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February 14, 2011

HAND DELIVERED

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

RECEIVED
FEB 14 2011
PUBLIC SERVICE
COMMISSION

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RE: P.S.C. Case No. 2010-00490

Dear Mr. Derouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Power Company's responses to the data requests propounded with the Commission's January 26, 2011 Order in this matter. Also filed with this letter are the original and ten copies of the testimony of Lila P. Munsey and Kimberly K. Chilcote on behalf of Kentucky Power Company.

Copies of the data request responses and testimony are being served with this letter on counsel for the Attorney General and Kentucky Industrial Utility Customers, Inc. Please do not hesitate to contact me if you have any questions.

Very truly yours,


Mark R. Overstreet

MRO

cc: Michael L. Kurtz
Dennis G. Howard, II

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 14 2011

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF)
THE FUEL ADJUSTMENT CLAUSE OF)
KENTUCKY POWER COMPANY FROM) CASE NO. 2010-00490
NOVEMBER 1, 2008 THROUGH OCTOBER 31,)
2010)

* * * * *

PETITION FOR CONFIDENTIAL TREATMENT

Kentucky Power Company ("Kentucky Power") moves the Commission pursuant to 807 KAR 5:001, Section 7, for an Order granting confidential treatment to Kentucky Power's Response to Staff Data Request No. 24(b).

Pursuant to 807 KAR 5:001 an original of the responses for which confidential treatment is sought is filed as part of Kentucky Power's original filing in response to the Information requests. In addition, ten redacted copies of the subject Response are filed with the remaining Responses to the Data Requests.

A. The Request And The Statutory Standard.

Staff Data Request 24(b) requires Kentucky Power to file and disclose:

For each solicitation [for coal purchases issued during the period May 1, 2010 to October 31, 2010], 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 ranks the proposals. (This document shall 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.

Kentucky Power does not object to providing to the Commission the data sought in Staff Data Request 24(b). However, the data should be afforded confidential treatment.

KRS 61.878(1)(c)(1) excludes from the Open Records Act:

Upon and after July 15, 1992, records confidentially disclosed to an agency or required to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

This exception applies to Kentucky Power's response to Staff Data Request 24(b).

B. Kentucky Power's Fuel Procurement Practices And The Competitive Fuel and Energy Markets.

Kentucky Power's bid solicitation is handled by the fuel procurement personnel in the Fuel, Emissions and Logistics group of American Electric Power Service Corporation ("AEPSC"). In negotiating fuel supply and transportation agreements, AEPSC seeks to obtain the lowest reasonable delivered cost of fuel for the Company's customers. Fuel and transportation suppliers, on the other hand, are interested in obtaining the highest price possible for their commodity or service. Making future pricing, or company strategy with regards to fuel acquisition or other competitively sensitive information available to the suppliers with which the Company is negotiating compromises AEPSC's ability to obtain the lowest reasonable cost of fuel for customers.

C. The Information Is Generally Recognized As Confidential and Proprietary.

First, the records to be filed with the Commission are "generally recognized as confidential or proprietary." The request calls not only for proposals made by the various coal bidders, but also for the internal evaluation of each bid. This bid information and evaluation is highly confidential, and confidentiality is critical to the bid process. Dissemination of the information for which confidential treatment is being requested is restricted by Kentucky Power and AEPSC, and the Company and AEPSC

take all reasonable measures to prevent its disclosure to the public as well as persons within the Company who do not have a need for the information.

In further support of this Request for Confidential Treatment for the data sought by Data Request 24(b), Kentucky Power incorporates by reference the Company's similar Motion and Pleadings in prior Fuel Adjustment Clause proceedings, such as Case Nos. 2010-00264; 2008-00518; 2007-00522; 2007-00276; 2006-00507; 2004-00463; 2004-00211, 2003-00453, 2000-495-B, 98-562-A and 98-562-B. Kentucky Power further states that the Commission has not denied confidential treatment to similar information in prior fuel clause proceedings.

D. Disclosure Of The Information Will Result In An Unfair Commercial Advantage.

In general, the disclosure of the confidential information also will result in an unfair commercial advantage to competitors of Kentucky Power and its coal suppliers. For example, if a prospective coal supplier learns through review of AEPSC's analysis of responses to Kentucky Power's coal solicitation the Company was willing to pay \$25 per ton for a certain quality and quantity of coal, that supplier could resist lowering its price below \$25 per ton. Similarly, and by example only, knowledge that Kentucky Power currently is paying \$22 to \$27 per ton under contracts executed as a result off the solicitations issued between May 1, 2010 and October 31, 2010 may yield a similar result. In either case, a supplier will gain an unfair bargaining advantage – an advantage that would work to the detriment of Kentucky Power and its ratepayers. Additionally, in either case prospective suppliers considering a bid of less than \$25 per ton would be inclined to increase their bid closer to \$25 per ton. Such a result is antithetical to the purpose of the bidding process and contrary to the goal of providing

the lowest reasonable retail electric rates. Moreover, to the extent disclosure would result in higher coal prices, Kentucky Power's energy rates would increase. Accordingly, Kentucky Power would be placed at a competitive disadvantage vis-à-vis other energy suppliers, especially in the off-system sales market.

Equally important is the fact Kentucky Power is a regulated electric utility, with the Commission serving to protect the public interest in the absence of competition. If Kentucky Power's coal prices go up because of public disclosure of the commercially sensitive information, Kentucky Power, its customers and the regulatory process will suffer.

E. The Information Is Required To Be Disclosed To An Agency.

Finally, the records requested in Staff Data Request 24(b) are by the terms of the Data Request required to be disclosed to the Commission, a "public agency" as that term is defined at KRS 61.870(1). Kentucky Power acknowledges its coal purchase procedures are subject to Commission review, and that parties to this fuel clause proceeding should have access to the information sought through Staff Data Request 24(b). Any filing, however, should be subject to a confidentiality order and any party requesting such information should enter into a confidentiality agreement. If such an agreement cannot be reached, the information should be subject to a protective order issued pursuant to 807 KAR 5:001, Section 7(5)(b).

Wherefore, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. According confidential status to and withholding from public inspection Kentucky Power's responses to Staff Data Request 24(b); and

2. Granting Kentucky Power all further relief to which it may be entitled.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark R. Overstreet". The signature is written in a cursive style and is enclosed within a large, hand-drawn oval.

Mark R. Overstreet
R. Benjamin Crittenden
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421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477


COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing (along with redacted copies of the information for which confidential treatment is sought) was served by first class mail, postage prepaid, upon the following parties of record, this 14th day of February, 2011.

Michael L. Kurtz
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Dennis Howard II
Assistant Attorney General
Office for Rate Intervention
P. O. Box 2000
Frankfort, KY 40602-2000

A handwritten signature in black ink, appearing to read "Mark R. Overstreet", written over a horizontal line. The signature is stylized and cursive.

Mark R. Overstreet

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

FEB 14 2011

**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF

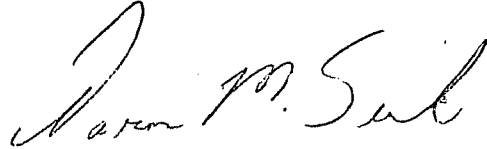
**AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF)
KENTUCKY POWER COMPANY) CASE NO. 2010-00490
FROM NOVEMBER 1, 2008 THRU OCTOBER 31,)
2010)**

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

February 14, 2011

AFFIDAVIT

Aaron M. Sink, upon being first duly sworn, hereby makes oath that if the foregoing questions were propounded to him at a hearing before the Public Service Commission of Kentucky, he would give the answers recorded following each of said questions and that said answers are true.



Aaron M. Sink

Commonwealth of Kentucky

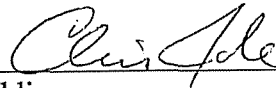
)

) Case No. 2010-00490

County of Boyd

)

Sworn to before me and subscribed in my presence by Aaron Sink, this the 11th day of February, 2011.



Notary Public

My Commission Expires:

01-05-2015

Notary IO# 432510

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF)
KENTUCKY POWER COMPANY) CASE NO. 2010-00490
FROM NOVEMBER 1, 2008 THRU OCTOBER 31,)
2010)

DIRECT TESTIMONY OF
KIMBERLY K. CHILCOTE
ON BEHALF OF KENTUCKY POWER COMPANY

February 14, 2011

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 A. My name is Kimberly K. Chilcote. I am employed by the American Electric
3 Power Service Corporation (“AEPSC”), a subsidiary of American Electric Power
4 Company, Inc. (“AEP”), in the Fuel, Emissions & Logistics Group as Manager,
5 Eastern Fuel Procurement. My business address is 155 West Nationwide
6 Boulevard, Suite 500, Columbus, Ohio 43215.

7

8

II. BACKGROUND

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I graduated from the University of Dayton in 1992 with a Bachelor of Chemical
11 Engineering Degree.

12 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

13 A. I joined AEP in 1992 as an Assistant Chemist at the Conesville Plant and
14 transferred to the fuels group in 2004 as a Coordinator performing quality checks
15 of the coal purchased by the procurement department. I transferred in 2007 to the
16 Western Procurement group and was responsible for the purchase and shipment of
17 all of the Powder River Basin Coal for the AEP System. In 2008 I transferred to
18 the Eastern Procurement group to purchase coal for the AEP Ohio facilities and
19 finally in 2010 accepted my current position as Manager of Eastern Procurement.

20 **Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY AS**
21 **MANAGER OF EASTERN COAL PROCUREMENT FOR AEP?**

1 A. I am responsible for the procurement of coal for three of AEP's Operating
2 Companies including: Ohio Power Company ("OPCo"), Columbus Southern
3 Power Company ("CSP") and Kentucky Power ("KPCo"). I am also an agent for
4 the Cardinal Operating Company.

5 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AGENCIES?**

6 A. Yes. I have testified before the Kentucky Public Service Commission on behalf
7 of Kentucky Power Company during the Company's last six-month fuel review in
8 Case No. 2010-00264.

9 **III. PURPOSE**

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. As directed by the Commission, the purpose of my testimony in this proceeding is
13 to address the following issues for the review period from November 2008
14 through October 2010:

- 15 a) Coal suppliers' adherence to contract delivery schedules during the review
16 period.
- 17 b) KPCo's efforts to ensure coal suppliers' adherence to contract delivery
18 schedules during the review period.
- 19 c) KPCo's efforts to maintain the adequacy of its coal supplies in light of any
20 coal suppliers' inability or unwillingness to make contract coal deliveries.
- 21 d) Any changes in coal market conditions that occurred during the review
22 period or that KPCo expects to occur within the next two years that have

1 significantly affected or will significantly affect KPCo's coal procurement
2 practices.

3 e) The reasonableness of KPCo's fuel procurement practices during the
4 review period.

5 **IV. CONTRACT DELIVERIES**

6 **Q. WOULD YOU PLEASE SUMMARIZE KENTUCKY POWER'S COAL**
7 **SUPPLIERS' ADHERENCE TO LONG-TERM CONTRACT DELIVERY**
8 **SCHEDULES DURING THE REVIEW PERIOD?**

9 A. During the two year review period, the Company had twelve long-term
10 agreements with nine contract suppliers. These suppliers were: Appalachian
11 Fuels, LLC ("Appalachian"), Argus Energy, LLC ("Argus"), Beech Fork
12 Processing, Inc. ("Beech Fork"), ICG, LLC ("ICG"), INR – WV Operating, LLC
13 ("INR"), Kentucky Fuel Corporation, MC Mining, LLC ("MC Mining"), Rhino
14 Energy LLC ("Rhino"), and Trinity Coal Marketing, LLC ("Trinity").

15 The following table provides pertinent data regarding Kentucky Power's coal
16 suppliers' adherence to contract delivery schedules during the review period from
17 November 2008 through October 2010. For 2008 and 2010 contract deliveries,
18 the amounts for each contract are prorated to reflect only the appropriate portion
19 of the year within the two year review period.

Vendor	Tons Delivered	Percent of Commitment
Appalachian Fuels	29,165	73%
Argus Energy, LLC	396,448	91%
Beech Fork Processing, Inc (2 Agreements)	1,381,744	104%
ICG, LLC	496,030	103%
INR, WV	821,967	100%
Kentucky Fuel Corporation	19,389	97%
MC Mining, LLC	251,880	97%
Rhino Energy (2 Agreements)	166,016	111%
Trinity Coal Marketing (2 Agreements)	909,774	100%

1 **Q. WOULD YOU PLEASE DESCRIBE THE COMPANY'S EFFORTS TO**
2 **ENSURE COAL SUPPLIERS' ADHERENCE TO CONTRACT**
3 **DELIVERY SCHEDULES DURING THE REVIEW PERIOD?**

4 A. Supplier obligations are handled in a firm, practical, and businesslike manner to
5 achieve substantial compliance by the supplier consistent with the Company's
6 overall coal procurement policy and the overriding objective of procuring and
7 maintaining adequate coal supplies to meet current and anticipated requirements.
8 When a supplier's performance does not meet the conditions or terms of the
9 applicable agreement, the Company informs the supplier, takes whatever
10 corrective action is appropriate under the circumstances, and directs that
11 subsequent performance be in compliance. There are times when disputes
12 regarding a supplier's non-performance cannot be satisfactorily resolved through
13 such means. Those matters are evaluated for further action such as additional
14 negotiation, arbitration if provided by the contract, or litigation, all with due

1 consideration of the desirability to maintain a continuing supply of coal. One of
2 the most significant limitations in KPCo's ability to hold coal suppliers to the
3 terms of their contracts is the protection afforded debtors under the bankruptcy
4 laws.

5 **Q. WHAT IS THE STATUS OF THE APPALACHIAN FUELS**
6 **AGREEMENT?**

7 A. The Appalachian Fuels contract began on January 25, 2007. Appalachian Fuels
8 delivered 73% of the contractual obligation during the review period (the last two
9 months of 2008). Appalachian was invoiced for shortfall tonnages in 2008, and
10 KPCo did not receive any deliveries under this contract in 2009. The contract
11 with Appalachian Fuels was terminated early on April 30, 2009 due to an Event
12 of Default on behalf of Appalachian Fuels. Appalachian Fuels filed for
13 bankruptcy in August of 2009, and its mining assets were acquired by another
14 company in October of that same year.

15 **Q. WHAT IS THE STATUS OF THE ARGUS AGREEMENT?**

16 A. The Argus contract began on January 1, 2007. During the review period, this
17 contract delivered at 94% of its obligation.

18 **Q. WHAT IS THE STATUS OF THE TWO BEECH FORK AGREEMENTS?**

19 A. Both Beech Fork contracts were signed on June 13, 2008. One contract provided
20 for the acceptance of responsibility for delivering tonnage amounts back to
21 January 1, 2008. This contract delivered 98% of the base contractual obligation
22 over the review period. The second contract provided for deliveries starting on
23 October 1, 2008, but deliveries did not start until 2009. This contract delivered

1 107% of its contracted volume during the review period. Both contracts together
2 delivered 104% of the obligated tons over the two year review period.

3 **Q. WHAT IS THE STATUS OF THE ICG AGREEMENT?**

4 A. The ICG contract was signed on January 2, 2007. ICG delivered 103% of the
5 contractual obligation during the review period. While this contract was behind
6 on deliveries in calendar year 2008, those tons were made up with deliveries in
7 2009.

8 **Q. WHAT IS THE STATUS OF THE INR AGREEMENT?**

9 A. The INR contract began on February 27, 2008. INR provided 100% of the
10 contractual obligation during the review period.

11 **Q. WHAT IS THE STATUS OF THE KENTUCKY FUELS AGREEMENT?**

12 A. Coal deliveries under the Kentucky Fuels contract began in October 2010.
13 During this one month within the two year review period 97% of contractually
14 obligated tons were delivered.

15 **Q. WHAT IS THE STATUS OF THE MC MINING AGREEMENT?**

16 A. The MC Mining contract began on December 28, 2007, and was in place through
17 the end of 2009. MC Mining delivered 97% of the contractual obligation during
18 the review period. The agreement was completed in December of 2009 with a
19 final delivery percentage of 98%; the amount remaining on the agreement was
20 less than one train.

21 **Q. WHAT IS THE STATUS OF THE TWO RHINO AGREEMENTS?**

22 A. The Rhino first contract was signed on January 7, 2008. Rhino delivered 111% of
23 the contractual obligation during the review period. The additional tons

1 represented shortfall tons from the prior period. The agreement was completed in
2 December of 2009 with a delivery percentage of 99%; the amount remaining on
3 the agreement was less than one train. The second Rhino contract was signed on
4 August 18, 2010. During the one month within the review period 111% of the
5 contractual obligation was delivered.

6 **Q. WHAT IS THE STATUS OF THE TWO TRINITY AGREEMENTS?**

7 A. The first Trinity contract was signed on February 27, 2007. During the two year
8 review period, the vendor delivered 102% of its contractual obligations. The
9 second Trinity contract was signed on November 6, 2007, with initial deliveries
10 scheduled for January 1, 2008. This contract delivered at 100% of its obligation
11 during the review period. For the combined agreements, Trinity delivered 101%
12 of its commitments during the two-year review period.

13 **Q. DID KPCO RECEIVE ANY TONS CONSIGNED TO IT DURING THE**
14 **TWO YEAR REVIEW PERIOD?**

15 A. Yes. On a limited basis, between June and October 2010 of the review period,
16 KPCO had consigned 197,238 tons to it.

17 **Q. PLEASE EXPLAIN THE REASONS FOR THE CONSIGNMENTS.**

18 A. In June, 2010, Kentucky Power Company determined its inventory levels for the
19 remainder of 2010 would be below the targets levels. Conversely, Appalachian
20 Power's low-sulfur coal inventory levels for the same period were expected to
21 exceed its 2010 target levels. In filling Kentucky Power's "open" position for the
22 remainder of 2010, the Company considered two options: purchasing the coal
23 from the CSX rail market, or taking delivery of a blend of orders then scheduled

1 for delivery at other AEP facilities under existing contracts. In evaluating the
2 alternatives, the Kentucky Power Company compared market data for the CSX
3 Rail market from Argus Coal Daily, ICAP United and TFS Energy with
4 Appalachian Power's obligations under its low-sulfur coal supply agreements.
5 The June, 2010, comparison revealed that for June and the third quarter of 2010
6 Kentucky Power would receive the lowest cost of coal available to fill its open
7 position by taking delivery of low-sulfur coal consigned by Appalachian Power.
8 In fact, the blended price for the consigned coal was less than the market price at
9 the time the comparison was made. A similar comparison was performed in
10 September, 2010, with similar results for the fourth quarter of 2010.

11 V. COAL PURCHASING STRATEGY

12 **Q. HOW DOES KPCO MAINTAIN ADEQUATE DELIVERIES OF COAL**
13 **TO THE BIG SANDY GENERATING STATION, AND WHAT PLANS**
14 **DOES IT HAVE FOR ADEQUATE DELIVERIES IN THE FUTURE?**

15 A. Each year, at an appropriate time, KPCo solicits sales offers for spot and longer
16 term purchases, with each successive long-term arrangement layered onto the
17 base of existing long-term contracts, while the spot offers address KPCo's current
18 needs. As a part of the overall effort to ensure adequate supply, the company
19 issued solicitations in March, July and October 2010. KPCo has been able to
20 maintain adequate deliveries of coal to the Big Sandy generating station during
21 the review period.

1 **Q. WERE THERE ANY CHANGES IN COAL MARKET CONDITIONS**
2 **THAT OCCURRED DURING THE REVIEW PERIOD OR THAT KPCO**
3 **EXPECTS TO OCCUR WITHIN THE NEXT TWO YEARS THAT HAVE**
4 **SIGNIFICANTLY AFFECTED OR WILL SIGNIFICANTLY AFFECT**
5 **KPCO'S COAL PROCUREMENT PRACTICES?**

6 A. Following a term of unprecedented fuel price volatility in 2007 and early 2008,
7 prices peaked in the summer of 2008 and then declined for the remainder of 2008,
8 due to the decline in the world-wide financial markets. Prices through much of
9 2009 remained low as compared to 2008, but fairly stable as many utilities were
10 at high inventory levels as a result of purchases made during 2008 and lower
11 generation in 2009 because of the economic decline in the United States. Since
12 that time coal prices have continued to fluctuate, although trending upward as
13 utilities reenter the coal market to begin to replace stock piles and fill open
14 positions. Generation requirements still remain lower than historical levels with
15 increases seen during times of weather extremes in the summer and winter.
16 Natural gas prices remain low with respect to historical levels and electric
17 generation from natural gas has displaced high cost, less efficient coal generation.
18 Coal market prices will continue to exhibit some measure of volatility due to
19 unpredictable conditions, such as recent flooding in Australia affecting that
20 country's coal production and continuing strong demand in emerging economy
21 countries such as China and India. KPCo anticipates that coal market prices will
22 continue to trend upward over the next two years with occasional fluctuations
23 both upward and downward.

1 **Q. IS RISK ASSESSMENT AN IMPORTANT FACTOR IN KPCO'S COAL**
2 **PURCHASING DECISIONS?**

3 A. Yes. KPCo considers a vendor's financial status, ability to adhere to the delivery
4 obligation based on ratable deliveries and past performance when evaluating its
5 decision to do business with that supplier. Purchases from reliable vendors serve
6 to enhance KPCo's security of supply.

7 **VI. CONCLUSION**

8 **Q. WERE KPCO'S FUEL PROCUREMENT PRACTICES REASONABLE**
9 **DURING THE REVIEW PERIOD?**

10 A. Yes. KPCo's coal purchases were fair and reasonable during the review period
11 recognizing its goal of obtaining the lowest reasonable delivered cost over a
12 period of years consistent with the obligations of the Kentucky Power to provide
13 adequate and reliable service to its customers and meet environmental standards.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE OF)
KENTUCKY POWER COMPANY) CASE NO. 2010-00490
FROM NOVEMBER 1, 2008 THRU OCTOBER 31,)
2010)

DIRECT TESTIMONY OF
LILA P. MUNSEY
ON BEHALF OF KENTUCKY POWER COMPANY

February 14, 2011

DIRECT TESTIMONY OF
LILA P. MUNSEY, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 2010-00490

I. INTRODUCTION

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.

2 A. My name is Lila P. Munsey. I am Manager of Regulatory Services for Kentucky Power
3 Company ("Kentucky Power, KPCo or Company") and my business address is 101 A
4 Enterprise Drive, Frankfort, Kentucky 40601.

5 Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH
6 KPCO?

7 A. I supervise and direct Regulatory Services, which has the responsibility for rate and
8 regulatory matters affecting Kentucky Power. This includes the preparation of and
9 coordination of the Company's exhibits and testimony in rate cases and any other
10 formal filings before state and federal regulatory bodies. Another responsibility is
11 assuring the proper application of the Company's rates to all classifications of business.

II. BACKGROUND

12 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
13 BACKGROUND.

14 A. I received a Bachelor of Science in Civil Engineering degree from Purdue University,
15 West Lafayette, Indiana in May 1978 and began my career with Appalachian Power
16 Company ("APCo") as a Civil Engineer in the Hydroelectric Department. In August

1 1983, I was promoted to the position of Cost Allocation Analyst for APCo where I
2 conducted numerous studies to support retail rate filings and regulatory interactions
3 with the West Virginia and Virginia regulatory commissions. In November 1985, I was
4 transferred to the rate Department of American Electric Power Company, Inc. ("AEP"),
5 in Columbus, Ohio, as an Associate Rate Analyst where I developed and supported
6 operating company retail rate filings within AEP's seven eastern states. I was promoted
7 to Rate Analyst in November 1989 where I developed, supported, and testified in retail
8 filings concerning cost-of-service issues.

9 In January 1998, I moved to the newly formed transmission pricing group as a
10 Transmission Contracts & Regulatory Specialist for AEP. In this capacity, I prepared
11 AEP's Federal Energy Regulatory Commission ("FERC") transmission rate filings,
12 including transmission cost-of-service studies, rate design, and tariff development in
13 support of the Regional Transmission Organization (RTO) developmental filings and
14 negotiations for the Alliance TransCo and ultimately AEP's entrance into PJM's RTO
15 on October 1, 2004. I also prepared long-term reservation contracts with other utilities,
16 developed a contract management tracking system, provided expertise on AEP's Open
17 Access Transmission Tariff and tariff revisions as necessary, and developed the merger-
18 related FERC filings required for AEP's merger of the operating companies in the
19 seven eastern states with those in the four western states previously known as Central &
20 Southwest (CSW). In June of 2000, I was promoted to Senior Regulatory Consultant in
21 the Transmission and Interconnections Department, which became part of the
22 Regulated Tariffs Department in 2005. In September 2010, I transferred within AEP

1 from the Service Corporation to Kentucky Power where I assumed my current
2 responsibilities and position.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
4 **COMMISSIONS?**

5 A. Yes. I testified before this Commission in Case No. 91-066, a regulatory proceeding
6 involving the adjustment in electric base rates for KPCo and more recently I provided
7 written testimony in KPCo's six-month environmental surcharge review Case No.
8 2010-00318. I have also presented testimony for Wheeling Power Company before the
9 West Virginia Public Service Commission and for Appalachian Power Company before
10 the Commonwealth of Virginia State Corporation Commission.

11 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

12 A. No.

III. PURPOSE OF YOUR TESTIMONY

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

14 A. The purpose of my testimony is to support the Company's decision to request no
15 change to the fuel amount that is built into base rates. I will also address the
16 Commission's questions regarding the wholesale electric power market.

17 **Q. WHAT BASE FUEL AMOUNT IS BEING PROPOSED BY THE COMPANY?**

18 A. As demonstrated in the Company's February 14, 2011, response to the Commission's
19 data request Item Nos. 1, 2, 3, and 4, the Company is proposing no change to the fuel
20 amount built into base rates of 2.840 cents per kWh.

1 **Q. HOW DID THE COMPANY DETERMINE IT WOULD NOT BE**
 2 **APPROPRIATE TO CHANGE THE FUEL AMOUNT THAT IS BUILT INTO**
 3 **BASE RATES?**

4 A. First, the Company looked at the historical cost of fuel actually incurred during the two
 5 years under review. During that two year period, the fuel costs ranged from a low of
 6 2.378 cents per kWh in the month of November 2009 to a high of 3.327 cents per kWh
 7 in the month of November 2008. The simple average of the low and high rates is 2.853
 8 cents per kWh. Although the average of the high and low rates over the past two years
 9 was slightly above the current base fuel rate of 2.840, the difference between the current
 10 base fuel rate and the average of the high and low rates during the review period is less
 11 than 0.5% of the current base rate -- an insignificant difference.

12 Second, the Company reviewed actual monthly fuel costs during the last six
 13 months of the review period (May 2010 – October 2010). As shown in the table below,
 14 these ranged from a low of 2.507 cents per kWh in May 2010 to a high of 2.877 cents
 15 per kWh in September 2010. The high during the last six months of the review period
 16 was only 1.3% higher than the current base rate of 2.840 cents per kWh.

MONTH YEAR	CENTS PER KWH
May 2010	2.507
June 2010	2.605
July 2010	2.591
August 2010	2.531
September 2010	2.877

October 2010	2.698
Six Month Median	2.598
Six Month Average	2.635

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Third, the Company looked at its forecasted cost of fuel for the calendar years 2011 and 2012. The Company's best estimate as to what the fuel costs will be for the two calendar years are 2.586 cents per kWh ($\$189,238,060 / 7,316,847,252$) for calendar year 2011 and 2.814 cents per kWh ($\$205,963,110 / 7,320,237,223$) for calendar year 2012. Again, the high forecast is less than 1% below the current base rate.

Finally, the Company examined trends, both in the past and in the future. The average of the four six month period averages of the current review period was 2.659 cents per kWh or almost 94% of the current base. More recently, the average for the last six-months during the review period was 2.635 cents per kWh and the median for the same period was 2.598 cents per kWh, or approximately 92.78% and 91.48% of the current fuel base respectively. As each of these measures indicates, even though monthly fuel costs have oscillated over the past two-year period, the central trend line has remained relatively stable. Moreover, Kentucky Power projects that the average fuel price during 2011-2012 will average 2.700 cents per kWh, or 95.07% of the current base, and are projected to be within 99% of the current base rate during 2012. The Company believes the base cost of fuel currently used in the Company's fuel adjustment clause is reasonable and does not require a change for the upcoming two-year period. Accordingly, the Company proposes the present base fuel of 2.840 cents

1 per kWh remain in effect because it represents the cost per kWh the Company can
2 reasonably expect to incur during the next two-year period.

3 **WHOLESALE ELECTRIC POWER MARKET**

4 **Q. HAVE THERE BEEN ANY CHANGES IN THE WHOLESALE ELECTRIC**
5 **POWER MARKET THAT OCCURRED DURING THE REVIEW PERIOD**
6 **THAT SIGNIFICANTLY AFFECTED KENTUCKY POWER'S COAL**
7 **PROCUREMENT PRACTICES?**

8 A. No. Kentucky Power has not experienced or observed a significant change in the
9 wholesale electric market that affected Kentucky Power's electric power procurement
10 practices during the review period.

11 **Q. DOES KENTUCKY POWER FORESEE CHANGES IN THE WHOLESALE**
12 **ELECTRIC MARKET IN THE NEXT TWO YEARS THAT WILL AFFECT**
13 **KENTUCKY POWER'S ELECTRIC POWER PROCUREMENT PRACTICES?**

14 A. No. Kentucky Power does not foresee major changes to the wholesale power market
15 during this period that would affect its electric power procurement practices during this
16 period.

17 **Q. PLEASE EXPLAIN HOW ELECTRIC POWER PROCURED FROM THIRD**
18 **PARTIES IS UTILIZED ON THE AEP SYSTEM.**

19 A. Pursuant to the FERC-approved AEP East System Interconnection Agreement, the
20 member companies, including Kentucky Power Company, benefit through the
21 economic utilization of resources, which includes AEP generation and third party
22 power purchases. In brief, the lowest energy cost resources are assigned to internal

1 load. Purchases are made when it is economic to do so and are used to meet internal
2 load requirements when less expensive than AEP generation.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes.**

AFFIDAVIT

Lila P. Munsey, upon being first duly sworn, hereby makes oath that if the foregoing questions were propounded to her at a hearing before the Public Service Commission of Kentucky, she would give the answers recorded following each of said questions and that said answers are true.

Lila P. Munsey
Lila P. Munsey

Commonwealth of Kentucky

)

) Case No. 2010-00490

County of Franklin

)

11th Sworn to before me and subscribed in my presence by Lila P. Munsey, this the
day of February, 2011.

Judy K Resquist
Notary Public

My Commission Expires: January 23, 2013

Kentucky Power Company

REQUEST

State the month to be used as the base period (b). Include a comprehensive, detailed explanation of the factors considered in the selection of this month as being representative of the net generating cost per kWh that Kentucky will incur between November 1, 2010 and October 31, 2012 ("the next 2-year period"). If no change is proposed, include a narrative explanation of the reason(s) Kentucky Power believes the current base period fuel cost should remain unchanged.

RESPONSE

Based on the analysis outlined below, the current base cost of fuel is reasonable and does not require a change for the upcoming two-year period. The base fuel cost of 2.840 cents per kWh represents the cost per kilowatt hour that the Company can reasonably expect to incur during the next two-year period. Kentucky Power, therefore, proposes that the current base fuel cost of 2.840 cents per kWh remain in effect.

The fuel cost resulting from the most recent projections is \$189,238,060 for 2011 and \$205,963,110 for 2012. Kilowatt hour sales projected for those same periods are 7,316,847,252 and 7,320,237,223 respectively, providing a projected fuel cost of 2.586 cents per kWh for year 2011 and 2.814 cents per kWh for year 2012.

Although representing the highest monthly fuel cost during the most recent six-month period, September 2010 was selected to be the base period because: (a) its proximity to the next two-year period; (b) the availability of the actual fuel costs; and (c) Big Sandy and Rockport Generating Plant availabilities were consistent with long-term expectations. Most importantly, the September 2010 costs deviate less than 2% from the central tendencies of costs over the past two-year period, as well as the projected costs during the next two-year period. Company witness Munsey provides more detail on the fuel cost central tendencies in her testimony filed herewith.

Calculation of September 2010 costs:

$$\text{Dollars/kWh} = \frac{\text{Fuel (b) September 2010}}{\text{Sales (b) September 2010}} = \frac{\$15,257,308}{530,234,000 \text{ kWh}} = \$0.02877$$

Calculation of the current base fuel amount:

$$\text{Dollars/kWh} = \frac{\text{Fuel (b) June 2008}}{\text{Sales (b) June 2008}} = \frac{\$16,138,627}{568,162,000 \text{ kWh}} = \$0.02840$$

The Company requests that the current base fuel cost not change for the next two-year period because the difference between the September 2010 base fuel costs and current base fuel costs (.37 mils per kWh) is not material.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide a calculation of the fossil fuel costs F(b) that Kentucky Power proposes to use to calculate the base period fuel cost. This calculation shall show each component of F(b) as defined by Administrative Regulation 807 KAR 5:056. Explain why the fuel cost in the selected base period is representative of the level of fuel cost that Kentucky Power will incur during the next two-year period.

RESPONSE

As stated in the response to Item No. 1, the Company proposes no change in the present base fuel cost F(b) \$16,138,627. In response to this data request, the base fuel costs F(b) are shown for the months of September 2010 and June 2008, the month used to establish the present base fuel cost.

Please see pages 2 and 3 of this response.

WITNESS: Lila P Munsey

KENTUCKY POWER COMPANY

**FINAL
 FUEL COST SCHEDULE**

Month Ended: September 2010

A. Company Generation			
Coal Burned	(+)	\$20,049,232	
Oil Burned	(+)	169,646	
Gas Burned	(+)	0	
Fuel (jointly owned plant)	(+)	0	
Fuel (assigned cost during F. O.)			
(0 KWH X \$0.000000)	(+)		
Fuel (substitute for F. O.)	(-)	<u>0</u>	
Sub-total		<u>20,218,878</u>	
B. Purchases			
Net Energy Cost - Economy Purchases	(+)	0	
Identifiable Fuel Cost - Other Purchases	(+)	2,133,991	(1)
Identifiable Fuel Cost (substitute for F. O.)			
(0 KWH X \$0.000000)	(-)	<u>0</u>	
Sub-total		<u>2,133,991</u>	
C. Inter-System Sales Fuel Costs		<u>7,669,909</u>	(1)
D. SUB-TOTAL FUEL COST (A + B - C)		<u>\$14,682,959</u>	
E. Net Transmission Marginal Line Loss for month	September 2010	574,349	
F. GRAND TOTAL FUEL COSTS (D + E)		<u><u>\$15,257,308</u></u>	

(1) Includes total Energy Costs of non-economy purchase per KPSC Order dated October 3, 2002 in Case No. 2000-495-B.

KENTUCKY POWER COMPANY

**FINAL
 FUEL COST SCHEDULE**

Month Ended: June 2008

A. Company Generation			
Coal Burned	(+)	\$13,540,878	
Oil Burned	(+)	2,036,748	
Gas Burned	(+)	0	
Fuel (jointly owned plant)	(+)	0	
Fuel (assigned cost during F. O.)			
(116,081,000 KWH X \$0.021142)	(+)	2,454,185	
Fuel (substitute for F. O.)	(-)	<u>0</u>	
Sub Total		<u>18,031,811</u>	
B. Purchases			
Net Energy Cost - Economy Purchases	(+)	0	
Identifiable Fuel Cost - Other Purchases	(+)	6,582,163	(1)
Identifiable Fuel Cost (substitute for F. O.)			
(116,081,000 KWH X \$0.021142)	(-)	<u>2,454,185</u>	
Sub Total		<u>4,127,978</u>	
C. Inter-System Sales Fuel Costs			
		<u>7,766,240</u>	(1)
D. Sub Total Fuel Cost (A+ B - C)			
		\$14,393,549	
E. Net Transmission Marginal Line Loss June 2008			
		<u>1,745,078</u>	
F. GRAND TOTAL FUEL COSTS (D + E)			
		<u><u>\$16,138,627</u></u>	

(1) Includes total Energy Costs of non-economy purchase per KPSC Order dated October 3, 2002 in Case No. 2000-495-B.

Kentucky Power Company

REQUEST

Provide a schedule showing each component of sales as defined by Administrative Regulation 807 KAR 5:056 in the selected base period (b). Explain why Kentucky Power believes that the sales in the selected base period (b) are representative of the level of kWh sales that Kentucky Power will derive from the level of fuel costs incurred during the selected base period (b).

RESPONSE

As stated in the response to Item No. 1, the Company proposes no change in the present base sales period S(b) of 568,162,000 kWh. In response to this data request, the base sales periods S(b) are shown for the months of September 2010 and June 2008, the month used to establish the present base fuel cost.

Please see pages 2 and 3 of this response.

WITNESS: Lila P Munsey

KENTUCKY POWER COMPANY

SALES SCHEDULE

Month Ended: September 2010

		<u>Kilowatt-Hours</u>
A. Generation (Net)	(+)	524,702,000
Purchases Including Interchange In	(+)	<u>353,361,000</u>
Sub Total		878,063,000
B. Pumped Storage Energy	(+)	0
Inter-System Sales Including Interchange Out	(+)	334,652,000
System Losses	(+)	<u>13,177,000</u> *
Sub Total		<u>347,829,000</u>
Total Sales (A - B)		<u><u>530,234,000</u></u>

* Does not include 316,000 KWH of company usage.

KENTUCKY POWER COMPANY

SALES SCHEDULE

Month Ended: June 2008

		<u>Kilowatt-Hours</u>
A. Generation (Net)	(+)	411,785,000
Purchases Including Interchange In	(+)	<u>570,183,000</u>
Sub Total		981,968,000
B. Pumped Storage Energy	(+)	0
Inter-System Sales Including Interchange Out	(+)	391,730,000
System Losses	(+)	<u>22,076,000</u> *
Sub Total		<u>413,806,000</u>
Total Sales (A - B)		<u><u>568,162,000</u></u>

* Does not include 352,551 KWH of company usage.

Kentucky Power Company

REQUEST

Provide a schedule showing the calculation of Kentucky Power's proposed increase or decrease in its base fuel cost per kWh to be incorporated into its base rate.

RESPONSE

As stated in the response to Item No. 1, the Company proposes no change in the present base fuel cost per kWh.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide Kentucky Power's most recent projected fuel requirements for the years 2011 and 2012 in tons and dollars.

RESPONSE

Kentucky Power Company's Big Sandy Plant projected fuel requirements for the years 2011 and 2012 in tons and dollars are shown below:

	<u>Year 2011</u>	<u>Year 2012</u>
Projected Tons to be Consumed (000)	2,002.9	2,395.5
Projected Consumed Cost (\$000) (151 Fuel Basis)	\$145,819	\$185,141

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide Kentucky Power's most recent sales projections for the years 2011 and 2012 in kWh and dollars.

RESPONSE

The projected sales in kWh and dollars for Kentucky Power Company for the years 2011 and 2012 are shown below:

	<u>Year 2011</u>	<u>Year 2012</u>
Projected kWh Internal Sales	7,316,847,252	7,320,237,223
Projected Revenues from kWh Sales	\$564,790,105	\$610,441,208

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide separately the amounts for power purchases used in the calculation of sales provided in response to Item 3.

RESPONSE

Please see the Company's response to Item No. 3.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide separately the amounts of intersystem power sales used in the calculation of sales provided in response to Item 3.

RESPONSE

Please see the Company's response to Item No. 3.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide the planned maintenance schedule for each of Kentucky Power's generating units for the years 2011 and 2012.

RESPONSE

Planned Maintenance Outage Schedules

2011

Big Sandy Unit 1, Less than 4 weeks
Big Sandy Unit 2, More than 4 weeks

2012

Big Sandy Unit 1, Less than 4 weeks
Big Sandy Unit 2, Less than 4 weeks

WITNESS: Aaron M Sink

Kentucky Power Company

REQUEST

For the years ending October 31, 2009 and October 31, 2010, provide:

- a. maximum annual system demand; and
- b. average annual demand.

RESPONSE

	<u>Year Ended</u> <u>October 31, 2009</u>	<u>Year Ended</u> <u>October 31, 2010</u>
a. Kentucky Power Maximum Annual Internal Demand (MW)	1,674	1,543
b. Kentucky Power Internal Average Annual Demand (MW)	1,281	1,247

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

List all firm power commitments for Kentucky Power for the years 2011 and 2012 for (a) purchases and (b) sales. This list shall identify the other party (buyer or seller), the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

RESPONSE

(a) Purchases:

Kentucky Power has a unit power agreement with AEP Generating Company for a 393 MW share of the Rockport station (baseload generation). This agreement will be in effect through 2022.

(b) Sales:

Firm power commitments for Kentucky Power Company for the period listed above, other than retail jurisdictional customers, are the cities of Olive Hill and Vanceburg, Kentucky. The forecasted peak loads (MW) for the cities for 2011 and 2012 are shown below. The cities use the power as load following service to their citizens.

	<u>Year 2011</u>	<u>Year 2012</u>
Olive Hill	6.6 MW	6.8 MW
Vanceburg	14.4 MW	14.8 MW

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide a monthly billing summary for all sales to all electric utilities for the period November 1, 2008 through October 31, 2010.

RESPONSE

Please see attached pages. Due to the voluminous nature of this response, the Company is providing the Commission with one original hard copy and four copies with the information attached on a CD.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

- a. Provide a schedule of the calculation of the 12-month average line loss by month for November 2008 through October 2010.
- b. Describe the actions that Kentucky Power has taken to reduce line loss during this period.

RESPONSE

- a. Please see Page 2 of this response.
- b. The Company is continually working to reduce line loss by increasing conductor size, installing more efficient transformers, employing a reactive connective program and increasing the operating voltage levels of transmission and distribution lines. This action reduces losses at constant load and maintains minimal increases in losses for additional load.

An example of improvement is the Eastern Kentucky Area Improvement Project, which focuses on the area of Paintsville, Kentucky. As part of this project, a new 69 kV line between Paintsville Station and West Paintsville Station has been constructed. Adding a new, high-capacity line to the transmission network reduces losses and improves efficiency.

Additionally, a 69/12 kV power transformer at West Paintsville Station has been replaced with a new transformer that will be more efficient. Additional upgrades are planned for this area as part of the Eastern Kentucky Area Improvement Project.

WITNESS: Lila P Munsey

KENTUCKY POWER COMPANY
Line Loss Calculation

BILLED & ACCRUED

MWH			TOTAL	ASSOC.	SYSTEM	INTERNAL	ENERGY	% LINE
			ENERGY	COMPANY	SALES	ENERGY	LOST &	LOSS
			DISPOSED	INTERCHANGE	FOR	DISPOSED	UNACCOU	INTERNAL
		1	2	3	(1-2-3-4)	6	(6/5)	
NOV	08	current month	822,832	52,698	110,741	659,393	17,450	2.646%
		12 mos. ending	12,616,994	2,536,645	2,517,648	7,562,701	256,073	3.386%
DEC	08	current month	926,870	89,593	106,193	731,084	26,781	3.663%
		12 mos. ending	12,404,277	2,394,133	2,407,483	7,602,661	255,503	3.361%
JAN	09	current month	1,030,791	136,529	99,316	794,946	27,263	3.430%
		12 mos. ending	12,118,987	2,277,562	2,252,416	7,589,009	252,265	3.324%
FEB	09	current month	905,011	149,622	100,521	654,868	16,515	2.522%
		12 mos. ending	11,914,373	2,210,909	2,149,783	7,553,681	243,594	3.225%
MAR	09	current month	1,024,522	279,062	114,111	631,349	(14,503)	-2.297%
		12 mos. ending	11,816,132	2,214,020	2,074,651	7,527,461	203,717	2.706%
APR	09	current month	998,573	342,354	115,873	540,346	12,892	2.386%
		12 mos. ending	11,752,695	2,215,771	2,018,065	7,518,859	194,880	2.592%
MAY	09	current month	878,745	254,971	87,992	535,782	1,356	0.253%
		12 mos. ending	11,769,802	2,376,203	1,884,071	7,509,528	175,185	2.333%
JUN	09	current month	904,793	203,677	140,481	560,635	(13,883)	-2.476%
		12 mos. ending	11,692,627	2,415,209	1,796,795	7,480,623	141,542	1.892%
JUL	09	current month	789,654	96,930	125,337	567,387	23,327	4.111%
		12 mos. ending	11,300,374	2,225,482	1,640,652	7,434,240	146,047	1.965%
AUG	09	current month	971,630	229,115	150,068	592,447	(2,789)	-0.471%
		12 mos. ending	11,205,753	2,248,916	1,550,977	7,405,860	112,619	1.521%
SEP	09	current month	798,017	155,736	114,798	527,483	21,635	4.102%
		12 mos. ending	10,959,995	2,152,253	1,434,836	7,372,906	124,163	1.684%
OCT	09	current month	837,897	194,727	102,736	540,434	(1,408)	-0.261%
		12 mos. ending	10,889,335	2,185,014	1,368,167	7,336,154	114,636	1.563%
NOV	09	current month	876,409	175,976	108,717	591,716	(6,412)	-1.084%
		12 mos. ending	10,942,912	2,308,292	1,366,143	7,268,477	90,774	1.249%
DEC	09	current month	1,102,913	221,330	161,169	720,414	26,746	3.713%
		12 mos. ending	11,118,955	2,440,029	1,421,119	7,257,807	90,739	1.250%
JAN	10	current month	1,192,466	208,736	173,493	810,237	32,442	4.004%
		12 mos. ending	11,280,630	2,512,236	1,495,296	7,273,098	95,918	1.319%
FEB	10	current month	1,041,050	173,516	140,270	727,264	33,237	4.570%
		12 mos. ending	11,416,669	2,536,130	1,535,045	7,345,494	112,640	1.533%
MAR	10	current month	812,170	71,462	115,274	625,434	23,439	3.748%
		12 mos. ending	11,204,317	2,328,530	1,536,208	7,339,579	150,582	2.052%
APR	10	current month	742,724	127,400	101,436	513,888	18,461	3.592%
		12 mos. ending	10,948,468	2,113,576	1,521,771	7,313,121	156,151	2.135%
MAY	10	current month	691,821	43,184	89,415	559,222	(16,441)	-2.940%
		12 mos. ending	10,761,544	1,901,789	1,523,194	7,336,561	138,354	1.886%
JUN	10	current month	957,393	179,118	169,909	608,366	24,042	3.952%
		12 mos. ending	10,814,144	1,877,230	1,552,622	7,384,292	176,279	2.387%
JUL	10	current month	1,223,327	322,376	260,917	640,034	7,428	1.161%
		12 mos. ending	11,247,817	2,102,676	1,688,202	7,456,939	160,380	2.151%
AUG	10	current month	1,165,628	307,875	201,133	656,620	20,145	3.068%
		12 mos. ending	11,441,815	2,181,436	1,739,267	7,521,112	183,314	2.437%
SEP	10	current month	878,063	226,664	104,456	546,943	25,520	4.666%
		12 mos. ending	11,521,861	2,252,364	1,728,925	7,540,572	187,199	2.483%
OCT	10	current month	874,016	252,273	81,624	540,119	(1,137)	-0.211%
		12 mos. ending	11,557,980	2,309,910	1,707,813	7,540,257	187,470	2.486%
NOV	10	current month	855,419	166,718	78,588	610,113	18,691	3.064%
		12 mos. ending	11,536,990	2,300,652	1,677,684	7,558,654	212,573	2.812%
DEC	10	current month	1,017,587	91,341	96,614	829,632	27,145	3.272%
		12 mos. ending	11,451,664	2,170,663	1,613,129	7,667,872	212,972	2.778%

Kentucky Power Company

REQUEST

List Kentucky Power's scheduled, actual, and forced outages between May 1, 2010 and October 31, 2010.

RESPONSE

Attached is a listing of all scheduled, actual, and forced outages for Big Sandy Plant for the period May 1, 2010 through October 31, 2010.

WITNESS: Aaron M Sink

Kentucky Power Company

REQUEST

For each existing fuel contract categorized as long-term (i.e., one year or more in length), provide:

- a. Supplier's name and address;
- b. Name and location of production facility;
- c. Date when contract executed;
- d. Duration of contract;
- e. Date(s) of each contract revision, modification or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percent of annual requirements received during the contract's term;
- i. Base price;
- j. Total amount of price escalations to date; and,
- k. Current price paid for coal under the contract (i. + j).

RESPONSE

Please see Attachment 15-1 for the requested information.

WITNESS: Kimberly K Chilcote

This response is provided for the time period of May 1, 2010 through October 31, 2010, and lists all pertinent fuel contract information requested.

Please note that all contracts are fixed price and do not escalate based on price indices. The response to 'i' reflects the original price of the contract when first executed. The response to 'k' is the price of the contract at the end of the review period (October 31, 2010).

ARGUS ENERGY, LLC (Contract No. 07-903)

- a. Argus Energy LLC, P.O. Box 416, Kenova, WV 25530
- b. Bear Branch Mine in Lawrence County, KY, Kiah Creek Mine in Wayne County, WV, and the Spurlock Loadout/Mine in Floyd County, KY
- c. January 1, 2007
- d. January 1, 2007 - December 31, 2011
- e. February 5, 2009, April 29, 2009, April 27, 2010, and September 10, 2010.
- f. 240,000 tons in 2007 through 2008; 203,200 tons in 2009; 212,583 tons in 2010, 120,000 tons in 2011 plus any 2010 shortfall tonnage

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2007	237,748*	99%
	2008	179,240	75%
	2009	210,426	104%
	2010	165,925	94%**

- i. \$51.75 FOB Plant.
- j. None
- k. \$56.00 FOB Plant in 2010.

* Includes deliveries to synfuel processing.

**Based on requirements through October 2010

BEECH FORK PROCESSING (Contract No. 07-904)

- a. Beech Fork Processing, Inc., P.O. Box 190, Lovely, KY 41231
- b. Bear Branch Mine in Lawrence County, KY, Kiah Creek Mine in Wayne County, WV, and the Spurlock Loadout/Mine in Floyd County, KY
- c. June 13, 2008
- d. January 1, 2008 - December 31, 2010
- e. February 5, 2009
- f. 120,000 tons in 2008; 240,000 tons in 2009 and 2010

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2008	56,488	47%
	2009	306,533	128%
	2010	137,086	69%**

- i. \$49.00 FOB Plant; \$51.00 FOB Barge
- j. None
- k. \$52.50 FOB Plant; \$54.50 FOB Barge

**Based on requirements through October 2010

BEECH FORK PROCESSING (Contract No. 08-901)

- a. Beech Fork Processing, Inc., P.O. Box 190, Lovely, KY 41231
- b. Bear Branch Mine in Lawrence County, KY, and the Spurlock Loadout/Mine in Floyd County, KY
- c. June 13, 2008
- d. October 1, 2008 – December 31, 2013
- e. February 5, 2009 and August 30, 2010.
- f. 180,000 tons in 2008; 450,000 tons in 2009; 360,000 tons in 2010 and 2011; 210,000 tons in 2012; 120,000 in 2013.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2008	0	0%
	2009	630,502	140%
	2010	300,524	100%**

- i. \$82.00 FOB Plant.
- j. None
- k. \$74.00 FOB Plant.

**Based on requirements through October 2010

ICG, LLC (Contract No. 07-901)

- a. ICG LLC, 300 Corporate Centre Drive Scott Depot, WV 25560
- b. Supreme Energy, Raven Mine, and Hazard Mine in Knott County, KY
- c. January 2, 2007
- d. January 2, 2007 - December 31, 2012
- e. September 29, 2008. July 31, 2009, July 15, 2010, September 10, 2010 and December 13, 2010.
- f. 120,000 tons in 2007; 240,000 per year in 2008 through 2010; 360,000 tons in 2011. 240,000 tons in 2012.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2007	117,544	98%
	2008	196,336	82%
	2009	278,479	116%
	2010	186,515	93%**

- i. \$48.00 FOB Railcar.
- j. None
- k. \$52.75 FOB Railcar.

**Based on requirements through October 2010

CLIFFS LOGAN COUNTY COAL, LLC (Formerly INR-WV, Contract No. 08-900)

- a. Cliffs Logan County Coal, LLC 1100 Superior Avenue East, 15th Floor, Cleveland, OH 44114
- b. Toney's Fork Mine in Logan county, WV and other mines operated by the seller or its affiliates in Logan, Boone, or Wyoming County, WV
- c. February 27, 2008
- d. May 1, 2008 – December 31, 2012
- e. December 15, 2008, December 19, 2008, January 26, 2009, and November 30, 2010.
- f. 240,000 tons from May 1, 2008 through December 31, 2008; 465,000 tons in 2009 and 360,000 tons per year in 2010 through 2012.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2008	135,564	56%
	2009	426,069	92%
	2010	345,273	115%**

- i. \$70.00 FOB Railcar
- j. None
- k. \$72.00 FOB Railcar

**Based on requirements through October 2010

KENTUCKY FUELS (Contract No. 10-902)

- a. Kentucky Fuels Corporation, 189 Four Mile Branch, PO Box 130, Mousie, KY, 41839
- b. Bent Mountain and Bevins Branch Mines, Pike County, KY
- c. November 15, 2010
- d. October 1, 2010 through December 31, 2011
- e. None.
- f. 60,000 tons from October through December of 2010; 420,000 tons per year for 2011

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2010	19,389	97%**

- i. \$75.00 FOB Plant
- j. None
- k. \$75.00 FOB Plant

**Based on requirements through October 2010

RHINO ENERGY, LLC (Contract No. 10-900)

- a. Rhino Energy LLC, 424 Lewis Hargett Circle Suite 250, Lexington, KY 40503
- b. Bevins Branch Mine in Floyd County, KY
- c. August 18, 2010
- d. October 1, 2010 through December 31, 2013
- e. August 25, 2010
- f. 30,000 tons from October through December of 2010; 480,000 tons per year for 2011 through 2013.

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2010	10,882	109%**

- i. \$73.00 FOB Plant
- j. None
- k. \$73.00 FOB Plant

**Based on requirements through October 2010

TRINITY COAL MARKETING, LLC (Contract No. 07-900)

- a. Trinity Coal Marketing LLC , 4978 Teays Valley Road, Scott Depot, WV 25560
- b. Levisa Fork Mine in Floyd County, KY; Bear Fork Mine in Pike County, KY; Little Elk Mine in Breathitt, Knott, and Perry Counties, KY; Falcon Resources Mine in Boone County, WV
- c. February 27, 2007
- d. January 1, 2007 – December 31, 2010
- e. March 20, 2009, April 29, 2009, June 26, 2009, and April 27, 2010.
- f. 120,000 tons in 2007; 240,000 per year in 2008; 200,000 per year in 2009; 290,000 per year in 2010

g&h.	<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
	2007	119,819	100%
	2008	184,793	77%
	2009	193,924	97%
	2010	257,003	103%**

- i. \$45.95 FOB Railcar; \$52.00 FOB Truck; \$55.50 Barge
- j. None
- k. \$47.95 per ton FOB Railcar; \$54.00 per ton FOB Truck; \$57.50 per ton FOB Barge

**Based on requirements through October 2010

TRINITY COAL MARKETING, LLC (Contract No. 07-905)

- a. Trinity Coal Marketing LLC , 4978 Teays Valley Road, Scott Depot, WV 25560
- b. Prater Branch Mine in Floyd County, KY and Boone County WV; Falcon Resources Mine in Boone County, WV
- c. November 6, 2007
- d. January 1, 2008 – December 31, 2012
- e. March 20, 2009 (2 amendments), June 26, 2009, April 27, 2010, July 29, 2010.
- f. 71,252 (Actual) tons in 2008; 193,264 (Actual) tons in 2009; 144,045 (Actual) tons January through May 2010; 0 tons for June and July 2010; 20,000 tons per month for August and September 2010; 30,000 tons in October 2010; 20,000 tons per month for November and December 2010; 30,000 tons per month for January through August 2011; 20,000 tons per month from September through December 2012. 1,080,000 total tons under agreement.

<u>g&h. Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
2008	71,253	59%
2009	191,900	99%
2010	214,469	101%**

- i. \$47.00 FOB Railcar; \$53.00 FOB Truck; \$56.00 FOB Barge
- j. None
- k. \$50.50 FOB Railcar; \$56.50 FOB Plant (Truck); \$60.00 FOB Barge

**Based on requirements through October 2010

Kentucky Power Company

REQUEST

Provide a schedule of the present and proposed rates that Kentucky Power seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

RESPONSE

The Company is not proposing a change to the current base fuel rate.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Provide a statement showing by cross-outs and italicized inserts all proposed changes in rates. A copy of the current tariff may be used.

RESPONSE

The Company is not proposing a change to the current base fuel rate.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

- a. State whether Kentucky Power regularly compares the price of its coal purchases with those paid by other electric utilities.
- b. If yes, state:
 - (1) The utilities that are included in this comparison and their location; and
 - (2) How Kentucky Powers prices compare with those of the other utilities for the review period. Include all prices used in the comparison.

RESPONSE

- a. Yes. Quarterly a review meeting is held with the American Electric Power Service Corporation (AEPSC) fuel procurement team and Kentucky Power in which the delivered cost of coal is compared with several utilities using two methods. The first method compares the data over a twelve-month rolling period and the second method compares the data over annual periods back to 2000. The data is from a variety of outside sources and therefore could contain errors, as well as inconsistencies between the data provided. This comparison is done strictly to provide a point of reference and no purchasing decisions are made based on the comparison.
- b. (1) and (2) The following table includes the utilities against which Kentucky Power compares its fuel prices in the quarterly meetings described above, as well as the location of those companies. The fuel cost data here was obtained from Velocity Suites which is a search engine that, in this case, used FERC Form 423 fuel cost information for the period of May 2010 through October 2010. It should be noted that the data for Kentucky Power for July 2010 was not included due to an error, which reported the SO₂ content of the fuel for that month as 11.57 lb SO₂/MMBTU, which is not accurate. Therefore the Kentucky Power fuel cost is a 5-month weighted average, while all other data is included as calculated weighted average costs for the utilities listed for the six-month review period.

This table shows that, for the companies included in the comparison, Kentucky Power has the second highest fuel costs for the review period. However, it should be noted that the fuel being delivered to these facilities may not be of the same quality or mixture as that being delivered to Kentucky Power. A review of the sulfur data shows that Kentucky Power purchased coal with the lowest sulfur content of all of the companies included in the comparison.

Company	Company Location	Cents Per MMBTU
Duke Energy Carolinas	NC	368
Kentucky Power Co	KY	269
Tennessee Valley Authority	TN	260
Kentucky Utilities Co	KY	251
Monongahela Power Co	WV	243
Duke Energy Kentucky	OH	216

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

List the percentage of Kentucky Power's coal, as of the date of this order, that is delivered by:

- a. Rail;
- b. Truck; or
- c. Barge.

RESPONSE

For the period from May 1, 2010 through October 31, 2010, and including deliveries received through the date of the order in this case on January 26, 2011, the following percentages detail the delivery methods for coal to Kentucky Power's Big Sandy generation plant.

- a. Rail: 59%
- b. Truck: 41%
- c. Barge: 0%

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

- a. State Kentucky Power's coal inventory level in tons and in number of days' supply as of October 31, 2010. Provide this information by plant and in the aggregate.
- b. Describe the criteria used to determine number of days' supply.
- c. Compare Kentucky Power's coal inventory as of October 31, 2010 to its inventory target for that date for each plant and for total inventory.
- d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for the additional inventory.
- e. (1) State whether Kentucky Power expect any significant changes in its current coal inventory target within the next 12 months.

(2) If yes, state the expected change and the reasons for this change.

RESPONSE

- a. As of October 31, 2010, Kentucky Power's actual coal inventory level was 245,752 tons, or 24 days of supply.
- b. Days' supply is determined by dividing the tons of coal in storage by the full load burn rate (tons per day).

$$\frac{245,752 \text{ tons in storage as of 10/31/2010}}{10,300 \text{ (full load burn rate - tons/day)}} = 24 \text{ days}$$

- c. As of October 31, 2010, Kentucky Power Company's coal inventory was 6 days below its target.
- d. N/A
- e. No.

WITNESS: Kimberly K. Chilcote

Kentucky Power Company

REQUEST

- a. State whether Kentucky Power audited any of its coal contracts during the period from May 1, 2010 to October 31, 2010.
- b. If yes, for each audited contract:
 - (1) Identify the contract;
 - (2) Identify the auditor;
 - (3) State the results of the audit; and
 - (4) Describe the actions that Kentucky Power took as a result of the audit.

RESPONSE

- a. Kentucky Power did not audit any of its coal contracts during the period from May 1, 2010 to October 31, 2010.
- b. N/A

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

- a. State whether Kentucky Power has received any customer complaints regarding its FAC during the period from May 1, 2010 to October 31, 2010.
- b. If yes, for each complaint state:
 - (1) The nature of the complaint; and
 - (2) Kentucky Power's response.

RESPONSE

- a. Kentucky Power did not receive any customer complaints regarding its FAC during the period from May 1, 2010 to October 31, 2010.
- b. N/A

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

- a. State whether Kentucky Power is currently involved in any litigation with its current or former coal suppliers.
- b. If yes, for each litigation:
 - (1) Identify the coal supplier;
 - (2) Identify the coal 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.
- c. State the current status of all litigation with coal suppliers.

RESPONSE

- a. Kentucky Power is not currently involved in any litigation with its current or former coal suppliers.
- b. N/A
- c. N/A

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

List each written coal supply solicitation issued during the period May 1, 2010 to October 31, 2010.

- a. For each solicitation, provide the date of the solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating units(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 ranks the proposals. (This document shall 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.

RESPONSE

During the period from May 1, 2010 through October 31, 2010 there were two system coal supply solicitations issued during the review period by American Electric Power Service Corporation (AEPSC) that included some coal specifications suitable for use by Kentucky Power. These were issued on July 19, 2010 (the July solicitation) and October 27, 2010 (the October solicitation). The details regarding each of these solicitations can be found in the following table:

Solicitation Date	July 19, 2010			October 27, 2010			
Quantities Solicited	One or More Agreements each for up to 50,000 Tons per			One or More Agreements each for up to 50,000 Tons per Month			
Delivery method	CSX Rail	NS Rail	CSX Rail or Barge	CSX Rail	Barge	Big Sandy Plant Via Truck	Rail, Barge or Truck
Coal Heat Content	12,500	12,500	13,000	12,500	12,000	12,000	11,750
Moisture (%)	10%	7%	7%	10%	10%	10%	10%
Ash (%)	12%	12%	7%	12%	13%	12%	16%
lb. SO ₂ /MMBTU	1.60	1.05	2.6	1.60	<1.6	1.60	1.6
Time Period Over Which Deliveries	Deliveries Commencing as Early as June 2011			Deliveries Commencing as Early as January 2011			
Applicable Generating Units	Coal solicited applies to many power plants within the AEP system, one of which is KPCo's			Coal solicited applies to many power plants within the AEP system, one of which is KPCo's Big Sandy Plant.			
Number of Vendors Solicitation was Sent To	40			62			
Number of Vendors that Responded to Solicitation*	36			26			
Selected Vendor	Rhino Energy, LLC; S. M. & J., Inc. (2**); Alpha Coal Sales,			ICG, LLC			

* The solicitations sent by the AEPSC were on behalf of multiple companies with differing fuel quality requirements. The number of vendors that responded to the solicitation does not necessarily mean that the fuel was of the correct quality or delivery method for KPCo

** The S. M. & J. agreements consisted of one spot purchase and one long-term coal sale agreement.

The tabulated responses for the July solicitation are included in Attachment 24-1 (Confidential and Redacted Versions), and the justifications for the contracts resulting from that solicitation are included as Attachments 24-2, 24-3, 24-4, and 24-5.

The tabulated responses for the October solicitation are included in Attachment 24-6 (Confidential and Redacted Versions). The October solicitation resulted in an amendment extending the existing agreement with ICG, LLC. The justification for this amendment that resulted from this solicitation is included as Attachment 24-7.

WITNESS: Kimberly K Chilcote

ID	Proposal	Basin	Spec	Company	TPM	Term					Spot Term	Applicable Dates	
						Years	2010 Tons	2011 Tons	2012 Tons	2013 Tons			2014 Tons
2	Alliance Coal	ILB	E	Alliance Coal									
1	Alliance Coal	NAPP	C	Alliance Coal									
3	Alliance Coal	CAPP	A	Alliance Coal									
1	Allied Resources, Inc.	ILB	E	Allied Resources, Inc.									
2	Allied Resources, Inc.	ILB	E	Allied Resources, Inc.									
2	Alpha Coal Sales	NAPP	C	Alpha Coal Sales									
1	Alpha Coal Sales	NAPP	C	Alpha Coal Sales									
1	Arch	CAPP	A	Arch									
3	Atlantic Development & Coal	CAPP	B	Atlantic Development & Coal									
2	Atlantic Development & Coal	CAPP	B	Atlantic Development & Coal									
1	Atlantic Development & Coal	CAPP	A	Atlantic Development & Coal									
2	Berry & Company	ILB	E	Berry & Company									
3	Berry & Company	NAPP	C	Berry & Company									
4	Berry & Company	ILB	E	Berry & Company									
1	Berry & Company	ILB	E	Berry & Company									
1	Central Coal	ILB	F	Central Coal									
2	Central Coal	ILB	F	Central Coal									
3	Central Coal	CAPP	A	Central Coal									
2	Coalsales	ILB	F	Coalsales									
3	Coalsales	ILB	F	Coalsales									
1	Coalsales	ILB	E	Coalsales									
3	COALTRADE, LLC	CAPP	B	COALTRADE, LLC									
2	COALTRADE, LLC	CAPP	B	COALTRADE, LLC									
1	COALTRADE, LLC	CAPP	B	COALTRADE, LLC									
2	CONSOL Energy	NAPP	C	CONSOL Energy									
1	CONSOL Energy	NAPP	C	CONSOL Energy									
1	Delta Coals, LLC	ILB	F	Delta Coals, LLC									
2	ICG, LLC	CAPP	A	ICG, LLC									
1	ICG, LLC	CAPP	A	ICG, LLC									
1	INR	CAPP	A	INR									
2	INR	CAPP	A	INR									
1	ION Carbon & Minerals	ILB	F	ION Carbon & Minerals									
1	Keystone Industries	CAPP	B	Keystone Industries									
3	Koch Carbon, LLC	NAPP	C	Koch Carbon, LLC									
2	Koch Carbon, LLC	CAPP	B	Koch Carbon, LLC									
1	Koch Carbon, LLC	CAPP	A	Koch Carbon, LLC									
1	Logan & Kanawha Coal Co.	CAPP	A	Logan & Kanawha Coal Co.									
1	Louis Dreyfus Highbridge Energy, LLC	ILB	E	Louis Dreyfus Highbridge Energy, LLC									
2	Louis Dreyfus Highbridge Energy, LLC	CAPP	B	Louis Dreyfus Highbridge Energy, LLC									
2	Massey Coal Sales	CAPP	B	Massey Coal Sales									
1	Massey Coal Sales	CAPP	A	Massey Coal Sales									
1	Mercuria Energy Trading, Inc.	CAPP	B	Mercuria Energy Trading, Inc.									
2	Mercuria Energy Trading, Inc.	CAPP	B	Mercuria Energy Trading, Inc.									

REDACTED

ID	Proposal	2010 Price	2011 Price	2012 Price	2013 Price	2014 Price	2015 Price	Wtd Avg Price	Mine	Shipping Point	Mode	Transportation Costs				
												OPSL	Rail	Rate	River	MP
2	Alliance Coal								Riverview Mine, Waverly, KY	Riverview Dock	Barge					
1	Alliance Coal								Tunnel Ridge	Tunnel Ridge	Barge					
3	Alliance Coal								MC Mining / Scotts Branch	Scotts Branch	Rail					
1	Allied Resources, Inc.								Onton No. 9 Mine	Steamport Dock	Barge					
2	Allied Resources, Inc.								Onton No. 9 Mine	Steamport Dock	Barge					
2	Alpha Coal Sales								Cumberland Resources	Alicia Dock	Barge					
1	Alpha Coal Sales								Emerald	Emerald Loadout	Rail					
1	Arch								Mountain Laurel, Sharples, WV	Mountain Laurel	Rail					
3	Atlantic Development & Coal								Sycamore South & North Surface Mines	Shrewsbury	Barge					
2	Atlantic Development & Coal								Birch 2A / South Muddlety	Shrewsbury	Barge					
1	Atlantic Development & Coal								Birch 2A / South Muddlety	Cowen, WV	Rail					
2	Berry & Company								Illinois #1 - Herod, IL	Cave In Rock, IL	Barge					
3	Berry & Company								Century 106	Marion Dock	Barge					
4	Berry & Company								Illinois #1 - Herod, IL	Cave In Rock, IL	Barge					
1	Berry & Company								Illinois #1 - Herod, IL	Cave In Rock, IL	Barge					
1	Central Coal								Knight Hawk / Prairie Eagle	Lone Eagle Dock, Chester, IL	Barge					
2	Central Coal								Knight Hawk / Prairie Eagle	Lone Eagle Dock, Chester, IL	Barge					
3	Central Coal								Fork Creek	Fork Creek	Rail					
2	Coalsales								Gateway Mine	Cora Terminal	Barge					
2	Coalsales								Wild Bear/Somerville Complex	Warwick City Terminal	Barge					
3	Coalsales								Arclar Complex	Power Dock	Barge					
1	COALTRADE, LLC								TBD	Ohio Rvr 306.0-317.0	Barge					
3	COALTRADE, LLC								TBD	Ohio Rvr 306.0-317.0	Barge					
2	COALTRADE, LLC								TBD	Ohio Rvr 306.0-317.0	Barge					
1	CONSOL Energy								Tyler, Morgan / Four Mile	Marmet Pool	Barge					
2	CONSOL Energy								Robinson Run	Rob Run	Rail					
1	Della Coals, LLC								Blacksville / Loweridge	Blacksville	Rail					
1	Della Coals, LLC								East Fork Surface Mine	Armstrong Dock	Barge					
2	Della Coals, LLC								East Fork Surface Mine	Armstrong Dock	Barge					
1	Della Coals, LLC								Raven Mine	Raven	Rail					
1	Della Coals, LLC								Supreme Mine	Bates Branch	Rail					
1	Della Coals, LLC								Supreme Mine	Bates Branch	Rail					
1	Della Coals, LLC								Toney Fork / North Fork	Pardee	Rail					
1	Della Coals, LLC								Toney Fork / North Fork	Pardee	Rail					
1	Della Coals, LLC								Toney Fork / North Fork	Pardee	Rail					
1	Della Coals, LLC								Toney Fork / North Fork	Pardee	Rail					
1	Della Coals, LLC								Pikeville, IN	Rockport River Term.	Barge					
1	Della Coals, LLC								Stockton	Riverpoint	Barge					
1	Della Coals, LLC								Various Mines - Eastern KY, Southern WV	Arch/Lockwood Dock	Barge					
3	Della Coals, LLC								Various Mines - Eastern KY, Southern WV	Arch/Lockwood Dock	Barge					
2	Della Coals, LLC								Various Mines - Eastern KY, Southern WV	CSX Big Sandy / Kanawha	Rail					
1	Della Coals, LLC								Laurel Mountain Resources	Sunny Knott	Rail					
1	Della Coals, LLC								Laurel Mountain Resources	Sunny Knott	Rail					
1	Della Coals, LLC								Lugan & Kanawha Coal Co.	Cyrus River Terminal	Barge					
1	Della Coals, LLC								Lugan & Kanawha Coal Co.	Cyrus River Terminal	Barge					
2	Della Coals, LLC								Louis Dreyfus Highbridge Energy, LLC	Cyrus River Terminal	Barge					
2	Della Coals, LLC								Louis Dreyfus Highbridge Energy, LLC	Cyrus River Terminal	Barge					
1	Della Coals, LLC								Mammoth Mine	Mammoth	Barge					
1	Della Coals, LLC								Mammoth Mine	Mammoth	Barge					
1	Della Coals, LLC								Twilight Surface	Progress	Rail					
1	Della Coals, LLC								Various Mines - Eastern KY, Southern WV	Redbud Dock / Marmet Pool	Barge					
2	Della Coals, LLC								Various Mines - Eastern KY, Southern WV	Redbud Dock / Marmet Pool	Barge					

REDACTED

REDACTED

ID	Proposal	Total Cst \$/ton	Quality					Quality Adjustments			Quality Adjusted Del Total Cost		
			Btu	Ash %	SO2 #	Sulfur %	Moist %	Cl %	(H=1/2 W) Fusion	Disposal Cost		SO2 Cost	
2	Alliance Coal												
1	Alliance Coal												
3	Alliance Coal												
1	Allied Resources, Inc.												
2	Allied Resources, Inc.												
2	Alpha Coal Sales												
1	Alpha Coal Sales												
1	Arch												
3	Atlantic Development & Coal												
2	Atlantic Development & Coal												
1	Atlantic Development & Coal												
2	Berry & Company												
3	Berry & Company												
4	Berry & Company												
1	Berry & Company												
1	Central Coal												
2	Central Coal												
3	Central Coal												
2	Coalsales												
3	Coalsales												
1	Coalsales												
3	COALTRADE, LLC												
2	COALTRADE, LLC												
1	COALTRADE, LLC												
2	CONSOL Energy												
1	CONSOL Energy												
1	Delta Coals, LLC												
2	ICG, LLC												
1	ICG, LLC												
1	INR												
2	INR												
1	ION Carbon & Minerals												
1	Keystone Industries												
3	Koch Carbon, LLC												
2	Koch Carbon, LLC												
1	Koch Carbon, LLC												
1	Loigan & Kanawha Coal Co.												
1	Louis Dreyfus Highbridge Energy, LLC												
2	Louis Dreyfus Highbridge Energy, LLC												
2	Massey Coal Sales												
1	Massey Coal Sales												
1	Mercuria Energy Trading, Inc.												
2	Mercuria Energy Trading, Inc.												

REDACTED

ID	Proposal	2010 Price	2011 escalated Price	2012 escalated Price	2013 escalated Price	Weighted Ave. Price	Total Discounted \$/MBTU	Notes
2	Alliance Coal							
1	Alliance Coal							
3	Alliance Coal							
1	Allied Resources, Inc.							
2	Allied Resources, Inc.							
2	Alpha Coal Sales							
1	Alpha Coal Sales							
1	ATCH							
3	Atlantic Development & Coal							
2	Atlantic Development & Coal							
1	Atlantic Development & Coal							
2	Berry & Company							
3	Berry & Company							
4	Berry & Company							
1	Berry & Company							
1	Central Coal							
2	Central Coal							
3	Central Coal							
2	Coalsales							
3	Coalsales							
1	Coalsales							
3	COALTRADE, LLC							
2	COALTRADE, LLC							
1	COALTRADE, LLC							
2	CONSOL Energy							
1	CONSOL Energy							
1	Delta Coal, LLC							
2	DCG, LLC							
1	DCG, LLC							
1	ENR							
2	ENR							
1	ION Carbon & Minerals							
1	KeyStone Industries							
3	Koch Carbon, LLC							
2	Koch Carbon, LLC							
1	Koch Carbon, LLC							
1	Logan & Kanawha Coal Co.							
1	Louis Dreyfus Highbridge Energy, LLC							
2	Louis Dreyfus Highbridge Energy, LLC							
2	Massey Coal Sales							
1	Massey Coal Sales							
1	Mercuria Energy Trading, Inc.							
2	Mercuria Energy Trading, Inc.							

REDACTED

ID	Proposal	Basin	Spec	Company	TPM	Term Years	2010 Tons	1 2011 Tons	2 2012 Tons	3 2013 Tons	4 2014 Tons	5 2015 Tons	Total Tons Offered	Spot Term	Applicable Dates
3	Mercuria Energy Trading, Inc.	CAPP	A	Mercuria Energy Trading, Inc.											
1	Oxford Mining Co.	ILB	E	Oxford Mining Co.											
2	Oxford Mining Co.	ILB	E	Oxford Mining Co.											
3	Patriot Coal	ILB	E	Patriot Coal											
4	Patriot Coal	ILB	F	Patriot Coal											
1	Patriot Coal	CAPP	A	Patriot Coal											
2	Patriot Coal	NAPP	C	Patriot Coal											
1	Producers Dock, Inc.	CAPP	B	Producers Dock, Inc.											
2	Producers Dock, Inc.	CAPP	B	Producers Dock, Inc.											
3	Producers Dock, Inc.	CAPP	D	Producers Dock, Inc.											
3	Rhino Energy, LLC	ILB	E	Rhino Energy, LLC											
5	Rhino Energy, LLC	NAPP	C	Rhino Energy, LLC											
4	Rhino Energy, LLC	ILB	E	Rhino Energy, LLC											
4	Rhino Energy, LLC	NAPP	C	Rhino Energy, LLC											
6	Rhino Energy, LLC	CAPP	D	Rhino Energy, LLC											
2	Rhino Energy, LLC	CAPP	D	Rhino Energy, LLC											
1	Rhino Energy, LLC	CAPP	D	Rhino Energy, LLC											
1	River Trading	CAPP	B	River Trading											
2	SM&J	CAPP	B	SM&J											
4	SM&J	CAPP	D	SM&J											
1	SM&J	CAPP	B	SM&J											
3	SM&J	CAPP	D	SM&J											
1	Smoky Mountain Coal Corp.	ILB	E	Smoky Mountain Coal Corp.											
2	T.D. Trading, LLC	CAPP	B	T.D. Trading, LLC											
1	T.D. Trading, LLC	CAPP	D	T.D. Trading, LLC											
2	TECO	CAPP	D	TECO											
1	TECO	CAPP	A	TECO											
4	TRAXYS North America, LLC	CAPP	B	TRAXYS North America, LLC											
5	TRAXYS North America, LLC	CAPP	B	TRAXYS North America, LLC											
1	TRAXYS North America, LLC	CAPP	A	TRAXYS North America, LLC											
2	TRAXYS North America, LLC	CAPP	A	TRAXYS North America, LLC											
3	TRAXYS North America, LLC	CAPP	A	TRAXYS North America, LLC											
1	Xcell Energy	NAPP	C	Xcell Energy											

REDACTED

SO2 adjustment utilizes FGD costs if the content is +1.6#/Mbu



Date: August 30, 2010
 Subject: Coal Supply Agreement No. (CSA) 03-30-10-900, Amendment 2010-1
 Kentucky Power Company (Buyer) with Rhino Energy, LLC (Seller)
 From: K. K. Chilcote *KKC*
 To: 1) J. T. Rust *JTR*
 2) J. H. Sorrels *JHS*
 3) J. C. Bilardello *JCB*
 4) J. E. Jadwin *JEJ*
 5) S. M. DeBord *SMDB*
 6) T. K. Light *TKL*
 4) E. A. Vannata

Contained within this justification package is an amendment to the above referenced CSA addressing the delivery of fuel into Kentucky Power Company's Big Sandy Plant (the Plant). The proposed amendment with Seller is the result of the responses to the request for purchase solicitation dated July 19, 2010 which requested offers by July 29, 2010.

The procurement strategy for KPCo annually layers supply agreements into the existing supply portfolio to meet a pre-established committed target level. The committed target level is balanced with the need to maintain a specific inventory level at the Plant. Prior to the solicitation the Plant was below both the committed and inventory target levels for the years 2010 through 2013 and purchases were required to meet both target levels. The proposed amendment provides for 30,000 tons to be delivered in year 2010 and 120,000 tons to be delivered in years 2011 through 2013 as can be seen on the inventory projections (Tab A) as "In Progress." It should be noted the original CSA purchase of 360,000 tons per year also appears as "In Progress." The table below shows the Plant's total annual tonnage commitments for all existing agreements along with the proposed agreement compared to the projected consumption. Also, included is the remaining open position reflected both in total tons and as a percentage of the total position versus the pre-established committed target percentages for the referenced year.

(Tonnages reflected in thousands)	2011	2012	2013
Anticipated consumption	1,940.7	2,617.9	2,061.9
Previously committed purchases	<u>1,720.0</u>	<u>1,170.0</u>	<u>520.0</u>
Remaining open position before agreement	220.7	1,447.9	1,541.9
Proposed Rhino Energy, LLC Agreement	120.0	120.0	120.0
Remaining open position after agreement	<u>100.7</u>	<u>1,327.9</u>	<u>1,421.9</u>
Committed position reflected as % of needs	104.1%	56.2%	39.8%
Committed Target %	90.0%	75.0%	60.0%

A review of the July 19, 2010 solicitation showed Seller to be the next to lowest cost supplier on a present value basis for the fourth quarter of 2010 and also for years 2011 through 2013. The additional tons will deliver to the Plant over the 2010 term for a weighted average cost of 306.48 ¢/mmBtu and for the term of 2011 through 2013 for a weighted average cost of 301.43 ¢/mmBtu, both on a quality adjusted, present value basis. The table below shows the delivered cost for the other suppliers who participated in the RFP for both the spot and term deliveries.

2010 Offer Summary

Supplier	Quality Adj, Delivered	
	\$/Ton	\$/mmbtu
S. M. & J.	72.53	3.02
Rhino	73.55	3.06
INR	76.07	3.17
Traxys	80.05	3.34

2011-2013 Offer Summary

Supplier	Quality Adj, Delivered	
	\$/Ton	\$/mmbtu
S. M. & J.	81.48	2.92
Rhino	81.07	3.02
INR	83.79	3.03
Teco	90.69	3.12

The additional coal will be added into the current agreement volume making the monthly obligation 40,000 tons. Also the two prices will be combined on a weighted average basis to determine the new pricing for the contracted tons.

In conclusion, KPCCo will continue to adhere to its procurement strategy with the execution of the proposed amendment. For the reasons stated above the proposed amendment is recommended for addition into the current portfolio for the Plant. Attached in Tab B are two copies of the amendment.

Please approve by initialing this cover memo and forwarding the package to the next addressee.

Position for Big Sandy Low Sulfur													
Position By Month													
Tons	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
Beginning Inventory	528,426	438,479	336,140	384,237	409,976	474,948	384,140	242,404	199,372	232,518	294,600	345,484	
Burn	209,001	262,457	232,730	179,504	88,044	243,499	274,432	273,053	196,854	181,918	169,116	192,452	2,553,079
Committed	199,054	160,119	250,827	205,303	153,015	95,507	132,697	230,000	220,000	214,000	190,000	169,344	2,219,866
Not Committed	0	0	0	0	0	0	0	0	10,000	30,000	30,000	30,000	100,000
Not Committed - PA # / Product Code / Description													
InProgress	03-30-10-901 / A / SMD Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-10-900 / A /	0	0	0	0	0	0	0	0	10,000	10,000	10,000	30,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	10,000	10,000	10,000	30,000
InProgress	03-30-08-901 / E / Extension of 03	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	10,000	10,000	10,000	10,000	40,000
Unknown	CSX Rail Coal - 1,000 k per year	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	Nymex Curve, Truck 50% of Open	0	0	0	0	0	0	0	0	0	0	0	0
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0
Tons													
Projected Ending Inventory	438,479	336,140	384,237	409,976	474,948	326,956	242,404	199,372	232,518	294,600	345,484	352,396	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	0	0	0	0	0	0	0	0	(114,568)	(81,422)	(19,340)	31,544	38,456

Position for Big Sandy Low Sulfur													
Position By Month													
Tons	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total
Beginning Inventory	352,396	313,823	296,323	282,684	274,222	245,630	232,649	212,150	184,298	228,284	341,398	458,297	
Burn	213,574	192,500	188,638	183,462	203,992	187,961	195,499	202,952	121,014	51,887	48,101	151,586	1,940,686
Committed	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	110,000	110,000	110,000	110,000	1,400,000
Not Committed	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	660,000
Not Committed - PA # / Product Code / Description													
InProgress	03-30-10-901 / A / SMD Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	Nymex Curve, Truck 50% of Open	0	0	0	0	0	0	0	0	0	0	0	0
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0
Tons													
Projected Ending Inventory	313,823	296,323	282,684	274,222	245,630	232,649	212,150	184,298	228,284	341,398	458,297	471,711	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	(117)	(17,617)	(31,256)	(39,718)	(68,310)	(81,291)	(101,79)	(129,642)	(85,656)	27,458	144,357	157,771	

Kentucky Power Company
 Fuel Purchase Order 03-30-10-002, Amendment 2010-1

KPSC Case No. 2010-00490
 Order Dated January 26, 2011
 Attachment 24-2 (Rhino)
 Page 4 of 4

Position for Big Sandy Low Sulfur													
Position By Month													
<input type="radio"/> Fixed Tons <input type="radio"/> Duration Tons <input checked="" type="checkbox"/> Use Unloaded Data <input checked="" type="checkbox"/> Use Unloaded Tons													
Tons	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total
Beginning Inventory	471,711	435,043	411,869	398,063	363,904	360,049	341,917	314,339	276,147	262,803	339,015	332,077	
Burn	246,668	233,174	233,906	227,412	202,267	226,465	225,912	236,525	221,676	132,122	209,470	222,439	2,617,937
Committed	80,000	80,000	80,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	690,000
Not Committed	130,000	130,000	140,000	143,333	148,333	158,333	148,333	148,333	150,333	150,333	153,333	153,336	1,770,000
Not Committed - PA # / Product Code / Description													
InProgress	03-30-10-901 / A / SMD Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	0	0	0	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,336	120,000
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Roll Coal - 1,000 k per year	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	420,000
Unknown	Nymex Curve, Truck 50% of Open	45,000	45,000	45,000	45,000	50,000	50,000	50,000	50,000	50,000	45,000	45,000	570,000
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0
Tons	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total
Projected Ending Inventory	435,043	411,869	398,063	363,904	360,049	341,917	314,339	276,147	262,803	339,015	332,077	313,774	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	121,103	97,929	84,123	50,044	46,109	27,977	399	(37,793)	(51,137)	25,075	18,937	(166)	

Position for Big Sandy Low Sulfur													
Position By Month													
<input type="radio"/> Fixed Tons <input type="radio"/> Duration Tons <input checked="" type="checkbox"/> Use Unloaded Data <input checked="" type="checkbox"/> Use Unloaded Tons													
Tons	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	2013 Total
Beginning Inventory	313,774	333,288	361,815	382,397	414,339	446,401	453,801	389,650	317,558	350,891	436,226	393,947	
Burn	205,486	206,473	194,418	183,057	172,938	187,601	209,150	217,093	91,667	39,665	167,279	197,118	2,061,946
Committed	20,000	20,000	0	0	0	0	0	0	0	0	0	0	40,000
Not Committed	205,000	215,000	205,000	215,000	205,000	195,000	145,000	145,000	125,000	125,000	125,000	117,112	2,022,112
Not Committed - PA # / Product Code / Description													
InProgress	03-30-10-901 / A / SMD Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Roll Coal - 1,000 k per year	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	900,000
Unknown	Nymex Curve, Truck 50% of Open	60,000	60,000	60,000	60,000	60,000	40,000	0	0	0	0	0	340,000
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	2,112	2,112
Tons	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	2013 Total
Projected Ending Inventory	333,288	361,815	382,397	414,339	446,401	453,801	389,650	317,558	350,891	436,226	393,947	313,940	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	19,348	47,875	68,457	100,399	132,461	139,861	75,710	3,618	36,951	122,286	80,007	0	



Date: September 29, 2010
Subject: Coal Supply Agreement (CSA) 03-30-10-901
Kentucky Power Company (Buyer) with S. M. & J., Inc. (Seller)
From: K. K. Chileote *kkc*
To: 1) J. T. Rusk *JTR*
2) J. H. Sorrels *JHS*
3) J. C. Bilardello *JCB*
4) P. M. Castro *PMC*
5) S. M. DeBord *SMDB*
6) T. K. Light *TKL*
7) P. K. Jordan *PKJ*

Contained within this justification package is a proposed CSA addressing the delivery of fuel into Buyer's Big Sandy Plant (the Plant). The proposed CSA with Seller is the result of the responses to the request for purchase solicitation dated July 19, 2010 which requested offers by July 29, 2010.

The procurement strategy for Buyer annually layers supply agreements into the existing supply portfolio to meet a pre-established committed target percentage. The committed target percentage is balanced with the desire to maintain a specific inventory level at the Plant. Prior to the solicitation the Plant was below both the desired committed percentage and inventory target level for the years 2011 through 2013. Consequently, purchases were pursued to meet both target levels. The proposed CSA provides for 240,000 tons to be delivered annually in years 2011 through 2013. The tons would fill a portion of the "Open" position as can be seen on the inventory projections in the "Not Committed" section (Tab A). The addition of the proposed purchase will cause Buyer to be over the 2011 target for both the committed percentage and the end of the year inventory target. Coal is required in the beginning of 2011 to meet the Plant's consumption and target levels, however at the end of 2011 an extended outage causes consumption to be reduced and inventory to rise causing the inventory level to be over the targeted level. The table on the next page shows the Plant's total existing annual tonnage commitments along with the proposed agreement compared to the projected consumption. Also, included is the remaining open position reflected both in total tons and as a percentage of the total position versus the pre-established committed target percentages to be achieved for the referenced year.

(Tonnes reflected in thousands)	2011	2012	2013
Anticipated consumption	1,940.7	2,617.9	2,061.9
Previously committed purchases	<u>1,720.0</u>	<u>1,170.0</u>	<u>520.0</u>
Remaining open position before agreement	220.7	1,447.9	1,541.9
Proposed S. M. & J. Agreement	240.0	240.0	240.0
Remaining open position after agreement	<u>(19.3)</u>	<u>1,207.9</u>	<u>1,301.9</u>
Committed position reflected as % of needs	107.2%	58.4%	42.7%
Committed Target %	90.0%	75.0%	60.0%

A review of the July 19, 2010 solicitation showed Seller to be the lowest cost supplier on a present value basis for years 2011 through 2013 (Tab B). The CSA will provide for coal deliveries to the Plant over the term of the agreement for a weighted average cost of 292.00 ¢/mmBtu on a quality adjusted present value basis.

The proposed CSA has a term through 2013, with fixed pricing through the term. The specifics of the agreement are noted below:

S. M. & J., Inc – 03-30-10-901

Term: January 1, 2011 through December 31, 2013
 Quantity: 20,000 tons per month January 1, 2011 through December 31, 2013
 Contract Quality: 12,000 Btu/lb; 1.60 # SO₂/mmBtu; 12.00% ash
 Delivery Mode: Truck
 Pricing (per ton): \$78.15 per ton January 1, 2011 through December 31, 2013

Seller is not currently supplying coal to the Plant so the addition of this agreement increases the diversity of suppliers and will strengthen the supplier base for Buyer.

In conclusion, Buyer will continue to adhere to its procurement strategy with the execution of the proposed CSA. For the reasons stated above the CSA is recommended for execution and inclusion into the current portfolio for the Plant. Attached in Tab C is the copy of the CSA for signature.

Please approve by initialing this cover memo and forwarding the package to the next addressee and finally to Mr. Light for his review and approval of the proposed agreement.

Tab A

Position for Big Sandy Low Sulfur														
Position By Month														
<input type="radio"/> Fixed Tons <input type="radio"/> Custom Tons <input checked="" type="checkbox"/> Use Unloaded Date <input checked="" type="checkbox"/> Use Unloaded Tons														
Tons	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total	
Beginning Inventory	352,396	313,623	296,323	282,684	274,222	245,630	232,649	212,150	184,298	228,284	341,398	458,297		
Burn	213,574	192,500	189,638	183,462	203,592	187,981	195,499	202,852	121,014	51,887	48,101	151,586	1,940,666	
Committed	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	110,000	110,000	110,000	110,000	1,400,000	
Not Committed	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	660,000	
Not Committed	PA # / Product Code / Description	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total
InProgress	03-30-10-901 / A / SMJ Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	0	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	0	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	Nymex Curve, Truck 50% of Open	0	0	0	0	0	0	0	0	0	0	0	0	0
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0	0
Tons		Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total
Projected Ending Inventory		313,623	296,323	282,684	274,222	245,630	232,649	212,150	184,298	228,284	341,398	458,297	471,711	
Target Inventory		313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target		(117)	(17,617)	(31,256)	(39,718)	(68,310)	(81,291)	(101,79)	(129,642)	(85,656)	27,458	144,357	157,771	

Position for Big Sandy Low Sulfur														
Position By Month														
<input type="radio"/> Fixed Tons <input type="radio"/> Custom Tons <input checked="" type="checkbox"/> Use Unloaded Date <input checked="" type="checkbox"/> Use Unloaded Tons														
Tons	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total	
Beginning Inventory	471,711	435,043	411,869	398,063	363,984	360,049	341,917	314,339	276,147	262,803	339,015	332,877		
Burn	246,668	233,174	233,806	227,412	202,267	226,465	225,912	236,565	221,676	152,122	209,470	222,439	2,517,937	
Committed	80,000	80,000	80,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	600,000	
Not Committed	130,000	130,000	140,000	143,333	148,333	158,333	148,333	148,333	158,333	158,333	153,333	153,333	1,770,000	
Not Committed	PA # / Product Code / Description	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total
InProgress	03-30-10-901 / A / SMJ Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	0	0	0	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	120,000
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	50,000	50,000	40,000	30,000	30,000	40,000	30,000	40,000	40,000	40,000	40,000	40,000	420,000
Unknown	Nymex Curve, Truck 50% of Open	45,000	45,000	45,000	45,000	50,000	50,000	50,000	50,000	50,000	45,000	45,000	45,000	570,000
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0	0
Tons		Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total
Projected Ending Inventory		435,043	411,869	398,063	363,984	360,049	341,917	314,339	276,147	262,803	339,015	332,877	313,774	
Target Inventory		313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target		121,103	97,929	64,123	50,044	46,109	27,977	399	(37,793)	(51,137)	25,075	18,937	(166)	

Position for Big Sandy Low Sulfur														
Position By Month														
Tons:	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	2013 Total	
Beginning Inventory	313,774	333,288	361,815	382,397	414,339	446,401	453,801	389,650	317,558	350,89	436,226	393,947		
Burn	205,496	206,473	184,418	183,057	172,938	167,601	209,150	217,093	91,667	99,665	167,279	197,118	2,061,946	
Committed	20,000	20,000	0	0	0	0	0	0	0	0	0	0	40,000	
Not Committed	205,000	215,000	205,000	215,000	205,000	195,000	145,000	145,000	125,000	125,000	125,000	117,112	2,022,112	
Not Committed	PA # / Product Code / Description	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	2013 Total
InProgress	03-30-10-901 / A / SMJ Truck Coal	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
InProgress	03-30-10-900 / A /	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
InProgress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	0	0	0	0	0	0
InProgress	03-30-08-901 / E / Extension of 03	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
InProgress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	900,000
Unknown	Nymex Curve, Truck 50% of Open	60,000	60,000	60,000	60,000	60,000	40,000	0	0	0	0	0	0	340,000
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	2,112	2,112
Tons:	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	2013 Total	
Projected Ending Inventory	333,288	361,815	382,397	414,339	446,401	453,801	389,650	317,558	350,891	436,226	393,947	313,940		
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940		
Over/(Under) Target	19,348	47,875	68,457	100,399	132,461	139,861	75,710	9,618	36,951	122,286	80,007	0		

Tab B
 2011 to 2013 Term Offer Evaluation

Rhino		SM & J		Quality Adj		Transp		Total \$/Ton		PV \$/ton		\$/mmbtu	
Volume	\$/Ton	Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton	\$/mmbtu	\$/mmbtu
Jan-11	10,000	75.00	77.82	0.55	2.75	78.30	77.82	0.55	2.75	81.48	80.98	3.24	3.37
Feb-11	10,000	75.00	77.34	0.55	2.75	78.30	77.34	0.55	2.75	81.48	80.48	3.22	3.35
Mar-11	10,000	75.00	76.86	0.55	2.75	78.30	76.86	0.55	2.75	81.48	79.98	3.20	3.33
Apr-11	10,000	75.00	76.39	0.55	2.75	78.30	76.39	0.55	2.75	81.48	79.49	3.18	3.31
May-11	10,000	75.00	75.92	0.55	2.75	78.30	75.92	0.55	2.75	81.48	79.00	3.16	3.29
Jun-11	10,000	75.00	75.45	0.55	2.75	78.30	75.45	0.55	2.75	81.48	78.51	3.14	3.27
Jul-11	10,000	75.00	74.98	0.55	2.75	78.30	74.98	0.55	2.75	81.48	78.02	3.12	3.25
Aug-11	10,000	75.00	74.52	0.55	2.75	78.30	74.52	0.55	2.75	81.48	77.54	3.11	3.23
Sep-11	10,000	75.00	74.06	0.55	2.75	78.30	74.06	0.55	2.75	81.48	77.06	3.09	3.21
Oct-11	10,000	75.00	73.60	0.55	2.75	78.30	73.60	0.55	2.75	81.48	76.59	3.07	3.19
Nov-11	10,000	75.00	73.15	0.55	2.75	78.30	73.15	0.55	2.75	81.48	76.12	3.05	3.17
Dec-11	10,000	75.00	72.70	0.55	2.75	78.30	72.70	0.55	2.75	81.48	75.65	3.03	3.15
Jan-12	10,000	78.50	75.48	0.55	2.75	81.80	75.48	0.55	2.75	81.48	75.18	3.15	3.13
Feb-12	10,000	78.50	75.01	0.55	2.75	81.80	75.01	0.55	2.75	81.48	74.72	3.13	3.11
Mar-12	10,000	78.50	74.55	0.55	2.75	81.80	74.55	0.55	2.75	81.48	74.25	3.11	3.09
Apr-12	10,000	78.50	74.09	0.55	2.75	81.80	74.09	0.55	2.75	81.48	73.80	3.09	3.07
May-12	10,000	78.50	73.63	0.55	2.75	81.80	73.63	0.55	2.75	81.48	73.34	3.07	3.05
Jun-12	10,000	78.50	73.18	0.55	2.75	81.80	73.18	0.55	2.75	81.48	72.89	3.05	3.04
Jul-12	10,000	78.50	72.73	0.55	2.75	81.80	72.73	0.55	2.75	81.48	72.44	3.02	3.02
Aug-12	10,000	78.50	72.28	0.55	2.75	81.80	72.28	0.55	2.75	81.48	71.99	3.00	3.00
Sep-12	10,000	78.50	71.83	0.55	2.75	81.80	71.83	0.55	2.75	81.48	71.55	2.99	2.98
Oct-12	10,000	78.50	71.39	0.55	2.75	81.80	71.39	0.55	2.75	81.48	71.11	2.97	2.96
Nov-12	10,000	78.50	70.95	0.55	2.75	81.80	70.95	0.55	2.75	81.48	70.67	2.94	2.94
Dec-12	10,000	78.50	70.51	0.55	2.75	81.80	70.51	0.55	2.75	81.48	70.23	2.91	2.91
Jan-13	10,000	79.80	71.19	0.55	2.75	83.10	71.19	0.55	2.75	81.48	69.80	2.97	2.97
Feb-13	10,000	79.80	70.75	0.55	2.75	83.10	70.75	0.55	2.75	81.48	69.37	2.95	2.95
Mar-13	10,000	79.80	70.32	0.55	2.75	83.10	70.32	0.55	2.75	81.48	68.94	2.93	2.93
Apr-13	10,000	79.80	69.88	0.55	2.75	83.10	69.88	0.55	2.75	81.48	68.51	2.91	2.91
May-13	10,000	79.80	69.45	0.55	2.75	83.10	69.45	0.55	2.75	81.48	68.09	2.89	2.89
Jun-13	10,000	79.80	69.02	0.55	2.75	83.10	69.02	0.55	2.75	81.48	67.67	2.88	2.88
Jul-13	10,000	79.80	68.60	0.55	2.75	83.10	68.60	0.55	2.75	81.48	67.25	2.86	2.86
Aug-13	10,000	79.80	68.17	0.55	2.75	83.10	68.17	0.55	2.75	81.48	66.84	2.84	2.84
Sep-13	10,000	79.80	67.75	0.55	2.75	83.10	67.75	0.55	2.75	81.48	66.43	2.82	2.82
Oct-13	10,000	79.80	67.33	0.55	2.75	83.10	67.33	0.55	2.75	81.48	66.02	2.81	2.81
Nov-13	10,000	79.80	66.92	0.55	2.75	83.10	66.92	0.55	2.75	81.48	65.61	2.79	2.79
Dec-13	10,000	79.80	66.51	0.55	2.75	83.10	66.51	0.55	2.75	81.48	65.20	2.77	2.77
Average													

2012-2013 3.0143

2012-2013 2.9200

TECO		INR		PV \$/ton		Total \$/Ton		Transp		Quality Adj		Volume		\$/Ton		PV \$/ton		\$/mmbtu	
Month	Volume	Month	Volume	Quality	Transp	Total	Transp	Quality	Transp	Volume	\$/Ton	Quality	Transp	Total	Volume	\$/Ton	PV	Quality	\$/mmbtu
Jan-11	0	Jan-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	77.09	0.56	3.13
Feb-11	0	Feb-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	76.61	0.56	3.11
Mar-11	0	Mar-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	76.14	0.56	3.10
Apr-11	0	Apr-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	75.67	0.56	3.08
May-11	0	May-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	75.20	0.56	3.06
Jun-11	0	Jun-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	74.74	0.56	3.04
Jul-11	0	Jul-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	74.28	0.56	3.02
Aug-11	0	Aug-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	73.82	0.56	3.00
Sep-11	0	Sep-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	73.36	0.56	2.98
Oct-11	0	Oct-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	72.91	0.56	2.96
Nov-11	0	Nov-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	72.46	0.56	2.95
Dec-11	0	Dec-11	42,000	0.44	2.75	3.19	2.75	0.56	7.51	42,000	69.50	0.56	7.51	77.57	42,000	69.50	72.01	0.56	2.93
Jan-12	30,000	Jan-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	76.85	0.56	3.12
Feb-12	30,000	Feb-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	76.38	0.56	3.10
Mar-12	30,000	Mar-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	75.91	0.56	3.09
Apr-12	30,000	Apr-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	75.44	0.56	3.07
May-12	30,000	May-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	74.97	0.56	3.05
Jun-12	30,000	Jun-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	74.51	0.56	3.03
Jul-12	30,000	Jul-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	74.05	0.56	3.01
Aug-12	30,000	Aug-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	73.59	0.56	2.99
Sep-12	30,000	Sep-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	73.14	0.56	2.97
Oct-12	30,000	Oct-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	72.69	0.56	2.95
Nov-12	30,000	Nov-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	72.24	0.56	2.94
Dec-12	30,000	Dec-12	42,000	0.44	2.75	89.69	2.75	0.56	7.73	42,000	75.00	0.56	7.73	83.29	42,000	75.00	71.80	0.56	2.92
Jan-13	41,667	Jan-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	77.55	0.56	3.15
Feb-13	41,667	Feb-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	77.07	0.56	3.13
Mar-13	41,667	Mar-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	76.59	0.56	3.11
Apr-13	41,667	Apr-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	76.12	0.56	3.09
May-13	41,667	May-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	75.65	0.56	3.08
Jun-13	41,667	Jun-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	75.18	0.56	3.06
Jul-13	41,667	Jul-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	74.72	0.56	3.04
Aug-13	41,667	Aug-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	74.26	0.56	3.02
Sep-13	41,667	Sep-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	73.80	0.56	3.00
Oct-13	41,667	Oct-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	73.35	0.56	2.98
Nov-13	41,667	Nov-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	72.89	0.56	2.96
Dec-13	41,667	Dec-13	42,000	0.44	2.75	91.69	2.75	0.56	7.97	42,000	82.00	0.56	7.97	90.52	42,000	82.00	72.44	0.56	2.94
Average		Average									69.67					69.67			3.0339

TECO		INR		PV \$/ton		Total \$/Ton		Transp		Quality Adj		Volume		\$/Ton		PV \$/ton		\$/mmbtu	
Month	Volume	Month	Volume	Quality	Transp	Total	Transp	Quality	Transp	Volume	\$/Ton	Quality	Transp	Total	Volume	\$/Ton	PV	Quality	\$/mmbtu
Jan-11	0	Jan-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	82.75	42,000	66.50	82.75	0.44	3.31
Feb-11	0	Feb-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	82.25	42,000	66.50	82.25	0.44	3.29
Mar-11	0	Mar-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	81.74	42,000	66.50	81.74	0.44	3.27
Apr-11	0	Apr-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	81.24	42,000	66.50	81.24	0.44	3.25
May-11	0	May-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	80.73	42,000	66.50	80.73	0.44	3.23
Jun-11	0	Jun-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	80.24	42,000	66.50	80.24	0.44	3.21
Jul-11	0	Jul-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	79.74	42,000	66.50	79.74	0.44	3.19
Aug-11	0	Aug-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	79.26	42,000	66.50	79.26	0.44	3.17
Sep-11	0	Sep-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	78.77	42,000	66.50	78.77	0.44	3.15
Oct-11	0	Oct-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	78.27	42,000	66.50	78.27	0.44	3.13
Nov-11	0	Nov-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	77.78	42,000	66.50	77.78	0.44	3.11
Dec-11	0	Dec-11	42,000	0.44	2.75	3.19	2.75	0.44	2.75	42,000	66.50	0.44	2.75	77.31	42,000	66.50	77.31	0.44	3.09
Jan-12	30,000	Jan-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.14
Feb-12	30,000	Feb-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.12
Mar-12	30,000	Mar-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.10
Apr-12	30,000	Apr-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.08
May-12	30,000	May-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.07
Jun-12	30,000	Jun-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.05
Jul-12	30,000	Jul-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.03
Aug-12	30,000	Aug-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	3.01
Sep-12	30,000	Sep-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	2.99
Oct-12	30,000	Oct-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44	2.75	91.69	42,000	88.50	91.69	0.44	2.97
Nov-12	30,000	Nov-12	42,000	0.44	2.75	91.69	2.75	0.44	2.75	42,000	88.50	0.44							



Date: September 24, 2010
 Subject: Fuel Purchase Order (FPO) 03-30-10-001
 Kentucky Power Company (Buyer) with S. M. & J., Inc. (Seller)

From: K. K. Chilcote

To: 1) J. T. Rusk
 2) J. H. Sorreels
 3) J. C. Bilardello
 4) J. E. Jadwin
 5) S. M. DeBord
 6) E. A. Vannata

Contained within this justification package is a proposed FPO addressing the delivery of fuel into Buyer's Big Sandy Plant (the Plant). The proposed FPO with Seller is the result of the responses to the request for purchase solicitation dated July 19, 2010 which requested offers by July 29, 2010.

A review of the position for the Plant showed that coal would need to be purchased in calendar year 2010 to meet the Plant consumption and maintain the inventory target level. The Plant position with the proposed FPO is illustrated in the table below.

Position for Big Sandy Low Sulfur													
Position By Month													
Contract Type: <input type="radio"/> Custom Order <input type="radio"/> Use Unreleased Data <input type="radio"/> Use Unreleased Tons													
Tons	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
Committed	199,054	160,119	250,627	205,303	153,015	95,507	132,474	193,749	258,094	246,427	226,427	196,428	2,317,425
PA # / Product Code / Vendor	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
03-30-10-002 / A / Alpha Coal Sales Co., LLC	0	0	0	0	0	0	0	0	10,000	20,000	10,000	0	40,000
02-40-05-901 / A / Arch Coal Sales Company, Inc.	0	0	0	0	0	0	20,031	31,052	20,000	0	0	0	71,082
03-30-07-904 / A / Beech Fork Processing, Inc.	20,464	15,179	22,091	20,537	15,121	7,657	7,010	4,114	29,944	29,944	29,944	29,944	240,000
02-40-00-901 / A / Central Coal Company	0	0	0	0	0	10,400	0	20,341	40,000	10,000	10,000	0	90,741
02-40-08-900 / A / Magnum Coal Sales, LLC	0	0	0	0	0	0	0	10,338	10,000	20,000	10,000	0	50,338
03-30-10-001 / A / S.M.&J., Inc.	0	0	0	0	0	0	0	0	10,000	10,333	10,333	10,334	65,000
03-30-07-900 / A / Trinky Coal Marketing, LLC	31,843	20,484	40,413	40,666	20,735	20,759	20,091	20,974	20,000	20,000	20,000	20,000	295,964
03-30-07-903 / A / Argus Energy, LLC	23,201	22,269	26,747	20,214	17,083	5,206	9,950	13,622	10,325	10,525	10,525	10,525	212,602
03-30-07-901 / A / JCG, LLC	21,185	9,777	30,161	20,751	20,677	10,440	21,809	20,573	20,000	10,000	30,000	30,000	245,372
03-30-08-901 / A / Beech Fork Processing, Inc.	30,855	31,290	29,464	30,805	29,241	30,413	29,440	30,993	29,625	29,625	29,625	29,625	360,001
03-30-08-900 / A / INR - WV Operating, LLC	42,476	30,604	62,474	41,067	31,041	10,332	24,234	20,067	30,000	40,000	30,000	30,000	392,295
03-30-07-905 / A / Trinity Coal Marketing, LLC	21,031	30,517	39,477	31,213	20,117	0	0	20,866	20,000	30,000	20,000	20,000	253,220
Tons	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
Not Committed	0	0	0	0	0	0	0	0	0	(20,000)	(10,000)	0	(30,000)
Projected Ending Inventory	430,479	336,140	384,237	409,976	474,940	326,956	242,182	160,079	207,862	219,376	236,905	212,161	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940
Over/(Under) Target	0	0	0	0	0	0	0	0	(106,078)	(94,564)	(77,035)	(101,779)	

A review of the July 19, 2010 solicitations showed there were four spot offers available for purchase. The proposed offer from Seller was the lowest cost offer for the September to December 2010 period. The coal from Seller will deliver to the Plant over the 2010 term for a cost of 302.20 ¢/mmBtu a quality adjusted basis. The table below shows the offer from Seller in comparison to the others from the solicitation.

Supplier	Quality Adj, Delivered \$/Ton	¢/mmbtu
S. M. & J.	72.53	302.20
2	73.55	306.48
3	76.07	316.95
4	80.05	333.53

The specifics of the FPO are noted below.

S. M. & J., Inc. – 03-30-10-001

Term: September 1, 2010 through December 31, 2010
Quantity: 65,000 tons over the Term
FPO Quality: 12,000 Btu/lb; 1.60 # SO₂/mmBtu; 12.00% ash
Delivery Mode: Truck
Pricing (per ton): \$71.95.00 per ton for the Term

Seller is not currently supplying coal to the Plant so the addition of this agreement increases the diversity of suppliers and will strengthen the supplier base for KPCo.

In conclusion, the addition of the proposed FPO will allow Buyer to fill a portion of the 2010 open position. For the reasons stated above the proposed amendment is recommended for addition into the current portfolio for the Plant. Attached in Tab B is the proposed FPO.

Please approve by initialing this cover memo and forwarding the package to the next addressee.



Date: August 16, 2010
 Subject: Fuel Purchase Order (FPO) 03-30-10-002
 Kentucky Power Company (Buyer) with Alpha Coal Sales Co., LLC (Seller)

From: K. K. Chilcote *V.K.C.*

To: 1) J.T. Rusk *JTR*
 2) J.H. Sorrels *JHS*
 3) J.C. Bilardello *JCB*
 4) P.M. Castro *PMC*
 3) S.M. DeBord *SMDB*
 4) E. A. Vannata

Contained within this justification package is a FPO addressing the delivery of fuel into Kentucky Power Company's Big Sandy Plant (the Plant). The proposed agreement with the Seller is the result of the responses to the request for purchase solicitation dated July 19, 2010 which requested offers by July 29, 2010.

There were originally four 2010 spot offers for review from the solicitation. Further discussions with the four suppliers revealed two of the offers were no longer available. The volume of coal available from the remaining two suppliers would not fill the Plant's current open position of 124,500 tons in 2010. Additional coal would be required to meet the Plant's consumption and inventory target level for the year. The inventory level and purchase from Seller are illustrated within the table below.

Position for Big Sandy Low Sulfur													
Position by Month													
	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
Beginning Inventory	528,426	438,479	336,140	384,237	409,976	474,948	384,140	242,404	186,320	219,440	251,544	282,452	
Burn	289,001	262,457	202,730	179,564	88,044	243,499	274,432	266,005	196,879	181,897	169,082	192,362	2,546,032
Committed	199,054	169,119	250,827	245,303	153,016	95,507	136,697	210,000	220,000	194,000	170,000	169,344	2,149,856
Not Committed	0	0	0	0	0	0	0	0	10,000	30,000	30,000	30,000	100,000
Not Committed	PA # / Product Code / Description	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Oct 2010	Nov 2010	Dec 2010	2010 Total
In Progress	03-30-10-002 / A / Truck Q4	0	0	0	0	0	0	0	10,000	10,000	10,000	10,000	40,000
In Progress	03-30-10-001 / A / Truck Coal	0	0	0	0	0	0	0	10,000	10,000	10,000	10,000	40,000
In Progress	03-30-10-900 / A /	0	0	0	0	0	0	0	0	10,000	10,000	10,000	30,000
In Progress	03-30-08-901 / E / Extension of 03	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	Nymex Curve, Truck 50% of Open	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	0	0	0	0	0	0	0	0	0	0	0	0
Open	System generated on 1/18/2007 3:	0	0	0	0	0	0	0	0	0	0	0	0
Projected Ending Inventory		438,479	336,140	384,237	409,976	474,948	328,954	242,404	186,320	219,440	251,544	282,452	289,444
Target Inventory		313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940
Over/(Under) Target		0	0	0	0	0	0	0	(127,620)	(94,500)	(62,396)	(31,470)	(54,496)

Kentucky Power Company
Fuel Purchase Order 03-30-10-002

Because the volume of coal available for purchase was less than needed by Buyer, the two suppliers that had agreed to supply coal were approached about providing additional volumes of coal. Neither supplier had additional tons available for the fourth quarter of 2010. Simultaneously Seller contacted Buyer inquiring about the possibility of submitting a bid late. Buyer weighed the current situation and the need for additional coal to meet the inventory target and permitted Seller to submit a bid for coal to be delivered in the fourth quarter of 2010. Of the original offers submitted on July 29, two of the offers would deliver to the plant for less than the Seller's offer and two of the offers would deliver to the plant for more than Seller's offer, as illustrated within the table below. It should be noted that the offers from Suppliers 3 and 4 were the offers no longer available.

2010 Offer Summary

Supplier	Quality Adj, Delivered \$/Ton	\$/mmbtu
1	72.53	3.02
2	73.55	3.06
Alpha	74.58	3.11
3	76.07	3.17
4	80.05	3.34

Because the Plant requires additional coal to meet the inventory target for 2010 and the tonnage offer provided by Seller is one of the lowest cost options available, Buyer proposes to enter into a FPO with Seller for the remainder of 2010.

The proposed FPO has a term of four months, with fixed pricing through the term. The specifics of the agreement are noted below:

Alpha Coal Sales Co, LLC – 03-30-10-002

Term: September 1 to December 31, 2010
Contract Quantity: 40,000 tons in 2010
Contract Quality: 12,000 Btu/lb; 1.60 # SO₂/mmBtu; 12.00% ash
Delivery Mode: Truck
Pricing (per ton): \$74.00 – 2010

Seller is not currently supplying coal to the Plant so the addition of this agreement increases the diversity of suppliers and will strengthen the supplier base for KPCo.

For the reasons stated above the proposed FPO is recommended for addition into the current portfolio for the Plant. Attached in Tab A are two copies of the FPO.

Please approve by initialing this cover memo and forwarding the package to the next addressee.

ID	Proposal	Basin	Spec	Company	TPM	Term					Total Tons Offered	Spot Term	Applicable Dates
						2010	2011	2012	2013	2014			
2	Alliance - MC Mining	CAPP	A	Alliance - MC Mining									
1	Alliance - MC Mining	CAPP	A	Alliance - MC Mining									
1	Alpha	CAPP	C	Alpha									
1	Arch	CAPP	A	Arch									
3	Arch	CAPP	A	Arch									
2	Arch	CAPP	A	Arch									
4	Arch	CAPP	A	Arch									
1	Argus - Pevler	CAPP	C	Argus - Pevler									
1	Argus - Pevler	CAPP	C	Argus - Pevler									
5	Argus - Pevler	CAPP	B	Argus - Pevler									
2	Cargill	CAPP	A	Cargill									
4	Cargill	CAPP	B	Cargill									
3	Cargill	CAPP	B	Cargill									
1	Cargill	CAPP	A	Cargill									
1	Central Coal	CAPP	A	Central Coal									
4	Coaltrade	CAPP	B	Coaltrade									
5	Coaltrade	CAPP	B	Coaltrade									
3	Coaltrade	CAPP	A	Coaltrade									
1	Coaltrade	CAPP	A	Coaltrade									
2	Coaltrade	CAPP	A	Coaltrade									
1	Consol	CAPP	A	Consol									
1	Crown Coal and Coke	CAPP	B	Crown Coal and Coke									
2	Crown Coal and Coke	CAPP	B	Crown Coal and Coke									
1	EDF Trading	CAPP	A	EDF Trading									
1	ICG	CAPP	A	ICG									
1	ICG	CAPP	A	ICG									
3	ICG	CAPP	A	ICG									
3	ICG	CAPP	A	ICG									
2	ICG	CAPP	A	ICG									
1	Kentucky Energy Sales	CAPP	C	Kentucky Energy Sales									
3	Kentucky Fuels	CAPP	C	Kentucky Fuels									
4	Kentucky Fuels	CAPP	B	Kentucky Fuels									
2	Kentucky Fuels	CAPP	A	Kentucky Fuels									
1	Keystone	CAPP	B	Keystone									
2	Keystone	CAPP	B	Keystone									
3	Koch Carbon	CAPP	B	Koch Carbon									
1	Koch Carbon	CAPP	B	Koch Carbon									
2	Koch Carbon	CAPP	A	Koch Carbon									
1	LDHE	CAPP	B	LDHE									
3	LDHE	CAPP	A	LDHE									
2	Massey	CAPP	B	Massey									
1	Massey	CAPP	A	Massey									
1	Mercuria	CAPP	B	Mercuria									
4	Mercuria	CAPP	C	Mercuria									
3	Mercuria	CAPP	A	Mercuria									

REDACTED

ID	Proposal	2010 Price	2011 Price	2012 Price	2013 Price	2014 Price	2015 Price	Wtd Avg Price	Mine	Transportation Costs							
										Shipping Point	Mode	Rail			Barge		Transport Cost
												OPSL	Rate	River	Rate	MIP	
2	Alliance - MC Mining								Scotts Branch	Mine	Rail						
1	1Alliance - MC Mining								Scotts Branch	Mine	Rail						
1	1Alpha								Rocksprings	Plant	Truck						
1	1Arch								Mountain Laurel	Mine	Rail						
3	3Arch								Mountain Laurel	Mine	Rail						
2	2Arch								Mountain Laurel	Mine	Rail						
4	4Arch								Mountain Laurel	Mine	Rail						
1	1Aigus - Pevler								Agus Energy	Plant	Truck						
1	1Aigus - Pevler								Beechfork Processing	Plant	Truck						
5	5Carroll								BS MP 6.4	Barge	Barge						
2	2Carroll								BS MP 6.4	Barge	Barge						
4	4Carroll								BS MP 6.4	Barge	Barge						
3	3Carroll								BS MP 6.4	Barge	Barge						
1	1Carroll								CSX Big Sandy / Kanawha	Mine	Rail						
1	1Central Coal								Fork Creek	Mine	Rail						
4	4Coaltrade								OR 307 to 317	Barge	Barge						
4	4Coaltrade								OR 307 to 317	Barge	Barge						
5	5Coaltrade								OR 307 to 317	Barge	Barge						
3	3Coaltrade								Pretler	Mine	Rail						
3	3Coaltrade								CSX Big Sandy / Kanawha	Mine	Rail						
1	1Coaltrade								CSX Big Sandy / Kanawha	Mine	Rail						
2	2Coaltrade								Fola	Mine	Rail						
1	1Consol								Meadow Creek	Barge	Barge						
1	1Crown Coal and Coke								Tyler Morgan	Barge	Barge						
2	2Crown Coal and Coke								CSX Big Sandy / Kanawha	Mine	Rail						
1	1EDF Trading								Raven	Mine	Rail						
1	1CG								Bates Branch	Mine	Rail						
1	1CG								Raven	Mine	Rail						
3	3CG								Raven	Mine	Rail						
3	3CG								Bates Branch	Mine	Rail						
2	2CG								Birch River	Mine	Rail						
1	1CG								Indeva	Plant	Truck						
1	1Kentucky Energy Sales								Bent Min	Plant	Truck						
3	3Kentucky Fuels								Bent Min	Barge	Barge						
4	4Kentucky Fuels								CSX Big Sandy / Kanawha	Mine	Rail						
2	2Kentucky Fuels								Riverpoint	Barge	Barge						
1	1Keystone								Riverpoint	Barge	Barge						
2	2Keystone								Lockwood Dock	Barge	Barge						
3	3Koch Carbon								Lockwood Dock	Barge	Barge						
1	1Koch Carbon								CSX Big Sandy / Kanawha	Mine	Rail						
2	2Koch Carbon								Cyrus River Terminal	Barge	Barge						
1	1LDHE								CSX Big Sandy / Kanawha	Mine	Rail						
3	3LDHE								Mammolth	Barge	Barge						
2	2Massey								Progress	Mine	Rail						
1	1Massey								Redbud Dock	Barge	Barge						
1	1Mercuria								Various	Plant	Truck						
4	4Mercuria								CSX Big Sandy / Kanawha	Mine	Rail						
3	3Mercuria																

REDACTED

REDACTED

ID	Proposal	Quality				Quality Adjustments				
		Btu	Ash %	SO2 #	Sulfur %	Moist %	Cl %	Fusion	Ash Disposal Cost	SO2 Cost
2	Alliance - MC Mining	2								
1	Alliance - MC Mining	1								
1	Alpha	1								
3	Arch	3								
2	Arch	2								
4	Arch	4								
1	Argus - Pevler	1								
1	Argus - Pevler	1								
5	Cargill	5								
2	Cargill	2								
4	Cargill	4								
3	Cargill	3								
1	Cargill	1								
1	Central Coal	1								
4	Coaltrade	4								
5	Coaltrade	5								
3	Coaltrade	3								
1	Coaltrade	1								
2	Coaltrade	2								
1	Consol	1								
1	Crown Coal and Coke	1								
2	Crown Coal and Coke	2								
1	EDF Trading	1								
1	ICG	1								
3	ICG	3								
3	ICG	3								
2	ICG	2								
1	Kentucky Energy Sales	1								
3	Kentucky Fuels	3								
4	Kentucky Fuels	4								
2	Kentucky Fuels	2								
1	Keystone	1								
2	Keystone	2								
3	Koch Carbon	3								
1	Koch Carbon	1								
2	Koch Carbon	2								
1	LDHE	1								
3	LDHE	3								
2	Massey	2								
1	Massey	1								
1	Mercuria	1								
4	Mercuria	4								
3	Mercuria	3								

REDACTED

ID	Proposal	Quality Adjusted Delivered Cost 2010 \$					Notes
		*2010 Price	*2011 Price	*2012 Price	WA Price	WA \$/Mbtu	
2	Alliance - MC Mining						
1	1Alliance - MC Mining						
1	1Alpha						
1	1Arch						
3	3Arch						
2	2Arch						
4	4Arch						
1	1Argus - Pevler						
1	1Argus - Pevler						
5	5Carpill						
2	2Carpill						
4	4Carpill						
3	3Carpill						
1	1Carpill						
1	1Central Coal						
4	4Coaltrade						
5	5Coaltrade						
3	3Coaltrade						
1	1Coaltrade						
2	2Coaltrade						
1	1Consol						
1	1Crown Coal and Coke						
2	2Crown Coal and Coke						
1	1EDF Trading						
1	1GOG						
1	1GOG						
3	3GOG						
3	3GOG						
2	2GOG						
1	1Kentucky Energy Sales						
3	3Kentucky Fuels						
4	4Kentucky Fuels						
2	2Kentucky Fuels						
1	1Keystone						
2	2Keystone						
3	3Koch Carbon						
1	1Koch Carbon						
2	2Koch Carbon						
1	1LDHE						
3	3LDHE						
2	2Massey						
1	1Massey						
1	1Mercuria						
4	4Mercuria						
3	3Mercuria						

REDACTED

ID	Proposal	Basin	Spec	Company	TPM	Term					Total Tons Offered	Spot Term	Applicable Dates
						2010	2011	2012	2013	2014			
1Patriot	1	CAPP	A	Patriot									
1Producer's Dock	1	CAPP	B	Producer's Dock									
2Producer's Dock	2	CAPP	C	Producer's Dock									
1Rhino	1	CAPP	A	Rhino									
1River Trading	1	CAPP	B	River Trading									
1Smoky Mountain	1	CAPP	C	Smoky Mountain									
1Smoky Mountain	1	CAPP	A	Smoky Mountain									
1Smoky Mountain	1	CAPP	B	Smoky Mountain									
1TD Trading	1	CAPP	B	TD Trading									
12Traxys	12	CAPP	D	Traxys									
13Traxys	13	CAPP	D	Traxys									
9Traxys	9	CAPP	B	Traxys									
9Traxys	9	CAPP	B	Traxys									
14Traxys	14	CAPP	D	Traxys									
10Traxys	10	CAPP	B	Traxys									
10Traxys	10	CAPP	B	Traxys									
5Traxys	5	CAPP	D	Traxys									
1Traxys	1	CAPP	A	Traxys									
1Traxys	1	CAPP	A	Traxys									
6Traxys	6	CAPP	D	Traxys									
2Traxys	2	CAPP	A	Traxys									
2Traxys	2	CAPP	A	Traxys									
7Traxys	7	CAPP	D	Traxys									
3Traxys	3	CAPP	A	Traxys									
8Traxys	8	CAPP	D	Traxys									
4Traxys	4	CAPP	A	Traxys									
4Traxys	4	CAPP	A	Traxys									
4US Coal	4	CAPP	D	US Coal									
3US Coal	3	CAPP	B	US Coal									
3US Coal	3	CAPP	B	US Coal									
2US Coal	2	CAPP	D	US Coal									
1US Coal	1	CAPP	B	US Coal									
1US Coal	1	CAPP	B	US Coal									

REDACTED

*SO2 adjustment utilizes FGD costs. If the content is +1.6#/Mbtu

ID	Proposal	2010 Price	2011 Price	2012 Price	2013 Price	2014 Price	2015 Price	Wtd Avg Price	Shipping Point				Transportation Costs						
									Mine	FOB	Mode	Rate	Rate	Rate	Rate	MP	MP	Cost	
1	1								Beth Station	Mine	Rail	OPSL							
1	1								Redbud Dock	Barge	Barge								
2	2								Redbud Dock	Plant	Truck								
1	1								Darmon Fork	Mine	Rail								
1	1								Docks Creek	Barge	Barge								
1	1								Lockwood Dock	Plant	Truck								
1	1								Lockwood Dock	Mine	Rail								
1	1								Lockwood Dock	Barge	Barge								
1	1								Lockwood Dock	Barge	Barge								
12	12								Various	Barge	Barge								
13	13								Various	Barge	Barge								
9	9								Various	Barge	Barge								
9	9								Various	Barge	Barge								
14	14								Various	Barge	Barge								
10	10								Various	Barge	Barge								
10	10								Various	Barge	Barge								
5	5								CSX Big Sandy / Kanawha	Mine	Rail								
1	1								CSX Big Sandy / Kanawha	Mine	Rail								
1	1								CSX Big Sandy / Kanawha	Mine	Rail								
1	1								CSX Big Sandy / Kanawha	Mine	Rail								
6	6								CSX Big Sandy / Kanawha	Mine	Rail								
2	2								CSX Big Sandy / Kanawha	Mine	Rail								
2	2								CSX Big Sandy / Kanawha	Mine	Rail								
7	7								CSX Big Sandy / Kanawha	Mine	Rail								
3	3								CSX Big Sandy / Kanawha	Mine	Rail								
3	3								CSX Big Sandy / Kanawha	Mine	Rail								
8	8								CSX Big Sandy / Kanawha	Mine	Rail								
4	4								CSX Big Sandy / Kanawha	Mine	Rail								
4	4								CSX Big Sandy / Kanawha	Mine	Rail								
4	4								Kentucky Coal Terminal	Barge	Barge								
4	4								Kentucky Coal Terminal	Barge	Barge								
3	3								Kentucky Coal Terminal	Barge	Barge								
3	3								Kentucky Coal Terminal	Barge	Barge								
2	2								Kentucky Coal Terminal	Barge	Barge								
1	1								Kentucky Coal Terminal	Barge	Barge								
1	1								Kentucky Coal Terminal	Barge	Barge								

REDACTED

REDACTED

*SO2 adjustment utilizes FGD costs IF the

ID	Proposal	Quality				Quality Adjustments				
		Btu	Ash %	SO2 #	Sulfur %	Moist %	Cl %	Fusion	Ash Disposal Cost	SO2 Cost
1Pairlot	1									
1Producer's Dock	1									
2Producer's Dock	2									
1Rhino	1									
1River Trading	1									
1Smoky Mountain	1									
1Smoky Mountain	1									
1Smoky Mountain	1									
1TD Trading	1									
12Traxys	12									
13Traxys	13									
9Traxys	9									
9Traxys	9									
14Traxys	14									
10Traxys	10									
10Traxys	10									
5Traxys	5									
1Traxys	1									
1Traxys	1									
6Traxys	6									
2Traxys	2									
2Traxys	2									
7Traxys	7									
3Traxys	3									
3Traxys	3									
6Traxys	6									
4Traxys	4									
4Traxys	4									
4US Coal	4									
3US Coal	3									
3US Coal	3									
2US Coal	2									
1US Coal	1									
1US Coal	1									
*SO2 adjustment utilizes FGD costs if the										

REDACTED



Date: December 1, 2010
Subject: Coal Supply Agreement (CSA) 03-30-07-901, Amendment 2010-3
Kentucky Power Company (Buyer) with ICG, LLC (Seller)
From: K. K. Chilcote *kkc*
To: 1) J. I. Ruske *JIR*
2) J. H. Serrels *JHS*
3) J. C. Bilardette *JCB*
4) J. E. Jadwin *J EJ*
5) S. M. DeBore *SMDB*
6) T. K. Light *TKL*
7) P. K. Jordan *PKJ*

Contained within this justification package is a proposed amendment to the CSA addressing the delivery of fuel into Buyer's Big Sandy Plant (the Plant). The proposed amendment to the CSA with Seller is the result of the responses to the request for purchase solicitation dated October 27, 2010 which requested offers by November 4, 2010.

The procurement strategy for Buyer annually layers supply agreements into the existing supply portfolio to meet a pre-established committed target percentage. The committed target percentage is balanced with the desire to maintain a specific inventory level at the Plant. Prior to the solicitation the Plant was below both the desired committed percentage and inventory target level for both years 2011 and 2012. Consequently, purchases were pursued to meet both target levels.

The proposed amended CSA provides for an additional 120,000 tons to be delivered from January to June of 2011 (the final year of the original CSA) and 240,000 tons to be delivered in year 2012, adding one additional year to the CSA. The tons would fill a portion of the "Open" position as can be seen on the inventory projections in the "Not Committed" section (Tab A). The addition of the proposed purchase will cause Buyer to be over the 2011 target for both the committed percentage and the end of the year inventory target. Additional coal is required in the beginning of 2011 to meet the Plant's consumption and target levels, however at the end of 2011 an extended outage causes consumption to be reduced and inventory to rise causing the inventory level to be over the targeted level.

The table on the next page shows the Plant's total existing annual tonnage commitments along with the proposed agreement compared to the projected consumption. Also, included is the remaining open position reflected both in total tons and as a percentage of the total position versus the pre-established committed target percentages to be achieved for the referenced year.

Kentucky Power Company
CSA 03-30-07-901

(Tonnes reflected in thousands)	2011	2012
Anticipated consumption	2653.1	2677.5
Previously committed purchases	<u>2540.0</u>	<u>1530.0</u>
Remaining open position before agreement	113.1	1147.5
Proposed ICG Amendment	120.0	240.0
Remaining open position after agreement	<u>(6.9)</u>	<u>907.5</u>
Committed position reflected as % of needs	100.3%	66.1%
Committed Target %	100.0%	90.0%

A review of the October 27, 2010 solicitation showed Seller to be one of the lowest cost suppliers on a present value basis for years 2011 and the lowest cost supplier for 2012 (Tab B). Buyer required tons to meet its obligation in only the first six months of 2011 and Seller offered that exact term in their proposal, thus the offer from Seller was chosen over the other low cost offer that delivered tons throughout the entire year of 2011. Also, by taking additional rail deliveries under the proposed amended CSA the rail agreement volume commitment for 2011 is met, eliminating the liquidated damage charges under the rail agreement. The amended CSA will provide for the additional coal deliveries to the Plant in 2011 at a weighted average cost of 294.00 ¢/mmBtu and for the 2012 deliveries at a weighted average cost of 307.24 ¢/mmBtu, both on a quality adjusted, present value basis.

For the reasons stated above the amendment is recommended for execution and inclusion into the current portfolio for the Plant. Attached in Tab C is the copy of the amendment for signature

Please approve by initialing this cover memo and forwarding the package to the next addressee.

Kentucky Power Company
 CSA 03-30-07-901

Tab A

Position for Big Sandy Low Sulfur														
Position By Month														
Planned Obligations														
Tons	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total	
Beginning Inventory	268,058	276,871	310,340	332,159	327,704	321,103	328,776	269,764	205,813	200,002	320,983	430,030	2,550,629	
Burn	261,189	236,523	248,189	254,455	256,601	242,327	259,012	263,951	195,811	49,019	60,944	222,609	2,380,008	
Committed	230,000	230,000	230,000	210,000	210,000	210,000	180,000	180,000	170,000	150,000	150,000	150,000	2,380,000	
Not Committed	40,000	40,000	40,000	40,000	40,000	40,000	20,000	20,000	20,000	20,000	20,000	20,000	360,000	
Not Committed	PA # / Product Code / Description	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total
In Progress	03-30-10-901 / A / SHJ Truck Coal	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Unknown	Nymex Curve, Truck 50% of Open	0	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	CSX Rail Coal - 1,000 k per year	0	0	0	0	0	0	0	0	0	0	0	0	0
Open	System generated on 1/10/2007 3:	20,000	20,000	20,000	20,000	20,000	20,000	0	0	0	0	0	0	120,000
Tons	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	2011 Total	
Projected Ending Inventory	276,871	310,340	332,159	327,704	321,103	328,776	269,764	205,813	200,002	320,983	430,030	313,940	377,429	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	(37,069)	(3,602)	18,219	13,764	7,163	14,836	(44,176)	(108,127)	(113,938)	7,043	116,098	63,469		

Position for Big Sandy Low Sulfur														
Position By Month														
Planned Obligations														
Tons	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total	
Beginning Inventory	377,429	340,237	318,119	289,283	276,113	289,425	285,900	289,015	283,809	276,805	357,211	355,040	2,677,299	
Burn	254,692	239,619	246,335	230,669	204,188	231,025	224,385	232,705	224,504	137,095	219,671	232,410	2,290,000	
Committed	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	1,350,000	
Not Committed	110,000	110,000	110,000	110,000	110,000	120,000	120,000	120,000	110,000	110,000	110,000	110,000	1,350,000	
Not Committed	PA # / Product Code / Description	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total
In Progress	03-30-10-901 / A / SHJ Truck Coal	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Unknown	Nymex Curve, Truck 50% of Open	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	630,000
Unknown	CSX Rail Coal - 1,000 k per year	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Open	System generated on 1/10/2007 3:	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Tons	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	2012 Total	
Projected Ending Inventory	340,237	318,119	289,283	276,113	289,425	285,900	289,015	283,809	276,805	357,211	355,040	340,130	313,940	
Target Inventory	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	313,940	
Over/(Under) Target	26,297	4,179	(24,657)	(37,827)	(24,515)	(28,040)	(24,925)	(30,131)	(37,135)	43,271	41,100	26,190		

Tab B

ICG		Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton	\$/mmbtu
Jan-11	20,000	66.75	0.55	6.65	73.95	73.49	2.99	
Feb-11	20,000	66.75	0.55	6.65	73.95	73.04	2.97	
Mar-11	20,000	66.75	0.55	6.65	73.95	72.59	2.95	
Apr-11	20,000	66.75	0.55	6.65	73.95	72.14	2.93	
May-11	20,000	66.75	0.55	6.65	73.95	71.70	2.91	
Jun-11	20,000	66.75	0.55	6.65	73.95	71.25	2.90	
Jul-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Aug-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Sep-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Oct-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Nov-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Dec-11	0	0.00	0.00	0.00	0.00	0.00	0.00	
Average						2011	2.94	

Kentucky Fuels		Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton	\$/mmbtu
Jan-11	30,000	70.10	0.55	2.75	73.40	72.95	3.04	
Feb-11	30,000	70.10	0.55	2.75	73.40	72.50	3.02	
Mar-11	30,000	70.10	0.55	2.75	73.40	72.05	3.00	
Apr-11	30,000	70.10	0.55	2.75	73.40	71.61	2.98	
May-11	30,000	70.10	0.55	2.75	73.40	71.16	2.97	
Jun-11	30,000	70.10	0.55	2.75	73.40	70.72	2.95	
Jul-11	30,000	70.10	0.55	2.75	73.40	70.29	2.93	
Aug-11	30,000	70.10	0.55	2.75	73.40	69.85	2.91	
Sep-11	30,000	70.10	0.55	2.75	73.40	69.42	2.89	
Oct-11	30,000	70.10	0.55	2.75	73.40	68.99	2.87	
Nov-11	30,000	70.10	0.55	2.75	73.40	68.57	2.85	
Dec-11	30,000	70.10	0.55	2.75	73.40	68.15	2.84	
Average						2011	2.94	

ICG						
	Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton
Jan-12	20,000	77.50	0.58	6.65	84.73	78.18
Feb-12	20,000	77.50	0.58	6.65	84.73	77.70
Mar-12	20,000	77.50	0.58	6.65	84.73	77.22
Apr-12	20,000	77.50	0.58	6.65	84.73	76.74
May-12	20,000	77.50	0.58	6.65	84.73	76.27
Jun-12	20,000	77.50	0.58	6.65	84.73	75.80
Jul-12	20,000	77.50	0.58	6.65	84.73	75.33
Aug-12	20,000	77.50	0.58	6.65	84.73	74.87
Sep-12	20,000	77.50	0.58	6.65	84.73	74.40
Oct-12	20,000	77.50	0.58	6.65	84.73	73.94
Nov-12	20,000	77.50	0.58	6.65	84.73	73.49
Dec-12	20,000	77.50	0.58	6.65	84.73	73.03
Average						2012
						3.07

Alliance - M/C Mining						
	Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton
Jan-12	40,000	80.00	0.43	6.60	87.03	80.30
Feb-12	40,000	80.00	0.43	6.60	87.03	79.81
Mar-12	40,000	80.00	0.43	6.60	87.03	79.32
Apr-12	40,000	80.00	0.43	6.60	87.03	78.83
May-12	40,000	80.00	0.43	6.60	87.03	78.34
Jun-12	40,000	80.00	0.43	6.60	87.03	77.86
Jul-12	40,000	80.00	0.43	6.60	87.03	77.38
Aug-12	40,000	80.00	0.43	6.60	87.03	76.90
Sep-12	40,000	80.00	0.43	6.60	87.03	76.42
Oct-12	40,000	80.00	0.43	6.60	87.03	75.95
Nov-12	40,000	80.00	0.43	6.60	87.03	75.48
Dec-12	40,000	80.00	0.43	6.60	87.03	75.02
Average						2012
						3.11

Argus Pevler						
	Volume	\$/Ton	Quality Adj	Transp	Total \$/Ton	PV \$/ton
Jan-12	30,000	81.00	0.56	2.75	84.31	77.79
Feb-12	30,000	81.00	0.56	2.75	84.31	77.31
Mar-12	30,000	81.00	0.56	2.75	84.31	76.84
Apr-12	30,000	81.00	0.56	2.75	84.31	76.36
May-12	30,000	81.00	0.56	2.75	84.31	75.89
Jun-12	30,000	81.00	0.56	2.75	84.31	75.42
Jul-12	30,000	81.00	0.56	2.75	84.31	74.96
Aug-12	30,000	81.00	0.56	2.75	84.31	74.49
Sep-12	30,000	81.00	0.56	2.75	84.31	74.03
Oct-12	30,000	81.00	0.56	2.75	84.31	73.58
Nov-12	30,000	81.00	0.56	2.75	84.31	73.12
Dec-12	30,000	81.00	0.56	2.75	84.31	72.67
Average						2012
						3.13

Kentucky Power Company

REQUEST

List each oral coal supply solicitation issued during the period from May 1, 2010 to October 31, 2010.

- 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 time 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 bid tabulation sheet or other document that ranks the proposals. (This document shall 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.

RESPONSE

Kentucky Power did not issue any oral solicitations for coal during the period from May 1, 2010 to October 31, 2010.

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

For the period from May 1, 2010 to October 31, 2010, list each vendor from whom coal was purchased and the quantities and nature of each purchase (e.g., spot or contract). Provide the percentage of purchases that were spot versus contract.

RESPONSE

The table below lists each vendor from whom coal was purchased under contract by Kentucky Power Company and the quantities and nature of each purchase from May 1, 2010 through October 31, 2010.

Vendor	Tons Purchased	Nature
Alpha Coal Sales	31,147	Spot
Arch Coal	72,802	Consigned
Argus	73,495	Contract
Beech Fork (2 Agreements)	228,874	Contract
Central Coal	72,877	Consigned
Cliffs-Logan	61,909	Contract
ICG	104,643	Contract
INR	106,743	Contract
Kentucky Fuels (2 Agreements)	19,389	Contract
Magnum	51,560	Consigned
Rhino	10,882	Contract
S. M. & J.	27,173	Spot
Trinity (2 Agreements)	215,830	Contract
Total	1,077,322	
Percent Consigned (%)	18.3%	
Percent Contract (%)	76.3%	
Percent Spot (%)	5.4%	

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

For the period from May 1, 2010 to October 31, 2010 list each vendor from whom natural gas was purchased for generation and the quantity and nature of each purchase (e.g., spot or contract). Provide the percentage of purchases that were spot versus contract.

RESPONSE

Kentucky Power did not purchase natural gas for generation during the period from May 1, 2010 to October 31, 2010.

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 2010 to October 31, 2010 the actual amount of coal burned in tons, actual amount of coal deliveries in tons, total kWh generated, and actual capacity factor at which the plant operated.

RESPONSE

**Big Sandy Statistics for the Period
May 1, 2010 to October 31, 2010**

Coal Burned: 1,298,731 tons
Coal Delivered: 1,077,322 tons
Total Generated: 3,224,860,000 kWh
Capacity Factor: 67.85%

WITNESS: Aaron M Sink

Kentucky Power Company

REQUEST

- a. During the period from May 1, 2010 to October 31, 2010, have there been any changes to Kentucky Power's written policies and procedures regarding its fuel procurement?
- b. If yes,
 - (1) Describe the changes;
 - (2) State the date(s) the changes were made;
 - (3) Explain why the changes were made; and
 - (4) Provide the written policies and procedures as changed.
- c. If no, provide the date when Kentucky Power's current fuel procurement policies and procedure were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

RESPONSE

- a. No. There were no changes to Kentucky Power's written policies and procedures regarding fuel procurement during the period from May 1, 2010 to October 31, 2010.
- b. Not applicable.
- c. The last update to the procurement policy for American Electric Power (the procurement agent for Kentucky Power) was performed in September of 2004. This Coal Procurement Policy was last provided to the Commission on February 25, 2005 in KPSC Case No. 2004-00463 as Supplemental Attachment Item No. 3.

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

- a. 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 from May 1, 2010 to October 31, 2010.
- b. If yes, for each violation:
 - (1) Describe the violation;
 - (2) Describe the action(s) that Kentucky Power took upon discovering the violation; and
 - (3) Identify the person(s) who committed the violation.

RESPONSE

- a. No. Kentucky Power is not aware of any violations of its policies and procedures regarding fuel procurement prior to or during the period from May 1, 2010 through October 31, 2010.
- b. N/A

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that are responsible for Kentucky Power's fuel procurement activities that occurred during the period from May 1, 2010 to October 31, 2010.

RESPONSE

The following text was taken from a news story on AEP's internal web site. This article identifies and explains organizational changes made to the Fuel Emissions & Logistics organization which were announced via this article on July 19, 2010.

Light announces Fuel, Emissions and Logistics organization restructuring

Tim Light, senior vice president - Fuel, Emissions and Logistics (FEL), has announced organization changes as a result of recent work force reductions, and realignment of functions and reporting changes in the Generation organization announced by Nick Akins, executive vice president - Generation.

"The focus on efficiency and streamlining our processes provided a great opportunity to realign certain functions under the FEL Senior Management Team to absorb the reductions in work force," Light said. "We are moving toward more of a commodity-based grouping of procurement functions to gain efficiencies and combining some of the operational groups to complement ongoing safety initiatives.

"Additionally, our objective is to continue to provide excellent customer service to the utilities we serve and ensure we are providing reliable supplies of the fuel and consumables needed to meet operational and environmental requirements at competitive prices. We strongly believe this new organization will achieve these objectives."

The changes entail moving the West Utilities natural gas and fuel oil procurement function from Dallas to Columbus and combining the East and West procurement teams, combining the East and West Utilities coal procurement functions and combining the East and West Utilities land and mineral development functions.

Marguerite Mills, vice president - Fuel Procurement, will be responsible for all natural gas and fuel oil procurement, alternative/renewable fuel procurement, reagents and consumables, and ash marketing. Reporting to Mills will be Ken Howsen, director - Gas & Oil Procurement; Ashley Weaver, manager - Alternative Fuels; and Greg Keenan, manager - Reagents & Coal Combustion Products. Mills was previously vice president - Fuel Procurement for the West Utilities.

Mike De Bord, vice president - Fuel Procurement, will be responsible for all coal procurement and rail transportation activities including field representation and quality assurance. Reporting to De Bord will be Jason Rusk, director - Coal Procurement; Charles West, manager - Fuel Emissions and Logistics; and Jeff Dial, manager - Fuel Emissions and Logistics. De Bord was previously vice president - Transportation and Combustion Services.

On the operations side, the Dolet Hills, Oxbow and Pirkey mining-related activities will be combined with the Cook Coal Terminal, Metropolis Rail Car Facility, Alliance Rail Car Facility, Conesville Coal Preparation Plant and the Central Coal Lab. Jim Henry, vice president - FEL Operations and Mining, will be responsible for these activities, as well as the combined land and mineral development team. Reporting to Henry will be Dennis Meyer, general manager - Dolet Hills; Jim Garrett, managing director - FEL Operations; and the director of Land and Mineral Development. Henry was previously vice president - Fuel Procurement for the East Utilities.

Mark Knoy, vice president - Boat Operations and president of AEP River Operations, will maintain his current responsibilities for both the barge delivery of coal and reagents to AEP's power plants and for all of the commercial barge operations. Reporting to Knoy will be Keith Darling, managing director - Boat Operations; Robert Blocker, director - Marketing Services and Business Development; Mark Stoppel, director - Sales & Logistics; Paul Tobin, director - Administration; Thomas Palumbo, director - Accounting & Finance; and Darlene Norris, manager - River Operations Planning & Budgeting.

Eric James, managing director - Fuel Analysis & Emissions, will also maintain his current responsibilities and pick up forecasting, structuring and, effective August 1, contract administration. Reporting to James are Holly Turner, manager - FEL Reporting & Analysis; Karen Anderson, manager - Forecasting & Emissions; Amy Jeffries, manager - Structuring; and Joe Billardello, manager - Fuel Contract Administration.

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

- a. Identify all changes that Kentucky Power made during the period from May 1, 2010 to October 31, 2010 to its maintenance and operation practices that affect fuel usage at Kentucky Power's generation facilities.
- b. Describe the impact of these changes on Kentucky Power's fuel usage.

RESPONSE

- a. During this review period, Big Sandy made no changes to operation or maintenance practices that affected fuel usage.
- b. N/A

WITNESS: Aaron M Sink

Kentucky Power Company

REQUEST

- a. List all intersystem sales during the period from May 1, 2010 to October 31, 2010 in which Kentucky Power used a third party's transmission system.
- b. For each sale listed above:
 - (1) Describe how Kentucky Power addressed, for FAC reporting purposes, the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system; and
 - (2) State the line loss factor used for each transaction and describe how such line loss factor was determined.

RESPONSE

- a) & (b) For the period May 1, 2010 to October 31, 2010:

Beginning on June 1, 2007, based on FERC Order EL06-055, PJM modified the Locational Marginal Pricing (LMP) pricing approach to calculate transmission line loss costs on a marginal basis. The new LMP calculation will now reflect the full marginal cost of serving an increment of load at each bus from each resource associated with an eligible energy offer. The LMP price will be the sum of three separate components: System Energy Price, Congestion Price and Loss Price. Therefore, each spot market energy customer will now pay an energy price that includes the full marginal cost of energy for delivering an increment of energy to the purchaser's location. Market buyers are assessed for their incremental impact on transmission line losses resulting from total load scheduled to be served from the PJM Spot Energy Market in the day-ahead energy market at the same day-ahead loss price applicable at the relevant load bus.

Market sellers are assessed for their incremental impact on transmission line losses resulting from energy scheduled for delivery in the day-ahead market at the day-ahead loss prices applicable to the relevant resource bus.

Transactions are balanced in the real-time market using the same calculation, but are based on deviation at each bus from the day-ahead using the real time loss price.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

Describe each change that Kentucky Power made to its methodology for calculating intersystem sales line losses during the period from May 1, 2010 to October 31, 2010.

RESPONSE

Please see the Company's response to Item No. 33.

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

State whether Kentucky Power has solicited bids for coal with the restriction that it was not mined through strip mining or mountain top removal. If yes, explain the reasons for restriction on the solicitation, the quantity in tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitations had not been restricted.

RESPONSE

No. Kentucky Power has not solicited bids for coal with the restriction that it was not mined through strip mining or mountain top removal.

WITNESS: Kimberly K Chilcote

Kentucky Power Company

REQUEST

State whether any PJM costs were included in Kentucky Power's monthly FAC filings during the period from May 1, 2010 to October 31, 2010. If yes, state the type and amount of the costs.

RESPONSE

Yes. The total PJM net energy cost included in KPCo's monthly FAC filings for the six-month period ended October 31, 2010, was \$1,329,190. These PJM net energy costs are exclusive of any capacity or demand charges (or other PJM charges or costs). The energy associated with the PJM net energy costs included in the monthly FAC is purchased on an economic dispatch basis and recorded in FERC Account 151.

Kentucky Power's full requirement customers include Olive Hill, Vanceburg, and the Kentucky retail customers. As demonstrated in the table on page 2 of this response, the total full requirement customers' actual fuel cost for the six-month review period ended October 31, 2010 was \$85,971,361 (Total Column 2). KPCo's PJM net energy costs for the six month period ended October 31, 2010 totaled \$7,990,209 (Total Column 3). KPCo full requirement customers' share of PJM net energy costs for the six-month period ended October 31, 2010, and included in the monthly filings under review were \$1,329,190 (Total Column 4).

The source document for columns 3 and 4 below is the ECR report, which is filed monthly with the Company's back-up filings. More specifically, the amounts come from Column CP, Item 44 from within the previously filed ECR reports.

Month/Year	Total Full Requirement Customers' Actual Fuel Cost	KPCo Total Actual PJM Energy Costs	KPCo Full Requirement Customers' PJM Energy Costs
May 2010	\$13,301,162	\$1,392,003	\$375,988
June 2010	\$14,484,426	\$1,066,989	\$38,210
July 2010	\$14,550,621	\$1,031,548	\$4,006
August 2010	\$15,111,901	\$1,099,278	\$27,490
September 2010	\$14,682,959	\$1,440,045	\$248,840
October 2010	\$13,840,292	\$1,960,346	\$634,657
Total	\$85,971,361	\$7,990,209	\$1,329,190

WITNESS: Lila P Munsey

Kentucky Power Company

REQUEST

In its most recent two-year case, Case No. 2008-00518, the roll-in of fuel costs into Kentucky Power's base rates was approved using a "flash cut" approach, which resulted in an immediate change from its then-existing base fuel costs to its new base fuel cost, rather than a "transitional approach" in which the first month's fuel costs is an average of the old and new base fuel cost. Kentucky Power also indicated its preference that any change in base rates be approved on a "bills rendered" basis rather than a "service rendered" basis. If the current FAC review results in changes to its base rates, does Kentucky Power continue to prefer the same "flash cut" approach on a "bills rendered" basis as authorized in the previous 2-year case? Explain.

RESPONSE

The Company proposes no change in the present base cost of fuel for the upcoming two-year period. However if a base rate change is required, KPCo does not believe it is appropriate to use the "flash cut" approach as explained at the April 4, 2008 informal conference in Case Nos. 2007-00276 and 2007-00522. The Company still believes that the "bills rendered" approach is appropriate.

WITNESS: Lila P Munsey