

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, 2022 THROUGH)
OCTOBER 31, 2024.)

Case No. 2025-00338

DIRECT 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 Director – Coal and Reagent
5 Procurement. My business address is 1 Riverside Plaza, Columbus, Ohio 43215.

II. BACKGROUND

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
7 **BUSINESS EXPERIENCES.**

8 A. I graduated from the University of Dayton in 1992 with a Bachelor of Chemical
9 Engineering Degree. I joined AEP in 1992 as an Assistant Chemist at Columbus Southern
10 Power Company’s (“CSP”) Conesville Plant. In 2004, I transferred to the fuels group as a
11 Coordinator and was primarily responsible for assessing and reviewing the quality of coal
12 purchased by the procurement department. In 2007, I transferred to the Fuel Procurement
13 group and was responsible for the purchase and shipment of all of the Powder River Basin
14 Coal for the AEP System power plants. In 2008, I became responsible for purchasing coal
15 for CSP and Ohio Power Company, which merged to become AEP Ohio. In 2010, I was
16 promoted to Manager of Coal Procurement for AEP Ohio and Kentucky Power Company.
17 In 2014, I joined AEP Generation Resources with responsibilities for purchasing coal,
18 natural gas and consumables for AEP’s unregulated plants. In 2020, I accepted a position

1 in the regulated Commercial Operations organization in the coal and reagents
2 transportation team. In May of 2021, I was promoted to Coal Procurement Manager and
3 in October 2023 to Director – Coal and Reagent Procurement.

4 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY AS DIRECTOR**
5 **– COAL AND REAGENT PROCURMENT FOR AEPSC?**

6 A. I am responsible for managing coal and reagent procurement, contract oversight, and
7 inventory management activities for several AEP operating companies, including
8 Kentucky Power.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY REGULATORY**
10 **PROCEEDINGS?**

11 A. Yes. I filed testimony and testified before the Kentucky Public Service Commission on
12 behalf of Kentucky Power Company (“Kentucky Power”), including the prior 2-year fuel
13 adjustment clause audit in Case No. 2023-00008, the West Virginia Public Service
14 Commission on behalf of Appalachian Power Company (“APCo”) and Wheeling Power
15 Company (“WPCo”), the Oklahoma Corporation Commission on behalf of Public Service
16 Corporation of Oklahoma (“PSO”), and to the Virginia State Corporation Commission on
17 behalf of APCo. Additionally, I have submitted written testimony to the Indiana Utility
18 Regulatory Commission, the Michigan Public Service Commission on behalf of Indiana
19 Michigan Power Company, and the Public Utility Commission of Texas on behalf of
20 Southwestern Electric Power Company.

III. PURPOSE OF TESTIMONY

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

22 A. The purpose of my testimony is to address the following areas:

- 1 a) Changes in market conditions from November 2022 through October 2024 (“the
2 Review Period”) and expected to occur within the next two years that have
3 significantly affected or will significantly affect Kentucky Power’s coal costs or
4 coal procurement practices;
- 5 b) Kentucky Power’s efforts to ensure coal suppliers’ adherence to contractual terms
6 during the Review Period;
- 7 c) Coal suppliers’ adherence to contract delivery schedules during the Review Period;
- 8 d) Kentucky Power’s efforts to maintain the adequacy of its coal supplies in light of
9 any coal supplier’s inability or unwillingness to make contract coal deliveries;
- 10 e) The reasonableness of Kentucky Power’s fuel procurement practices during the
11 Review Period; and
- 12 f) Actions taken by Kentucky Power to mitigate high fuel or purchased power related
13 costs for its customers.

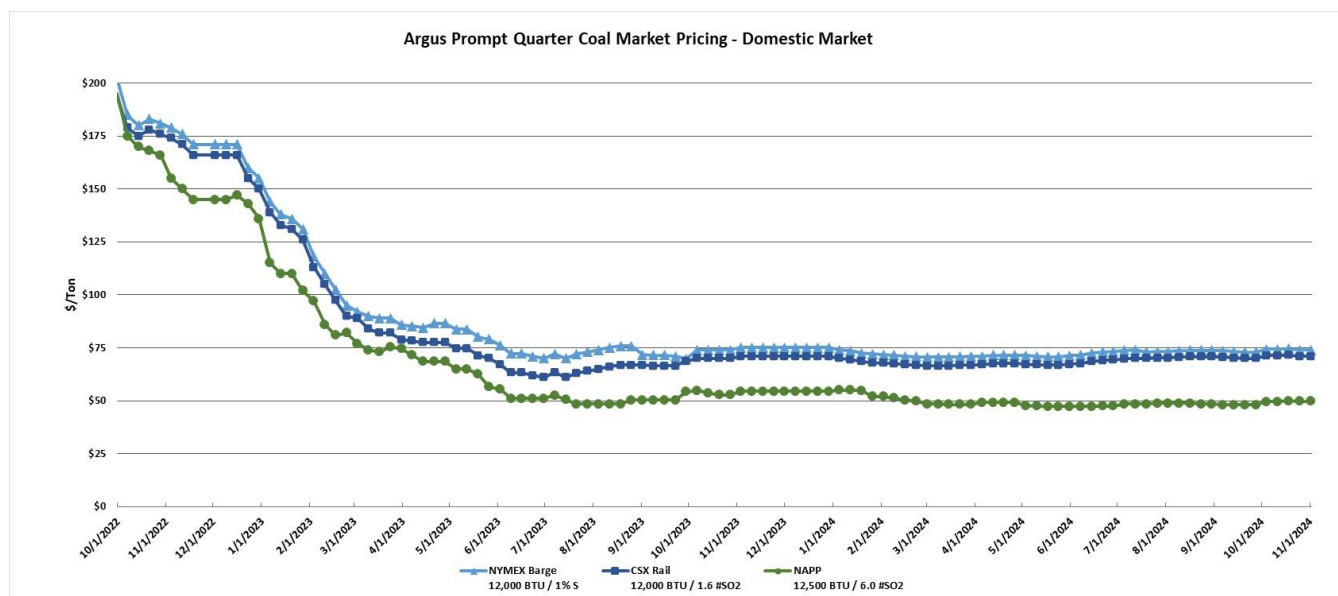
IV. MARKET OVERVIEW

14 **Q. PLEASE DESCRIBE THE COAL MARKET FROM 2022 THROUGH PRESENT.**

15 A. Unprecedented volatility in the coal markets began in the latter half of 2021 and continued
16 into 2022. Coal prices in 2022 started at elevated levels and climbed through September
17 2022, reaching all-time highs due to limited market availability. Kentucky Power
18 continued the practice of layering in tons and continued to purchase coal during this period
19 of higher prices. The market forces impacting coal costs and supply included demand in
20 the export market and increased consumption domestically for the generation of electricity
21 due to high natural gas pricing. At the end of 2022, most suppliers indicated that they were
22 fully subscribed for 2023. In the first quarter of 2023, natural gas prices declined, due to

1 low demand and mild winter weather. Gas prices remained low for the remainder of 2023.
2 With these lower natural gas prices and resulting lower power price costs, coal generation
3 was more costly than natural gas generation resulting in elevated coal inventories.

4 Additionally, in 2023, exports remained high due to volumes contracted for in prior
5 years when international coal demand was strong and supply was constrained; however,
6 little additional export demand emerged in 2023. In 2023, lower demand both domestically
7 and internationally allowed coal market prices to decline from the unprecedented levels of
8 2022 and stabilize in the latter part of the year. In 2023 and 2024, competition between
9 coal and natural gas for electricity generation continued as natural gas prices fluctuated
10 throughout the year. Lower natural gas prices resulted in a decrease in coal fired
11 generation, an increase in coal pile inventory, and stable coal markets. The coal markets
12 saw a modest price increase in the last months of 2024 driven by colder temperatures,
13 increased coal demand, and higher gas prices, and these such market prices carried into
14 2025. As 2025 progressed, electricity demand from coal exceeded forecasts, inventory
15 levels declined, and utilities re-entered the market to make purchases for future years. This
16 renewed demand and market activity in 2025, pushed coal prices for both Northern
17 Appalachian (“NAPP”) and Central Appalachian (“CAPP”) to levels not seen since 2023.
18 The graph on the next page depicts the changes in the NAPP and CAPP markets during the
19 Review Period.



Q. DOES KENTUCKY POWER ANTICIPATE CURRENT MARKET CONDITIONS TO CONTINUE?

A. Yes, the uncertainty surrounding coal-fired generation demand is expected to continue. Continued volatility in the natural gas market, variability in domestic and global coal demand, the growing share of renewables, and uncertain load growth driven by AI and data centers will cause forecasted and actual consumption of coal to fluctuate. These market dynamics will continue to drive volatility in the coal market, making purchasing decisions more challenging. As a result, maintaining flexibility in coal purchasing is essential. Kentucky Power's coal procurement strategy will continue to focus on actively monitoring market trends, issuing and evaluating request for proposals ("RFP"), reviewing unsolicited offers when received, and layering in supply to build a diversified portfolio of agreements with varying terms and prices.

V. COAL PURCHASING STRATEGY

1 **Q. HOW DOES KENTUCKY POWER MAINTAIN ADEQUATE DELIVERIES OF**
2 **COAL?**

3 A. Coal delivery requirements are determined by taking into account existing coal inventory,
4 forecasted coal consumption, and adjustments for contingencies related to planned as well
5 as unplanned outages to maintain adequate coal inventory levels.

6 The coal procurement strategy is dynamic and relies on periodic forecast updates
7 and continuous monitoring and evaluation of market conditions to determine when to issue
8 RFPs. RFPs include the quality specifications and logistical requirements. Kentucky
9 Power selects coal from qualifying offers, based on the lowest reasonable delivered cost,
10 including consideration of price, coal quality, ability to deliver, past performance, and
11 suppliers' financial performance. Once offers are selected from the RFP process, Kentucky
12 Power will enter into short-term (one year or less) agreements and/or longer-term
13 agreements, depending on Kentucky Power's requirements and the terms offered.
14 Kentucky Power layers such new purchases into the portfolio of existing agreements. This
15 layered approach used by Kentucky Power builds a diversified supply portfolio at the
16 lowest reasonable cost, provides future price certainty, and helps mitigate price volatility.

17 Furthermore, the Company evaluates unsolicited offers and monitors coal markets
18 for availability. The Company evaluates unsolicited offers against published market prices
19 and recent solicitation results to ensure reliable supplies of coal at reasonable prices.

20 Lastly, the Company relies on the physical inventory to be used during periods of
21 high consumption and to minimize supply disruptions. Supply disruptions can be caused
22 by events such as power plant outages, inclement weather, river levels, mine production

1 challenges and outages, and shortages of equipment and labor. To maintain this physical
2 hedge, on an annual basis the Company establishes a target inventory that incorporates the
3 potential supply disruptions. Kentucky Power recognizes that during the year the inventory
4 will fluctuate below and above the target levels due to deliveries, outages, and other factors.
5 The Company establishes the target levels as guidance to maintain and assure a reliable
6 supply. Considering each of those factors, and the fact that the Company increased the
7 target inventory level for the Mitchell Plant as part of its annual target inventory review in
8 2023, the Company did not change the inventory targets for 2024. The Company's
9 inventory target is 35 days of full load burn for both the low sulfur and high sulfur piles at
10 Mitchell Plant.

11 **Q. DID KENTUCKY POWER ISSUE ANY RFPS DURING THE REVIEW PERIOD?**

12 A. Yes. As a part of the overall effort to ensure adequate supply at the Mitchell Plant during
13 the Review Period, the Company issued one solicitation for coal supply in July 2024. The
14 Company did not issue any solicitations in 2023 due to the change in market dynamics and
15 the Company having an adequate supply of coal at the Mitchell Plant. The Company
16 purchased high sulfur, NAPP for 2026 and 2027, from the July 2024 solicitation. This
17 purchase allowed the Company to layer in supply with varying terms to maintain
18 appropriate deliveries of coal at a reasonable cost.

VI. CONTRACT PERFORMANCE

Q. PLEASE GENERALLY DESCRIBE KENTUCKY POWER'S EFFORTS TO ENSURE THAT ITS COAL SUPPLIERS ADHERE TO CONTRACT DELIVERY SCHEDULES DURING THE REVIEW PERIOD.

A. Supplier performance under coal contracts is managed in a firm, practical, and business-like manner to ensure the primary objective of procuring and maintaining adequate coal supplies to meet current and anticipated requirements. Kentucky Power reviews supplier performance at the conclusion of each month, and if a supplier's performance does not meet the conditions or terms of the applicable agreement, the Company informs the supplier, takes corrective action as appropriate per contract terms, and directs that subsequent performance be in compliance. Although the Company and the supplier often can informally reach a mutually agreeable resolution, disputes regarding a supplier's non-performance sometimes cannot be satisfactorily resolved through such means. Those matters are evaluated for further action, such as arbitration, litigation, settlement, or termination if provided by the contract, balanced against the need to maintain a continuing supply of coal to meet Kentucky Power's generation needs.

Q. PLEASE SUMMARIZE KENTUCKY POWER'S COAL SUPPLIERS' ADHERENCE TO LONG-TERM CONTRACT DELIVERY SCHEDULES DURING THE REVIEW PERIOD.

A. Kentucky Power had thirteen long-term agreements with nine different suppliers for coal deliveries to the Mitchell Plant during the Review Period. These suppliers were Alliance Coal, LLC ("Alliance"), Alpha Metallurgical Coal Sales, LLC, ("Alpha"), ACNR Coal Sales, Inc. ("ACNR"), Blackhawk Coal Sales, LLC ("Blackhawk"), BAMB INC.

(“BAMM”), Case Coal Sales, LLC (“Case”), Noble Coal, LLC (“Noble”), Pocahontas Sales and Logistics LLC (“Pocahontas”), and River Trading Company (“River Trading”). As noted below in Table 1, which contains the details of the long-term agreements, Kentucky Power received the contractual tonnage obligation under the agreements either as originally contracted or as amended.

Table 1

Supplier	Agreement Number	Term	Status
Alliance	03-00-22-9M3	1/1/23 - 12/31/25	Amended, On Schedule
Alpha	03-00-21-9M2	1/1/22 - 12/31/23	Completed
Alpha	03-00-21-9M3	1/1/23 - 12/31/24	Completed
ACNR	03-00-22-003	6/1/23 - 12/31/26	Amended, On Schedule
ACNR	07-77-05-900	1/6/06 - 12/31/24	Completed
BAMM Inc.	03-00-21-003	1/1/22 – 12/31/24	Completed
Blackhawk	03-00-21-9M1	1/1/22 - 12/31/23	Completed
Blackhawk	03-00-21-9M4	1/1/23 - 12/31/26	Amended, On schedule
Blackhawk	03-00-23-9M3	1/1/23 - 12/31/24	Completed
Case Coal	03-00-21-002	2/1/22 - 12/31/23	Completed
Noble	03-00-22-002	11/1/22 - 12/31/23	Completed
Pocahontas	03-00-23-002	1/1/23 - 12/31/26	Amended, On Schedule
River Trading	03-00-21-004	4/1/22 - 6/30/23	Completed

Q. PLEASE SUMMARIZE KENTUCKY POWER’S COAL SUPPLIERS’ ADHERENCE TO SHORT-TERM CONTRACT DELIVERY SCHEDULES DURING THE REVIEW PERIOD.

A. Kentucky Power had ten short-term (one year or less) coal supply agreements with six different coal suppliers for coal deliveries to the Mitchell Plant during the Review Period. Details of the short-term agreements are contained in Table 2 below. During the Review Period the coal supply agreements with BAMM and Case were reclassified due to a change in the term from short-term to long-term agreements and are addressed in Table 1 above.

Kentucky Power worked with the suppliers who were not able to meet their obligations under the short-term agreements to modify the agreements to allow for the delivery of the obligations.

Table 2

Supplier	Agreement Number	Term	Status
Alpha	03-00-19-9M3	1/1/22 - 12/31/22	Completed
Alpha	03-00-22-9M2	6/1/22 - 12/31/22	Note 1
Blackhawk	03-00-22-9M1	5/1/22 - 12/31/22	Completed
Blackhawk	03-00-22-9M4	10/1/22 - 12/31/22	Completed
Blackhawk	03-00-23-9M1	1/1/22 - 12/31/23	Completed
Blackhawk	03-00-23-9M2	1/1/23 - 12/31/23	Completed
Carbon Partners	03-00-22-004	10/1/22 - 12/31/22	Completed
Iron Coal	03-00-23-001	4/1/23 - 6/30/23	Completed
Note 1: Alpha delivered 74% of contract volume in 2022. The remaining tons were delivered in 2023.			

Q. WHAT IMPACT DID THE SUPPLIER DELIVERY ISSUES HAVE ON THE COMPANY'S ABILITY TO MAINTAIN ADEQUATE INVENTORY DURING THE REVIEW PERIOD?

A. The delivery issues noted above for both the long-term and short-term contracts had no material impact on the Company's ability to maintain its coal inventory levels at or above its target inventory of 35 days of full load burn during the Review Period. Inventory levels during the Review Period are discussed below. Indeed, the restructuring of some of the long- and short-term contracts allowed the Company shift-out delivery to manage its coal inventories to ensure there was not an oversupply during a time of volatility.

VII. INVENTORY LEVELS

Q. PLEASE GENERALLY DESCRIBE THE CHANGE IN KENTUCKY POWER'S INVENTORY LEVELS DURING THE REVIEW PERIOD.

A. Due to a very mild winter, which resulted in reduced generation and lower than forecasted natural gas and power prices, inventories began to grow at the end of 2022 and increased throughout 2023 to near the maximum level at the Mitchell Plant. In 2024, the Company's inventory level remained elevated, Figure 1 and Figure 2 below show the inventory levels at the Mitchell Plant from November 2022 through October 2024.

Figure 1

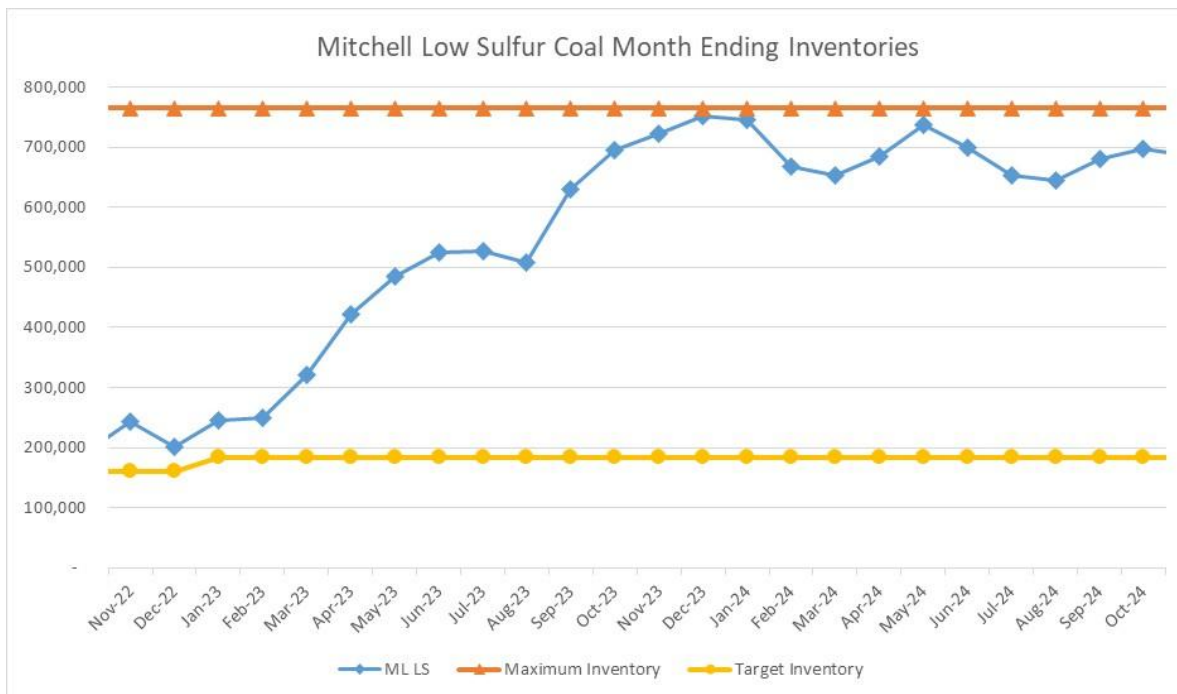
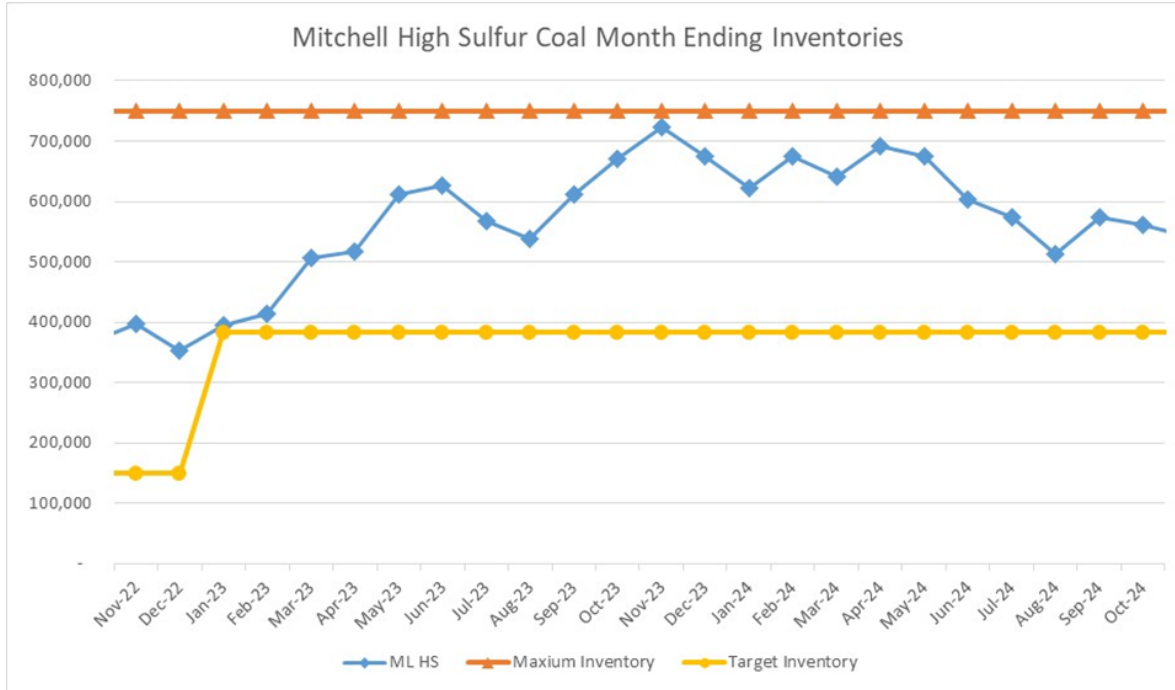


Figure 2

Q. DID KENTUCKY POWER AMEND ANY CONTRACTS TO ADDRESS THE HIGH INVENTORY LEVELS WHICH RESULTED FROM THE CHANGE IN MARKET CONDITIONS?

A. Yes. Kentucky Power worked with two suppliers to defer tons into future periods at no additional cost. By amending these two agreements, Kentucky Power was able to maintain inventory levels, honor the contractual obligations, and not increase costs for the customers.

VIII. CONCLUSION

Q. WERE THE COMPANY'S PROCUREMENT PRACTICES REASONABLE DURING THE REVIEW PERIOD

A. Yes. Especially given coal market conditions, the Company has procured and managed both its coal supply and transportation costs appropriately during the Review Period to provide reliable supply at the lowest reasonable costs.

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 A. Yes, it does.

VERIFICATION

The undersigned, Kimberly K. Chilcote, being duly sworn, deposes and says she is the Director of Coal and Reagent Procurement for American Electric Power Service Corporation, that she has personal knowledge of the matters set forth in the foregoing testimony and the information contained therein is true and correct to the best of her information, knowledge, and belief after reasonable inquiry.

Signed by:
Kimberly K. Chilcote
Kimberly K. Chilcote

Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2025-00338

Subscribed and sworn to before me, a Notary Public in and before said County
and State, by Kimberly K. Chilcote, on 1/19/2026 | 10:36 AM EST.

Signed by:
Michelle Caldwell
Notary Public

MARILYN MICHELLE CALDWELL
ONLINE NOTARY PUBLIC
COMMONWEALTH OF KENTUCKY
Commission #KYNP71841
My Commission Expires 5/5/2027

My Commission Expires 05/05/2027

Notary ID Number KYNP71841