

**Mitchell Plant Operating Committee
Minutes – Initial Meeting February 10, 2014**

Attendees:

Jeff LaFleur (Phone)
Greg Pauley (Phone)
Toby Thomas
Dan Lee
John McManus
Janet Henry
John Crespo
Anne Vogel
Mike Belter
Chuck West
Randy Gaudio
Lee McGuire

The stated agenda was as follows:

- Review of Roles & Responsibilities (Vogel)
- 2014 Capital/O&MBudgets (McGuire)
- 2015-2019 Capital/O&M Forecast (McGuire)
- Environmental Compliance Plan (McManus)
- Fuel Plan (West)

Each segment stimulated a host of questions, which the Mitchell Plant Operating Committee (Committee) entertained. In addition, questions were raised that fell outside of the formal agenda. All were at least discussed, if not resolved, as detailed below. Some items remain without resolution, and will need to be taken up again in a subsequent meeting.

Roles & Responsibilities

Anne Vogel led a discussion of the roles and responsibilities of the Committee. She also pointed out there is still a need to designate an alternate for Toby Thomas.

This review led to the following two items:

Discussion regarding “independent dispatch” of the ML units. Per Jeff LaFleur, there have been no issues so far, and none anticipated with regard to the dispatching itself. However, Toby Thomas raised the issue of not being able to get critical plant information for the purpose of dispatching decisions. A lack of clarity exists regarding who can talk to whom, and receive what information. The general consensus of the Committee is that Toby must be able to receive the information he needs to make sound operational decisions. A document is needed that spells out specifically who can ask for/receive specific information from the plant. This document should come from the Committee. A suggestion was made to form a subcommittee to draw up the specifics, have Committee approve them.

Discussion of “CI (Capital Improvement) Approvals”. Toby is not using the PMRG (Project Management Review Group) process. It appears that the updated routing of Mitchell Plant CIs is appropriate in that it catches all the relevant parties. It was agreed that the Committee should be part of the approval process for ML CI projects. However, the Sub-Co Board (final approval) portion may need to be revised. In the most recent Sub-Co Board meeting, the CIs for Mitchell were split and presented separately. It is not agreed among this Committee that this is the proper way to handle the ML CIs. Randy Gaudio will investigate further with CP&B and report back to the Committee. *This issue remains unresolved.*

Budgets/Forecasts (Capital & O&M)

Lee McGuire presented the financial information, both current year (budgeted) Capital and O&M, and the forecasts for the years 2015 – 2019. It was agreed that 2014 Capital and O&M budgets are approved as-presented. However, Toby Thomas raised a few issues and requested a few minor improvements for going forward, as follows:

For this meeting's numbers review:

- The Committee should be aware that ML Plant 2015 O&M is significantly lower than presented. (Reason: PBMS [plant budgeting system] reflects the true forecast, but it has not been uploaded to PeopleSoft since reductions were taken. The reports presented in the meeting were run out of PeopleSoft.) The number presented in the meeting was ~\$53MM; in reality, it should be less than \$45MM. (*LCM note: My subsequent run → \$43.0MM for ML Plant O&M + 506 Removal*)
- Also the Committee should be aware that both Capital and O&M \$ in the out years (2016 – 2019) have not been heavily scrutinized. Toby made clear that many of those projects are simply placeholders that have been continually pushed back, and there is little to no chance that many of those projects will ever be done – or done at the costs shown.

For the annual budget review each fall:

- Designate which items in the Capital budget have an approved CI.
- Show both (506) Removal and Fuel \$ budgeted/forecast in addition to Cap/O&M
- Provide numbers "Post-Allocated" vs the pre-allocated direct used in this (Feb 10) meeting.
- Break out PPB (Blanket) \$ in Capital forecast

Discussion was held regarding the level of variances (Actuals vs Budget) for which the Committee would need to be re-convened (or contacted individually) for review and direction. Some preliminary suggestions/questions were proposed (e.g., 3% of annual budget could be a threshold; could be "by event" or cumulative, etc.). Toby will put forth a proposal for the necessary criteria, to be reviewed and approved by the Committee. *This issue remains unresolved.*

Environmental Compliance

John McManus presented this topic. A handout was provided that detailed the current situation at Mitchell with regard to: 1. Title V Permit Compliance; 2. Emission Allowance Management; 3. ML Landfill; 4. Conner Run Impoundment; 5. NPDES Permit; and 6. Mitigation (shoreline public access).

Discussion re Emission Allowances: Allowances assigned based on ownership, usage dependent upon dispatch, which will vary between KPCo and AEPGR. Current condition is "surplus" variances as a result of over-compliance; therefore the allowances themselves have a fairly low value. No current plans to market them; kept open as an option if the values rise.

Janet Henry briefly described a pending lawsuit involving environmental groups which allege numerous exceedances of our NPDES permit at Mitchell Plant (and others). A response has been sent regarding the initial inquiry. The parties bringing the suit do not recognize our agreement with the WV Dept of Environmental Protection.

The question was asked whether lines of communication have been established between John's group and AEPGR. Answer: Yes.

It was agreed that participants would review the Environmental Compliance Plan provided by John McManus and return to the follow-up meeting with any further questions.

Fuel Plan

The Mitchell Fuel Plan documentation was provided by Chuck West.

There are no significant coal contracts requiring Committee approval at this time. Transportation all with River Operations, renewed per year.

For the present, KPCo buys all coal; AEPGR has option to begin self-supply at any time, with notification to KPCo.

Other Items

Dan Lee raised this question as the meeting was coming to a close: For this initial meeting, AEPSC personnel organized and conducted the meeting. Is that the desired approach going forward, for all involved parties?

Action Items (Responsible Party):

- Alternate needed for Toby Thomas (Committee/Vogel)
- Document describing operational (plant) information attainable by AEPGR rep(s) (Thomas/LaFleur)
- Gain clarity on appropriate CI approvals process (Gaudio)
- Update financial presentations to incorporate proposed enhancements (McGuire)
- Establish variance "triggers" and methodology for addressing same (Thomas)
- Provide Transition Plan for next meeting (Gaudio)
- Review Environmental Compliance Plan, return with questions (Committee members)
- Revise Fuel Plan documentation to adapt to feedback received (West)
- Determine whether AEPSC personnel will continue in the role of organizer/conductor for these meetings. (Committee/Lee)

A follow-up meeting will be scheduled for approx. mid-March 2014 to bring resolution to all outstanding issues noted above.

**Mitchell Plant Operating Committee
Minutes – First Follow-Up Meeting April 7, 2014**

Attendees:

Jeff LaFleur (Phone)
Toby Thomas (Phone)
Dan Lee
Anne Vogel
Mike Belter
Randy Gaudio
Lee McGuire

The stated agenda was as follows:

- Review/Approval of Outstanding Items from Initial Meeting of Feb 10, 2014
- Updated Financial Forecasts 2015-2019
- Offset Log Request (ML Plant, Forced Outages)
- Other Business

Actions:

- All outstanding items from Feb 10, 2014 Committee meeting were approved by the Committee (see document "ML Op Committee Approval Items for 04.07.14 Meeting" in Approval Documents Library – Mitchell Operating Committee Sharepoint Site).
- Updated Financials were accepted with no further comment or discussion.
- Offset Log Request approved – Jeff and Toby will take the issue off-line to work out details.
- No other business was brought forth.
- Meeting adjourned.