Kentucky Power Company
KPSC Case No. 2022-00387
Commission Staff's Third Set of Data Requests
Dated July 5, 2023

DATA REQUEST

KPSC 3_1 Refer to the Application, Direct Testimony of Brian K. West, Exhibit BKW 1, Article 5.

a. Confirm that Ebon International, LLC (Ebon) will participate in all of Kentucky Power's riders, surcharges, and adjustment clauses applicable to Tariff Industrial General Service. If this cannot be confirmed, explain.

b. Explain how any shortfall from amounts allocated to but not paid by Ebon would be treated for all applicable riders, surcharges, and adjustment clauses.

RESPONSE

a. Confirmed. Please also see the Company's response to KPSC 2-9.

b. The discounts offered under the special contract are applied solely to demand charges. Ebon will be allocated and expected to pay full tariff rates for all applicable riders, surcharges, and adjustment clauses.

Witness: Brian K. West

DATA REQUEST

KPSC 3_2 Refer to the Rebuttal Testimony of Lerah Kahn (Kahn Rebuttal Testimony), Exhibit LMK-R1; Case No. 2017-00179, Rebuttal Testimony of Matthew Satterwhite, page 8; and Case No. 2020-00174,3 Direct Testimony of Alex Vaughan, pages 31–33 and Kentucky Power's Post-Hearing Brief, pages 55–59. Explain why a 5 percent escalation for transmission costs is reasonable.

RESPONSE

For purposes of the evaluation of the special contract the Company assumed that transmission costs would increase. The yearly escalation of PJM LSE Transmission costs by 5% is an estimated assumption for purposes of the 10-year forward looking estimate. Nonetheless, as noted in the referenced Post-Hearing Brief, PJM LSE OATT charges and credits are volatile, and their level can vary greatly from year to year. The Company notes that the references within the question were provided in a different context and under different circumstances, and therefore it is not applicable for purposes of the special contract evaluation presented in this case at this time. For instance, the testimony of Matthew Satterwhite concerned an estimated increase on a one-year basis. When looking at longer periods the volatility of these charges becomes apparent. Please see KPCO_R_KPSC_3_2_Attachment1 which provides the percent increase in the Company's total zonal PTRR since 2015 on a year-to-year basis. The attachment shows that the past five years have seen an 11.2% average yearly increase.

Further, and as noted in the Kahn Rebuttal Testimony at R-4, neither the Company nor intervenors provided for an increase to revenues commensurate with any escalation to costs creating an increasing disparity. Accordingly, the 5% escalation helps to offset this disparity.

Witness: Lerah M. Kahn

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DATA REQUEST

KPSC 3_3 Refer to the Kahn Rebuttal Testimony, Exhibit LMK-R1, tab "5 CP & G Cost."
a. Explain which resource type is used for the Net Cost of New Entry used in Kentucky Power's calculation.

b. Provide a calculation of capacity costs using the National Renewable Energy Laboratories' Annual Technology Baseline as the source for determining costs for a physical proxy unit.

c. Provide a calculation of capacity costs using the estimated cost of a natural gas combustion turbine from Case No. 2023-00092.

RESPONSE

a. For purposes of the special contract evaluation the Company used Net CONE consistent with the Commission's finding that it was appropriate for use in the Company's COGEN/SPP I and COGEN/SPP II tariffs in Case No. 2020-00174. The $220/MW-day is a proxy for the "reference CT" Net CONE used in PJM's base residual auction planning parameters.

b. The Company has not performed the requested analysis. Performance of the request would require information that the Company does not have readily available.

c. Based on the F class CT included in 2023-00092, the estimated cost of a natural gas combustion turbine would be $246.05 per MW per day.

Witness: Lerah M. Kahn

DATA REQUEST

KPSC 3_4 Refer to the Kahn Rebuttal Testimony, Exhibit LMK-R1, tab "Transmission 250MW."

a. Explain how Kentucky Power plans to call for interruptions such that Ebon's Network Service Peak Load (NSPL) is 25 MW. Include in the explanation a description of how the NSPL is determined.
b. Explain how Kentucky Power plans to call for interruptions such that Ebon's 12CP is 156.25 MW. Include in the explanation a description of how the 12CP is determined.
c. Refer also to the Kahn Rebuttal Testimony, Exhibit LMK-R1, tab "5 CP & G Cost." Explain how Kentucky Power plans to call for interruptions such that Ebon's 5CP is 28.75 MW. Include in the explanation a description of how the 5CP is determined.

RESPONSE

a. The NSPL is the AEP transmission zone network service peak load single peak, or 1CP within the twelve-month period of November to October. The AEPSC's Commercial Operations group tracks, analyzes and calls for interruptions of non-firm customers and customer programs for purposes of reducing the cost causing 5CPs and 1CP (NSPL) during the summer and winter months within the bounds of each non-firm contract or program. Specifically, the Commercial Operations group utilizes load forecasting and meteorological models along with experienced market facing associates who review and interpret the data to determine if a reduction should be called for and the specific time to target.

b. Please refer to the Company's response to part A. The 12 CP is the Company's peak each month of the calendar year during the AEP Transmission Zone's peak. The 156.25 assumes that Ebon is interrupted to 10% of its firm during 5 of the 12 months during the year and at their full 250MW during the peak of the other 7 months of the year.

c. Please refer to the Company's response to part A. The 5CP is the Company's peak at the time of the 5 highest summer hours for PJM's footprint. PJM calculates the 5CP by taking the highest coincidental peak across the PJM system on five separate summer weekdays from June through September, excluding NERC holidays. Large individual customers are assigned their share of the load incurred during those hours via a PLC (Peak Load Contribution) based upon metering data for the applicable periods designated as 5CP's.

Witness: Brian K. West

DATA REQUEST

KPSC 3_5 Explain whether Kentucky Power plans to hedge the energy needs of Ebon in any way. If so, generally explain the hedging instrument and explain how that cost would be recovered. If not, explain why not.

RESPONSE

Kentucky Power does not employ hedging practices on a single-customer basis. Consistent with this approach, in the Company's current base rate proceeding, Case No. 2023-00159, Kentucky Power is requesting approval of a Financial Power Hedging proposal to benefit all customers, including Ebon. The Company proposes to use financial hedge products to mitigate the volatility of its PJM spot energy market energy purchases for its Open Energy Positions. The goal of the proposed hedging plan is not to reduce customer's fuel costs over time; rather, it is to reduce their exposure to the volatility of the PJM spot energy market, especially when the Company's generating facilities have scheduled outages, leaving customers more exposed to PJM's Day-ahead market. The proposed hedging plan will reduce customer's sensitivity to PJM's spot market price volatility by creating more predictable fuel costs over time. The Company proposes that all Commission-approved financial power hedging program-related contract settlements (gains and losses) and related contract costs be recovered through the Company's Fuel Adjustment Clause.

Witness: Brian K. West

DATA REQUEST

KPSC 3_6 Confirm that, during rate proceedings, Kentucky Power would be able to demonstrate through detailed cost of service analysis that nonparticipating ratepayers are not adversely affected by the special contract with Ebon.

RESPONSE

The Company will prepare the cost-of-service analysis in future rate proceedings. While the Company's estimates indicate that such cost-of-service analysis will show that customers are not adversely affected by the special contract with Ebon, the Company cannot guarantee that such analysis will demonstrate a net positive over any given year(s). The Company does not presently have, nor would it have in future rate proceedings, known and actual information from the future to state as such.

Witness: Brian K. West

DATA REQUEST

KPSC 3_7 In future rate proceedings, explain which entity or entities would be responsible for any deficiency between Ebon's cost of service and rates collected.

RESPONSE

Beyond the provisions included in the proposed Ebon special contract, any delta (positive or negative) between the cost to serve Ebon and the revenues generated would be included in a subsequent base rate case proceeding. The same is true for any other customer or customer class. However, the Company's anticipates that the cost-of-service analysis will show that customers are not adversely affected by the special contract.

Witness: Brian K. West

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DATA REQUEST

KPSC 3_8 Explain how PJM Interconnection, LLC (PJM) assesses penalties for failure to interrupt when called on.

RESPONSE

Ebon has elected to take service under the Commission-approved Rider D.R.S. which allows for the load to be used to peak shave the PJM 5CP hours. Under Rider D.R.S. the Company calls for interruptions, not PJM. As the program is administered outside the PJM RPM Capacity construct the Company would not be exposed to any PJM penalties. Further, Rider D.R.S. provides for a payback of the discount achieved under the rider by the participating customer if they were to fail to curtail.

The risk if the customer were to fail to interrupt under Rider D.R.S. is that the Company may have to procure additional UCAP MW of capacity in subsequent delivery years to compensate for the resulting higher load obligation.

Nonetheless, PJM penalizes PJM demand response resources that fail to interrupt during Performance Assessment Intervals like it would any other resource that fails to perform, per PJM's FERC approved Tariff.

Witness: Brian K. West

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DATA REQUEST

KPSC 3_9 Explain whether and how Kentucky Power would recover any penalties from PJM for failure to interrupt when called on.

RESPONSE

See the Company's response to KPSC 1-8. The Company would enforce the DRS event failure charge (outlined in Tariff D.R.S.) should the customer fail one or more DRS interruption events.

Please see response to KPSC 1-8 for further details from a PJM perspective.

Witness: Brian K. West

VERIFICATION

The undersigned, Lerah M. Kahn, being duly sworn, deposes and says she is the Regulatory Case Manager for Kentucky Power, that she 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 her information, knowledge, and belief.

Lerah Kahn

Lerah M. Kahn

Commonwealth of Kentucky)
) Case No. 2022-00387
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lerah M. Kahn, on 7/11/2023.

Marilyn Michelle Caldwell

Notary Public

My Commission Expires May 5, 2027

Notary ID Number KYNP71841

MARILYN MICHELLE CALDWELL
Notary Public
Commonwealth of Kentucky
Commission Number KYNP71841
My Commission Expires May 5, 2027

VERIFICATION

The undersigned, Brian K. West, being duly sworn, deposes and says he is the Vice President, 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.

Brian K. West

Commonwealth of Kentucky)
) Case No. 2022-00387
County of Boyd)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Brian K. West, on July 11, 2023

Marilyn Michelle Caldwell
Notary Public

MARILYN MICHELLE CALDWELL
Notary Public
Commonwealth of Kentucky
Commission Number KYNP71841
My Commission Expires May 5, 2027

My Commission Expires May 5, 2027

Notary ID Number KYNP71841