

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE	)	
APPLICATION OF THE FUEL ADJUSTMENT	)	CASE NO.
CLAUSE OF KENTUCKY POWER COMPANY	)	2022-00263
FROM NOVEMBER 1, 2021 THROUGH APRIL 30,	)	
2022	)	

ORDER

The Commission, pursuant to 807 KAR 5:056, Section 3(3), hereby initiates the six-month review to examine Kentucky Power Company's (Kentucky Power) application of its Fuel Adjustment Clause (FAC) from November 1, 2021, through April 30, 2022.

The Commission, on its own motion, finds that a procedural schedule is established for the orderly processing of this case. A procedural schedule is set forth in Appendix A to this Order.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. Any party filing a paper with the Commission shall file an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The Commission directs the parties to the

Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission.

3. Unless otherwise ordered by the Commission, the electronic filing procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene filed after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule

4. Kentucky Power shall give notice of any scheduled hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

hearing shall include the following statement: “This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov”; and “Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do so by following the instructions listing on the PSC website, psc.ky.gov.” At the time publication is requested, Kentucky Power shall forward a duplicate of the notice and request to the Commission.

5. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

6. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

7. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

8. Kentucky Power, pursuant to 807 KAR 5:001, shall file its responses to Commission’s Staff’s First Request for Information, attached to this Order as Appendix B. The information requested in Appendix B to this Order is due on September 30, 2022.

9. Kentucky Power shall file with the Commission, on September 30, 2022, written direct testimony of witnesses to address, *inter alia*, the following issues:

a. The reasonableness of Kentucky Power’s fuel procurement practices during the review period;

b. Coal suppliers’ adherence to contract delivery schedules during the review period;

c. Kentucky Power's efforts to ensure coal suppliers' adherence to contract delivery schedules during the review period;

d. Kentucky Power's efforts to maintain the adequacy of its coal supplies in light of any coal supplier's inability or unwillingness to make contract coal deliveries;

e. Any changes in coal market conditions that occurred during the review period or that Kentucky Power expects to occur within the next two years that have significantly affected or will significantly affect Kentucky Power's coal procurement practices; and

f. Any changes in the wholesale electric power market that occurred during the review period or that Kentucky Power expects to occur within the next two years that have significantly affected or will significantly affect Kentucky Power's electric power procurement practices.

g. How Kentucky Power bids its generating units into PJM Interconnection, Inc.'s (PJM) energy markets, including, but not limited to: how Kentucky Power determines the manner in which individual generating units are offered into PJM's day ahead market (must run, economic dispatch etc.); who makes those decisions; and what level of control PJM has over the dispatch of Kentucky Power's generating units.


10. Any intervening party that intends to file testimony in this matter shall advise the Commission in writing of its intent to do so and shall, no later than September 30, 2022, move for modification of the procedural schedule, if necessary, to permit the filing of its testimony.

11. All documents that Kentucky Power filed with the Commission during the period under review pursuant to 807 KAR 5:056, Sections 2(1)–2(4), are incorporated by reference into the record of this proceeding.

12. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

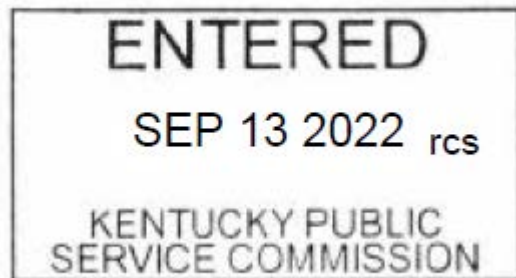
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PUBLIC SERVICE COMMISSION

  
Chairman

Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00263 DATED SEP 13 2022

- Last day for intervention requests to be accepted.....09/30/2022
- Kentucky Power shall file responses to Commission Staff's First Request for Information no later than..... 09/30/2022
- All supplemental requests for information to Kentucky Power shall be filed no later than ..... 10/14/2022
- Kentucky Power shall file responses to supplemental requests for information no later than..... 10/28/2022
- All additional supplemental requests for information to Kentucky Power shall be filed no later than ..... 11/11/2022
- Kentucky Power shall file responses to additional supplemental requests for information no later than ..... 11/28/2022
- Last day for Parties to request a Public Hearing or submit a request for the matter be decided based upon the written record ..... 11/30/2022

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2022-00263 DATED SEP 13 2022

#### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY POWER COMPANY

Kentucky Power Company (Kentucky Power), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on September 30, 2022. The Commission directs Kentucky Power to the Commission's July 22, 2021 Order in Case No. 2020-000851<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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 that indicates the response was incorrect when made or,

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).



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. For the period under review, provide the amount of coal purchased in tons and the percentage of purchases that were spot versus contract.

2. For the period under review, list each coal purchase made under a long-term contract (one year or greater). For each purchase, list:

- a. Contract or purchase order number;
- b. The supplier's name;
- c. The location(s) of production facilities from which the coal is sourced;
- d. The method of delivery, (i.e., barge, truck, rail, other);
- e. The actual quantity received during the review period;
- f. The tonnage requirement for the review period; and
- g. Current price paid per ton.

3. As of the last day of the review period:

a. State the coal inventory level in tons and in number of days' supply.

Provide this information by generating station and in the aggregate.

b. Describe the criteria used to determine number of days' supply.

c. State the target coal inventory level for each generating station and for the total system.

d. If actual coal inventory exceeds the target inventory by ten days' supply, state the reasons for the excess inventory.

e. State whether any significant changes in the current coal inventory target are expected within the next 12 months. If so, state the expected change and the reasons for this change.

4. List each written coal supply solicitation issued during the period under review.

a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

5. List each oral coal supply solicitation issued during the period under review.

a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

6. For the period under review, list each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (i.e., spot or contract).

7. For the period under review, state whether there were any instances in which a natural gas generating unit could not be operated when it otherwise would have run due to pipeline constraints or natural gas being unavailable.

8. State whether there have been any changes to hedging activities for coal or natural gas purchases used for generation since the previous FAC review proceeding. If so, describe the changes in detail.

9. State whether Kentucky Power has audited any of its fuel or transportation contracts during the period under review. If so, for each audited contract:

a. Identify the contract;

b. Identify the auditor; and

c. State the results of the audit, and describe the actions that Kentucky

Power took as a result of the audit.

10. a. State whether Kentucky Power is currently involved in any litigation with its current or former fuel suppliers or transportation vendors. If so, for each litigation:

- (1) Identify the supplier or vendor;
- (2) Identify the contract involved;
- (3) State the potential liability or recovery to Kentucky Power;
- (4) List the issues presented; and
- (5) Provide a copy of the complaint or other legal pleading that

initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed.

b. State the current status of all litigation with suppliers or vendors.

11. a. For the period under review, state whether there have been any changes to Kentucky Power's written policies and procedures regarding its fuel procurement. If yes:

- (1) Describe the changes;
- (2) Provide the written policies and procedures as changed;
- (3) State the date(s) the changes were made; and
- (4) Explain why the changes were made.

b. If no, provide the date Kentucky Power's current fuel procurement policies and procedures were last changed, provide the date when they were last provided to the Commission, and identify the proceeding in which they were provided.

12. For the period under review, list all firm power commitments for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of

commitment in megawatts, and the purpose of the commitment (i.e., peaking, emergency).

13. Provide a monthly billing summary of sales to all electric utilities for the period under review.

14. Describe the effect on the FAC calculation of line losses related to:

- a. Intersystem sales when using a third-party transmission system; and
- b. Intersystem sales when not using a third-party transmission system.

15. Provide a list, in chronological order, showing by unit any scheduled, actual, and forced outages for the period under review.

16. For the period under review, provide the monthly supporting peaking unit equivalent calculations in electronic Excel spreadsheet format with all formulas, columns, and rows unprotected and visible supporting the forced outage calculations. In addition, provide the corresponding amount, if any, of forced outage purchased power collected through the purchase power adjustment tariff.

17. For the period under review, provide the monthly capacity factor at which each generating unit operated.

18. For the period under review, explain whether Kentucky Power made any changes to its maintenance and operation practices or completed any specific generation efficiency improvements that affect fuel usage at Kentucky Power's generation facilities. If so, describe the impact of these changes on Kentucky Power's fuel usage.

19. State whether Kentucky Power is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period under review.

20. State whether Kentucky Power is aware of any violations of 807 KAR 5:056 that occurred prior to or during the period under review.

21. State whether all fuel contracts related to commodity and transportation have been filed with the Commission. If any contracts have not been filed, explain why they have not been filed, and provide a copy.

22. Refer to KRS 278.277(1) which states that:

In any review by the commission of any fuel adjustment clause, for any contracts entered into on or after July 1, 2021, the commission shall, in determining the reasonableness of fuel costs in procurement contracts and fuel procurement practices, evaluate the reasonableness of fuel costs in contracts and competing bids based on the cost of the fuel less any coal severance tax imposed by any jurisdiction.

a. Provide a listing of any new coal contracts entered into on or since November 1, 2021.

b. For each bid solicitation or potential spot purchase that resulted in a new purchase contract on or after November 1, 2021, provide the bid evaluation sheets that include:

- (1) The coal severance tax rate being levied, if any;
- (2) The coal severance tax rate per ton or MMBTU, as appropriate, being levied;
- (3) The cost per ton or MMBTU, as appropriate, including any severance tax; and
- (4) The cost per ton or MMBTU, as appropriate, excluding any severance tax.

23. State whether any PJM costs were included in Kentucky Power's monthly FAC filings during the period under review. If yes, provide the amount of the costs by month and by type of cost.

24. Explain how purchase power costs are accounted for in the calculation of the FAC when Kentucky Power experiences a planned generation outage and purchases power to meet load (i.e., whether the entire amount of the purchase power recorded in the calculation, or there is a limit as to the amount recorded). If there is a limit, explain the basis for the limitation and how it is calculated. If there is no limit, explain the basis for including 100 percent of the purchase power costs.

25. Explain how purchase power costs are accounted for in the calculation of the FAC when Kentucky Power is not experiencing a generation outage but must purchase power in order to meet demand (i.e., whether the entire amount of the purchase power recorded in the calculation, or there is a limit as to the amount recorded). If there is a limit, explain the basis for the limitation and how it is calculated. If there is no limit, explain the basis for including 100 percent of the purchase power costs.

26. Provide the amount, by month, of costs excluded from recovery from the FAC related to non-economy purchases.

a. State whether Kentucky Power otherwise recovers the excluded costs.

b. If Kentucky Power does recover the excluded costs, explain in detail how those costs are recovered.

27. Provide the peaking unit equivalent (PUE) calculations in Excel spreadsheets with all formulas, columns, and rows unprotected and fully accessible.

28. For each month in the PUE calculations, explain whether Kentucky Power recovers any uneconomic purchased power costs resulting from the PUE calculations. If so, explain how these costs are recovered.

29. Explain how Kentucky Power's generating units are bid into PJM's energy market and the implications for the manner in which the units are run when the unit's bid in price is greater than the hourly LMP. For example, if the unit is bid in as "must run" and its bid in price is greater than the hourly LMP, explain whether the unit is ramped down to its economic minimum output level or whether it is run at some level greater than that for some other reason such as balancing or voltage support.

30. If the coal units are available, explain whether they are always bid into the energy market as "must run." If not, then explain the circumstances under which the units are not bid in as such.

31. In an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, for the period under review and when the units are available to run,

a. Provide the bid status (i.e. economic dispatch, must-run, etc.), by day, of Kentucky Power's coal generating units into PJM's day ahead market. Explain the reason for each bid status.

b. Provide the price per MWH, by day, of Kentucky Power's generating units bid into PJM's day ahead market and the corresponding LMP indicating whether or not the unit cleared the market.

c. In a separate spreadsheet Tab, provide a graphical representation of the information in part b. above.



32. For the period under review, explain whether when the units are not on a planned, maintenance, or forced outage, PJM considers the units as being in available status. If not, explain the circumstances under which the units would not be considered in available status.

33. Refer to Kentucky Power's supplemental files to the expense months for the period under review, at unnumbered page 3, the Note labeled (A), regarding the demurrage charges. For each expense month for the period under review, provide explanation for the cause of the demurrage charges and which party was at fault.

34. Refer to Kentucky Power's supplemental file to the December 2021 expense month, filed on February 14, 2022, at unnumbered page 3, the Notes labeled (A). The line states, "There was a 3rd Quarter 2021 barging true up of (\$527,274.32) (\$263,637.16 KYPCo share) [...]". Provide an explanation for the 3rd Quarter 2021 barging true up.

35. Refer to any of Kentucky Power's monthly form A filings, page 4 of 5, the Over or (Under) Recovery Schedule, Line 2 labeled "Retail KWH Billed at Above Rate". For each expense month for the period under review, provide documented justification for the kWh billed.

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