

**Amy J Elliott**

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**From:** Timothy M Dooley  
**Sent:** Tuesday, March 18, 2014 3:08 PM  
**To:** Brian T Lysiak; Ranie K Wohnhas; Amy J Elliott  
**Cc:** Stephen L Sharp JR.; Brian W Elswick  
**Subject:** RE: Mitchell February 2014 Survey -- KYP Share

Ranie and Amy,

I have a high level of confidence that the portion allocated to KYP for the Mitchell survey will remain as booked in February.

Let me know if questions or comments.

Thanks,  
Tim

Timothy M. Dooley, CPA  
Director of Energy Accounting  
American Electric Power Service Corp.

155 West Nationwide Blvd.  
Columbus, OH 43215

Office 614-583-7735  
Mobile 614-915-6237

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**From:** Brian T Lysiak  
**Sent:** Tuesday, March 18, 2014 3:04 PM  
**To:** Ranie K Wohnhas; Amy J Elliott  
**Cc:** Timothy M Dooley; Stephen L Sharp JR.; Brian W Elswick  
**Subject:** Mitchell February 2014 Survey -- KYP Share

Ranie & Amy -

After some further discussion with Tim Dooley, the proration methodology for the Mitchell February 2014 Survey between KYP and AEPGR will remain as booked.

These \$457,589 additional consumption expense below for KYP-Mitchell was included in the Feb 2014 KYP Deferred Fuel calculations.

Survey adjustments that decreased plant inventory/increased fuel expense:

	Plant	Pile Adj. Tons	\$ Fuel Exp Fav(Unfav)
KYP	Mitchell	(5,673)	\$ (457,589)
AEPGR	Mitchell	(28,904)	\$ (2,331,384)
	Total	(34,577)	\$ (2,788,973)

Regards,  
Brian Lysiak  
Supervisor - Fuel & Contract Accounting  
American Electric Power  
Internal Phone: 8-220-6460  
Outside Phone: 614-583-6460

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**From:** Brian T Lysiak  
**Sent:** Thursday, March 13, 2014 3:03 PM  
**To:** Amit Verma; Gabriel E Gayhart; Jim Henry; Kimberly K Chilcote  
**Subject:** RE: AEP System Coal Pile Survey Report - February 2014

Hi Amit -

Since the Mitchell survey period spanned 9/18/2013 - 02/5/2014 ; we reviewed the impacts of the survey \$'s and since Kentucky only owned the plant for 1 month and 5 days of the survey period covered, it wasn't appropriate for them to get an equal share of the survey expense in Feb 2014.

We prorated the survey tons & \$'s proportionate to the Mitchell Unit(s) consumed tons over that survey period.

- All 2013 consumed tons were assigned 100% to AEPGR
- All 2014 consumed tons were assigned to AEPGR and KYP based on the Feb 2014 net take ratios

Ratios from that assignment method were applied to the Survey tons, for an approximate 84% to 16% split between AEPGR and KYP.

Regards,  
Brian Lysiak  
Supervisor - Fuel & Contract Accounting  
American Electric Power  
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Outside Phone: 614-583-6460

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**From:** Amit Verma  
**Sent:** Thursday, March 13, 2014 2:03 PM  
**To:** Brian T Lysiak; Gabriel E Gayhart; Jim Henry; Kimberly K Chilcote  
**Subject:** RE: AEP System Coal Pile Survey Report - February 2014

Brian,

Could you please send me some additional detail on how the adjustment amount allocated to Gen Resources for Mitchell was determined? The total adjustment for the plant was 34,577 tons. Could you please help me understand why 83% of the tons were allocated to Gen Resources and (I'm assuming) only 17% to Kentucky?

Thanks,  
 Amit

**From:** Brian T Lysiak  
**Sent:** Thursday, March 13, 2014 1:54 PM  
**To:** Amit Verma; Gabriel E Gayhart; Jim Henry; Kimberly K Chilcote  
**Subject:** AEP System Coal Pile Survey Report - February 2014

WARNING! This email is from a source outside of your market regulated company. Please proceed with caution.

Attached is a summary of AEP System coal pile surveys booked in 2014 which has been updated through **02/28/2014**. A summary of the most recent month's activity is provided below:

Survey adjustments that increased plant inventory/decreased fuel expense:

	Plant	Pile Adj. Tons	\$ Fuel Exp Fav(Unfav)
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	Total	9,224	\$ 624,135

Survey adjustments that decreased plant inventory/increased fuel expense:

	Plant	Pile Adj. Tons	\$ Fuel Exp Fav(Unfav)
AEPGR	Mitchell	(28,904)	\$ (2,331,384)
	Total	(28,904)	\$ (2,331,384)

The net income effect of adjustments for AEPGR had an approx. unfavorable pre-tax impact of \$1M (share allocated to Off-System Sales)

Regards,  
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**Amy J Elliott**

---

**From:** Timothy M Dooley  
**Sent:** Monday, June 23, 2014 3:26 PM  
**To:** Brian T Lysiak; Amy J Elliott  
**Cc:** Brian W Elswick  
**Subject:** RE: Coal pile surveys  
**Attachments:** Accounting Bulletin 4 Accounting for Coal Costs\_031507\_smh.pdf

Accounting bulletin #4 was updated in 2007 but for the most part only to address the expeditious timing of recording surveys. That was the last update to #4, see attached.

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**From:** Brian T Lysiak  
**Sent:** Monday, June 23, 2014 1:17 PM  
**To:** Amy J Elliott  
**Cc:** Timothy M Dooley; Brian W Elswick  
**Subject:** RE: Coal pile surveys

Amy-  
I am not aware of an updated accounting memo.

Tim - are you aware of any revised memo that comments to the required # of annual surveys by plant. What Amy has referenced with the 2008 task force was in a recent response from Mark Flynn that was the catalyst for identifying "large inventory" plants requiring 2 surveys each year. (see below):

Gentleman,

*The "2 per year" inventories are the result of a 2008 Fuel Supply Task Group (FSTG). Their findings were that large inventory plants were to have a Coal Pile Inventory (CPI) twice per year in order to head off any large errors that may occur at the end of the year. The large errors at the end of the year tend to hit AEPs bottom line and were to be minimized. Those plants that blended coal were also to have two inventories per year. This was to make sure there was plenty of both types of coal available.*

*Mitchell falls under the "large inventory" criteria.*

*All other plants adhere to an annual inventory unless their book to physical inventory error is greater than +/- 2% of consumed, then a second inventory is scheduled within a period of six months.*

*If you have any other questions please contact me.*

Mark W. Flynn  
CE Coordinator  
Civil Engineering Laboratory  
American Electric Power  
4001 Bixby Road  
Groveport, OH 43125  
Phone: (614) 836-4196  
Audinet: 210-4196  
Fax: (614) 836-4226  
E-Mail: [mwflynn@aep.com](mailto:mwflynn@aep.com)

Regards,  
Brian Lysiak  
Supervisor - Fuel & Contract Accounting  
American Electric Power  
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---

**From:** Amy J Elliott  
**Sent:** Monday, June 23, 2014 12:15 PM  
**To:** Brian W Elswick; Brian T Lysiak  
**Subject:** Coal pile surveys

Hi Brians.

Hope all is well. Quick question...

Is there an updated accounting memo which reflects the necessity of two surveys a year?

The 2008 fuel task force changes apparently occurred after the 3/15/07 accounting memo.

Thanks again.

Amy

Amy Elliott  
Kentucky Power  
Regulatory Services  
502-696-7013

**Amy J Elliott**

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**Subject:** Discuss Coal Pile Adjustment & Forced Outage in January

**Start:** Wed 3/12/2014 9:00 AM  
**End:** Wed 3/12/2014 9:30 AM  
**Show Time As:** Tentative

**Recurrence:** (none)

**Meeting Status:** Not yet responded

**Organizer:** Amy J Elliott  
**Required Attendees:** Brian T Lysiak; Brian W Elswick (bwelswick@aep.com); Stephen L Sharp JR.

**Amy J Elliott**

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**From:** Timothy M Dooley  
**Sent:** Saturday, July 05, 2014 8:25 AM  
**To:** Amy J Elliott; Stephen L Sharp JR.; John A Rogness III  
**Cc:** Brian T Lysiak; Brian W Elswick; Diana L Gregory  
**Subject:** Big Sandy survey change writeup  
**Attachments:** Modifying the method for recording coal pile survey adjustments at Big Sandy.docx

Attached is our write-up describing the rationale (benefits and risks) associated with recording Big Sandy's coal survey using full consumption expense dollars in the first month. Let us know if you have questions.

Tim

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**From:** Amy J Elliott  
**Sent:** Thursday, July 03, 2014 1:56 PM  
**To:** Timothy M Dooley  
**Cc:** Stephen L Sharp JR.; John A Rogness III  
**Subject:** RE: survey writeup

Hi Tim,

The request is not urgent. However, if possible we would like to provide it by the end of next week. Please copy Steve and John as I will be on vacation and they may receive your email sooner.

Thanks again,

Amy

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**From:** Timothy M Dooley  
**Sent:** Thursday, July 03, 2014 8:31 AM  
**To:** Amy J Elliott  
**Subject:** survey writeup

Hi Amy, I began drafting a coal survey writeup yesterday and plan to work more on it today (close and few other things are getting in the way). When do you need that?

Tim

*T M Dooley*

Timothy M. Dooley, CPA  
Director of Energy Accounting  
Commercial, Derivative, and Energy Accounting  
American Electric Power Service Corp.

155 West Nationwide Blvd.  
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~~Confidential and Proprietary~~

*Prepared by KPCo Fuel Accounting Team*

***Modifying the method for recording coal pile survey adjustments at Big Sandy.***

***Benefits and Risks***

Background

Since about 1980, KPCo has recorded coal pile survey adjustments for Big Sandy plant by reflecting the adjustment by 100% of the number of tons to be adjusted but only adjusting the inventory dollars by \$1. This \$1 method has the effect of adjusting the \$/ton of inventory only and impact fuel expense (favorable or unfavorable) in the first month reported and the months to follow. All other AEP plants (including Rockport and Mitchell by contract) adjust both the tons and dollars of coal inventory for the survey results when reported.

The rationale for adjusting for 100% of the survey adjustment tons and dollars in the first month reported is that the adjustment is in fact a true-up of past consumption. It is true-up previously recorded fuel expense since the last coal pile survey.

In the past

Through conversation with KPSC staff, we understand that this \$1 method was originally put in place to "incentivize" KPCo-Big Sandy to either maintain a smaller rather than larger onsite inventory, or to otherwise attempt to mitigate the volume of survey adjustments. Many years ago this method may have had some perceived merit since coal piles were typically much larger many years ago. However, in talking with Fuel Procurement it is evident that this \$1 method is clearly not a factor that drives execution of managing the plant's coal inventory or measuring consumption.

Benefits to changing, and risks associated with not changing.

The real consequence of only booking the \$1 adjustment is that it delays the recording of the correction of past consumption expense (favorable or unfavorable) since the previous survey. This typically would delay by 6 months or more the full impact of the fuel expense adjustment in dollars resulting from the survey. By only recording a \$1 change to inventory it could take well over a year to correct fuel expense if Big Sandy had one survey in a twelve month period. The \$1 method actually has the effect of moving further away the fuel revenue adjustment (favorable or unfavorable) associated with the customer base that used the fuel during the survey consumption period (since last survey). By changing the method it brings fuel expense more in line (closer) to the actual customer base that was served (and paid for) during the consumption period being adjusted (since last survey).

Consistency with other survey adjustments

Rockport records the full dollar value (based on then WACI) of survey adjustments. This is also true for Mitchell plant which is required under the operating agreement (approved by both FERC and KPCC) to have both KPCo and AGR's WACI be the same for each company every month.

The times are changing

Big Sandy 2 (800MW) unit is scheduled to be closed May 2015, while Big Sandy 1 (230MW) is estimated to be converted to fire natural gas about 1 year later. Big Sandy's coal pile inventory as of May 2014 (269k tons) is now less than half as much as of December 2013 balance of 761k tons. Coal purchases and consumption at Big Sandy are clearly going to decline over the next 18 months. There really is no perceived or actual benefit to using the \$1 method for Big Sandy now or in the future, and there are no risks associated with making this change.

**Amy J Elliott**

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**From:** Amy J Elliott  
**Sent:** Friday, May 02, 2014 10:41 AM  
**To:** Brian T Lysiak  
**Cc:** Timothy M Dooley; Brian W Elswick; Ranie K Wohnhas  
**Subject:** RE: Mitchell February 2014 Survey -- KYP Share

Brian,

To be consistent with the methodology used in booking the Mitchell coal pile surveys, we agree that we should no longer book the Big Sandy adjustments as \$1.

Thanks,

Amy

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**From:** Brian T Lysiak  
**Sent:** Thursday, May 01, 2014 10:25 AM  
**To:** Ranie K Wohnhas; Amy J Elliott  
**Cc:** Timothy M Dooley; Brian W Elswick  
**Subject:** FW: Mitchell February 2014 Survey -- KYP Share

Hi Ranie and Amy -

Big Sandy has performed their Spring 2014 Survey, the results will be an increase to the coal pile of 16,271 tons. Normally, the \$ impact would only be \$1.

From our discussions a few months ago regarding the booking of KYP's share of the Mitchell survey adjustment, I am trying to recall if it was determined if we decided to account for the Big Sandy survey in the same manner. This would result in a favorable adjustment to consumption expense. As an approximate estimate, using the previous months WACI rate of \$72.73/ton would be around \$1.2M credit.

Please advise, or contact me if to discuss.

Regards,  
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