

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE ACCURACY OF	)	CASE NO.
KENTUCKY POWER COMPANY'S FUEL	)	2016-00073
ADJUSTMENT CLAUSE FILINGS	)	

ORDER

By Order dated February 11, 2016, the Commission initiated this investigation into the accuracy of documents filed by Kentucky Power Company ("Kentucky Power") in support of its Fuel Adjustment Clause ("FAC") as authorized by 807 KAR 5:056. One of the FAC schedules that Kentucky Power submits with the Commission each month is an "Analysis of Coal and Oil Purchases"<sup>1</sup> which contains details of the coal purchases made by Kentucky Power, including the state and coal district from which the coal was mined. According to the Analysis of Coal and Oil Purchases filed by Kentucky Power, all of the coal that was purchased each month from February 2013 through the date this proceeding was initiated was mined in Kentucky from CSX coal rate District 08, which is Eastern Kentucky. However, a review of certain discovery responses provided by Kentucky Power in Case No. 2015-00232<sup>2</sup> indicated that from November 2014 through

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<sup>1</sup> The other back-up filings that Kentucky Power submits on a monthly basis to support its calculation of the FAC factor and implementation of its FAC are Coal, Oil, and Gas Fuel Inventory Schedules, Analysis of Gas Purchases, Monthly Energy Purchase Summary, Schedule of Power Transactions, and Unit Performance Data.

<sup>2</sup> Case No. 2015-00232, *An Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2014 Through April 30, 2015* (Ky. PSC Dec. 4, 2016).

April 2015, approximately 90 percent of the coal purchased by Kentucky Power was mined in West Virginia, and not in Kentucky.

The February 11, 2016 Order directed Kentucky Power to file written testimony addressing the apparent conflict in its FAC monthly support filings. On March 2, 2016, Kentucky Power timely filed written testimony as directed. On March 3, 2016, an Order was issued granting Kentucky Industrial Utility Customers, Inc.'s petition to intervene in this matter. On March 21, 2016, the Commission issued an Order establishing a procedural schedule for the processing of this matter, which set forth, among other things, two rounds of discovery. On May 23, 2016, Kentucky Power filed notice requesting that the matter be submitted for a decision on the record and waived an evidentiary hearing in this matter. The matter now stands submitted to the Commission for a decision based upon the existing evidentiary record.

#### DISCUSSION

Kentucky Power's testimony addresses in detail the discrepancy between the information included in the Analysis of Coal and Oil Purchases during the period February 2013 through December 2015 that is part of Kentucky Power's monthly back-up information, and other information filed by Kentucky Power. Although stating that the inaccuracies were not intentional and did not affect the amount paid by its customers, Kentucky Power acknowledged that it did not accurately identify the state of origin and accompanying district code for some of the coal purchased by Kentucky Power. In particular, Kentucky Power stated that the Analysis of Coal and Oil Purchases incorrectly reflected that all coal purchased since 2013 was mined in Kentucky. However, Kentucky Power informed, and the Commission has since confirmed, that

other information filed by it, including discovery responses in Case No. 2015-00232 and the filed fuel contracts, correctly reported that during that same time period Kentucky Power purchased coal sourced from mines in Kentucky and West Virginia.

The evidence obtained in the course of this investigation establishes the following:

- 1) Kentucky Power failed to enter the proper source mine, state, and MSHA district in the Analysis of Coal and Oil Purchases filed with the Commission.
- 2) Kentucky Power personnel failed to recognize and correct the error.
- 3) The errors and failure to recognize and correct them appear to be the result of carelessness, as well as a lack of training of new personnel at Kentucky Power, combined with inadequate oversight and review of documents prior to their filing with the Commission.

As a result of the investigation, Kentucky Power has undertaken the following corrective action:

- 1) Updated its monthly FAC back-up filings from February 2013 to the date its testimony was filed in this action and made all necessary corrections;
- 2) Extended its review of its FAC back-up filings to include a period from January 2012 through January 2013, which identified additional errors. The revised and corrected documents reveal that Kentucky Power purchased 41 percent of its coal from Kentucky mines between 2012 and 2015. 59 percent of the coal it purchased during that period was mined in West Virginia;
- 3) Implemented changes to its process for reviewing monthly FAC filings to ensure that the information reported is accurate;

4) Provided additional training for those employees assigned to prepare and review its monthly FAC back-up filings;

5) Caused to be prepared an instructional document clearly describing the process for preparing and reviewing the filings;

6) Re-examined its procedures for identifying the contracts and spot-market purchase agreements to be filed with the Commission;

7) Directed its Regulation Group to review each of the schedules which constitute the FAC back-up filing and to cross-check that information for accuracy and consistency; and

8) As a part of its six-month and two-year FAC review proceedings, committed to cross-check its discovery responses regarding fuel contracts against the monthly FAC back-up filings to prevent inadvertent errors from continuing.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Kentucky Power has fully and adequately addressed the issues raised in this investigation concerning the accuracy of certain information reported in Kentucky Power's monthly FAC back-up filings. There is no evidence that Kentucky Power intended to deceive the Commission by filing incorrect information; the errors appear to be solely the result of carelessness on the part of Kentucky Power. The Commission appreciates Kentucky Power's acknowledgement of those errors and its diligent efforts in conducting a comprehensive review of the processes in connection with the preparation and submittal of Kentucky Power's monthly FAC back-up documents. We find that the process changes and protocols implemented by Kentucky Power are reasonable and will ensure either that the information reported in Kentucky

Power's monthly FAC back-up filings is accurate or, if there are any errors, that such errors will be timely identified and corrected. Finally, we find that while the inaccurate information provided by Kentucky Power regarding where the coal it had purchased was mined created considerable confusion, the errors did not impact the FAC factor and hence the amount paid by its customers.

IT IS THEREFORE ORDERED that this investigation is closed and the case is removed from the Commission's docket.

By the Commission

ENTERED  
JAN 18 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

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