

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE )  
APPLICATION OF THE FUEL ADJUSTMENT )  
CLAUSE OF KENTUCKY POWER COMPANY )  
FROM NOVEMBER 1, 2021 THROUGH APRIL )  
30, 2022 )

Case No. 2022-00263

**REBUTTAL TESTIMONY OF**  
**KIMBERLY K. CHILCOTE**  
**ON BEHALF OF KENTUCKY POWER COMPANY**

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**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Kimberly K. Chilcote. I am employed by American Electric Power Service  
3 Corporation (“AEPSC”), a subsidiary of American Electric Power Company, Inc. (“AEP”),  
4 in the regulated Commercial Operations organization as Coal Procurement Manager. My  
5 business address is 1 Riverside Plaza, Columbus, Ohio 43215.

6 **Q. ARE YOU THE SAME KIMBERLY K. CHILCOTE WHO OFFERED DIRECT**  
7 **TESTIMONY IN THIS PROCEEDING?**

8 A. Yes.

**II. PURPOSE OF REBUTTAL TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to show that the Company acted prudently in the  
11 purchasing and utilizing of coal during the review period.

12 **Q. ARE YOU SPONSORING ANY REBUTTAL EXHIBITS?**

13 A. No.

**III. COAL PROCUREMENT AND UTILIZATION**

14 **Q. WITNESS KOLLEN ASSERTS THAT DURING THE REVIEW PERIOD THE**  
15 **COMPANY HAD SUFFICIENT CAPACITY TO SUPPLY ITS NATIVE LOAD**  
16 **AND SHOULD HAVE USED SUCH CAPACITY INSTEAD OF PURCHASING**  
17 **POWER FROM THE MARKET TO SERVE THE LOAD. CAN YOU PROVIDE**

1           **ANY ADDITIONAL CONTEXT THAT SHOWS HOW MR. KOLLEN'S**  
2           **STATEMENTS DO NOT PROVIDE THE FULL REALISTIC PICTURE?**

3    A.    Yes, I can. First, the Company developed its economic forecast (upon which it would rely  
4           in procuring coal to supply internal load during the review period) based on the best and  
5           most current forecast information it had at the time. Based on that economic forecast, the  
6           Company procured sufficient coal to generate the forecasted load via the Mitchell Plant  
7           during the Review Period.

8           However, as I stated in my Direct Testimony, the market and demand for coal, both  
9           domestically and internationally, changed significantly from the economic forecast during  
10          the review period. With the increase in demand the Company issued an RFP in September  
11          2021 seeking coal for purchase in 2021 and beyond for the Mitchell Plant, and there were  
12          no offers provided in response to that RFP for delivery in 2021. However, the Company  
13          did elect to make several purchases for coal to be delivered in 2022 (only limited offers  
14          were received for delivery in 2022) through 2026. Even these limited offers were at  
15          significantly higher prices than coal the Company had under contract.

16          With no additional coal available for delivery in 2021 (based on the September  
17          RFP) and only small volumes available for delivery in the first part of 2022, the Company,  
18          based on its knowledge and experience in coal procurement and inventory management,  
19          determined that the Mitchell Plant coal inventory must be used in the most economic  
20          manner. Thus, the Company prudently elected to employ practices (discussed in the Direct  
21          Testimony of Company Witness Stegall) that would have the effect of conserving the  
22          amount of low-cost coal the Company already had in inventory to be used when demand  
23          would be highest—in the winter months. Had the Company consumed the low-cost coal it

1 had in inventory during the shoulder months, then it may have been faced with having to  
 2 make even more market purchases of power during the winter months, when demand for  
 3 electricity is higher and also when power prices are likely to be higher.

4 Table 1 below shows the actual ending inventory for each month of the review  
 5 period in days of full load burn. The risk of using the coal inventory in November, as  
 6 AG-KIUC suggest, would be that the inventory could not be reestablished, thus leaving  
 7 less to consume from the inventory in later months. If the inventory was depleted earlier  
 8 in 2021 the Company would have been forced to purchase even more electricity in the  
 9 market to serve the higher winter load.

**Table 1**

<b>Month Ending</b>	<b>Actual Days Full Load Burn (with conservation measures)</b>
21-Nov	20
21-Dec	21
22-Jan	17
22-Feb	21
22-Mar	33
22-Apr	35

10 **Q. IS IT YOUR OPINION THAT THE COMPANY EMPLOYED BEST PRACTICES**  
 11 **IN PROCURING COAL FOR USE DURING THE REVIEW PERIOD?**

12 A. Yes. Based on my knowledge and experience, the Company absolutely used best practices  
 13 in procuring coal for use during the review period. Mr. Kollen’s suggestion in response to  
 14 KPCO 1-11 that “[t]he only party that can control its coal inventory is the Company, or its  
 15 agent for that purpose, AEPSC,” is conclusory and fails to consider the real-world events

1 and market forces the Company, and any other electric utility across the PJM footprint,<sup>1</sup>  
2 faced in fuel procurement and inventory management. The Company used best practices  
3 when developing its economic forecast and in procuring and utilizing coal for the review  
4 period. That the demand for coal would skyrocket and the corresponding supply would  
5 dwindle to zero could not have been reasonably anticipated by the Company. The Company  
6 issued the September 2021 RFP seeking additional coal for the remainder of 2021 and the  
7 first part of 2022 with limited to no success—not due to the Company’s actions but rather  
8 because the coal simply was not available in the market. In response, the Company acted  
9 prudently in conserving the coal it did have in inventory.

10 **Q. IS IT YOUR OPINION THAT THE ACTIONS THE COMPANY TOOK TO**  
11 **CONSERVE COAL WERE IN THE BEST INTEREST OF CUSTOMERS?**

12 A. Yes, in my opinion, while it is difficult to say with complete certainty the actual impact  
13 on customers, it can be seen from Witness Kollen’s table on Page 8 of his Direct  
14 Testimony that making market purchases in December and conserving the coal for use in  
15 January benefitted customers. For example, the \$/mWh price of energy in December  
16 2021 was \$38.90 and the \$/mWh price of energy in January 2022 was \$61.86. Had the  
17 Company depleted its coal inventory, as AG-KIUC suggest, then it would have had to  
18 make more market purchases in January 2022 (at significantly higher prices) to serve  
19 native load.

20 **Q. MR. KOLLEN PROVIDES A TABLE ON PAGE 12 OF HIS DIRECT TESTIMONY**  
21 **THAT DEMONSTRATES THE COSTS OF THE COMPANY’S OWN**  
22 **GENERATION AND ENTITLEMENTS, THE AVERAGE COST OF**

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<sup>1</sup> See Rebuttal Testimony of Company Witness Stegall at R7.

1           **PURCHASED POWER, AND THE PUE ECONOMY PURCHASE PRICE CAP.**  
2           **CAN YOU PROVIDE AN EXPLANATION FOR WHY FUEL COSTS DURING**  
3           **THE REVIEW PERIOD ARE REFLECTED AS LESS THAN THE COST OF**  
4           **MARKET PURCHASES?**

5    A.    In accordance with the Company's coal procurement strategy, coal purchases are made  
6           over time, and prices represent the market at the time of such purchase. Prior to the fall of  
7           2021 demand for coal was low and supply was greater than demand. Thus, the market  
8           price for coal was lower, which resulted in the lower fuel costs for the Mitchell Plant  
9           reflected in the table on Mr. Kollen's page 12. Conversely, in the second half of 2021,  
10          demand for coal increased significantly due to price increases in the gas market and  
11          increased international coal demand, which correspondingly increased the cost of coal in  
12          the US market. The higher cost to replace coal inventory in the latter half of 2021 is  
13          demonstrated by the PJM Avg Market Internal Load Purchases column in the table on  
14          Mr. Kollen's page 12.

#### IV. CONCLUSION

15   **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16    A.    Yes, it does.



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#### E-Signature Summary

**E-Signature 1: Kimberly Chilcote (KKC)**

January 12, 2023 07:51:21 -8:00 [0087B128E5E8] [167.239.221.106]  
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I, Jennifer Young, did witness the participants named above electronically sign this document.



