

Kentucky Power Company
KPSC Case No. 2022-00424
Commission Staff's First Set of Data Requests
Dated January 10, 2023

DATA REQUEST

1_1 Refer to the Application, provide an exhibit showing all annual revenues received and costs incurred illustrating that Kentucky Power customers do not subsidize the Cyber Innovation Group LLC (Cyber Innovation) over the life of the contract. Include in the response a breakdown of the separate tariffed items and the discounted rates. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

RESPONSE

On January 10, 2023 the Company filed an errata to Application Attachment 3. Please see KPCO_R_KPSC_1_1_PublicAttachment1, which contains the supporting calculations for errata Attachment 3.

Witness: Lerah M. Kahn

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- 1_2** Refer to the Application, Contract for Electric Service between Kentucky Power Company and Cyber Innovation (Contract), page 1 and Cyber Innovation’s Application for Economic Development Rider Discount (Attachment 2), page 2.
- a. Provide the calculations supporting the projection of a \$3.5 million investment in this proposed project.
 - b. Provide a description of and a map showing the location of the Rockhouse and Long Fork facilities. Include in the response a description of any construction activity that Kentucky Power must undertake to serve Cyber Innovation.

RESPONSE

a. Cyber Innovation has represented to Kentucky Power that Cyber Innovation based the investment projection on the costs associated with their Long Fork facility. Cyber Innovation spent \$6,970,200.65 on the Long Fork Facility in labor and infrastructure. The table below shows the current investment of Cyber Innovation.

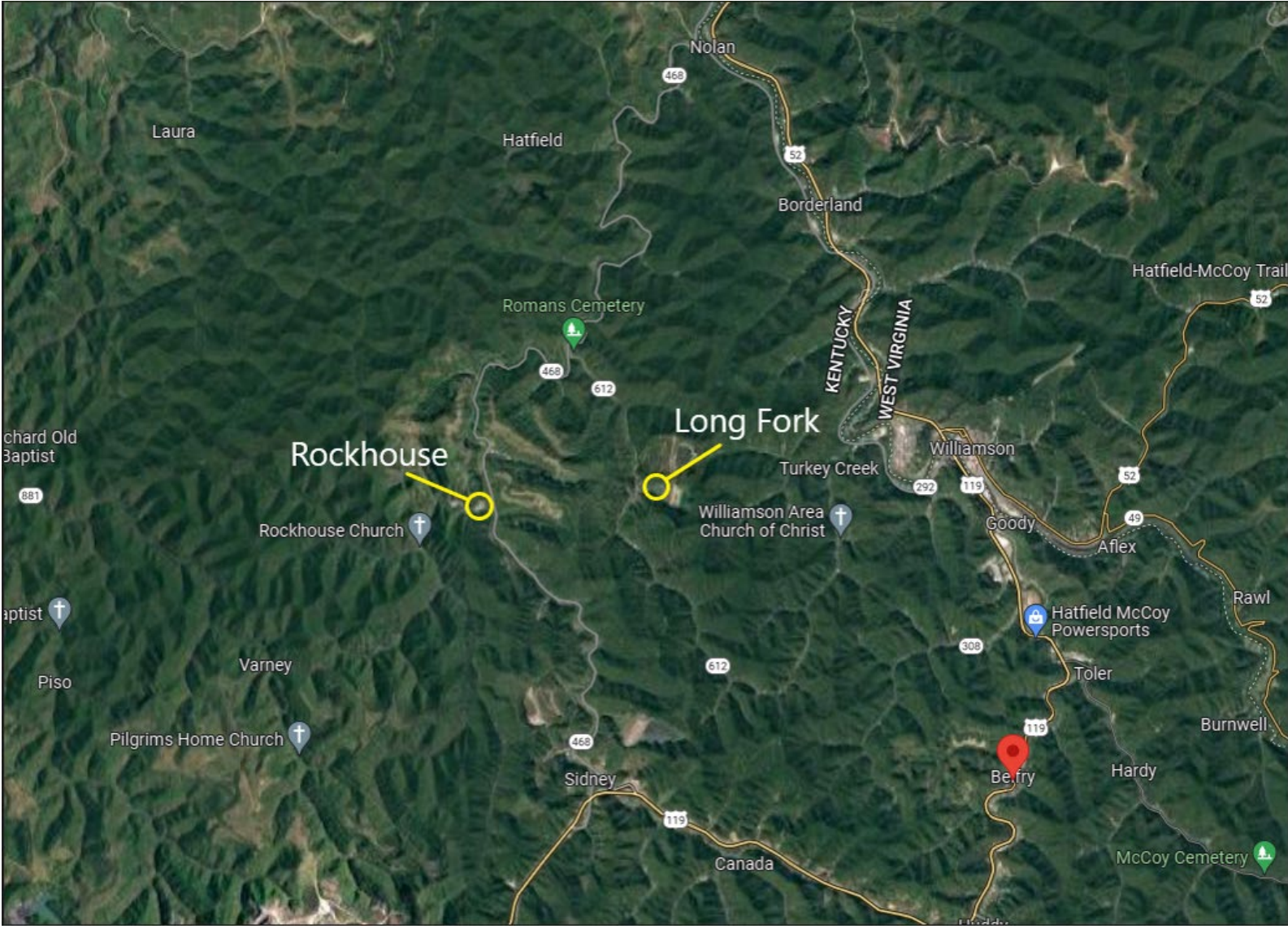
<i>SUM of Total Labor/Infrastructure</i>				
<i>Location</i>	<i>infrastructure</i>	<i>Labor</i>	<i>shipping cost</i>	<i>Grand Total</i>
LF	4,867,072.94	2,096,099.71	7,028.00	6,970,200.65
RH	933,423.22	192,010.73		1,125,433.95
Grand Total	5,800,496.17	2,288,110.44	7,028.00	8,095,634.61

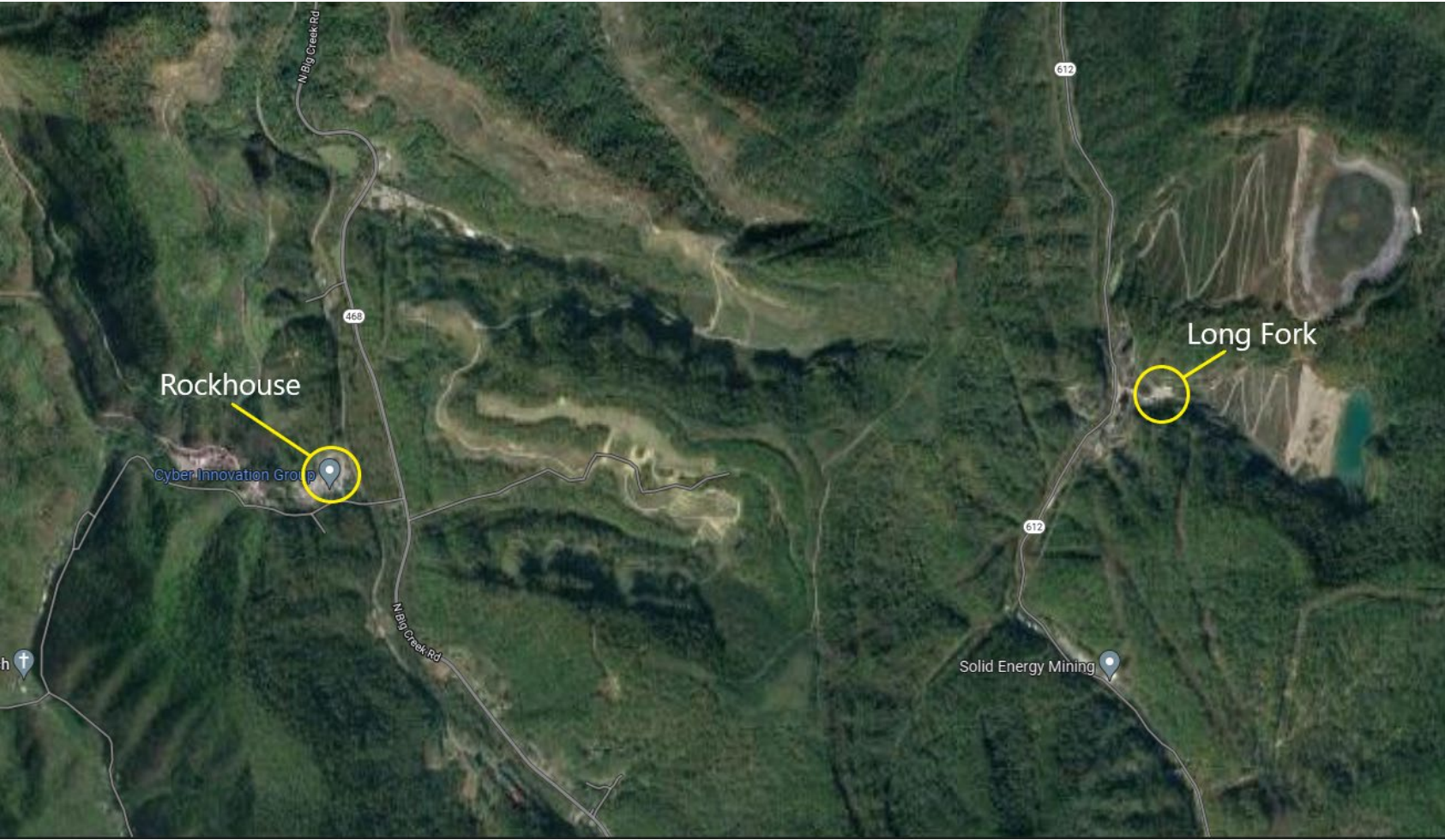
b. Please see KPCO_R_KPSC_1_2_Attachment1 for a map showing aerial views of the Rockhouse and Long Fork facility locations. No initial work was required to serve Cyber Innovation at either location other than re-energizing the metering station. There are still long term projects the Company plans to undertake in order to help support Cyber Innovation’s loads on the 69 kV line. For example, the Company will add a Phase over Phase switch and replace the metering equipment at Long Fork.

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See the Company's response to AG 1-10 and JI 1-3.

Witness: Amanda C. Clark





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- 1_3** Refer to Contract, page 1, which states, “Customer projects it will create approximately 10 full-employee positions when Customer’s Rockhouse Facility is placed in operation[,]” and also refer to Application, page 2, which states that Cyber Innovation plans “5 new hires.”
- a. Reconcile the difference between the number of employment positions this project will create as presented in the Contract and in the Application.
 - b. State how many of these jobs are anticipated are to be full-time.
 - c. State how many of these jobs are anticipated to be filled with individuals residing in Pike County, Kentucky, or Kentucky counties adjacent to Pike County, Kentucky.

RESPONSE

- a. Employees of Cyber Innovation go between Cyber Innovation's Long Fork and Rockhouse facilities according to the needs of the company. Cyber Innovation has already hired 10 employees and plans on adding at least three more to serve the Rockhouse facility.¹
- b. All of the jobs are anticipated to be full-time.
- c. All of Cyber Innovation's current employees have been hired from Pike, Johnson, Lawrence and Martin counties. Cyber Innovation has informed Kentucky Power they intend to continue that practice.

Witness: Amanda C. Clark

¹ The Company would note that because of the number of projected jobs, Cyber Innovation is not eligible under Tariff E.D.R. to receive the Supplemental Billing Demand Discount (“SBDD”) for either facility.

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- 1_4** Refer to the Application, Attachment 3. Provide the work papers in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.
- a. Explain how the DALMP \$/kWh figure was derived.
 - b. Explain why there are no incremental distribution costs.
 - c. Explain why there are no incremental transmission costs.
 - d. Explain how PJM LSE Transmission costs were derived and what that represents.
 - e. Explain how the incremental revenue was calculated. Include in the response if the revenue was calculated using tariffed rates or discounted rates.

RESPONSE

On January 10, 2023 the Company filed an errata to Attachment 3. Please see KPCO_R_KPSC_1_1_PublicAttachment1 for the work papers for the errata version.

- a. The errata set the DA LMP to mirror the fuel adjustment clause and base fuel revenues side of the equation. Nonetheless the original 0.04065/kWh was based on a three-year average ending September 2022. This data is also provided within the errata version of Attachment 3. Please see KPCO_R_KPSC_1_1_PublicAttachment1 for the workpapers.
- b. There are no distribution costs expected for Cyber Rockhouse as they will be served at the Subtransmission level.
- c. Both the original and errata versions of Attachment 3 show incremental transmission costs. Thus, the Company assumes this data request refers to generating capacity costs.

The Company will replace only a portion of the Rockport Unit Power Agreement capacity upon its expiration. Furthermore, the Company must secure capacity to serve all of its customers after the expiration of the Rockport UPA, not just Cyber Innovation. Capacity costs are not assigned to individual customers and are recovered through Tariff P.P.A.

Nonetheless, please see KPCO_R_KPSC_1_1_PublicAttachment1 which provides the marginal cost study with and without generating capacity costs.

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d. The transmission costs are additional cost to Kentucky Power's Network Integration Transmission Service ("NITS") expense for the Customer's projected MW. Please see KPCO_R_KPSC_1_1_PublicAttachment1 for the calculation.

e. Please see KPCO_R_KPSC_1_1_PublicAttachment1 for the calculation, tab "Rev." First, the Company calculated revenues solely through tariffed rates utilizing a 12-month average for the Fuel Adjustment Clause and Environmental Surcharge (all other riders/surcharges utilized the current rates). Then, discounts under Tariff E.D.R. and Rider D.R.S. were calculated and removed from the revenues.

Witness: Lerah M. Kahn

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- 1_5** Refer the Application, page 3 and Attachment 3.
- a. With the expiration of the Rockport Purchase Agreement, Kentucky Power is purchasing capacity to satisfy its PJM capacity requirement or to meet its peak demand. Since Cyber Innovation represents an incremental load, explain why Cyber Innovation should not bear or be apportioned an incremental share of the purchased capacity cost as could be apportioned to every other customer.
 - b. Refer also to Tariff E.D.R., Terms and Conditions, Paragraph 1. If Cyber Innovation is running at full capacity when Kentucky Power is required to purchase capacity, explain whether the dollar for dollar reduction in demand discount credits is based on the 1,000 kW firm capacity or the full amount of contracted capacity at the time of and over the duration of the capacity purchase.
 - c. Explain how long Kentucky Power anticipates having to purchase capacity to satisfy its PJM requirement and its peak demand.
 - d. Confirm that Kentucky Power will be purchasing capacity when necessary through the Bridge Power Coordination Agreement and paying the PJM Base Residual Auction clearing prices for the 2022/2023 and 2023/2024 years and explain what capacity prices would be appropriate.

RESPONSE

- a. See the Company's response to KPSC 1-4 subpart c.
- b. Please see the Company's response to AG 1-4. Nonetheless, the reduction would be based on their contribution to the Company's 5CP. As an example, if a customer's firm service level is 500 kW, but they actually only reduced to 1.5 MW on average during the 5 CP hours, then the reduction to the discount would be based on 1.5 MW, so their discount would be reduced by 1 MW due to their failure to achieve their contracted firm service level of 500 kW.
- c. Kentucky Power plans to make bilateral purchases for the PJM 2022/23 (the stub period) and 2023/24 Planning Years to meet the capacity needs of the Company's customers, including new customers, during times when excess capacity may not exist. Further, in order to satisfy the Company's FRR requirement with PJM, Kentucky Power has entered into a bilateral market capacity purchase agreement for 80 MW for the 2024/25 PJM Planning Year. In the longer term, the ultimate mix of resources to serve Kentucky Power's customers will be determined in the Company's Integrated Resource

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Plan to be filed on or before March 20, 2023. In general, the mix of resources includes solar, wind, and natural gas added at various levels and years, as needed.

d. Confirmed. Also see the Company's response to subpart c. The net CONE price provides a reasonable proxy for long-term capacity costs as the Company does not yet have long-term replacement for the capacity deficit resulting from the Rockport Unit Power Agreement expiration.

Witness: Brian K. West (parts a., b., c.)

Witness: Lerah M. Kahn (part d.)

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1_6 Refer to the Application. In the case of default, explain whether Kentucky Power is requiring Cyber Innovation to post a bond or other form of assurance that Kentucky Power's other customers will not bear any of the cost incurred to serve Cyber Innovation.

RESPONSE

The Company has discussed with Cyber Innovation the possibility of providing some form of security to ensure repayment of Tariff E.D.R. discounts should Cyber Innovation default on its contract. Discussions are still ongoing.

Witness: Brian K. West

