentucky Power will purchase a portion of the Rockport UPA capacity when the UPA expires. The capacity will be purchased to serve the Company's system, including existing customers and any new customers, including new residential, commercial and industrial customers. All EDR customers are bringing jobs to the area. This is exactly what economic development is all about – promoting the area to companies that will bring investment and employment. Absent the EDR customers, when the Rockport UPA expires, the cost of any capacity purchases to serve native load would be borne by all customers.

d. The Company has not made the required calculation. Capacity costs are reflected in the Company's current base rates approved by the Commission in Case No. 2020-00174. Additional capacity costs incurred through purchased power agreements would be recovered from all customers through Tariff P.P.A.

Kentucky Power proposes to obtain its initial capacity replacement for the Rockport UPA following its expiration on December 7, 2022 through, and under the terms and conditions of, the Power Coordination Bridge Agreement ("PCBA") between Kentucky Power and the AEP Operating Companies. The replacement capacity will be initially obtained, as described in more detail below, for a period ending on or before May 31, 2024 (the end of the PJM Interconnection LLC 2023/2024 Fixed Resource Requirement Planning Year). The capacity for the 2022/2023 PJM planning year will be priced at the Locational Marginal Price ("LMP") for that planning year of $50 per MW-day. The capacity for the 2023/2024 PJM planning year will be priced at the LMP for that planning year of $34.13 per MW-day.

With increased load, the Company will realize increased revenues covering all marginal costs to serve EDR customers and contributing to fixed costs. From an energy perspective, the Company sells all of its available generation on a daily basis into the PJM market and then purchases the energy it needs to serve its customers. This process happens regardless of EDR customer load with all customers paying tariff rates approved by the Commission for the kWh they use. No additional costs attributable to EDR customers are passed on to other customers.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2022-00181
Attorney General's First Set of Data Requests
Dated June 23, 2022

DATA REQUEST

1_2 In its application at 14, Kentucky Power states:
Because Kentucky Power will be capacity short even in the absence of the Tariff E.D.R. agreements being negotiated, the Company will be unable to address its urgent need for additional load and customers to allow it to spread fixed costs over a larger base absent a waiver of the Commission's Administrative Case No. 327 Order (and related tariff provisions) limiting the offer of economic development rates to "periods of excess capacity.

a. Confirm that removal of the limitation of offers of EDR rates to periods of excess capacity could have the effect of raising costs for existing customers if agreements with the EDR customers do not require those customers to cover the full cost of additional capacity and/or energy necessitated to serve that load.
b. Confirm that, while Kentucky Power may already be capacity short in the near-term, a need to serve additional EDR customers, perhaps at a level of an additional 300 MW, will directly increase any existing deficit.

RESPONSE

a. The Company cannot provide the requested confirmation. Please see the Company's response to AG 1-1, b, c & d.

b. The Company confirms that the addition of new customers will increase capacity requirements to comply with PJM rules.

Witness: Brian K. West

DATA REQUEST

1_3 See the Commission's Order of October 14, 2021 in Case No. 2021-00282, at 13-14, which states, "[t]he Commission acknowledges that if additional capacity is needed to serve Blockware's load, BREC can meet this need by making a market purchase, and passing that cost on to Blockware." See also the Commission's Order of July 8, 2019 in 2018-00378, a prior Kentucky Power EDR filing, which states, "[t]o the extent Kentucky Power is required to purchase capacity for Big Run, those costs would be borne by Big Run."

a. Identify any and all provisions of the proposed EDR Tariff that requires Kentucky Power to pass all costs related to capacity and energy procurements made to fulfill an EDR agreement along to the EDR customers.

RESPONSE

Tariff E.D.R. speaks for itself. The Company objects to this data request to the extent it requires a legal opinion.

The Company is proposing to eliminate those portions of the tariff that reduce discounts under Tariff E.D.R. under certain circumstances when the Company is capacity deficient. Please see the Company's response to KPSC 1_2 for the rationale for this proposed amendment.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2022-00181
Attorney General's First Set of Data Requests
Dated June 23, 2022

DATA REQUEST

1_4 Kentucky Power proposes to delete the following language from its the EDR Tariff:

(1) ~~The Company will offer the EDR to qualifying customers with new or increased load when the Compar~~
~~capacity available. When sufficient generating capacity is not available, the Company will procure the~~
~~customer's behalf. The cost of capacity procured on behalf of the customer shall reduce on a~~
~~customer's IBDD and SBDD. Such reduction shall be capped so that the customer's maximum deman~~
~~discounted tariff demand charge. The reduction will be applied in reverse chronological order begin~~
~~customer to receive discounted service under this tariff. The last customer to sign up for the EDR tariff~~
~~responsible for paying the cost of incremental capacity purchases. In any year during the discount period~~
~~the full tariff demand charge for all twelve months, the Company will reduce the term of the contract by~~

~~(2) The new or increased load cannot accelerate the Company's plans for additional generating capacity duri~~
~~customer receives a demand discount. Customers receiving Temporary Service are not eligible for this EDI~~

a. Why is it necessary to delete the portions of this section which require EDR customers to cover the costs of additional incremental capacity purchases caused by their usage?
b. Doesn't the deletion of this requirement run afoul of the Commission's Orders in Case No. 2021-00282 and Case No. 2018-00378 which require EDR customers to cover the full cost of procurement made on their behalf?

RESPONSE

a. See the Company's response to AG 1_3 and KPSC 1_2.

b. No. In those cases the Commission approved the utility's proposal. The Company's request in the instant case differs from the Commission's ruling in the stated cases. However, it is consistent with the Commission's ruling in Case No. 2019-00365, cited in the Company's application.

Witness: Brian K. West

DATA REQUEST

1_5 Has Kentucky Power performed a cost of service analysis which demonstrates that nonparticipating ratepayers would not be adversely affected by the EDR Tariff revisions as required by Finding 8 of Administrative Order 327?

a. If not, does Kentucky Power intend to prepare and file an individualized cost of service study for each agreement submitted to the Commission under the proposed EDR Tariff?

RESPONSE

In Case No. 2020-00174, the Company performed a cost-of-service analysis to show that the contract provisions of the Company's current EDR customer did not adversely affect nonparticipating ratepayers. The Company performs a marginal cost analysis, as is required by Finding 8 of Administrative Order 327, for each potential EDR customer and submits the analysis with the contract for Commission approval. The Company will prepare a cost-of-service analysis for its current EDR customers and include it with the next base rate case filing.

Witness: Brian K. West

DATA REQUEST

1_6 Does Kentucky Power consider cryptocurrency mining operations "industrial customers" such that Finding 12 of Administrative Order 327 applies, allowing EDR to apply only "to load which exceeds a minimum base level."

a. If not, why not?
b. Is yes, how does the proposed EDR Tariff codify this requirement?

RESPONSE

Kentucky Power considers a cryptocurrency mining operation to be an industrial customer if its projected load exceeds the 1 MW minimum specified in Tariff I.G.S.

The minimum projected load requirement under Tariff E.D.R. is a monthly maximum billing demand of 500 kW. EDR customers not qualifying for service under Tariff I.G.S. would be served under Tariff L.G.S.

Witness: Brian K. West

Kentucky Power Company
KPSC Case No. 2022-00181
Attorney General's First Set of Data Requests
Dated June 23, 2022

DATA REQUEST

1_7 If the EDR customer defaults on its EDR agreement prior to the end of the agreement's 10-year term, will the customer be required to reimburse Kentucky Power for the cost of the discount provided?

a. If yes, how will Kentucky Power ensure that funds are available for that reimbursement?
b. Will Kentucky Power require a deposit, letter of credit, insurance, or a surety related to that reimbursement?
c. Will any additional, unreimbursed costs of such a default be borne by shareholders or ratepayers?

RESPONSE

a. Yes, the customer will be required to reimburse Kentucky Power for the cost of the discount they received. Tariff E.D.R. requires "The customer may discontinue service under this Rider before the end of the contract or agreement addendum only by reimbursing the Company for any and all demand reductions received under this Rider when billed at the applicable tariff schedule rate."

b. Tariff E.D.R. does not currently permit this. The Company has no objection to such a provision.

c. Unreimbursed costs for such a default would be bad debt expense.

Witness: Brian K. West

DATA REQUEST

1_8 Identify Kentucky Power's capacity deficit as it relates to its FRR capacity obligations in PJM as of June 1, 2023.

RESPONSE

Kentucky Power's FRR position on June 1, 2023 is estimated to be a deficit absent the ability to obtain capacity under the Power Coordination Agreement. This estimate will be updated at least once between the date of this response and the start of Delivery Year 2023/24 (06/01/23). The estimated deficit (absent the PCBA) is subject to further updates.

Witness: Brian K. West

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is the Vice President, Regulatory & Finance for Kentucky Power Company, 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.

Brian K. West

Commonwealth of Kentucky)
) Case No. 2022-00181
County of Boyd)

Subscribed and sworn before me, a Notary Public, by Brian K. West this 27th day of June, 2022.

Notary Public

JENNIFER A. YOUNG
Notary Public
Commonwealth of Kentucky
Commission Number KYNP31964
My Commission Expires Jun 21, 2025

My Commission Expires 6/21/25

Notary ID Number: KYNP31964