

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT	)	CASE NO.
CLAUSE OF KENTUCKY POWER COMPANY	)	2019-00002
FROM NOVEMBER 1, 2016 THROUGH OCTOBER)	
31, 2018)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on February 11, 2019, established this case to review and evaluate the operation of the Fuel Adjustment Clause (FAC) of Kentucky Power Company (Kentucky Power) for the period from November 1, 2016, through October 31, 2018, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this review, the Commission ordered Kentucky Power to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Kentucky Power submitted this information on February 25, 2019, and filed supplemental documentation to the information on February 27, 2019. Kentucky Power filed responses to Commission Staff's second data request on March 25, 2019. A public hearing was held on April 16, 2019. On May 8, 2019, Kentucky Power filed an Affidavit of Ranie K. Wohnhas to correct and to supplement testimony; and a motion for informal conference (IC). There are no intervenors in this proceeding.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that during the period under review, Kentucky Power has complied with the provisions of 807 KAR 5:056. The Commission further finds no

evidence of improper calculation or application of Kentucky Powers FAC charges or improper fuel procurement practices for the last six months of the period under review, known as the period from May 1, 2018, to October 31, 2018.

Base Fuel Cost

Kentucky Power is proposing to increase the amount of fuel costs included in base rates and proposes that the month of April 2017 and a base fuel cost of \$0.02851 be used as the base period for the purpose of arriving at the base fuel cost and the kilowatt-hour (kWh) sales components of its FAC.¹ Given that Kentucky Power's current base fuel cost is \$0.02725 per kWh, the proposal would result in an increase of \$0.00126 per kWh. Kentucky Power states that April 2017 was selected as the proposed base period because, during the review period, the fuel cost for April 2017 is the closest actual cost incurred as compared to Kentucky Power's projected fuel costs for the upcoming two-year period.

The Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by Kentucky Power when establishing the appropriate level of base fuel cost to be included in Kentucky Power's rates. An analysis of Kentucky Power's monthly fuel clause filings shows that the fuel cost billed for the two-year review period range from a low of \$0.02186 per kWh in May 2017, to a high of \$0.03556 per kWh in April 2018, with an average cost billed for the period of \$0.02849 per kWh. Based upon its

¹ Kentucky Power last made a change to the fuel cost included in base rates in Case No. 2014-00450, *An Examination of The Application of The Fuel Adjustment Clause of Kentucky Power Company From November 1, 2012 Through October 31, 2014* (KY. PSC Aug. 11, 2015).

review, the Commission finds that the proposed base period fuel cost of \$0.02851 per kWh should be approved.

GreenHat Default

As a member of PJM Interconnection, LLC, (PJM), Kentucky Power has been subjected to the costs associated with GreenHat Energy, LLC, (GreenHat) upon its June 21, 2018 default in the PJM Financial Transmission Rights (FTR) auction market. At the time of the default, GreenHat had open FTR positions extending through the 2020/2021 Planning Year. Due to the size of the impact from the default, PJM began a liquidation protocol allocating costs associated with the default to its stakeholders, including Kentucky Power. Concerns regarding the inclusion of the costs associated with the GreenHat default were addressed. At the time of the April 16, 2019 Hearing, Kentucky Power stated that the impact of the GreenHat default on Kentucky Power was unknown and that Kentucky Power was in active discussion with PJM on the issue². On May 8, 2019, Kentucky Power filed supplemental testimony to amend the testimony made by Ranie K. Wohnhas during the April 16, 2019 hearing. The amended testimony states that Kentucky Power has been billed by PJM for the GreenHat default costs, through Billing Line Item 1999a, but has not yet sought to recover those costs through its monthly FAC rate³. During the period under review, Kentucky Power has been charged a total of \$70,561.32.⁴ Kentucky Power further states that it believes that its FAC Tariff allows for

² April 16, 2019 Hearing at 9:05 am.

³ Kentucky Power's filing of supplemental response of Ranie Wohnhas to Correct and Supplement Testimony at page 4, paragraph 12.

⁴ *Id.*, at page 3, paragraph 7.

the GreenHat default charges to be passed through its monthly FAC rate because it falls under a fuel-related cost and because the phrase '*including but not limited to*' is included in the tariff and, hence, is related to allowable PJM billing Line Items⁵. Regarding Kentucky Power's pending motion for an IC, the motion states that the purpose of the conference is to answer any questions that Commission Staff may have regarding Kentucky Power's proposed fuel adjustment clause recovery of fuel-related GreenHat FTR market default charges billed by PJM. The Commission finds that the record in this case is fully developed on the issue of recovering the GreenHat default charges through the fuel adjustment clause and, thus, there is no need for an IC. Therefore, the motion will be denied.

While the Commission notes that FTR costs are associated with the cost of generation, the Commission finds that Kentucky Power should not pass through the costs of the GreenHat default under Billing Line Item 1999 as the Item code is not listed in its FAC tariff for acceptable fuel-related costs charged to the Company by PJM. While Kentucky Power's FAC Tariff includes the language "*including but not limited to*" in relation to allowable PJM Billing Line Items, it does not allow Kentucky Power to pass through unlisted items the FAC rate without first gaining Commission approval.

Should Kentucky Power want to recover fuel-related costs such as the GreenHat default costs that are not passed through the FAC tariff via listed PJM billing line Items, it has a number of options such as seeking recovery through base rates in a base rate case or requesting to update its FAC Tariff in a base rate case.

⁵ *Id.*, at paragraph 12 and 13.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Kentucky Power through the FAC for the period from November 1, 2016, through October 31, 2018, are approved.
2. Kentucky Power's proposed base fuel cost of \$.02851 per kWh is approved.
3. Kentucky Power shall increase its base energy rates by \$.00126 per kWh to reflect the reestablishment of base fuel costs.
4. The rates in the Appendix to this Order are approved effective with service rendered on and after February 1, 2020. The rates in the Appendix to this Order are designed to reflect the increase of \$.00126 per kWh to base energy rates, which is the differential between the old base fuel cost of \$.02725 per kWh and the new base fuel cost of \$.02851 per kWh.
5. Beginning with the expense month for February 2020, Kentucky Power shall use a FAC rate based upon a base fuel cost of \$.02851 per kWh.
6. Kentucky Power's motion for an Informal Conference is denied.
7. Within 20 days of the date of this Order, Kentucky Power shall file, using the Commission's electronic Tariff Filing System, its revised tariff sheets with the Commission setting out the rates approved herein and reflecting that they were approved pursuant to this Order.
8. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
DEC 26 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00002

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00002 DATED **DEC 26 2019**

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

TARIFF R.S.
RESIDENTIAL SERVICE

Energy Charge per kWh	\$	.09810
For Minimum Capacity of 80 gallons	\$	.06212
For Minimum Capacity of 100 gallons	\$	.06212
For Minimum Capacity of 120 gallons	\$	.06212

TARIFF R.S.-L.M.-T.O.D.
RESIDENTIAL SERVICE LOAD MANAGEMENT TIME-OF-DAY

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.14504
All kWh used during off-peak billing period	\$	.06212

TARIFF R.S.-T.O.D.
RESIDENTIAL SERVICE TIME-OF-DAY

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.14550
All kWh used during off-peak billing period	\$	.06212

TARIFF R.S.-T.O.D. 2
EXPERIMENTAL RESIDENTIAL SERVICE TIME-OF-DAY 2

Energy Charge per kWh:		
All kWh used during summer on-peak billing period	\$	.18005
All kWh used during winter on-peak billing period	\$	.15508
All kWh used during off-peak billing period	\$	.08241

TARIFF R.S.D.
RESIDENTIAL DEMAND-METERED ELECTRIC SERVICE

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.09890
All kWh used during off-peak billing period	\$	.07174

TARIFF G.S.
GENERAL SERVICE

Secondary Service:

Energy Charge per kWh:		
First 4,450 kWh per month	\$	.09952
Over 4,450 kWh per month	\$	.09943

Primary Service:

Energy Charge per kWh:		
First 4,450 kWh per month	\$	.08762
Over 4,450 kWh per month	\$	.08792

Subtransmission Service:

Energy Charge per kWh:		
First 4,450 kWh per month	\$	.07948
Over 4,450 kWh per month	\$	.07981

TARIFF G.S.
GENERAL SERVICE
RECREATIONAL LIGHTING SERVICE PROVISION

Energy Charge per kWh	\$.10118
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TARIFF G.S.
GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.14620
All kWh used during off-peak billing period	\$	.06212

TARIFF G.S.
GENERAL SERVICE
OPTIONAL UNMETERED SERVICE PROVISION

Energy Charge per kWh:		
First 4,450 kWh per month	\$	.09952
Over 4,450 kWh per month	\$	.09943

TARIFF S.G.S.-T.O.D.
SMALL GENERAL SERVICE TIME-OF-DAY

Energy Charge per kWh:		
All kWh used during summer on-peak billing period	\$	.17238
All kWh used during winter on-peak billing period	\$	.14564
All kWh used during off-peak billing period	\$	.07671

TARIFF M.G.S.-T.O.D.
MEDIUM GENERAL SERVICE TIME-OF-DAY

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.16888
All kWh used during off-peak billing period	\$	.06212

TARIFF L.G.S.
LARGE GENERAL SERVICE

<u>Secondary Service Voltage:</u>		
Energy Charge per kWh	\$	.07853

<u>Primary Service Voltage:</u>		
Energy Charge per kWh	\$	.06853

<u>Sub-transmission Service Voltage:</u>		
Energy Charge per kWh	\$	.05253

<u>Transmission Service Voltage:</u>		
Energy Charge per kWh	\$	.05139

TARIFF L.G.S.
LARGE GENERAL SERVICE
LOAD MANAGEMENT TIME-OF-DAY PROVISION

Energy Charge per kWh:		
All kWh used during on-peak billing period	\$	.14211
All kWh used during off-peak billing period	\$	.06223

TARIFF L.G.S. – T.O.D.
LARGE GENERAL SERVICE TIME-OF-DAY

<u>Secondary Service Voltage:</u>		
Energy Charge:		
On-Peak Energy Charge per kWh	\$	.09816
Off-Peak Energy Charge per kWh	\$	.04266

Primary Service Voltage:

Energy Charge:

On-Peak Energy Charge per kWh	\$	.09445
Off-Peak Energy Charge per kWh	\$	.04145

Sub-transmission Service Voltage:

Energy Charge:

On-Peak Energy Charge per kWh	\$	.09321
Off-Peak Energy Charge per kWh	\$	.04104

Transmission Service Voltage:

Energy Charge:

On-Peak Energy Charge per kWh	\$	.09194
Off-Peak Energy Charge per kWh	\$	.04062

TARIFF I.G.S.
INDUSTRIAL GENERAL SERVICE

Secondary Service Voltage:

Energy Charge per kWh	\$.03060
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Primary Service Voltage:

Energy Charge per kWh	\$.02945
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Sub-transmission Service Voltage:

Energy Charge per kWh	\$.02896
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Transmission Service Voltage:

Energy Charge per kWh	\$.02857
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TARIFF M.W.
MUNICIPAL WATERWORKS

Energy Charge - All kWh per kWh	\$.09267
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TARIFF O.L.
OUTDOOR LIGHTING

Per Lamp plus \$0.02851 x kWh in Sheet No. 14-3 in Company's tariff

TARIFF S.L.
STREET LIGHTING

Per Lamp plus \$0.02851 x kWh in Sheet No. 15-2 in Company's tariff

*Amy J Elliott
Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

*Kentucky Power Company
855 Central Avenue, Suite 200
Ashland, KY 41101

*Kenneth J Gish, Jr.
Stites & Harbison
250 West Main Street, Suite 2300
Lexington, KENTUCKY 40507

*Honorable Mark R Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
P. O. Box 634
Frankfort, KENTUCKY 40602-0634