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OCT 03 2014

PUBLIC SERVICE  
COMMISSION

Mark R. Overstreet  
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October 3, 2014

**HAND DELIVERED**

Jeff R. Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

RE: Case No. 2014-00264

Dear Mr. Derouen:

Enclosed please find and accept for filing an original and ten copies of Kentucky Power Company's responses to the data requests propounded by staff and the Attorney General in the above matter.

A copy of the responses is being served on the Attorney General along with a copy of this letter.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Mark R. Overstreet

MRO

cc: Jennifer B. Hans

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OCT 03 2014

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

THE APPLICATION OF KENTUCKY POWER COMPANY )  
FOR (1) THE GRANT OF A DEVIATION FROM THE )  
ASYMMETRICAL PRICING REQUIREMENTS OF )  
KRS 278.2207 TO APPALACHIAN POWER COMPANY ) CASE NO. 2014-00264  
TO APPALACHIAN POWER COMPANY BY KENTUCKY )  
POWER COMPANY OF TWO CONTRACTS FOR )  
DELIVERY OF COAL; AND (2) FOR ALL OTHER )  
REQUIRED APPROVALS AND RELIEF )

KENTUCKY POWER COMPANY RESPONSE TO  
COMMISSION STAFF'S FIRST SET OF DATA REQUESTS

October 3, 2014

**VERIFICATION**

The undersigned, Charles F. West, being duly sworn, deposes and says he is the Manager, Fuel Emissions & Logistics, for American Electric Power, that he has personal knowledge of the matters set forth in the forgoing responses for which he is the identified witness and that the information contained therein is true and correct to the best of his information, knowledge and belief

*Charles F. West*

Charles F. West

STATE OF OHIO

)

) Case No. 2014-00264

COUNTY OF FRANKLIN

)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Charles F. West, this the 30 day of September 2014.

*Gina L. Beyer*

Notary Public



**Gina L. Beyer**  
Notary Public, State of Ohio  
My Commission Expires 07-01-2016

My Commission Expires: 7/1/2016

**Kentucky Power Company**

**REQUEST**

Provide the demurrage calculation for each barge. Include all assumptions, estimates and supporting documentation utilized in determining the demurrage charges.

**RESPONSE**

Please refer to Attachment 1 for Amendment No. 1 to Barge Transportation Agreement. The barge demurrage charge is specified on page 2, at paragraphs 1c. and 1e. Please see Attachment 2 for the calculations.

The demurrage charge was calculated by multiplying the \$100 daily rate by 36 days of demurrage for barge AEP241; 37 days of demurrage for barges AEP748, AEP763, AEP829, and AEP912; and 38 days of demurrage for barges AEP101, and MEM480. The day count, for calculating demurrage charges, began after the third day the barge was in the dock (following its expected arrival date at the plant) and continued until the day that barge unloader was repaired, at which time the barges could have been unloaded.

**WITNESS:** Charles F West

## AMENDMENT NO. 1 TO BARGE TRANSPORTATION AGREEMENT

This Amendment No. 1 to Barge Transportation Agreement ("Amendment No. 1") is entered into by and among **Appalachian Power Company** ("APCo"), **Ohio Power Company** ("OPCo"), **Kentucky Power Company** ("KPCo") and **AEP Generating Company** ("AEPGC") (collectively the "Shippers" and individually a "Shipper") and **Indiana Michigan Power Company** (formerly **Indiana & Michigan Electric Company**), an Indiana corporation ("I&M") effective as of the 12<sup>th</sup> day of September, 2013 (the "Effective Date").

**WHEREAS**, APCo, OPCo, AEPGC and I&M entered into that certain Barge Transportation Agreement dated May 1, 1986 (the "Barge Transportation Agreement") pursuant to which I&M transports coal on the Kanawha and Ohio Rivers, and other navigable waterways, to coal-fired steam electric generating stations of APCo, OPCo, AEPGC and I&M.

**WHEREAS**, APCo, OPCo, AEPGC and I&M desire to amend the Barge Transportation Agreement as hereinafter provided.

**WHEREAS**, KPCo desires to become a party to the Barge Transportation Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and the covenants and agreements of the Parties hereto as herein stated, the APCo, OPCo, AEPGC and I&M agree to amend the Barge Transportation Agreement as hereinafter set forth and consent to KPCo becoming a party to the Barge Transportation Agreement as amended by this Amendment No. 1.

1. ARTICLE V PRICE is hereby deleted in its entirety and replaced with the following:

### ARTICLE V PRICE

a. At the end of each month the Division shall invoice each Shipper for coal transportation and unloading and loading services (the "River Transportation Services") provided to Shipper by the Division during such month. The fee for River Transportation Services (the "River Transportation Services Fee") shall consist of the Division's annual estimate of its fully loaded cost to perform the River Transportation Services on a per ton basis which shall include an after-tax carrying charge equal to I&M's return on equity set by the Indiana Utility Regulatory Commission on the Division's investment in the assets utilized by it to perform the River Transportation Services and determined in accordance with Appendix A attached hereto, and an adder for income taxes at the prevailing statutory rate. The River Transportation Services Fee shall be revised from time to time by the Division to reflect its estimated fully loaded cost to perform the River Transportation Services and to reflect any changes in I&M's return on equity. Shippers shall provide the Division annually with a reasonably detailed forecast of its requirements for River Transportation Services to assist in the Division's computation of the River Transportation Services Fee.

b. Within sixty (60) days after the end of each calendar quarter year, the Division shall perform a true-up of the River Transportation Services Fees paid by Shippers during such calendar quarter (each a "True-Up Quarter") against the actual costs incurred by the Division to perform such River Transportation Services. If the aggregate River Transportation Services Fees payable or paid by a Shipper during a True-Up Quarter exceeds the actual costs incurred by the Division to perform the River Transportation Services during such True-Up Quarter, the difference shall be credited to the Shipper's account and applied against subsequent Shipper invoices. If the aggregate River Transportation Services Fees payable or paid by a Shipper during a True-Up Quarter is less than the actual costs incurred by the Division to perform the River Transportation Services during such True-Up Quarter, the difference shall be paid by Shipper when Shipper is invoiced for such difference.

c. Free time for each barge trip undertaken by the Division for a Shipper shall include three free days and Sundays and Holidays.

d. The Division shall issue Shipper a credit for each day that a barge is unloaded in less than the Shipper's allotted free time and debit Shipper for each day that a barge is unloaded after Shipper's allotted free time. Aggregate Shipper credits shall be applied against aggregate Shipper debits monthly and will be settled by the Division at the end of each month. Shipper credits are not refundable and will not be carried over from month to month. Shipper credits and debits will be calculated using 1/100<sup>th</sup> of a day.

e. The jumbo demurrage rate is \$100 per day per barge. Demurrage will be billed on actual unload times using 1/100<sup>th</sup> of a day.

2. The second sentence of Section 1 of Article VI is hereby deleted and replaced with the following sentence: "Each Shipper shall settle its invoiced River Transportation Services Fee through the AEP money pool within thirty (30) days following receipt of each invoice."

3. The Division's notice address in Section 7 of Article VI is hereby changed to 16150 Main Circle Drive, Suite 400, Chesterfield, MO 63017.

4. Appendix A to the Barge Transportation Agreement is hereby deleted in its entirety and replaced with Appendix A attached hereto.

5. APCo, OPCo, AEPGC and I&M each consent to KPCo becoming a party to the Barge Transportation Agreement, as amended by this Amendment No. 1.

6. KPCo agrees that it shall become a party to the Barge Transportation Agreement, as amended by this Amendment No. 1, upon its execution of this Amendment No. 1 and further agrees to abide by all of the terms and conditions of the Barge Transportation Agreement.

7. This Amendment No. 1 shall not become effective as to APCo until such time, if ever, that it has obtained all governmental regulatory approvals necessary to participate in this Agreement. This provision shall not affect the obligations of any other party hereto. If this Amendment No. 1 becomes effective as to APCo, it shall terminate as to APCo on the fifth anniversary of its receipt any regulatory approvals.

8. Pursuant to IC 8-1-2-49(g), this Amendment No. 1 shall not become effective as to I&M until it has been filed with the Indiana Utility Regulatory Commission.

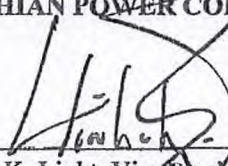
9. Except as specifically set forth herein, the Barge Transportation Agreement, a copy of which is attached, shall remain in full force and effect without amendment or modification.

Executed as of the Effective Date.

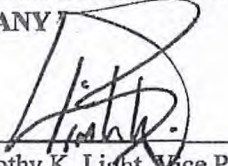
**OHIO POWER COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President *RGR*

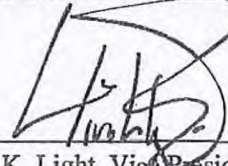
**APPALACHIAN POWER COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President *RGR*

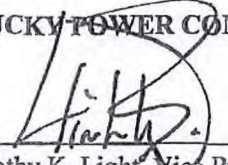
**INDIANA MICHIGAN POWER  
COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President *RGR*

**AEP GENERATING COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President *RGR*

**KENTUCKY POWER COMPANY**

By:   
\_\_\_\_\_  
Timothy K. Light, Vice President *RGR*

Appendix A

Component		Capitalization @12/31/XX (000)	Percent of Total	Annual Cost		After-Tax Rate of Return	Before-Tax	
							Weighted Percent	In Dollars
Long Term Debt	A	1,532,198	45.97 %	5.70%	C	2.62 %	2.62 %	762,465
Preferred Stock		0	0.00 %	0.00%	C	0.00 %	0.00 %	0
Common Stock	B	1,801,131	54.03 %	10.20%	D	5.51 %	8.48 %	2,466,517
<b>Total</b>		<b>3,333,329</b>	<b>100.00 %</b>			<b>8.13 %</b>	<b>11.10 %</b>	<b>3,228,981</b> E

The amounts above are examples and should be updated as specified below.

A) Includes long term debt due in one year and is net of unamortized debt premium and discount, unamortized debt expense and fees on re-acquired debt. It excludes spent nuclear fuel disposal costs. This figure should be updated annually using actual data from the I&M General Ledger.

B) Common equity includes premium on preferred stock and excludes undistributed subsidiary earnings. This figure should be updated annually using actual data from the I&M General Ledger.

C) Annual cost of Long-Term Debt is updated annually using actual data from the I&M General Ledger.

D) Based on I&M return on equity in effect as determined by the Indiana Utility Regulatory Commission from time to time (e.g. upon resolution of a base rate case, etc.)

E) Includes FIT adder (i.e. "gross-up") calculated at the prevailing statutory tax rate (currently 35%).



**Coal Contract Assignments from Kentucky Power to APCo**  
**Demurrage Costs Avoided During Unloader Outage at the Mitchell Plant**

Barge #	Contract	Days of Demurrage	Demurrage Rate per Day	Demurrage Costs Avoided (@ \$100/day)
AEP748	Tragigura AG	37	\$100.00	\$3,700.00
AEP241	Trafigura AG	36	\$100.00	\$3,600.00
AEP101	RWE Trading Americas Inc.	38	\$100.00	\$3,800.00
AEP763	RWE Trading Americas Inc.	37	\$100.00	\$3,700.00
AEP829	RWE Trading Americas Inc.	37	\$100.00	\$3,700.00
AEP912	RWE Trading Americas Inc.	37	\$100.00	\$3,700.00
MEM480	RWE Trading Americas Inc.	38	\$100.00	\$3,800.00
<b>TOTAL</b>				\$26,000.00
<b>Kentucky Power Ownership Share</b>				\$13,000.00

**Kentucky Power Company**

**REQUEST**

Refer to paragraph 13 of the application. Provide the contractually specified period in which a barge must be unloaded to avoid demurrage charges.

**RESPONSE**

Please refer to KPSC 1-1, Attachment 1, for Amendment No. 1 to Barge Transportation Agreement that specifies barge pricing terms and conditions. As noted on page 2, in paragraph 1c, the barges must be unloaded within three days to avoid demurrage charges.

**WITNESS:** Charles F West

**Kentucky Power Company**

**REQUEST**

For each barge, provide the date the barge arrived at Appalachian Power Company's unloading station and the date the barge was unloaded.

**RESPONSE**

Please refer to the following table for the dates that each barge arrived at Appalachian Power Company and the dates that each barge was unloaded.

<b>BARGE</b>	<b>ARRIVAL</b>	<b>UNLOADED</b>
AEP748	5/4/2014	5/6/2014
AEP241	5/3/2014	5/14/2014
AEP101	5/6/2014	5/8/2014
AEP763	5/6/2014	5/30/2014
AEP829	5/6/2014	5/7/2014
AEP912	5/6/2014	5/9/2014
MEM480	5/6/2014	5/8/2014

**WITNESS:** Charles F West