COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Electronic Application Of Kentucky Power	)	
Company For Approval Of A Contract	)	Case No. 2019-00124
For Electric Service With M C Mining, LLC	)	

DIRECT TESTIMONY OF

RANIE K. WOHNHAS

ON BEHALF OF KENTUCKY POWER COMPANY

DIRECT TESTIMONY OF
RANIE K. WOHNHAS, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
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I. INTRODUCTION

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

A. My name is Ranie K. Wohnhas. My position is Managing Director, Regulatory and Finance, Kentucky Power Company ("Kentucky Power" or "Company"). My business address is 855 Central Avenue, Suite 200, Ashland, Kentucky 41101.

II. BACKGROUND

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received a Bachelor of Science degree with a major in accounting from Franklin University, Columbus, Ohio in December 1981. I began work with Columbus Southern Power Company in 1978, where I worked in various customer service and accounting positions. In 1983, I transferred to Kentucky Power Company and worked in the areas of accounting, rates, and customer service. I became the Billing and Collections Manager in 1995. My duties included overseeing all billing and collection activity for the Company. In 1998, I transferred to Appalachian Power Company and worked in the rates department. In 2001, I transferred to the American Electric Power Service Corporation ("AEPSC"), working as a Senior Rate Consultant. In July 2004, I transferred back to Kentucky Power Company and assumed the position of Manager, Business Operations Support. I was promoted to Director in April 2006. I was promoted to my current position as Managing Director, Regulatory and Finance effective September 1, 2010.

Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGING DIRECTOR, REGULATORY AND FINANCE?

A. I am primarily responsible for managing the regulatory and financial strategy for Kentucky Power. This includes planning and executing rate filings for both federal and state regulatory agencies, as well as filings for certificates of public convenience and necessity before this Commission. I am also responsible for managing the Company's financial operating plans. Included as part of this responsibility is the preparation and coordination of various capital and O&M operating budgets with other American Electric Power Company, Inc. affiliates. I work with various AEPSC departments to ensure that adequate resources such as debt, equity, and cash are available to build, operate, and maintain Kentucky Power's electric system assets used to provide service to the Company's retail and wholesale customers. I report directly to Brett Mattison, President and Chief Operating Officer of Kentucky Power.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have testified on multiple occasions in a wide variety of proceedings. These include numerous rate cases, fuel adjustment clause cases, an environmental compliance plan case, various certificate applications for transmission projects; the proceeding to transfer a fifty percent undivided interest in the Mitchell generating station to Kentucky Power, and in connection with the Company's application to convert Big Sandy Unit 1 to a gas-fired unit.

III. PURPOSE OF TESTIMONY

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

A. I am testifying in support of Kentucky Power's application for approval of a special contract with M C Mining, LLC ("M C Mining" or "Customer") to support M C Mining's efforts in opening the new Excel Mine No. 5. The new mine will utilize the processing system in place at a current meter location through a smart conveyor system.

The Contract for Electric Service between Kentucky Power Company and M C Mining, LLC ("Special Contract"), in conjunction with the Company's Appalachian Sky initiative and other economic development efforts, is intended to help revive the economy of the Company's service territory and the eastern Kentucky region. This agreement furthers the Company's "Coal Plus" efforts to work with coal companies on alternative means to support the coal industry in Kentucky and present the Commission with new options to support coal extraction and processing.

Q. WHAT TOPICS DO YOU ADDRESS IN YOUR TESTIMONY?

A. In my testimony, I provide an overview and some of the details of the Special Contract, as well as the reasons for requesting confidential treatment for limited aspects of the agreement.

IV. THE SPECIAL CONTRACT

Q. BEFORE PROVIDING BACKGROUND REGARDING THE SPECIAL CONTRACT, PLEASE EXPLAIN THE IMPORTANCE OF SPECIAL CONTRACTS TO ECONOMIC DEVELOPMENT IN AND AROUND KENTUCKY POWER'S SERVICE TERRITORY.

A. Once the primary driver of the eastern Kentucky economy, the coal mining economy has declined as a result of forces largely beyond its control. The direct and indirect job losses over the past few years resulting from the downturn in coal mining activity have been felt throughout the Company's service territory. A declining customer base, coupled with resulting decreases in load, has caused the Company to spread its fixed costs of providing service over its fewer remaining customers.

The coal extraction and processing industry nonetheless remains vitally important to eastern Kentucky's economy. The Public Service Commission approved the Company's Tariff C.S.-Coal in 2017. Tariff C.S.-Coal provides a framework for the Company to work with customers engaged in the extraction or processing of coal to enter into a special contract agreed to by the Company and the Customer for the purpose of encouraging these customers to open new facilities or expand existing facilities. The Special Contract is just such an agreement. The M C Mining Special Contract will help bring jobs back to the area and help relieve at least some of the upward pressure on future rates.

Q. PLEASE DESCRIBE M C MINING AND ITS EXISTING OPERATIONS IN THE COMPANY'S SERVICE TERRITORY.

A. M C Mining, LLC is a Delaware limited liability company. It owns the Excel Mine No. 4 located northwest of Pikeville near Coal Run Village and off KY 194 in Pike County, Kentucky. The Excel Mine No. 4 is operated by Excel Mining, LLC. The existing facility consists of an underground operation using continuous mining units that employ room-and-pillar mining techniques to produce low-sulfur coal. The nearby M C Mining preparation plant has a throughput capacity of 1,000 tons of raw coal per hour. The Excel Mine No. 4 and associated processing plant currently employ more than 200 persons. M C Mining's current contract capacity is 9,000 kW.

Q. ARE M C MINING AND EXCEL MINING RELATED ENTITIES?

A. Yes. Both Excel Mining and M C Mining are wholly-owned ultimate subsidiaries of Alliance Resource Partners LP. Alliance Resource Partners is a publicly traded master limited partnership.

Q. PLEASE DESCRIBE THE NEW EXCEL MINE NO. 5.

A. The new Excel Mine No. 5 will be located at Varney, Right Fork of Brushy Road in Pike County, Kentucky. The new mine location is approximately 5 linear miles from M C Mining's existing mining operation. According to Alliance Resource Partners' announcement, $45 to $50 million will be invested in the development of the new mine in order to begin mining operations of an estimated 15 million tons of coal reserves controlled by M C Mining in 2020.[1] The underground

[1] *See* Exhibit RKW-1 (Press Release, *Alliance Resource Partners, L.P. Announces Agreement to Acquire Oil and Gas Mineral Interests and Development of Excel Mine No. 5* (Dec. 16, 2018), *available at*

operation will utilize continuous mining units employing room-and-pillar mining techniques.[2] The mine's annual production capacity is expected to be approximately 1.3 million tons of high BTU, low-sulfur coal.[3] The existing processing plant will serve the new Excel Mine No. 5. A six-mile continuous smart conveyor will transport the coal from the new mine to the existing preparation plant. M C Mining will be adding up to 6 new employees to maintain the new smart conveyor system. A copy of the Alliance Resource Partners, LP press release is attached as Exhibit RKW-1.

The Company is informed that development of Excel Mine No. 5 began late last year.

Q. WILL M C MINING'S EXISTING EXCEL MINE NO. 4 CONTINUE TO OPERATE ONCE EXCEL MINE NO. 5 BEGINS OPERATIONS?

A. Kentucky Power understands that the existing mine is reaching the end of its operational life. The new Excel Mine No. 5 is intended to enable M C Mining to continue operations in Pike County at a different location. According to the Alliance Resource Partners press release, M C Mining intends to use the underground mining equipment currently used at its existing Excel Mine No. 4. M C Mining also indicated it anticipates transitioning its current 211-employee workforce from its existing mine to the new Excel Mine No. 5 and thereby saving those jobs.

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http://www.arlp.com/file/Index?KeyFile=396120950).

[2] *Id.*

[3] *Id.*

Q. WAS THE SPECIAL CONTRACT DEVELOPED AS PART OF THE COMPANY'S "COAL PLUS" PROGRAM?

A. Yes. The Special Contract resulted from communications between Kentucky Power and its customer M C Mining. Company personnel met with M C Mining representatives on November 16, 2017, to discuss customer service in general when visiting the current mine near Pikeville, Kentucky. As part of that conversation, Kentucky Power and M C Mining discussed the Coal Plus program, and the Commission's approval of a process whereby the Company could work with its customers and find ways to help incent new coal operations that might not be immediately obvious to those in the utility industry. Personnel from M C Mining shared their vision of opening a new mine nearby that would allow jobs to remain in the area. M C Mining indicated that it was working on plans to open a new mine that would be as efficient as possible to keep the mine's coal production competitive. M C Mining personnel further explained that they needed approval from their corporate parent to make such an investment in the eastern Kentucky area. M C Mining's sharing of those corporate barriers and its need to show an immediate economic development benefit to move forward spurred further discussions that ultimately resulted in the Special Contract that is before the Commission for approval in this case. This Special Contract is the result of the Company and its customer working collaboratively over nearly a year and a half to remove barriers and identify an alternative approach to support investment in expanded, efficient coal extraction and processing in the area.

V. <u>SPECIAL CONTRACT OVERVIEW</u>

Q. PLEASE PROVIDE AN OVERVIEW OF THE SPECIAL CONTRACT.

A. The Special Contract is for an initial term of approximately fourteen years commencing on the first billing month following Commission approval and continue through May 31, 2033. M C Mining will take firm service under the Company's Tariff I.G.S. and interruptible service under the Company's Tariff C.S. – I.R.P. as modified by the interruptible service provisions included in Article 3, Article 4, and Article 5 of the Special Contract. Kentucky Power will also provide a Monthly Economic Development Credit to M C Mining as detailed in Addendum 2 to the Special Contract. The Monthly Economic Development Credit is designed to encourage the $45-50 million capital investment needed for the new mining operation to open.

Q. HOW WAS THE MONTHLY ECONOMIC DEVELOPMENT CREDIT DETERMINED?

A. The Monthly Economic Development Credit was the result of negotiations with M C Mining. The calculation of the Monthly Economic Development Credit is described in Addendum 2 to the Special Contract at paragraph V.

Q. ARE THE SPECIAL CONTRACT'S RATES AND TERMS, INCLUDING MONTHLY ECONOMIC DEVELOPMENT CREDIT, REASONABLE?

A. Yes. The rates to be paid by M C Mining under the Special Contract, as modified by the Monthly Economic Development Credit, cover the Company's variable costs and make a contribution to Kentucky Power's fixed cost of service. The

Special Contract will not adversely affect the rates paid by Kentucky Power's other customers.

Q. DID THE COMPANY OFFER M C MINING SERVICE UNDER TARIFF E.D.R.?

A. Yes. However, M C Mining required a term longer than 10 years and a larger annual discount than provided by Tariff E.D.R. Continuing dialogue between the two parties led to the agreed upon Monthly Economic Development Credit.

Q. WHAT IS THE TOTAL CAPACITY RESERVATION AND DESIGNATION OF FIRM SERVICE AND INTERRUPTIBLE SERVICE FOR THE SPECIAL CONTRACT?

A. The Total Capacity Reservation for the Special Contract with M C Mining is 9,000 kW. The Customer designates the first 2,500 kW of the Total Capacity Reservation as the Firm Service Capacity Reservation, not subject to interruption as specified in Tariff C.S.-I.R.P. The remaining 6,500 kW is designated as interruptible.

Q. WHAT HAPPENS IF M C MINING'S METERED DEMAND EXCEEDS THE CONTRACT CAPACITY OF 9,000 KW IN ANY 15-MINUTE INCREMENT?

A. Kentucky Power will not be required to supply capacity in excess of 110% of the Total Capacity Reservation, or 9,900 kW, except by mutual written agreement as stated in Article 3.4.

Q. WHAT IS THE EFFECTIVE DATE OF THE SPECIAL CONTRACT?

A. The effective date of the Special Contract is the first day of the first billing month following approval of the agreement by the Commission, as explained in Article 7.

Q. WHAT ARE THE INTERRUPTIBLE SERVICE PROVISIONS OF THE SPECIAL CONTRACT?

A. The interruptible service provisions are detailed in Article 3, Article 4 and Article 5 of the Special Contract. The interruptible service provisions remain in effect until either: (a) the term of the Special Contract expires; (b) either Party provides one year written notice on or before March 1 of any calendar year of its intention to discontinue receiving electrical service under the terms of Tariff C.S.-I.R.P.; or (c) such conditions occur or exist, as provided for under the agreement, which permit either the Company or the Customer to opt-out of Tariff C.S.-I.R.P. in favor of an alternative tariff. Written notice deadlines are detailed in Article 7 of the Special Contract.

Q. PLEASE DESCRIBE THE INTERRUPTIBLE SERVICE UNDER WHICH THE CUSTOMER WILL BE SERVED.

A. M C Mining’s Interruptible Capacity Reservation under the Special Contract will be enrolled by the Company in the Base Capacity Demand Response Product for the Delivery Year (“DY”) 2019/2020 in the PJM Load Management Demand Response Program. In subsequent DYs, the Company and the Customer will work to identify the best options available and enroll the Customer in the most operationally flexible, viable Demand Response Product.

Kentucky Power reserves the right, pursuant to Article 4.4 of the Special Contract, to call for Mandatory Interruptions of the Customer's Interruptible Capacity Reservation. M C Mining also is subject to Mandatory Interruptions for the Demand Response Product Option chosen for each DY, as selected by the Company and the Customer pursuant to Article 4.2 of the agreement.

Q. WHAT HAPPENS IF M C MINING FAILS TO INTERRUPT AFTER BEING APPROPRIATELY NOTIFIED?

A. The Company first will address with M C Mining what steps need to be taken to comply during future events. Also, the Company reserves the right to (a) interrupt the Customer's entire load if necessary; and (b) if the Customer fails to interrupt load in connection with a Mandatory Interruption twice during any twelve (12) month period, discontinue service to the Customer under the Special Contract. This is detailed in Articles 4.7 and 4.8.

Q. WILL THERE BE A CHARGE FOR NON-COMPLIANCE WITH AN INTERRUPTION?

A. Yes. If M C Mining fails to comply with a Mandatory Interruption, as defined in the Special Contract, non-compliance charges will be based on the Customer's Non-Compliance Demand under the Base Capacity Product Option during the 2019/2020 DY. The Annual Non-Compliance Charge shall be equal to the product of the average Non-Compliance Demand and the Curtailment Demand Credit (as defined in the PJM Demand Response Program) multiplied by 12. This is further explained in Article 5.

Q. WILL THE NON-COMPLIANCE CHARGE CHANGE IN THE 2020/2021 DELIVERY YEAR?

A. Yes. Beginning June 1, 2020, for the Capacity Performance Demand Response Product Option, the Non-Compliance Rate in $/MWh will be equal to the product of Net CONE ($/MW-day) as published by PJM and the number of days in the DY (365 or 366) divided by 30.

Q. ARE THERE ANY OTHER PROTECTIONS FOR OTHER CUSTOMERS OR THE COMPANY IN THE SPECIAL CONTRACT?

A. Yes. As set forth in Article 4, to ensure that other customers benefit from the demand response value that M C Mining's agreement to interrupt provides, the Special Contract enables Kentucky Power to modify the interruptible service provisions, if necessary, so that both the Company and M C Mining continue to qualify for and benefit from the PJM Load Management Demand Response Program and the Company maintains compliance with PJM Demand Response requirements.

Addendum 2 to the Special Contract contains provisions permitting the Company to suspend payment of Monthly Economic Development Credits to M C Mining if the new mine is not completed and placed in operation by January 1, 2021, and requiring M C Mining to repay Monthly Economic Development Credits if M C Mining suspends development of the new mine.

Q. IS THERE SECURITY FOR M C MINING'S FINANCIAL OBLIGATION'S UNDER THE SPECIAL CONTRACT?

A. Yes. Under Article 6 of the Special Contract M C Mining's direct parent, Alliance Coal, LLC, has also agreed to guarantee the Special Contract's financial terms on M C Mining's behalf, including the repayment terms previously identified.

Q. DOES THE SPECIAL CONTRACT ADDRESS WHAT WILL HAPPEN IF THE COMMISSION FAILS TO APPROVE THE SPECIAL CONTRACT OR APPROVES IT WITH CHANGES OR CONDITIONS?

A. Yes. In the event that the Commission does not approve the Special Contract without change or condition, Article 9.2 provides that the Special Contract will not become effective unless the Parties agree otherwise in writing. To the extent that a subsequent Commission order alters the terms of the parties' agreement, the contract will terminate unless within 30 days of the Commission order the Parties agree in writing otherwise. M C Mining will take service under the appropriate Company tariff if the Commission subsequently terminates the Special Contract.

Q. DOES THE SPECIAL CONTRACT PROVIDE FOR TRANSITION TO A GENERALLY APPLICABLE INTERRUPTIBLE TARIFF DURING THE TERM OF THE AGREEMENT?

A. Yes. Article 7.4 states that if the Commission approves generally available tariffs providing for interruptible service comparable to the service provided in the Special Contract during this Special Contract's term, then the Company and the Customer may, upon mutual agreement, transition the Customer to such tariffs and modify the Special Contract accordingly.

Q. WILL THE MONTHLY ECONOMIC DEVELOPMENT CREDIT BE AVAILABLE TO THE CUSTOMER DURING THE CONSTRUCTION OF THE NEW MINE?

A. Yes. The effective date of the Special Contract is the first day of the first billing month following Commission approval. The Monthly Economic Development Credits will be available to the Customer while the new mine is under construction, consistent with the parties' intention that the Monthly Economic Development Credit encourage M C Mining's capital investment of the $45-50 million needed for the new mining operation to open.

Q. DOES THE SPECIAL CONTRACT REQUIRE M C MINING TO ASSIST KENTUCKY POWER IN ITS ECONOMIC DEVELOPMENT EFFORTS?

A. Yes. Under Article IX of Addendum 2 to the Special Contract, M C Mining agrees to support the Company in its economic development and diversification efforts in eastern Kentucky, which will leverage the Company's economic development resources.

Q. DOES THE SPECIAL CONTRACT PROVIDE ANY OTHER BENEFITS TO KENTUCKY POWER AND ITS CUSTOMERS?

A. Yes. Since 2010 in particular, Kentucky Power has experienced a decline in both its number of customers and its load. Both declines have forced the Company to spread, and its customers to bear, the fixed costs of providing service to its service territory over a decreasing denominator.

M C Mining's parent has announced that the reserves being mined by M C Mining at its current Excel Mine No. 4 operation, located northwest of Pikeville near Coal Run Village and off KY 194 in Pike County, Kentucky, will be depleted in 2020. The current M C Mining facility has a contract load of 9,000 kW. Once the reserves currently being mined are depleted next year, that load will be lost. Equally problematic is that the 211 jobs supported by M C Mining's current operation will be lost once the existing operations are shuttered. That is not only a personal tragedy for the employees and their families, but it could exacerbate the exodus of population from Kentucky Power's service territory as M C Mining employees look elsewhere for comparable employment. This in turn could reduce the Company's residential customer count and adversely affect the commercial establishments taking service from Kentucky Power that supply M C Mining employees with food, clothing, and other goods and services. Both the direct and indirect effect of the loss of the M C Mining load, and the jobs associated with it, will further reduce the denominator over which Kentucky Power's fixed costs are spread unless the load is replaced. This in turn could create further upward pressure on Kentucky Power's rates.

The Excel Mine No. 5, which is to be served under the proposed Special Contract, is intended to replace the existing M C Mining load and avoid these problems.

VI. CONFIDENTIAL TREATMENT

Q. IS KENTUCKY POWER SEEKING CONFIDENTIAL TREATMENT FOR THE MONTHLY ECONOMIC DEVELOPMENT CREDIT IN THE SPECIAL CONTRACT?

A. Yes. Consistent with Tariff C.S.-Coal, Kentucky Power is seeking confidential treatment of the amount of the Monthly Economic Development Credit in the Special Contract with M C Mining.

Q. WHY IS KENTUCKY POWER SEEKING CONFIDENTIAL TREATMENT OF THE AMOUNT OF THE MONTHLY ECONOMIC DEVELOPMENT CREDIT?

A. The Monthly Economic Development Credit is intended to spur growth in the communities in which Kentucky Power serves. Making the amount of the credit public would result in competitive injury to Kentucky Power and its ongoing economic development efforts.

Q. PLEASE EXPLAIN FURTHER.

A. It is no secret that the coal mining industry has been hard hit in eastern Kentucky with mine closures and job losses. This Special Contract with M C Mining represents one of the few expansions in the coal mining industry, and one that Kentucky Power wants to support through the Monthly Economic Development Credit. The amount of the monthly credit is individually tailored to this unique situation and customer.

Q. PLEASE DESCRIBE THE UNFAIR COMPETITIVE INJURY TO KENTUCKY POWER IF THE MONTHLY ECONOMIC DEVELOPMENT CREDIT INFORMATION IS MADE PUBLIC.

A. Making the amount of the Monthly Economic Development Credit public would hamper future negotiations with other coal mining companies looking to establish or expand load in Kentucky Power's service territory. Experience teaches that future prospects will demand rates that meet or are greater than the Monthly Economic Development Credit in this Special Contract. Kentucky Power would start each of these negotiations already having revealed the end point of its extensive negotiations with M C Mining. That end point would become the starting point of future negotiations. In effect, the Company would be forced to bid against itself and Kentucky Power would consequently be faced with meeting or beating the terms of the Special Contract or risk losing the prospect. Effective economic development efforts simply will not work that way. The disclosure of the Monthly Economic Development Credit would jeopardize the Company's future ability to negotiate future economic development opportunities.

Q. WOULD THE COMPETITIVE INJURY BE LIMITED TO THE COMPANY'S FUTURE DEALINGS WITH COAL COMPANIES?

A. No. Although Tariff C.S.-Coal is applicable only to coal extraction and processing operations, the Company on occasion is approached by new and existing industrial and large commercial enterprises seeking to locate or expand their operations in the Company's service territory. The public disclosure of the confidential terms of the Special Contract places Kentucky Power at the same competitive disadvantage with these industrial and large commercial companies as it would with coal companies.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

ALLIANCE RESOURCE PARTNERS, LP

MENU

PRESS
RELEASE

Alliance Resource Partners, L.P. Announces Agreement to Acquire Oil and Gas Mineral Interests and Development of Excel Mine No. 5

Company Release - 12/17/2018 8:00 AM ET

TULSA, Okla.--(BUSINESS WIRE)-- Alliance Resource Partners, L.P. (NASDAQ: ARLP) today announced that it has entered into definitive agreements to acquire the general partner interests in AllDale Minerals, LP and AllDale Minerals II, LP (collectively "AllDale") and all of the limited partner interests in AllDale not currently owned by ARLP's affiliate, Cavalier Minerals JV, LLC ("Cavalier") (collectively the "Partnership Interests"). ARLP also announced that it has begun development of the Excel Mine No. 5, an extension of its MC Mining operation in Pike County, Kentucky.

"Today's announcements reflect ARLP's commitment to continually invest in our business to build and support long-term cash flows," said Joseph W. Craft III, President and Chief Executive Officer. "The AllDale acquisition gives ARLP control of a significant ownership position in the oil and gas minerals sector and lays the foundation for a new growth platform for the future. Development of the Excel Mine No. 5 supports ARLP's ongoing commitment to the coal sector and will allow ARLP to maintain its regional diversity as well as provide the opportunity to retain and grow its market share in both the domestic and international coal markets for this highly-valued low sulfur, high BTU product. Upon completion, both of these strategic investments are expected to be accretive to cash flow and create long-term value for our unitholders."

AllDale Transaction

Currently, ARLP owns a 96.0% interest in Cavalier, which owns approximately 72.0% of the limited partner interest in AllDale. Upon closing the transaction, ARLP will own 100.0% of the general partner and approximately 97.0% of the limited partner interests in AllDale, therefore controlling approximately 42,000 net royalty acres strategically positioned in the core of the Anadarko, Permian, Williston and Appalachian basins. The acquired acreage is concentrated in the SCOOP/STACK (48.5%), Delaware Basin (19.5%), Midland Basin (16.2%), Bakken (9.7%) and Appalachian Basin (6.1%). The acquired acreage position will provide ARLP with diversified exposure to industry-leading operators, including Continental Resources, Devon Energy, Anadarko Petroleum, Pioneer Natural Resources and Concho Resources.

ARLP will acquire the Partnership Interests for a cash purchase price of $175.96 million, which will be funded with cash on hand and borrowings under its credit facility. The agreements provide for an effective date of November 1, 2018 and the transaction is expected to close in early January 2019.

In addition, ARLP also owns approximately 3,950 net royalty acres through its limited partner interest in AllDale Minerals III, LP.

Excel Mine No. 5 Development

ARLP has begun development activity for the Excel Mine No. 5 and currently anticipates deploying total capital of approximately $45.0 million to $50.0 million over the next 18 to 24 months. ARLP's subsidiary, MC Mining, LLC ("MC Mining"), controls the estimated 15 million tons of coal reserves assigned to the Excel Mine No. 5 and will own the new mining complex, and our Excel Mining, LLC subsidiary will conduct all mining operations. The underground operation will utilize continuous mining units employing room-and-pillar mining techniques and annual production capacity is expected to be approximately 1.3 million tons of high BTU, low-sulfur coal.

MC Mining plans to utilize its existing underground mining equipment and preparation plant to produce and process coal from the Excel Mine No. 5 and expects to ship coal produced from the mine to various transloading facilities on the Ohio River and the Big Sandy River for barge deliveries or directly to customers via the CSX railroad and by truck. MC Mining expects to transition its current workforce to the Excel Mine No. 5 and will continue to employ approximately 211 workers.

The development plan for the Excel Mine No. 5 is designed to provide a seamless transition from the current MC Mining operation as its reserves deplete in 2020.

About Alliance Resource Partners, L.P.

ARLP is a diversified producer and marketer of coal to major United States and international utilities and industrial users. ARLP, the nation's first publicly traded master limited partnership involved in the production and marketing of coal, is currently the second largest coal producer in the eastern United States with mining operations in the Illinois Basin and Appalachian coal producing regions.

ARLP currently operates eight mining complexes in Illinois, Indiana, Kentucky, Maryland and West Virginia as well as a coal loading terminal on the Ohio River at Mount Vernon, Indiana. ARLP also generates income from a variety of other sources, including investments in oil and gas mineral interests and gas compression services.

News, unit prices and additional information about ARLP, including filings with the Securities and Exchange Commission, are available at http://www.arlp.com. For more information, contact the investor relations department of ARLP at (918) 295-7674 or via e-mail at investorrelations@arlp.com.

FORWARD-LOOKING STATEMENTS: With the exception of historical matters, any matters discussed in this press release are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. These risks, uncertainties and contingencies include, but are not limited to, the following: changes in coal prices, which could affect our operating results and cash flows; changes in competition in coal markets and our ability to respond to such changes; legislation, regulations, and court decisions and interpretations thereof, including those relating to the environment and the release of greenhouse gases, mining, miner health and safety and health care; deregulation of the electric utility industry or the effects of any adverse change in the coal industry, electric utility industry, or general economic conditions; risks associated with the expansion of our operations and properties; dependence on significant customer contracts, including renewing existing contracts upon expiration; adjustments made in price, volume or terms to existing coal supply agreements; changing global economic conditions or in industries in which our customers operate; liquidity constraints, including those resulting from any future unavailability of financing; customer bankruptcies, cancellations or breaches to existing contracts, or other failures to perform; customer delays, failure to take coal under contracts or defaults in making payments; fluctuations in coal demand, prices and availability; changes in oil and gas prices, which could affect our investments in oil and gas mineral interests and gas compression services; our productivity levels and margins earned on our coal sales; the coal industry's share of electricity generation, including as a result of environmental concerns related to coal mining and combustion and the cost and perceived benefits of other sources of electricity, such as natural gas, nuclear energy and renewable fuels; changes in raw material costs; changes in the availability of skilled labor; our ability to maintain satisfactory relations with our employees; increases in labor costs including costs of health insurance and taxes resulting from the Affordable Care Act, adverse changes in work rules, or cash payments or projections associated with post-mine reclamation and workers' compensation claims; increases in transportation costs and risk of transportation delays or interruptions; operational interruptions due to geologic, permitting, labor, weather-related or other factors; risks associated with major mine-related accidents, such as mine fires, or interruptions; results of litigation, including claims not yet asserted; difficulty maintaining our surety bonds for mine reclamation as well as workers' compensation and black lung benefits; difficulty in making accurate assumptions and projections regarding post-mine reclamation as well as pension, black lung benefits and other post-retirement benefit liabilities; uncertainties in estimating and replacing our coal reserves; a loss or reduction of benefits from certain tax deductions and credits; difficulty obtaining commercial property insurance, and risks associated with our participation (excluding any applicable deductible) in the commercial insurance property program; and difficulty in making accurate assumptions and projections regarding future revenues and costs associated with equity investments in companies we do not control.

Additional information concerning these and other factors can be found in ARLP's public periodic filings with the SEC, including ARLP's Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 23, 2018 and ARLP's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018, filed on May 7, 2018, August 6, 2018 and November 5, 2018, respectively, with the SEC. Except as required by applicable securities laws, ARLP does not intend to update its forward-looking statements.

View source version on businesswire.com: https://www.businesswire.com/news/home/20181217005172/en/

Alliance Resource Partners, L.P.
Brian L. Cantrell, (918) 295-7673

Source: Alliance Resource Partners, L.P.

VERIFICATION

The undersigned, Ranie K. Wohnhas, being duly sworn, deposes and says he is the Managing Director of Regulatory & Finance for Kentucky Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Ranie K. Wohnhas

Ranie K. Wohnhas

Commonwealth of Kentucky	)	
	)	Case No. 2019-00124
County of Boyd	)	

Subscribed and sworn before me, a Notary Public, by Ranie K. Wohnhas this 18th day of April, 2019.

Drusty Turner Notary 619495

Notary Public

My Commission Expires March 18, 2023