

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY FOR APPROVAL OF A)	CASE NO.
CONTRACT FOR ELECTRIC SERVICE WITH MC)	2019-00124
MINING, LLC)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO KENTUCKY POWER COMPANY

Kentucky Power Company (Kentucky Power), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein is due on June 28, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if Kentucky Power obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, Kentucky Power shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky Power shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, paragraph 9, regarding the statement that MC Mining, LLC's (MC Mining) existing Pike County operation's current mined reserves are projected to be depleted in 2020. Refer also to the Direct Testimony of Ranie K. Wohnhas (Wohnhas Testimony), pages 5–6 and 14–15, regarding the current operations of Excel Mine No. 4 and details of Excel Mine No. 5. Explain whether this means that MC Mining will cease operations in Pike County in 2020 if the Commission does not approve the Contract for Electric Service Between Kentucky Power Company and MC Mining, LLC (Special Contract) that allows Excel Mine No. 5 to open.

2. Refer to the Application, Exhibit 2, pages 26–30 of 30 (Addendum 2).

a. All else being equal, confirm that MC Mining will receive the economic development credit after the mine begins commercial operations and through the 14-year period of the special contract.

b. Paragraphs I–VIII of Addendum 2 describe an economic development credit that has a purpose of providing an incentive to MC Mining to open a new coal mining operation, to preserve existing jobs, and to create new jobs. However, paragraph IX describes a quid pro quo situation where Kentucky Power is providing an economic development credit to MC Mining in return for assistance from MC Mining to Kentucky Power in its effort to promote economic development, including efforts to promote an aerospace and defense corridor in central Appalachia. Further, if MC Mining decides not to assist Kentucky Power in its economic development efforts, it must cancel the Addendum and forego the economic development credit.

(1) Explain the apparent differences in interpretation.

(2) Explain in detail and with specificity what MC Mining actions Kentucky Power deems necessary for the fulfillment of Article IX and how Kentucky Power will verify such actions by MC Mining.

(3) Refer to paragraph VIII of Addendum 2 regarding the repayment of credits upon MC Mining suspending development of Excel Mine No. 5. Explain why the repayment calculation only factors the amount of the credit received by MC Mining during the Delivery Year in which the suspension occurs. Further, explain why the repayment calculation is capped by, or netted against, the amount of investment spent by MC Mining during the Delivery Year in which the suspension occurs.

3. Refer to the Direct Testimony of Ranie K. Wohnhas (Wohnhas Testimony), pages 8–9.


a. Explain whether the \$45 million–\$50 million capital investment will be incurred prior to the new mine beginning commercial operation.

b. Assuming no interruptions, provide the anticipated monthly economic development credit payments and the mine’s monthly anticipated energy usage through January 1, 2021.

c. Assuming no interruptions, on average what is the expected monthly energy usage for a mining operation like the Excel Mine No. 5.

4. Refer to Wohnhas Testimony, page 8, lines 20–22 and page 9, lines 1–2. Indicate whether Kentucky Power prepared an analysis showing that the Special Contract, as modified by the Monthly Economic Development Credit, covers Kentucky Power’s variable costs, makes a contribution to its fixed costs, and will not adversely affect the rates paid by Kentucky Power’s other customers. If so, provide a copy of that analysis. If not, explain how Kentucky Power knows that the Special Contract, as modified by the Monthly Economic Development Credit, covers Kentucky Power’s variable costs, makes a contribution to its fixed costs, and will not adversely affect the rates paid by Kentucky Power’s other customers.

5. Explain whether Kentucky Power considered or negotiated a credit repayment obligation should MC Mining decide to discontinue operations of Excel Mine No. 5 subsequent to engaging in commercial operations but any time prior to the expiration of 14-year term of the Special Contract. If no, explain why this was not considered or negotiated.



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DATED **JUN 12 2019**

cc: Parties of Record

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