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February 11, 2009

RECEIVED

FEB 11 2009
PUBLIC SERVICE
COMMISSION

HAND DELIVERED

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

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

RE: P.S.C. Case No. 2008-00518

Dear Mr. Derouen:

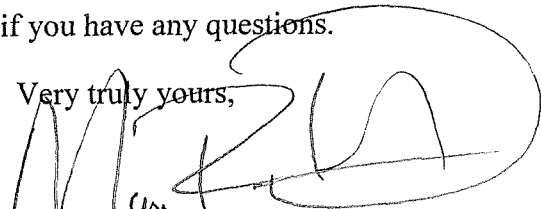
Enclosed please find and accept for filing the original and four copies of Kentucky Power Company's Responses to the data requests issued in connection with the Commission's Order dated January 23, 2009. The original is filed under seal in connection with the Company's Petition for Confidential Treatment.

Also enclosed are the original and four copies of the testimony of Jason Rusk and Errol K. Wagner.

A copy of the testimony and responses (redacted) has been served on counsel for the Attorney General and the Kentucky Industrial Utility Customers, Inc.

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

Very truly yours,


Mark R. Overstreet

cc: Michael Kurtz (with enclosure)
Dennis Howard (with enclosure)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

FEB 11 2009

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF AMERICAN) CASE NO. 2008-00518
ELECTRIC POWER COMPANY FROM)
NOVEMBER 1, 2006 THROUGH OCTOBER)
31, 2008)

* * * * *

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, four redacted copies of the subject Response are filed with Petition.

A. The Request And The Statutory Standard.

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

For each solicitation [for coal issued during the period May 1, 2008 to October 31, 2008], 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.

Kentucky Power does not object to providing to the Commission the data sought in Staff Data Request 24(b).

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. 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 after December 31, 2007 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.

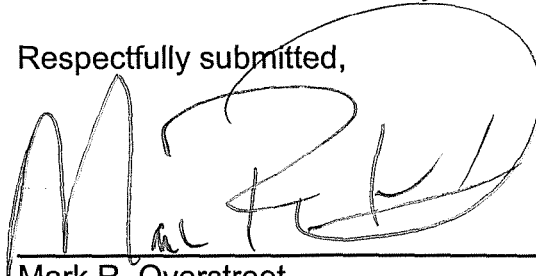
Finally, the records requested in Staff Data Request 24(b) are by the terms of the Data Request required to be disclosed to the Commission, a “public agency” as that term is defined at KRS 61.870(1). Kentucky Power acknowledges its coal purchase procedures are subject to Commission review, and that parties 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', is written over a horizontal line. The signature is stylized and somewhat cursive.

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

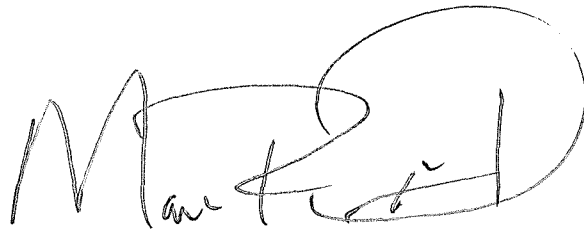
COUNSEL FOR KENTUCKY POWER
COMPANY

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 11th day of February, 2009.

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

Dennis Howard
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 with large loops and a prominent "M" and "R".

Mark R. Overstreet

RECEIVED

FEB 11 2009

**PUBLIC SERVICE
COMMISSION**

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. 2008-00518
FROM NOVEMBER 1, 2006 THROUGH)
OCTOBER 31, 2008)**

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

February 11, 2009

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 AEP will incur between November 1, 2008 and October 31, 2010 ("the next 2-year period").

RESPONSE

The tests as outlined below indicate that a new base cost of fuel of .02840 cents per kilowatt-hour is appropriate. The proposed base represents the cost per kilowatt hour the Company can reasonably expect to incur during the next two-year period.

The fuel cost resulting from the most recent projections is \$211,070,700 for the calendar year 2009 and \$215,139,200 for the calendar year 2010. Kilowatt hour sales projected for those same periods are 7,495,018,325 and 7,545,228,002 respectively, providing a projected fuel cost per kilowatt hour of 28.15 mills for year 2009 and 28.51 mills for year 2010.

The month of June 2008 was selected to be the base period because of (a) the proximity of June, 2008 to the new two-year period, (b) the availability of actual fuel costs, and (c) the Big Sandy Generating Plant and the Rockport Generating Plant availabilities were consistent with long-term expectations. Please see the Company's fuel adjustment clause schedules filed with the Commission on August 18, 2008, Page 5 of 5, which shows June actual costs.

In summary, June 2008 is reasonably close in time to the next two year period and its fuel costs can serve as an appropriate base for the next two year fuel adjustment period. The Company requests that 28.40 mills per kWh base fuel cost be approved for the next two-year period.

For additional detail regarding the proposed new base cost of fuel, please see Witness Errol K. Wagner's testimony filed in this proceeding.

The cost per kWh during the proposed base month of June is calculated as follows:

$$\text{Mills/kWh} = \frac{\text{Fuel (b) (June 2008)}}{\text{Sales (b) (June 2008)}} = \frac{\$ 16,138,627}{568,162,000} = 28.40$$

$$\text{Dollars/kWh} = \$0.02840$$

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide a calculation of the fossil fuel costs F(b) that AEP 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 costs in the selected base period is representative of the level of fuel cost that AEP will incur during the next 2-year period.

RESPONSE

For the reasons set forth in the response to Item No. 1, the Company proposes a base fossil fuel cost F(b) of \$16,138,627. The fuel cost schedule for June 2008 is shown on Page 2 of this response. Also, please see Witness Errol K. Wagner's testimony filed in this proceeding.

WITNESS: Errol K Wagner

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		18,031,811
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		4,127,978
C. Inter-System Sales Fuel Costs		<u>7,766,240</u> (1)
Sub Total		7,766,240
D. Sub Total Fuel Cost (A + B - C)		14,393,549
E. Net Transmission Marginal Line Loss for month of 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 t of sales as defined by Administrative Regulation 807 KAR 5:056 in the selected base period (b). Explain why AEP believes that the sales in the selected base period (b) are representative of the level of kWh sales that AEP will derive from the level of fuel costs incurred during the selected base period (b).

RESPONSE

For the reasons set forth in the response to Item No. 1, the Company proposes a base sales period S(b) of 568,162,000 KWH. The sales schedule for June 2008 is shown on Page 2 of this response. Also, please see Witness Errol K. Wagner's testimony filed in this proceeding.

WITNESS: Errol K. Wagner

KENTUCKY POWER COMPANY

SALES SCHEDULE

Month Ended: June 2008

A.	Generation (Net)	(+)	411,785,000
	Purchases Including Interchange In	(+)	<u>570,183,000</u>
	Sub Total		981,968,000
B.	Pumped Storage Eenergy	(+)	0
	Inter-System Sales Including Interchange Out	(+)	391,730,000
	System Losses	(+)	<u>22,076,000</u> *
	Sub Total		413,806,000
	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 AEP's proposed increase or decrease in its base fuel costs per kWh to be incorporated into its base rate.

RESPONSE

**Kentucky Power Company
Proposed Increase in Base Fuel Costs
per kWh**

1	Proposed Base Fuel Cost per kWh	2.840¢
2	Present Base Fuel Cost per kWh	2.124¢
3	Increase in Base Fuel Cost per kWh to be Transferred (rolled-in) to Base Rates	0.716¢

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide AEP's most recent projected fuel requirements for the years 2009 and 2010 in tons and dollars.

RESPONSE

Kentucky Power Company's Big Sandy Plant projected fuel requirements for the years 2009 and 2010 in tons and dollars are shown below:

	<u>Year 2009</u>	<u>Year 2010</u>
Projected Tons to be Consumed (000)	2,957.8	2,859.7
Projected Consumed Cost (\$000) (151 Fuel Basis)	\$195,296	\$191,040

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Provide AEP's most recent sales projections for the years 2009 and 2010 in kWh and dollars

RESPONSE

The projected sales in kWh and dollars for Kentucky Power Company for the years 2009 and 2010 are shown below:

	<u>Year 2009</u>	<u>Year 2010</u>
kWh Internal Sales	7,495,018,325	7,545,228,002
Revenues from kWh Sales	\$516,940,322	\$522,482,193

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide separately the amounts of 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: Errol K. Wagner

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: Errol K. Wagner

Kentucky Power Company

REQUEST

Provide the planned maintenance schedule for each of Kentucky Power's generating units for the years 2009 and 2010.

RESPONSE

The following is the current list of planned maintenance outages for Big Sandy Plant for the years 2009 and 2010:

	<u>2009</u>	<u>2010</u>
UNIT 1	Less than 4 weeks	More than 4 weeks
UNIT 2	Less than 4 weeks	Less than 4 weeks

WITNESS: David L Mell

Kentucky Power Company

REQUEST

For the years ending October 31, 2007 and October 31, 2008, provide:

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

RESPONSE

	<u>Year Ending October 31,</u>	
	<u>2007</u>	<u>2008</u>
a. Kentucky Power Maximum Annual Internal Demand (MW)	1,674	1,678
b. Kentucky Power Internal Average Annual Demand (MW)	1,355	1,274

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

List all firm power commitments for AEP for the years 2009 and 2010 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:

	<u>Year Ending 2009</u>	<u>Year Ending 2010</u>
AEP Generating Company (Unit Power Agreement - Rockport Plant Base Load)	390 MW	390 MW

(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. Contract capacities (MW) are shown below. The Cities use the power as load following service to their citizens.

	<u>Year 2009*</u>	<u>Year 2010*</u>
Olive Hill	7.0 MW	7.0 MW
Vanceburg	16.6 MW	16.6 MW

*Estimated

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide a monthly billing summary for all sales other than native load sales for the period November 1, 2006 through October 31, 2008.

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: Errol K Wagner

Kentucky Power Company

REQUEST

- a. Provide a schedule of the calculation of the 12-month average line loss by month for November 2006 through October 2008.
- b. Describe the actions that Kentucky Power has taken to reduce line loss during this period.

RESPONSE

- a. Please see Page 2 attached.
- b. The Company is continually 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.

WITNESS: Errol K Wagner

KENTUCKY POWER COMPANY
Line Loss Calculation

BILLED & ACCRUED

MWH		TOTAL ENERGY	ASSOC. COMPANY	SYSTEM SALES FOR	INTERNAL ENERGY	ENERGY LOST & UNACCOU	% LINE LOSS
		DISPOSED 1	INTERCHANGE 2	RESALE 3	DISPOSED (1-2-3-4)	NTED 6	INTERNAL (6/5)
NOV	06 current month	1,133,742	287,102	184,004	662,636	46,903	7.078%
	12 mos. ending	13,691,829	2,946,118	2,693,863	8,051,848	741,807	9.213%
DEC	06 current month	1,135,365	193,816	186,140	755,409	52,806	6.990%
	12 mos. ending	13,626,000	2,964,597	2,705,857	7,955,546	730,271	9.179%
JAN	07 current month	1,173,943	189,303	200,862	783,778	65,845	8.401%
	12 mos. ending	13,666,329	2,927,243	2,725,912	8,013,174	758,801	9.469%
FEB	07 current month	1,104,783	109,435	185,212	810,136	63,932	7.892%
	12 mos. ending	13,587,720	2,838,709	2,677,254	8,071,757	747,014	9.255%
MAR	07 current month	1,189,976	268,702	249,103	672,171	79,703	11.858%
	12 mos. ending	13,577,184	2,849,858	2,699,676	8,027,650	772,451	9.622%
APR	07 current month	1,004,763	182,068	199,389	623,306	63,780	10.233%
	12 mos. ending	13,504,236	2,750,741	2,677,284	8,076,211	737,473	9.131%
MAY	07 current month	965,122	135,350	211,328	618,444	51,493	8.326%
	12 mos. ending	13,562,360	2,756,760	2,697,530	8,108,070	732,096	9.029%
JUN	07 current month	1,052,817	247,500	233,447	571,870	42,661	7.460%
	12 mos. ending	13,468,387	2,720,833	2,676,637	8,070,917	709,564	8.792%
JUL	07 current month	1,192,152	313,222	274,978	603,952	23,370	3.870%
	12 mos. ending	13,425,307	2,781,703	2,653,124	7,990,480	681,067	8.523%
AUG	07 current month	1,211,482	282,089	256,369	673,024	17,809	2.646%
	12 mos. ending	13,384,140	2,811,417	2,618,000	7,954,723	638,881	8.031%
SEP	07 current month	1,107,543	317,582	246,854	543,107	20,384	3.753%
	12 mos. ending	13,434,977	2,831,907	2,667,903	7,935,167	573,439	7.227%
OCT	07 current month	1,026,127	311,334	198,535	516,258	23,537	4.559%
	12 mos. ending	13,297,815	2,837,503	2,626,221	7,834,091	552,223	7.049%
NOV	07 current month	1,068,393	251,195	195,880	621,318	28,505	4.588%
	12 mos. ending	13,232,466	2,801,596	2,638,097	7,792,773	533,825	6.850%
DEC	07 current month	1,139,587	232,105	216,358	691,124	27,351	3.957%
	12 mos. ending	13,236,688	2,839,885	2,668,315	7,728,488	508,370	6.578%
JAN	08 current month	1,316,081	253,100	254,383	808,598	30,501	3.772%
	12 mos. ending	13,378,826	2,903,682	2,721,836	7,753,308	473,026	6.101%
FEB	08 current month	1,109,625	216,275	203,154	690,196	25,186	3.649%
	12 mos. ending	13,383,668	3,010,522	2,739,778	7,633,368	434,280	5.689%
MAR	08 current month	1,122,763	275,951	189,243	657,569	25,374	3.859%
	12 mos. ending	13,316,455	3,017,771	2,679,918	7,618,766	379,951	4.987%
APR	08 current month	1,062,010	340,603	172,459	548,948	21,729	3.958%
	12 mos. ending	13,373,702	3,176,306	2,652,988	7,544,408	337,900	4.479%
MAY	08 current month	861,638	94,539	221,986	545,113	21,051	3.862%
	12 mos. ending	13,270,218	3,135,495	2,663,646	7,471,077	307,458	4.115%
JUN	08 current month	981,968	164,671	227,757	589,540	19,760	3.352%
	12 mos. ending	13,199,369	3,052,666	2,657,956	7,488,747	284,557	3.800%
JUL	08 current month	1,181,907	286,657	281,480	613,770	18,822	3.067%
	12 mos. ending	13,189,124	3,026,101	2,664,458	7,498,565	280,009	3.734%
AUG	08 current month	1,066,251	205,681	239,743	620,827	30,639	4.935%
	12 mos. ending	13,043,893	2,949,693	2,647,832	7,446,368	292,839	3.933%
SEP	08 current month	1,043,775	252,399	230,939	560,437	10,091	1.801%
	12 mos. ending	12,980,125	2,884,510	2,631,917	7,463,698	282,546	3.786%
OCT	08 current month	908,557	161,966	169,405	577,186	8,119	1.407%
	12 mos. ending	12,862,555	2,735,142	2,602,787	7,524,626	267,128	3.550%

Kentucky Power Company

REQUEST

List Kentucky Power's scheduled, actual, and forced outages between May 1, 2008 and October 31, 2008.

RESPONSE

Attached is a listing of all scheduled, actual and forced outages for Big Sandy Plant for the period May 1, 2008 through October 31, 2008.

WITNESS: David L Mell

Company Name: Kentucky Power
 Station Name - Unit Number: Big Sandy Unit No. 2
 For the Months of May 1 to October 31, 2008

MONTH	MAINTENANCE				HOURS OF DURATION			REASON FOR DEVIATIONS FROM SCHEDULED MAINTANANCE OR REASON FOR FORCED OUTAGE, AS APPROPRIATE
	Scheduled		Actual ^{1/}		Scheduled	Forced	Actual	
	From	To	From	To				
April/June	26-Apr	8-Jun			935.98		935.98	Planned Boiler and Turbine Outage
June			8-Jun	10-Jun		37.48	37.48	Voltage Regulator Problems
June			10-Jun	11-Jun		15.17	15.17	Turbine Vibration
June			11-Jun	12-Jun		20.1	20.1	Turbine Vibration
June			12-Jun	12-Jun		2.6	2.6	Over Current Relay Protection
June	12-Jun	12-Jun			1.7		1.7	Reserve Shutdown
June			22-Jun	23-Jun		14.98	14.98	Loss of A 4kv Bus
June	23-Jun	23-Jun			1		1	Reserve Shutdown
June			23-Jun	23-Jun		4.93	4.93	Control Problem - ELO Valves
July			16-Jul	19-Jul		56.48	56.48	Economizer Tube Leak
July	19-Jul	19-Jul			4.1		4.1	Reserve Shutdown
August	8-Aug	19-Aug			269.12		269.12	Main Turb Brg Repair
August	19-Aug	19-Aug			9.75		9.75	Reserve Shutdown

1/ Report dates of forced outage in column headed Actual.

Kentucky Power Company

REQUEST

For each existing fuel contract categorized as long-term (i.e., more than 1 year 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 pages 2 through 5 of this response.

WITNESS: Jason T. Rusk

This response is provided for the time period of May 1, 2008 through October 31, 2008, and lists all pertinent fuel contract information requested.

APPALACHIAN FUELS, LLC (Contract 07-902)

- a. Appalachian Fuels, LLC, 1500 N. Big Run Road, Ashland, KY 41102
- b. Bent Mountain and Ally Branch in Pike County, KY
- c. January 25, 2007
- d. January 25, 2007 - December 31, 2010
- e. None
- f. 120,000 tons in 2007; 240,000 per year in 2008 through 2010
- g.&h.

<u>Year</u>	<u>Tons Received*</u>	<u>Percent of Annual Requirements</u>
2007	112,389	94%
2008	135,838	68%
- i. \$54.00 FOB Truck or Barge; \$50.00 FOB Railcar
- j. None
- k. \$54.00 FOB Truck or Barge; \$50.00 FOB Railcar

* Includes deliveries to synfuel processing.

ARGUS ENERGY, LLC (Contract 07-903)

- a. Argus Energy LLC, P.O. Box 416, Kenova, WV 25530
- b. Bear Branch Mine in Lawrence County, KY and Kiah Creek Mine in Wayne County, WV
- c. January 1, 2007
- d. January 1, 2007 - December 31, 2011
- e. None
- f. 240,000 tons in 2007 through 2009; 120,000 tons in 2010 and 2011
- g.&h.

<u>Year</u>	<u>Tons Received*</u>	<u>Percent of Annual Requirements</u>
2007	237,748	99%
2008	159,143	80%
- i. \$52.75 FOB Plant.
- j. None
- k. \$52.75 FOB Plant.

* Includes deliveries to synfuel processing.

BEECH FORK PROCESSING (Contract 07-904)

- a. Beech Fork Processing, Inc., P.O. Box 190, Lovely, KY 41231
- b. Bear Branch Mine in Lawrence County, KY and Kiah Creek Mine in Wayne County, WV
- c. June 13, 2008
- d. January 1, 2008 - December 31, 2010
- e. None
- f. 100,000 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	49,389	49%
- i. \$49.00 FOB Plant.
- j. None
- k. \$49.00 FOB Plant.

BEECH FORK PROCESSING (Contract 08-901)

- a. Beech Fork Processing, Inc., P.O. Box 190, Lovely, KY 41231
- b. Bear Branch Mine in Lawrence County, KY
- c. June 13, 2008
- d. October 1, 2008 – March 31, 2012
- e. None
- f. 180,000 tons in 2008; 450,000 tons in 2009, 360,000 tons in 2010 and 2011, and 90,000 tons in 2012
- g&h.

<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
2008	0	0%
- i. \$82.00 FOB Plant.
- j. None
- k. \$82.00 FOB Plant.

ICG, LLC (Contract 07-901)

- a. ICG LLC, 300 Corporate Centre Drive Scott Depot, WV 25560
- b. Supreme Energy and Raven Mine in Knott County, KY; Hazard Mine in Hazard County, KY
- c. January 2, 2007
- d. January 2, 2007 - December 31, 2011
- e. Amendment 2008-01, dated September 29, 2008
- f. 120,000 tons in 2007; 240,000 per year in 2008 through 2011
- g&h.

<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
2007	117,544	98%
2008	165,301	83%
- i. \$48.00 FOB Railcar.
- j. None
- k. \$48.00 FOB Railcar.

INR – WV (Contract 08-900)

- a. INR – WV Operating, LLC, 1700 Bayberry Court, Suite 201, Richmond, VA 23226
 - 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. February 27, 2008 – December 31, 2012
 - e. None
 - f. 240,000 tons from May 1, 2008 through December 31,2008; 360,000 tons per year in 2009 through 2012.
- | g&h. | <u>Year</u> | <u>Tons Received</u> | <u>Percent of Annual Requirements</u> |
|------|-------------|----------------------|---------------------------------------|
| | 2008 | 96,652 | 54% |
- i. \$70.00 FOB Railcar
 - j. None
 - k. \$70.00 FOB Railcar

MC MINING, LLC (Contract 07-908)

- a. MC Mining, LLC, 1717 South Boulder Ave, Suite 400, Tulsa, Oklahoma 74119
 - b. MC Mining Mine in Pike County, KY
 - c. December 28, 2007
 - d. December 28, 2007 - December 31, 2009
 - e. None
 - f. 120,000 tons in 2008; 240,000 per year in 2009
- | g&h. | <u>Year</u> | <u>Tons Received</u> | <u>Percent of Annual Requirements</u> |
|------|-------------|----------------------|---------------------------------------|
| | 2008 | 100,672 | 101% |
- i. \$50.00 FOB Railcar.
 - j. None
 - k. \$50.00 FOB Railcar.

RHINO ENERGY, LLC (Contract 07-909)

- a. Rhino Energy LLC, 3120 Wall Street, Suite 310, Lexington, KY 40513
 - b. Mine 25, 25A, 28, 30, Dorton E3, Damco #2, Mine 23A, Rob Fork Contour, 3 Mile, Marion Branch, Bevins Branch, and Island Creek in Pike County and Floyd County, KY
 - c. January 7, 2008
 - d. January 7, 2008 - December 31, 2009
 - e. Amendment 2008-1, dated January 30, 2008
 - f. 120,000 tons per year in 2008 through 2009
- | g&h. | <u>Year</u> | <u>Tons Received</u> | <u>Percent of Annual Requirements</u> |
|------|-------------|----------------------|---------------------------------------|
| | 2008 | 91,696 | 92% |
- i. \$47.50 FOB Railcar.
 - j. None
 - k. \$47.50 FOB Railcar.

TRINITY COAL MARKETING, LLC (Contract 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. February 27, 2007 – December 31, 2010
- e. None
- f. 120,000 tons in 2007; 240,000 per year in 2008 through 2010
- g&h.

<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
2007	119,819	100%
2008	142,606	71%
- i. \$46.45 FOB Railcar; \$52.50 FOB Truck; \$56.00 Barge
- j. None
- k. \$46.45 FOB Railcar; \$52.50 FOB Truck; \$56.00 Barge

TRINITY COAL MARKETING, LLC (Contract 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. None
- f. 120,000 tons in 2008; 240,000 per year in 2009 through 2012
- g&h.

<u>Year</u>	<u>Tons Received</u>	<u>Percent of Annual Requirements</u>
2008	61,051	61%
- i. \$47.00 FOB Railcar; \$53.00 FOB Truck; \$56.00 Barge
- j. None
- k. \$47.00 FOB Railcar; \$53.00 FOB Truck; \$56.00 Barge

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

Please see the Company's response to Item No. 4.

WITNESS: Errol K. Wagner

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

Please see the attached tariffs for the proposed changes in rates.

WITNESS: Errol K Wagner

TARIFF F.A.C. (Cont'd)
(Fuel Adjustment Clause)

5. Sales (S) shall be all kwh's sold, excluding intersystem sales. Where, for any reason billed system sales cannot be coordinated with the fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) intersystem sales referred to in subsection (3)(d) above, less (vi) total system loss. Utility used energy shall not be excluded in the determination of sales (S).
6. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts or Public Utilities and Licensees.
7. At the time the fuel clause is initially filed, the utility shall submit copies of each fossil fuel purchase contract not otherwise on file with the Commission and all other agreements, options or similar such documents, and all amendments and modifications thereof related to the procurement of fuel supply and purchased power. Incorporation by reference is permissible. Any changes in the documents, including price escalations, or any new agreements entered into after the initial submission, shall be submitted at the time they are entered into. Where fuel is purchased from utility-owned or controlled sources, or the contract contains a price escalation clause, those facts shall be noted and the utility shall explain and justify them in writing. Fuel charges, which are unreasonable, shall be disallowed and may result in the suspension of the fuel adjustment clause. The Commission on its own motion may investigate any aspect of fuel purchasing activities covered by this regulation.
8. Any tariff filing which contains a fuel clause shall conform that clause with this regulation within three (3) months of the effective date of this regulation. The tariff filing shall contain a description of the fuel clause with detailed cost support.
9. The monthly fuel adjustment shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.
10. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS61.870 to 61.884.
11. At six (6) month intervals, the Commission will conduct public hearings on a utility's past fuel adjustments. The Commission will order a utility to charge off and amortize, by means of a temporary decrease of rates, any adjustment it finds unjustified due to improper calculation or application of the charges or improper fuel procurement practice.
12. Every two (2) years following the initial effective date of each utility fuel clause, the Commission in a public hearing will review and evaluate past operations of the clause, disallow improper expenses, and to the extent appropriate, reestablish the fuel clause charge in accordance with Subsection 2.
13. Resulting cost per kilowatt-hour in ~~March 2006~~ *June 2008* to be used as the base cost in Standard Fuel Adjustment Clause is:

Fuel -	March 2006	<i>June 2008</i>	=	\$13,933,754	\$16,138,627	=	\$ 0.02124/kwh	\$0.02840/kwh
Sales	March 2006	<i>June 2008</i>		655,865,000	568,162,000			

This, as used in the Fuel Adjustment Clause, is ~~\$2.124~~ 2.840 cents per kilowatt-hour.

Pursuant to the Public Service Commission Order dated _____ in Case No. 2008-00518, the fuel adjustment charge rate for the month of _____ 2009 and _____ 2009 usage to be billed in the month of _____ 2009 and _____ 2009, respectively shall be calculated using the base fuel cost of 2.124 ¢/kWh. Thereafter the fuel adjustment base cost shall be 2.840 ¢/kWh.

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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

TARIFF R.S.
(Residential Service)

AVAILABILITY OF SERVICE.

Available for full domestic electric service through 1 meter to individual residential customers including rural residential customers engaged principally in agricultural pursuits.

RATE. (Tariff Codes 015, 017, 022)

Service Charge.....	\$5.86 per month
Energy Charge:	6.475- 7.191¢ per KWH

(I)

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the Service Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased by an Experimental Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of the Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

HOME ENERGY ASSISTANCE PROGRAM (HEAP) CHARGE

Applicable to all residential customers. Bills computed according to the rates set forth herein shall be increased by a HEAP charge of 10¢ per meter per month and shall be shown on the residential customers bill as a separate line item. The Home Energy Assistance Program charge will be applied to all residential electric bills rendered during the billing cycles commencing April 2006 and continue until otherwise directed by the Public Service Commission. The Company will match the residential contributions to the HEAP program for a period of two years effective April 1, 2006 through March 31, 2008.

DELAYED PAYMENT CHARGE.

Bills under this tariff are due and payable within fifteen (15) days of the mailing date. On all accounts not paid in full by the next billing date, an additional charge of 5% of the unpaid portion will be made.

(Cont'd. On Sheet 6-2)

KPC Case No. 2008-00518
 PSC Order dated January 23, 2009
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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
 NAME TITLE ADDRESS

TARIFF R.S. (Cont'd)
(Residential Service)

STORAGE WATER HEATING PROVISION.

This provision is withdrawn except for the present installations of current customers receiving service hereunder at premises served prior to April 1, 1997.

If the customer installs a Company approved storage water heating system which consumes electrical energy only during off-peak hours as specified by the Company and stores hot water for use during on-peak hours, the following shall apply:

Tariff Code

- 012 (a) For Minimum Capacity of 80 gallons, the last 300 KWH of use in any month shall be billed at ~~3-137~~ 3.853¢ per KWH.
- 013 (b) For Minimum Capacity of 100 gallons, the last 400 KWH of use in any month shall be billed at ~~3-137~~ 3.853¢ per KWH.
- 014 (c) For Minimum Capacity of 120 gallons or greater, the last 500 KWH of use in any month shall be billed at ~~3-137~~ 3.853¢ per KWH.

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(I)

These provisions, however, shall in no event apply to the first 200 KWH used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.

For purpose of this provision, the on-peak billing period is defined as 7:00A.M. to 9:00P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00PM to 7:00AM for all weekdays and all hours of Saturday and Sunday.

The Company reserves the right to inspect at all reasonable times the storage water heating system and devices which qualify the residence for service under the storage water heater provision, and to ascertain by any reasonable means that the time-differentiated load characteristics of such devices meet the Company's specifications. If the Company finds that in its sole judgment the availability conditions of this provision are being violated, it may discontinue billing the Customer under this provision and commence billing under the standard monthly rate.

This provision is subject to the Service Charge, the Fuel Adjustment Clause, the System Sales Clause, the Demand-Side Management Clause, the Environmental Surcharge, the Net Merger Savings Credit, the Capacity Charge and the Residential HEAP Charge factors as stated in the above monthly rate.

LOAD MANAGEMENT WATER-HEATING PROVISION. (Tariff Code 011)

For residential customers who install a Company-approved load management water-heating system which consumes electrical energy primarily during off-peak hours specified by the Company and stores hot water for use during on-peak hours, of minimum capacity of 80 gallons, the last 250 KWH of use in any month shall be billed at ~~3-137~~ 3.853¢ per KWH.

(I)

This provision, however, shall in no event apply to the first 200 KWH used in any month, which shall be billed in accordance with the "Monthly Rate" as set forth above.

For the purpose of this provision, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

The Company reserves the right to inspect at all reasonable times the load management water-heating system(s) and devices which qualify the residence for service under the Load Management Water-Heating Provision. If the Company finds that, in its sole judgment, the availability conditions of this provision are being violated, it may discontinue billing the Customer under this provision and commence billing under the standard monthly rate.

This provision is subject to the Service Charge, the Fuel Adjustment Clause, the System Sales Clause, the Demand-Side Management Clause, the Environmental Surcharge, the Net Merger Savings Credit, the Capacity Charge and the Residential HEAP Charge factors as stated in the above monthly rate.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

This service is available to rural domestic customers engaged principally in agricultural pursuits where service is taken through one meter for residential purposes as well as for the usual farm uses outside the home, but it is not extended to operations of a commercial nature or operations such as processing, preparing or distributing products not raised or produced on the farm, unless such operation is incidental to the usual residential and farm uses.

(Cont'd. On Sheet 6-3)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
NAME TITLE ADDRESS

TARIFF R.S. - L.M. - T.O.D.
(Residential Service Load Management Time-of-Day)

AVAILABILITY OF SERVICE.

Available to customers eligible for Tariff R.S. (Residential Service) who use energy storage devices with time-differentiated load characteristics approved by the Company which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours.

Households eligible to be served under this tariff shall be metered through one single-phase multiple-register meter capable of measuring electrical energy consumption during the on-peak and off-peak billing periods.

RATE. (Tariff Codes 028, 029, 030, 031, 032, 033, 034, 035)

Service Charge.....	\$ 8.36 per month
Energy Charge:	
All KWH used during on-peak billing period.....	10.650 11.366 ¢ per KWH
All KWH used during off-peak billing period.....	3.137 3.853 ¢ per KWH

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

CONSERVATION AND LOAD MANAGEMENT CREDIT.

For the combination of an approved electric thermal storage space heating system and water heater, both of which are designed to consume electrical energy only between the hours of 9:00P.M. and 7:00A.M. for all days of the week, each residence will be credited 0.745¢ per KWH for all energy used during the off-peak billing period, for a total of 60 monthly billing periods following the installation and use of these devices in such residence.

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the Service Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased by an Environmental Surcharge adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

(Cont'd On Sheet No. 6-5)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

KPC Case No. 2008-00518
PSC Order dated January 23, 2009
Item No. 17

TARIFF R.S. - T.O.D.
(Residential Service Time-of-Day)

AVAILABILITY OF SERVICE.

Available for residential electric service through one single-phase multiple-register meter capable of measuring electrical energy consumption during the on-peak and off-peak billing periods to individual residential customers, including residential customers engaged principally in agricultural pursuits. Availability is limited to the first 1,000 customers applying for service under this tariff.

RATE. (Tariff Codes 036 and 037)

Service Charge.....	\$ 8.36 per month	
Energy Charge:		
All KWH used during on-peak billing period.....	10.650 11.366 ¢ per KWH	(I)
All KWH used during off-peak billing period.....	3.137 3.853 ¢ per KWH	(I)

For the purpose of this tariff, the on-peak billing period is defined as 7:00A.M. to 9:00P.M. for all weekdays, Monday through Friday. The off-peak period is defined as 9:00P.M. to 7:00A.M. for all weekdays and all hours of Saturday and Sunday.

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the Service Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bill computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge Adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

HOME ENERGY ASSISTANCE PROGRAM (HEAP) CHARGE

Applicable to all residential customers. Bills computed according to the rates set forth herein shall be increased by a HEAP charge of 10¢ per meter per month and shall be shown on the residential customers bill as a separate line item. The Home Energy Assistance Program charge will be applied to all residential electric bills rendered during the billing cycles commencing April 2006 and continue until otherwise directed by the Public Service Commission. The Company will match the residential contributions to the HEAP program for a period of two years effective April 1, 2006 through March 31, 2008.

(Cont'd on Sheet No. 6-7)

KPC Case No. 2008-00518
PSC Order dated January 23, 2009
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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

TARIFF S.G.S.
(Small General Service)

AVAILABILITY OF SERVICE.

Available for general service to customers with average monthly demands less than 10 KW and maximum monthly demands of less than 15 KW (excluding the demand served by the Load Management Time-of-Day provisions).

RATE. (Tariff Code 211, 212)

Service Charge.....	\$ 11.50 per month
Energy Charge:	
First 500 KWH per month.....	9.297 10.013 ¢ per KWH
All Over 500 KWH per month.....	5.278 5.994 ¢ per KWH

(11)

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the Service Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rate set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rate set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

DELAYED PAYMENT CHARGE.

This tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

(Cont'd on Sheet 7-2)

KPC Case No. 2008-00518
PSC Order dated January 23, 2009
Item No. 17
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DATE OF ISSUE ~~December 21, 2007~~ DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. ~~2006-00507~~ 2008-00518 dated ~~December 19, 2007~~

**TARIFF S.G.S. (Cont'd.)
(Small General Service)**

LOAD MANAGEMENT TIME-OF-DAY PROVISION.

Available to customers who use energy storage devices with time-differentiated load characteristics approved by the Company which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and who desire to receive service under this provision for their total requirements.

Customers who desire to separately wire their load management load to a time-of-day meter and their general-use load to a standard meter shall receive service for both under the appropriate provision of this tariff.

RATE. (Tariff Code 225, 226)

Service Charge.....	\$15.10	per month	
Energy Charge:			
All KWH used during on-peak billing period.....	12.700	13.416 ¢	per KWH
All KWH used during off-peak billing period	3.137	3.853 ¢	per KWH

(I)
(I)

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

TERM OF CONTRACT.

The Company shall have the right to require contracts for periods of one year or longer.

OPTIONAL UNMETERED SERVICE PROVISION.

Available to customers who qualify for Tariff SGS and use the Company's service for commercial purposes consisting of small fixed electric loads such as traffic signals and signboards which can be served by a standard service drop from the Company's existing secondary distribution system. This service will be furnished at the option of the Company.

Each separate service delivery point shall be considered a contract location and shall be separately billed under the service contract. In the event one Customer has several accounts for like service, the Company may meter one account to determine the appropriate kilowatt-hour usage applicable for each of the accounts.

The Customer shall furnish switching equipment satisfactory to the Company. The Customer shall notify the Company in advance of every change in connected load, and the Company reserves the right to inspect the customer's equipment at any time to verify the actual load. In the event of the customer's failure to notify the Company of an increase in load, the Company reserves the right to refuse to serve the contract location thereafter under this provision, and shall be entitled to bill the customer retroactively on the basis of the increased load for the full period such load was connected or the earliest date allowed by Kentucky statute whichever is applicable.

Calculated energy use per month shall be equal to the contract capacity specified at the contract location times the number of days in the billing period times the specified hours of operation. Such calculated energy shall then be billed at the following rates:

RATE. (Tariff Code 204 (Mtrd), 213 (Umr))

Customer Charge.....	\$ 7.50	per month	
Energy Charge:			
First 500 KWH per month.....	9.297	10.013 ¢	per KWH
All Over 500 KWH per month.....	5.278	5.994 ¢	per KWH

(I)
(I)

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

Customer with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP I or by special agreement with the Company.

KPC Case No. 2008-00518
PSC Order dated January 23, 2009
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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
NAME TITLE ADDRESS

TARIFF M.G.S.
(Medium General Service)

AVAILABILITY OF SERVICE.

Available for general service to customers with average monthly demands greater than 10 KW or maximum monthly demands greater than 15 KW, but not more than 100 KW (excluding the demand served by the Load Management Time-of-Day provision).

Existing customers not meeting the above criteria will be permitted to continue service under present conditions only for continuous service at the premises occupied on or prior to December 5, 1984.

RATE.

	<u>Secondary</u>	<u>Service Voltage Primary</u>	<u>Subtransmission</u>
Tariff Code	215, 216, 218	217, 220	236
Service Charge per Month	\$ 13.50	\$ 21.00	\$ 153.00
Demand Charge per KW	\$ 1.31	\$ 1.28	\$ 1.25
Energy Charge:			
KWH equal to 200 times KW of monthly billing demand	7.461 8.177 ¢	6.791 7.507 ¢	6.217 6.933 ¢
KWH in excess of 200 times KW of monthly billing demand	6.299 7.015 ¢	5.999 6.715 ¢	5.794 6.510 ¢

(I)

(I)

RECREATIONAL LIGHTING SERVICE PROVISION.

Available for service to customers with demands of 5 KW or greater and who own and maintain outdoor lighting facilities and associated equipment utilized at baseball diamonds, football stadiums, parks and other similar recreational areas. This service is available only during the hours between sunset and sunrise. Daytime use of energy under this rate is strictly forbidden except for the sole purpose of testing and maintaining the lighting system. All Terms and Conditions of Service applicable to Tariff M.G.S. customers will also apply to recreational lighting customers except for the Availability of Service.

RATE. (Tariff Code 214)

Service Charge	\$13.50 per month
Energy Charge	6.992 7.708¢ per KWH

(I)

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the sum of the service charge plus the demand charge multiplied by 6 KW.

The minimum monthly charge for industrial and coal mining customers contracting for 3-phase service after October 1, 1959 shall be \$5.46 per KW of monthly billing demand, subject to adjustment as determined under the fuel adjustment clause, system sales clause, demand-side management clause, the environmental surcharge, the net merger savings credit, the capacity charges, plus the service charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

(Cont'd. On Sheet No. 8-2)

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ISSUED BY E.K. WAGNER DIRECTOR REGULATORY SERVICES FRANKFORT, KENTUCKY
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Issued by authority of an Order of the Public Service Commission in Case No. ~~2006-00507~~ 2008-00518 dated ~~December 19, 2007~~

TARIFF M.G.S (Cont'd)
(Medium General Service)

RATE.

Service Charge	\$ 3.00 per month	
Energy Charge:		
All KWH used during on-peak billing period	11.864 <u>12.580</u> ¢ per KWH	(I)
All KWH used during off-peak billing period	3.254 <u>3.970</u> ¢ per KWH	(I)

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

TERM OF CONTRACT.

Contracts under this tariff will be required of customers with normal maximum demands of 500 KW or greater. Contracts under this tariff will be made for an initial period of not less than 1 year and shall remain in effect thereafter until either party shall give at least 6 months' written notice to the other of the intention to terminate the contract. The Company will have the right to make contracts for periods of longer than 1 year and to require contracts for Customers with normal maximum demands of less than 500 KW.

SPECIAL TERMS AND CONDITIONS.

This tariff is subject to the Company's Terms and Conditions of Service.

This tariff is also available to Customers having other source of energy supply but who desire to purchase standby or back-up electric service from the Company. Where such conditions exist the Customer shall contract for the maximum demand in KW which the Company might be required to furnish, but no less than 10 KW. The Company shall not be obligated to supply demands in excess of that contracted for. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum charge shall be as set forth under paragraph "Minimum Charge" above.

This tariff is available for resale service to mining and industrial customers who furnish service to customer-owned camps or villages where living quarters are rented to employees and where the Customer purchases power at a single point of both their power and camp requirements.

Customers with PURPA Section 210 qualifying cogeneration and/or small power production facilities shall take service under Tariff COGEN/SPP I or II or by special agreement with the Company.

(Cont'd on Sheet 8-4)

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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
 NAME TITLE ADDRESS

TARIFF M.G.S.-T.O.D.
(Medium General Service Time-of-Day)

AVAILABILITY OF SERVICE.

Available for general service to customers with normal maximum demands greater than 10 KW but not more than 100 KW. Availability is limited to the first 500 customers applying for service under this tariff.

RATE. (Tariff Code 229, 230)

Service Charge	\$ 14.30 per month	
Energy Charge:		
All KWH used during on-peak billing period	11.864 <u>12.580¢</u> per KWH	(I)
All KWH used during off-peak billing period	3.254 <u>3.970¢</u> per KWH	(I)

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday.

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the Service Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge Adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

(Cont'd on Sheet 8-5)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
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Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

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**TARIFF L.G.S.
 (Large General Service)**

AVAILABILITY OF SERVICE.

Available for general service to customers with normal maximum demands greater than 100 KW but not more than 1,000 KW (excluding the demand served by the Load Management Time-of-Day provision).

Existing customers not meeting the above criteria will be permitted to continue service under present conditions only for continuous service at the premises occupied on or prior to December 5, 1984.

RATE.

	<u>Service Voltage</u>			
	<u>Secondary</u>	<u>Primary</u>	<u>Subtransmission</u>	<u>Transmission</u>
Tariff Code	240, 242	244, 246	248	250
Service Charge per Month	\$ 85.00	\$127.50	\$535.50	\$535.50
Demand Charge per KW	\$3.45	\$3.36	\$3.30	\$3.24
Excess Reactive Charge per KVA	\$ 2.97	\$ 2.97	\$ 2.97	\$2.97
Energy Charge per KWH	5.593 6.309¢	4.888 5.604¢	3.823 4.539¢	3.438 4.154¢

MINIMUM CHARGE.

Bills computed under the above rate are subject to a monthly minimum charge comprised of the sum of the service charge and the minimum demand charge. The minimum demand charge is the product of the demand charge per KW and the monthly billing demand.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge Adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

(Cont'd. On Sheet No. 9-2)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
 NAME TITLE ADDRESS

**TARIFF L.G.S. (Cont'd.)
(Large General Service)**

DELAYED PAYMENT CHARGE.

This tariff is net if account is paid in full within 15 days of date of bill. On all accounts not so paid, an additional charge of 5% of the unpaid balance will be made.

METERED VOLTAGE.

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KW values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

- (1) Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01
- (2) Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98

MONTHLY BILLING DEMAND.

Billing demand in KW shall be taken each month as the highest 15-minute integrated peak in kilowatts as registered during the month by a 15-minute integrating demand meter or indicator, or at the Company's option as the highest registration of a thermal type demand meter or indicator. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity or (b) the customer's highest previously established monthly billing demand during the past 11 months.

DETERMINATION OF EXCESS KILOVOLT-AMPERE (KVA) DEMAND

The maximum KVA demand shall be determined by the use of a multiplier equal to the reciprocal of the average power factor recorded during the billing month, leading or lagging, applied to the metered demand. The excess KVA demand, if any, shall be the amount by which the maximum KVA demand established during the billing period exceeds 115% of the kilowatts of metered demand.

LOAD MANAGEMENT TIME-OF-DAY PROVISION.

Available to customers who use energy storage devices with time-differentiated load characteristics approved by the Company which consume electrical energy only during off-peak hours specified by the Company and store energy for use during on-peak hours, and who desire to receive service under this provision for their total requirements.

Customers who desire to separately wire their load management load to a time-of-day meter and their general-use load to a standard meter shall receive service for both under the appropriate provision of this tariff.

RATE. (Tariff Code 251)

Service Charge	\$81.80	per month	
Energy Charge:			
All KWH used during on-peak billing period	10.065 10.781¢	per KWH	(I)
All KWH used during off-peak billing period	3.226 3.942¢	per KWH	(I)

For the purpose of this tariff, the on-peak billing period is defined as 7:00 A.M. to 9:00 P.M. for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 P.M. to 7:00 A.M. for all weekdays and all hours of Saturday and Sunday

(Cont'd. On Sheet No. 9-3)

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ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

KPC Case No. 2008-00518
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TARIFF Q.P.
(Quantity Power)

AVAILABILITY OF SERVICE.

Available for commercial and industrial customers with demands less than 7,500 KW. Customers shall contract for a definite amount of electrical capacity in kilowatts, which shall be sufficient to meet normal maximum requirements, but in no case shall the contract capacity be less than 1,000 KW.

RATE.

	<u>Secondary</u>	<u>Primary</u>	<u>Service Voltage Subtransmission</u>	<u>Transmission</u>
Tariff Code	356	358	359	360
Service Charge per month	\$ 276.00	\$ 276.00	\$ 662.00	\$1,353.00
Demand Charge per KW				
Of monthly on-peak billing demand	\$13.28	\$11.53	\$8.81	\$7.47
Of monthly off-peak excess billing demand	\$4.79	\$3.31	\$0.88	\$0.77
Energy Charge per KWH	2.569 3.285¢	2.517 3.233 ¢	2.485 3.201¢	2.460 3.176 ¢

(I)

Reactive Demand Charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the KW of monthly metered demand \$0.67/KVAR

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the Service Charge plus the Demand Charge per KW multiplied by the billing demand.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by a Surcharge Adjustment based on a percent of revenue in compliance with the Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

(Cont'd. On Sheet No. 10-2)

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ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. ~~2006-00507~~ 2008-00518 dated December 19, 2007

TARIFF C.I.P. - T.O.D.
(Commercial and Industrial Power - Time-of-Day)

AVAILABILITY OF SERVICE.

Available for commercial and industrial KWHs with normal maximum demands of 7,500 KW and above. KWHs shall contract for a definite amount of electrical capacity in kilowatts which shall be sufficient to meet normal maximum requirements, but in no case shall the capacity contracted for be less than 7,500 KW.

RATE.

	<u>Service Voltage</u>		
	<u>Primary</u>	<u>Subtransmission</u>	<u>Transmission</u>
Tariff Code	370	371	372
Service Charge per Month	\$ 276.00	\$ 662.00	\$ 1,353.00
Demand Charge per KW			
On-peak	\$13.79	\$10.83	\$ 9.35
Off-peak	\$3.68	\$ 0.98	\$ 0.84
Energy Charge per KWH	2.158 2.874¢	2.133 2.849¢	2.113 2.829¢

(I)

Reactive Demand Charge for each kilovar of maximum leading or lagging reactive demand in excess of 50 percent of the KW of monthly metered demand\$ 0.67/ KVAR

For the purpose of this tariff, the on-peak billing period is defined as 7:00 AM to 9:00 PM for all weekdays, Monday through Friday. The off-peak billing period is defined as 9:00 PM to 7:00 AM for all weekdays and all hours of Saturday and Sunday.

MINIMUM DEMAND CHARGE.

The minimum demand charge shall be equal to the minimum billing demand times the following minimum demand rates:

<u>Primary</u>	<u>Subtransmission</u>	<u>Transmission</u>
\$14.79/KW	\$11.80/KW	\$10.32/KW

The minimum demand shall be the greater of 60% of the contract capacity set forth on the contract for electric service or 60% of the highest billing demand, on-peak or off-peak, recorded during the previous eleven months.

MINIMUM CHARGE.

This tariff is subject to a minimum charge equal to the Service Charge plus the Minimum Demand Charge.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or by a Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the KWH is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

(Cont'd. On Sheet No. 11-2)

KPC Case No. 2008-00518
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DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

TARIFF M.W.
(Municipal Waterworks)

AVAILABILITY OF SERVICE.

Available only to incorporated cities and towns and authorized water districts and to utility companies operating under the jurisdiction of Public Service Commission of Kentucky for the supply of electric energy to waterworks systems and sewage disposal systems served under this tariff on September 1, 1982, and only for continuous service at the premises occupied by the Customer on this date. If service hereunder is discontinued, it shall not again be available.

Customer shall contract with the Company for a reservation in capacity in kilovolt-amperes sufficient to meet with the maximum load, which the Company may be required to furnish.

RATE. (Tariff Code 540)

Service Charge	\$22.90	per month
Energy Charge:		
All KWH Used Per Month	6.150	6.866¢ per KWH

MINIMUM CHARGE.

This tariff is subject to a minimum monthly charge equal to the sum of the service charge plus ~~\$3.05~~ \$3.65 per KVA as determined from customer's total connected load. The minimum monthly charge shall be subject to adjustments as determined under the Fuel Adjustment Clause.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule.

SYSTEM SALES CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a System Sales Factor per KWH calculated in compliance with the System Sales Clause contained in Sheet Nos. 19-1 and 19-2 of this Tariff Schedule.

DEMAND-SIDE MANAGEMENT ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by an Demand-Side Management Adjustment Clause Factor per KWH calculated in compliance with the Demand-Side Management Adjustment Clause contained in Sheet Nos. 22-1 and 22-2 of this Tariff Schedule, unless the customer is an industrial who has elected to opt-out in accordance with the terms pursuant to the Commission's Order in Case No. 95-427.

ENVIRONMENTAL SURCHARGE.

Bills computed according to the rates set forth herein will be increased or decreased by an Environmental Surcharge Adjustment based on a percent of revenue in compliance with the Environmental Surcharge contained in Sheet Nos. 29-1 through 29-5 of this Tariff Schedule.

NET MERGER SAVINGS CREDIT.

Bills computed according to the rates set forth herein will be decreased by a Net Merger Savings Credit Factor per KWH calculated in compliance with the Net Merger Savings Credit contained in Sheet No. 23-1 of this Tariff Schedule.

CAPACITY CHARGE.

Bills computed according to the rates set forth herein will be increased by a Capacity Charge Factor per KWH calculated in compliance with the Capacity Charge Tariff contained in Sheet No. 28-1 of this Tariff Schedule.

(Cont'd On Sheet No. 13-2)

(I)
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ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

**TARIFF O.L.
 (Outdoor Lighting)**

AVAILABILITY OF SERVICE.

Available for outdoor lighting to individual customers in locations where municipal street lighting is not applicable.

RATE.

A. OVERHEAD LIGHTING SERVICE

Tariff
 Code

	1.	High Pressure Sodium			
094		100 watts (9,500 Lumens).....	\$	6.89 7.18	per lamp
113		150 watts (16,000 Lumens).....	\$	7.78 8.20	per lamp
097		200 watts (22,000 Lumens).....	\$	9.45 10.05	per lamp
098		400 watts (50,000 Lumens).....	\$	15.14 16.33	per lamp
	2.	Mercury Vapor			
093*		175 watts (7,000 Lumens).....	\$	7.29 7.81	per lamp
095*		400 watts (20,000 Lumens).....	\$	12.35 13.48	per lamp

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Company will provide lamp, photo-electric relay control equipment, luminaries and upsweep arm not over six feet in length, and will mount same on an existing pole carrying secondary circuits.

B. POST-TOP LIGHTING SERVICE

Tariff
 Code

	1.	High Pressure Sodium			
111		100 watts (9,500 Lumens).....	\$	10.24 10.53	per lamp
122		150 Watts (16,000 Lumens).....	\$	16.73 17.15	per lamp
	2.	Mercury Vapor			
099*		175 watts (7,000 Lumens).....	\$	8.44 8.96	per lamp

(I)
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Company will provide lamp, photo-electric relay control equipment, luminaries, post, and installation including underground wiring for a distance of thirty feet from the Company's existing secondary circuits.

C. FLOOD LIGHTING SERVICE

Tariff
 Code

	1.	High Pressure Sodium			
107		200 watts (22,000 Lumens).....	\$	10.70 11.30	per lamp
109		400 watts (50,000 Lumens).....	\$	14.89 16.08	per lamp
	2.	Metal Halide			
110		250 watts (20,500 Lumens).....	\$	16.62 17.34	per lamp
116		400 watts (36,000 Lumens).....	\$	21.80 22.93	per lamp
131		1000 watts (110,000 Lumens).....	\$	46.99 49.70	per lamp

(I)
 (I)
 (I)
 (I)
 (I)
 (I)

Company will provide lamp, photoelectric relay control equipment, luminaries, mounting bracket, and mount same on an existing pole carrying secondary circuits.

*These lamps are not available for new installations.

(Cont'd. on Sheet No. 14-2)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E.K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
 NAME TITLE ADDRESS

TARIFF S.L.
(Street Lighting)

AVAILABILITY OF SERVICE.

Available for lighting service for all the lighting of public streets, public highways and other public outdoor areas in municipalities, counties, and other governmental subdivisions where such service can be supplied from the existing general distribution systems.

RATE. (Tariff Code 528)

A. Overhead Service on Existing Distribution Poles

1. High Pressure Sodium				
100 watts (9,500 lumens).....	\$	5.64	5.93 per lamp	(I)
150 watts (16,000 lumens).....	\$	6.43	6.85 per lamp	(I)
200 watts (22,000 lumens).....	\$	8.05	8.65 per lamp	(I)
400 watts (50,000 lumens).....	\$	11.69	12.88 per lamp	(I)

B. Service on New Wood Distribution Poles

1. High Pressure Sodium				
100 watts (9,500 lumens).....	\$	8.94	9.23 per lamp	(I)
150 watts (16,000 lumens).....	\$	9.78	10.20 per lamp	(I)
200 watts (22,000 lumens).....	\$	11.30	11.90 per lamp	(I)
400 watts (50,000 lumens).....	\$	14.94	16.13 per lamp	(I)

C. Service on New Metal or Concrete Poles

1. High Pressure Sodium				
100 watts (9,500 lumens).....	\$	14.84	15.13 per lamp	(I)
150 watts (16,000 lumens).....	\$	15.48	15.90 per lamp	(I)
200 watts (22,000 lumens).....	\$	19.60	20.20 per lamp	(I)
400 watts (50,000 lumens).....	\$	20.79	21.98 per lamp	(I)

Lumen rating is based on manufacturer's rated lumen output for new lamps.

FUEL ADJUSTMENT CLAUSE.

Bills computed according to the rates set forth herein will be increased or decreased by a Fuel Adjustment Factor per KWH calculated in compliance with the Fuel Adjustment Clause contained in Sheet Nos. 5-1 and 5-2 of this Tariff Schedule. The monthly kilowatt-hours for Fuel Adjustment Clause and the System Sales Clause computations are as follows:

(Cont'd. On Sheet No. 15-2)

DATE OF ISSUE December 21, 2007 DATE EFFECTIVE Bills rendered on and after December 31, 2007

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES FRANKFORT, KENTUCKY
 NAME TITLE ADDRESS

Issued by authority of an Order of the Public Service Commission in Case No. 2006-00507 2008-00518 dated December 19, 2007

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 AEP's prices compare with those of these other utilities for the review period.

RESPONSE

- a. No. However, Kentucky Power Company has compared its delivered coal costs with those of other Kentucky jurisdictional utilities for this case. This analysis was conducted using Ventyx's Velocity Suite service, which utilizes FERC Form 423 filings.
- b. (1) Louisville Gas & Electric, Kentucky Utilities, East Kentucky Power Coop, and Kentucky Power Company all operate in the State of Kentucky.
- (2) During the period May 2008 through October 2008, Kentucky Power's cost for tons purchased on a cents per million BTU basis was the highest of the four reporting utilities. Refer to the table below for details.

Time Period: May through October 2008

Plant Operator Name	Plant Operator State	Delivered Fuel Price Cents/mmBtu
Louisville Gas & Electric Co	KY	178.57
Kentucky Utilities Co	KY	245.77
East Kentucky Power Coop	KY	283.90
Kentucky Power Co	KY	340.13

WITNESS: Jason T Rusk

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

a. & b. As of January 23, 2009, 59% of Kentucky Power's coal was delivered by rail and 41% was delivered by truck.

c. N/A

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

- a. State Kentucky Power's coal inventory level in tons and in number of days' supply as of November 1, 2008. 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 November 1, 2008 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) Does 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 November 1, 2008, Kentucky Power's actual coal inventory level was 217,342 tons, or 21 days of supply.
- b. Days supply is determined by dividing the amount of tons in storage by the full load burn rate (tons per day).

Example: $\frac{217,342 \text{ tons in storage as of 11/01/08}}{10,300 \text{ (full load burn rate - tons/day)}} = 21 \text{ days}$

- c. As of November 1, 2008, Kentucky Power Company's coal inventory was 9 days below its target. As of December 31st, 2008, the inventory level at Big Sandy plant had been built up to 35 days, which is five days greater than target.
- d. N/A
- e. No.

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

- a. Has Kentucky Power audited any of its coal contracts during the period from May 1, 2008 to October 31, 2008?
- b. If yes, for each audited contract:
 - (1) Identify the contract.
 - (2) Identify the auditor.
 - (3) State the results of the audit.
 - (4) Describe the actions that Kentucky Power took as a result of the audit.

RESPONSE

- a. No
- b. N/A

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

- a. Has Kentucky Power received any complaints regarding its fuel adjustment clause during the period from May 1, 2008 to October 31, 2008?
- b. If yes, for each complaint state:
 - (1) The nature of the complaint.
 - (2) Kentucky Power's response.

RESPONSE

- a. Kentucky Power Company did not receive any complains regarding its fuel adjustment clause during the review period May 1, 2008 to October 31, 2008.

Although outside the review period, the Company notes that during the November, 2008 and December, 2008 billing months, Kentucky Power Company received inquiries challenging both the amount of the overall bills and the amount of the fuel adjustment charges.

Complaints Regarding the Amount of Overall Bill

Upon reviewing the complaints, the Company determined the customers' usage exceeded normal consumption. This in large part may be attributed to the fact that the total heating degree days for November and December, 2008 were significantly higher than past periods. Specifically, the total heating degree days for November, 2008 was 46% higher than the average heating degree days for the past 30 year-period and 34% greater than the November, 2007 heating degree days. Total heating degree days in December, 2008 exceeded the 30 year average for December by 9% and exceeded the total December, 2007 heating degree days by 31%.

Complaints Regarding the Amount of the Fuel Adjustment Charge

The Company believes three factors may have contributed to the amount of the fuel adjustment charge on November and December, 2008:

- (a) The Higher Cost of Coal Consumed. For the twelve bill months ended December, 2008, the costs of coal consumed that was used to calculate the November and December, 2008 fuel adjustment charges were the highest of the twelve month period.

(b) Lower System Sales Profits. The customer share of system sales profits included in the November and December, 2008 fuel adjustment clause calculations were the lowest for the twelve months of 2008.

(c) Fluctuations in Length of the Billing Cycle. Because of the Thanksgiving and Christmas holidays, some billing cycles were several days longer than usual.

b. See the Company's response to Item No. 22 a. above.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

- a. Is Kentucky Power 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.
 - (5) Provide a copy of the complaint or other legal pleading that initiated the litigation, if not previously filed with the Commission.
- c. State the current status of all litigation with coal suppliers.

RESPONSE

- a. No
- b. N/A
- c. N/A

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

List each written coal supply solicitation issued during the period May 1, 2008 to October 31, 2008.

- 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.

RESPONSE

There were two written coal solicitations for Kentucky Power issued during the review period from May 1, 2008 to October 31, 2008.

1. An AEP System solicitation was issued on May 20, 2008 for low sulfur coal to be delivered by rail or truck with varying quantities commencing as early as July 2008, with coal quality appropriate for the Big Sandy Plant. This document is provided as Attachment 24a.
 2. An AEP System solicitation was issued on September 5, 2008 for low sulfur coal to be delivered by rail or truck with varying quantities commencing as early as October 2008, with coal quality appropriate for the Big Sandy Plant. This document is included with Attachment 24a.
- b. The May 20, 2008 solicitation was sent to 56 vendors and a total of 7 responded. The September 5, 2008 solicitation was sent to 57 vendors and a total of 5 responded. Refer to Confidential Attachment 24b regarding these completed solicitations. Confidential protection of this attachment has been requested in the form of a Motion for Confidential Treatment.

Note that KPCo did not purchase any coal from either of these solicitations; however, valuable information was gained regarding current market conditions that will enable KPCo to enhance its long-term ability to aggressively pursue and manage its coal supplies and transportation costs while continuing to provide a reliable supply of coal at the lowest reasonable cost.

WITNESS: Jason T Rusk



May 20, 2008

The Fuel, Emissions and Logistics group of American Electric Power Service Corporation ("AEPSC") is seeking proposals for the supply of coal to one or more power plants. AEPSC may enter into one or more spot agreements delivered by rail, barge, or truck, commencing in July 2008 as available. Additionally, AEPSC may enter into one or more term agreements, each for the supply of a minimum of 7,500 tons of coal per month, delivered by rail, barge, or truck, commencing in 2009.

The solicitation seeks coal that meets any of the coal product categories shown on the attached Coal Specification Table. All proposals will have specifically negotiated terms and conditions, but will mirror those included in this solicitation to the nearest degree practicable.

AEPSC is seeking the following proposals:

- (1) That which provides for a spot coal beginning as early as July 2008 and extending up to eighteen months; or beginning in January 2009 and extending up to twelve months or;
- (2) That which provides for a term of 3 years beginning in 2009.

Each valid proposal should include:

- The Seller's and Producer's name(s)
- The location of the mine
- The mine type (surface or underground)
- The seam of coal being mined
- The mine district
- The quality of the fuel product, inclusive of suspension/rejection limits
- The fuel preparation (washed, crushed run-of-mine, synfuel, etc.)
- The tons proposed for delivery each month
- The stated price per ton
- The commencement date and months of delivery.

To access the blank Spot PO form, click on the box below:



Proposals for truck-delivered fuels will be inclusive of delivery costs. Please note that AEPSC has adopted a policy in which AEPSC shall assume no obligation to pay for any fuel being delivered via truck that is in excess of the maximum number of tons that is legally deliverable to the respective plant.

Proposals for rail-delivered fuels will require the rail origin station, the OPSL number, the number of railcars per shipment, the maximum Loadout time, and the station's ability to apply freeze control agents and what those agents would be.

The spot proposal(s) should include a stated price or prices (inclusive of all known or unknown costs associated with existing laws or government impositions) for the relevant term of the proposal(s).

Those submitting a proposal are invited to submit one or both of the proposals and may submit multiple proposals if necessary to accommodate additional sources or pricing methods.

A "Coal Proposal Form" and a "Rail Transportation Facilities Information" sheet, if applicable, or a "Barge Transportation Facilities Information" sheet, if applicable, shall comprise a Coal Proposal Package. Copies of these forms are contained herein. In order to ensure that proposals are responsive to AEPSC's needs and provide a uniform basis for evaluation, those providing offers are requested to complete a Coal

Proposal Package for each submitted offer. Typical coal analyses, including the Proximate, Ultimate, Trace Element and Mineral Ash Analyses, Grindability Index, and Ash Fusion Temperatures, should be submitted with the attached Coal Proposal Package.

The Coal Proposal Package(s), signed by a person having proper authority to legally obligate the offering company, along with any additional supporting material, must be received no later than 5:00 p.m., **Friday, May 30, 2008**. Proposals of spot coal are to be kept open for AEPSC's acceptance until 5:00 p.m., Friday, June 6, 2008. Proposals of term coal are to be kept open for AEPSC's acceptance until 5:00 p.m., Tuesday, June 10, 2008. All proposals are to be submitted by e-mail to coalrfp@aep.com, or by fax to (614) 583-1619 (Attention: Jason Rusk), or delivered in an envelope marked "AEPSC RFP - Proposal" and are to be addressed as follows:

AEPSC RFP – Low Sulfur Proposal
Attn: Jason Rusk, Manager Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus, OH 43215

Proposals will be evaluated based upon the following factors:

- 1) Delivered cost (cents per million Btu)
- 2) Coal quality with appropriate price adjustments for guaranteed percent ash and pounds SO₂ per million Btu based on the relevant SO₂ emissions allowances, inclusive of rejection limits.
- 3) Reliability of supply and transportation flexibility
- 4) Terms and conditions

AEPSC reserves the right to modify or withdraw this invitation, to reject any or all proposals and to terminate any subsequent negotiations at any time. AEPSC also reserves the right to accept one or more proposal(s) for a portion or for all of the quantities of coal it seeks to acquire with this invitation.

AEPSC will consider every submitted offer on a confidential basis.

Those submitting proposals shall be responsible for the completeness and accuracy of all information contained in and used in preparation of its proposal(s) and for having supplied all necessary information.

If you do not wish to submit a proposal in response to this solicitation, please complete and return the attached "Decline To Offer" form on or before Friday, May 30, 2008.

Should further information be required, please contact Jason Rusk by telephone at (614) 583-6275.

Very truly yours,

James D. Henry
Vice President – Eastern Fuel Procurement
AMERICAN ELECTRIC POWER SERVICE CORPORATION

Page 3 of 26
COAL SPECIFICATION TABLE

Specification "A" (CSX Rail):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,500	12,350	< 12,200
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	12.0	12.5	> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60	> 1.60

Specification "B" (CSX Rail OR Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	13,000	12,800	< 12,700
Moisture (%)	7.0	8.0	> 9.5
Ash (%)	7.0	8.0	> 9.0
Sulfur Dioxide (lbs SO ₂ /mmBtu)	2.60	2.80	> 3.05

Specification "C" (Rail or Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,500	N/A	< 12,200
Moisture (%)	7.0	8.0	> 10.0
Ash (%)	12.0	12.5	> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.05	1.05	> 1.10
Volatile Matter (%)	30.0	N/A	< 27.0
Hardgrove Grindability	50	N/A	< 48
Ash Fusion Temp. (H=½W)	2700	N/A	< 2450

Specification "D" (NS Rail):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,700	N/A	< 12,300
Moisture (%)	7.0	8.0	> 10.0
Ash (%)	10.0	11.0	> 12.0
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60	> 1.65
Volatile Matter (%)	30.0	N/A	< 27.0
Hardgrove Grindability	55	N/A	< 52
Ash Fusion Temp. (H=½W)	2700	N/A	< 2650

Specification "E" (Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900	< 11,800
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	13.0	13.5	> 13.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	<1.60	1.60	> 1.60

Specification "F"(Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900	< 11,800
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	13.0	13.5	> 13.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	<1.20	1.20	> 1.20

Specification "G"(Big Sandy Plant via Truck):

	Contract	Half-Monthly	Page 4 Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900	< 11,800
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	12.0	12.0	> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60	> 1.65

The above contractual specifications may not exactly match one or more of the coal types a prospective supplier may have, but should be included in the one that most closely fits such specification.

American Electric Power
Service Corporation
155 W. Nationwide Blvd
Suite 500
Columbus OH 43215
(614) 583 - 6275

COAL PROPOSAL FORM

To: AEPSC RFP
Jason Rusk – Manager, Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus OH 43215

Details concerning the supply of coal being offered herein to the American Electric Power Service Corp. are provided below:

1. Seller(s): (If Seller is a Sales Agent, include full names, addresses, and telephone numbers of Sales Agent and Producer and attach Producer's signed authorization for Sales Agent to "exclusively" make an offer on behalf of Producer.)

(a) Seller(s):

(b) Producer(s):

2. Name(s) and location(s) of mine(s): (Include name of mine operating company).

3. Quantity offered (tons per month): _____

4. Term: Up to eighteen months (beginning July 2008); or up to twelve months (beginning January 2009); actual length of term shall be designated by AEPSC in the event of its acceptance. Seller is to specify the earliest month coal is available and desired term:

5. Shipping Point(s):

Rail Deliveries

Barge Deliveries

Origin Station: _____

Shipping Point: _____

OPSL No. (Defined in OPSL 6000R): _____

River: _____

No. of railcars/shipment* (≥ 15): _____

Milepost: _____

Maximum Loadout Time: 24 hrs. 4 hrs.

*The minimum size unit train is 75 railcars. The ability to ship in 90 or 150 railcar minimum unit train shipments may significantly reduce Buyer's transportation rate and thus, the delivered cost.

6. Price: _____ \$/ton. Is this price all-inclusive? _____ yes/no

If no, please fully describe:

6. The quality of spot coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specification Table: Product A Product B Product C Product D Product E Product G

7. Guaranteed coal specifications "As-Received":

	Contracted	Half Month Suspension	Daily/Lot Suspension**	
a) Calorific Value (Btu per pound)	_____	_____	_____	Minimum
b) Total Moisture (%)	_____	_____	_____	Maximum
c) *Ash (%)	_____	_____	_____	Maximum
d) Volatile Matter (%)	_____	_____	_____	Minimum
e) Grindability (Hardgrove Index)	_____	_____	_____	Minimum
f) Ash Fusion Temperature (H = 1/2 W), °F in Reducing Atmosphere	_____	_____	_____	Minimum
g) Sulfur (%)	_____	_____	_____	Maximum
h) *SO ₂ (lbs./MMBtu)	_____	_____	_____	Maximum
i) Chlorine (%)	_____	_____	_____	Maximum
j) Sodium (%)	_____	_____	_____	Maximum
k) Coal Top Size	_____	_____	_____	

* Offer evaluations will include appropriate price adjustments for offers which provide for lower Contracted percent ash and, as applicable, lower Contracted Half-Month SO₂.

** Daily/Lot refers to each barge load of coal or at Buyer's election a composite of two or more barges of coal for barge deliveries or each unit train or the number of cars unloaded (if shipments are tendered in less than 75 car trainload lots) if deliveries are made by rail or each day's unloading if by truck.

8. Type of Mine(s): Surface _____% Underground _____%

9. Mine District: _____

10. Name of Seam(s): _____

11. Preparation: Crushed, run-of-mine _____% Washed _____%

12. Comments: _____

THIS IS A FIRM OFFER TO SUPPLY FUEL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPSC'S ACCEPTANCE THROUGH 5:00 P.M., FRIDAY, JUNE 6, 2008. UNTIL AEPSC'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPSC'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPSC AND SELLER.

Proposal submitted by:

 (Signature)

 (Title)

 (Company)

American Electric Power
Service Corporation
155 W. Nationwide Blvd
Suite 500
Columbus OH 43215
(614) 583 - 6275

COAL PROPOSAL FORM

To: AEPSC RFP
Jason Rusk – Manager, Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus OH 43215

Details concerning the supply of coal being offered herein to the American Electric Power Service Corp. are provided below:

1. Seller(s): (If Seller is a Sales Agent, include full names, addresses, and telephone numbers of Sales Agent and Producer and attach Producer's signed authorization for Sales Agent to "exclusively" make an offer on behalf of Producer.)

(a) Seller(s):

(b) Producer(s):

2. Name(s) and location(s) of mine(s): (Include name of mine operating company).

3. Quantity offered (tons per month): _____

4. Term: Up to five years (2009-2013); actual length of term shall be designated by AEPSC in the event of its acceptance. Seller is to specify the earliest month coal is available:

5. Shipping Point(s):

Rail Deliveries

Barge Deliveries

Origin Station: _____

Shipping Point: _____

OPSL No. (Defined in OPSL 6000R): _____

River: _____

No. of railcars/shipment* (≥ 15): _____

Milepost: _____

Maximum Loadout Time: 24 hrs. 4 hrs.

*The minimum size unit train is 75 railcars. The ability to ship in 90 or 150 railcar minimum unit train shipments may significantly reduce Buyer's transportation rate and thus, the delivered cost.

6. The quality of spot coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specification Table: Product A Product B Product C Product D Product E Product F Product G

7. Guaranteed coal specifications "As-Received":

	Contracted	Half Month Suspension	Daily/Lot Suspension**	
a) Calorific Value (Btu per pound)	_____	_____	_____	Minimum
b) Total Moisture (%)	_____	_____	_____	Maximum
c) *Ash (%)	_____	_____	_____	Maximum
d) Volatile Matter (%)	_____	_____	_____	Minimum
e) Grindability (Hardgrove Index)	_____	_____	_____	Minimum
f) Ash Fusion Temperature (H = 1/2 W), °F in Reducing Atmosphere	_____	_____	_____	Minimum
g) Sulfur (%)	_____	_____	_____	Maximum
h) *SO ₂ (lbs./MMBtu)	_____	_____	_____	Maximum
i) Chlorine (%)	_____	_____	_____	Maximum
j) Sodium (%)	_____	_____	_____	Maximum
k) Coal Top Size	_____	_____	_____	

* Offer evaluations will include appropriate price adjustments for offers which provide for lower Contracted percent ash and, as applicable, lower Contracted Half-Month SO₂.

** Daily/Lot refers to each barge load of coal or at Buyer's election a composite of two or more barges of coal for barge deliveries or each unit train or the number of cars unloaded (if shipments are tendered in less than 75 car trainload lots) if deliveries are made by rail or each day's unloading if by truck.

8. Type of Mine(s): Surface _____ % Underground _____ %

9. Mine District: _____

10. Name of Seam(s): _____

11. Preparation: Crushed, run-of-mine _____ % Washed _____ %

12. Comments: _____

THIS IS A FIRM OFFER TO SUPPLY FUEL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPSC'S ACCEPTANCE THROUGH 5:00 P.M., TUESDAY, JUNE 10, 2008. UNTIL AEPSC'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPSC'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPSC AND SELLER.

Proposal submitted by:

 (Signature)

 (Title)

 (Company)

AMERICAN ELECTRIC POWER SERVICE CORPORATION
FIXED PRICE SCHEDULE

3-Year Term Offer

<u>Commencement Date</u>	<u>Year</u>	<u>Base Price per ton FOB “ ” prior to quality adjustments</u>
_____ *	Year 1	\$ _____
	Year 2	\$ _____
	Year 3	\$ _____

* mm/yyyy

Base Price Quality Adjustment: In accordance with AEP's standard Terms and Conditions

AMERICAN ELECTRIC POWER SERVICE CORPORATION
AEPSC RFP - PROPOSAL

RAIL TRANSPORTATION FACILITIES INFORMATION

The following information is required for each rail coal origin that is being bid:

Shipping Point _____; Railroad(s) _____; OPSL No. _____

- 1) What is the minimum and maximum unit train size that can be loaded?

- 2) How fast can the indicated unit train be loaded?

- 3) How precisely can the tonnage being loaded in each car be controlled? What car loading precision would be guaranteed?

- 4) Can the loading of the Unit Train start at any time and on any day upon the arrival of the cars?

- 5) Is the assistance of the Railroad's locomotive and crew required to load the train?

- 6) Are there any restrictions that would prevent your ability to load Buyer's 4,000 cubic feet AEPX hopper cars?

- 7) How fast, after loading, can an advanced shipping manifest be FAXED to a location?

- 8) Is equipment available for applying freeze-proofing and/or side release agents?

If there are any questions regarding this information being sought, please contact Byram L. Fager at (614) 583-6273.

Signature

Title

Company

BARGE TRANSPORTATION FACILITIES INFORMATION

The following information is required for each barge coal origin that is being bid:

Loading Dock _____

River Milepost _____

- 1) What is the maximum number of Jumbo Barges that can be loaded in an eight-hour shift?

- 2) How many shifts per day are barges loaded? _____
- 3) How many days per week are barges loaded? _____
- 4) How many loaded and empty Jumbo Barges can be accommodated in the harbor of the above named Loading Dock?

- 5) Does this Loading Dock require the use of a harbor service for fleeting and switching?

- 6) If the answer to #5 is Yes, please identify the required harbor service.

- 7) Can the loading of barges commence at any time on any day upon arrival of the barges?

- 8) How fast after loading can an advanced shipping manifest be FAXED to a location?

If there are any questions regarding this information being sought, please contact Byram L. Fager at (614) 583-6273.

Signature

Title

Company

"DECLINE TO OFFER" FORM

TO AEP: THIS FORM WILL SERVE AS OUR NOTICE TO YOU THAT WE ARE NOT SUBMITTING A PROPOSAL IN RESPONSE TO THIS CURRENT SOLICITATION.

- PLEASE (CHECK ONE): RETAIN US ON THE LIST FOR FUTURE SOLICITATIONS
 TAKE US OFF THE LIST FOR FUTURE SOLICITATIONS

COMPANY _____ SIGNATURE _____
ADDRESS _____ DATE _____
 _____ PHONE _____

RETURN BY: **MAY 30, 2008**

π First Fold π

-----Tape Here-----

π Second Fold π

Place Postage Here

AEPS RFP
ATTN: JASON RUSK
AMERICAN ELECTRIC POWER SERVICE CORP.
155 W. NATIONWIDE BLVD.
SUITE 500
COLUMBUS OH 43215



AEP: America's Energy Partner®

September 5, 2008

The Fuel, Emissions and Logistics group of American Electric Power Service Corporation ("AEPSC") is seeking proposals for the supply of coal to one or more power plants. AEPSC may enter into one or more spot agreements delivered by rail, barge, or truck, commencing in October 2008 as available. Additionally, AEPSC may enter into one or more term agreements, each for the supply of a minimum of 7,500 tons of coal per month, delivered by rail, barge, or truck, commencing in 2010.

The solicitation seeks coal that meets any of the coal product categories shown on the attached Coal Specification Table. All proposals will have specifically negotiated terms and conditions, but will mirror those included in this solicitation to the nearest degree practicable.

AEPSC is seeking the following proposals:

- (1) That which provides for a spot coal beginning as early as October 2008 and extending up to fifteen months; or beginning in January 2009 and extending up to twelve months or;
- (2) That which provides for a term of 3 years beginning in 2010.

Each valid proposal should include:

- The Seller's and Producer's name(s)
- The location of the mine
- The mine type (surface or underground)
- The seam of coal being mined
- The mine district
- The quality of the fuel product, inclusive of suspension/rejection limits
- The fuel preparation (washed, crushed run-of-mine, synfuel, etc.)
- The tons proposed for delivery each month
- The stated price per ton
- The commencement date and months of delivery.

To access the blank Spot PO form, click on the box below:



Proposals for truck-delivered fuels will be inclusive of delivery costs. Please note that AEPSC has adopted a policy in which AEPSC shall assume no obligation to pay for any fuel being delivered via truck that is in excess of the maximum number of tons that is legally deliverable to the respective plant.

Proposals for rail-delivered fuels will require the rail origin station, the OPSL number, the number of railcars per shipment, the maximum Loadout time, and the station's ability to apply freeze control agents and what those agents would be.

The spot proposal(s) should include a stated price or prices (inclusive of all known or unknown costs associated with existing laws or government impositions) for the relevant term of the proposal(s).

Those submitting a proposal are invited to submit one or both of the proposals and may submit multiple proposals if necessary to accommodate additional sources or pricing methods.

A "Coal Proposal Form" and a "Rail Transportation Facilities Information" sheet, if applicable, or a "Barge Transportation Facilities Information" sheet, if applicable, shall comprise a Coal Proposal Package. Copies of these forms are contained herein. In order to ensure that proposals are responsive to AEPSC's needs and provide a uniform basis for evaluation, those providing offers are requested to complete a Coal

Proposal Package for each submitted offer. Typical coal analyses, including the Proximate, Ultimate, Trace Element and Mineral Ash Analyses, Grindability Index, and Ash Fusion Temperatures, should be submitted with the attached Coal Proposal Package.

The Coal Proposal Package(s), signed by a person having proper authority to legally obligate the offering company, along with any additional supporting material, must be received no later than 5:00 p.m., **Monday, September 15, 2008**. Proposals of spot coal are to be kept open for AEPSC's acceptance until 5:00 p.m., Friday, September 19, 2008. Proposals of term coal are to be kept open for AEPSC's acceptance until 5:00 p.m., Wednesday, September 24, 2008. All proposals are to be submitted by e-mail to coalrfp@aep.com, or by fax to (614) 583-1619 (Attention: Jason Rusk), or delivered in an envelope marked "AEPSC RFP - Proposal" and are to be addressed as follows:

AEPSC RFP – Low Sulfur Proposal
Attn: Jason Rusk, Manager Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus, OH 43215

Proposals will be evaluated based upon the following factors:

- 1) Delivered cost (cents per million Btu)
- 2) Coal quality with appropriate price adjustments for guaranteed percent ash and pounds SO₂ per million Btu based on the relevant SO₂ emissions allowances, inclusive of rejection limits.
- 3) Reliability of supply and transportation flexibility
- 4) Terms and conditions

AEPSC reserves the right to modify or withdraw this invitation, to reject any or all proposals and to terminate any subsequent negotiations at any time. AEPSC also reserves the right to accept one or more proposal(s) for a portion or for all of the quantities of coal it seeks to acquire with this invitation.

AEPSC will consider every submitted offer on a confidential basis.

Those submitting proposals shall be responsible for the completeness and accuracy of all information contained in and used in preparation of its proposal(s) and for having supplied all necessary information.

If you do not wish to submit a proposal in response to this solicitation, please complete and return the attached "Decline To Offer" form on or before Monday, September 15, 2008.

Should further information be required, please contact Jason Rusk by telephone at (614) 583-6275.

Very truly yours,

James D. Henry
Vice President – Eastern Fuel Procurement
AMERICAN ELECTRIC POWER SERVICE CORPORATION

COAL SPECIFICATION TABLE

Specification "A" (CSX Rail):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,500	12,350	< 12,200
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	12.0	12.5	> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60	> 1.60

Specification "B" (CSX Rail OR Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	13,000	12,800	< 12,700
Moisture (%)	7.0	8.0	> 9.5
Ash (%)	7.0	8.0	> 9.0
Sulfur Dioxide (lbs SO ₂ /mmBtu)	2.60	2.80	> 3.05

Specification "C" (Barge or NS Rail):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,500	N/A	< 12,200
Moisture (%)	7.0	8.0	> 10.0
Ash (%)	12.0	12.5	> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.05	1.05	> 1.10
Volatile Matter (%)	30.0	N/A	< 27.0
Hardgrove Grindability	50	N/A	< 48
Ash Fusion Temp. (H=½W)	2700	N/A	< 2450

Specification "D" (NS Rail):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,700	N/A	< 12,300
Moisture (%)	7.0	8.0	> 10.0
Ash (%)	10.0	11.0	> 12.0
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60	> 1.65
Volatile Matter (%)	30.0	N/A	< 27.0
Hardgrove Grindability	55	N/A	< 52
Ash Fusion Temp. (H=½W)	2700	N/A	< 2650

Specification "E" (Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900	< 11,800
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	13.0	13.5	> 13.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	<1.60	1.60	> 1.60

Specification "F" (Barge):

	Contract	Half-Month	Daily/Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900	< 11,800
Moisture (%)	10.0	10.0	> 10.0
Ash (%)	13.0	13.5	> 13.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	<1.20	1.20	> 1.20

Specification "G" (Big Sandy Plant via Truck):

KPSC Case No. 2008-00518
Commission Staff First Set of Data Requests
Date of Order January 23, 2009-02-09
Attachment 24a

	Contract	Half-Monthly	Page Daily	Lot Suspension/Reject
Calorific Value (Btu/lb)	12,000	11,900		< 11,800
Moisture (%)	10.0	10.0		> 10.0
Ash (%)	12.0	12.0		> 12.5
Sulfur Dioxide (lbs SO ₂ /mmBtu)	1.60	1.60		> 1.65

The above contractual specifications may not exactly match one or more of the coal types a prospective supplier may have, but should be included in the one that most closely fits such specification.

American Electric Power
Service Corporation
155 W. Nationwide Blvd
Suite 500
Columbus OH 43215
(614) 583 - 6275

COAL PROPOSAL FORM

To: AEPSC RFP
Jason Rusk – Manager, Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus OH 43215

Details concerning the supply of coal being offered herein to the American Electric Power Service Corp. are provided below:

1. Seller(s): (If Seller is a Sales Agent, include full names, addresses, and telephone numbers of Sales Agent and Producer and attach Producer's signed authorization for Sales Agent to "exclusively" make an offer on behalf of Producer.)

(a) Seller(s):

(b) Producer(s):

2. Name(s) and location(s) of mine(s): (Include name of mine operating company).

3. Quantity offered (tons per month): _____

4. Term: Up to fifteen months (beginning October 2008); or up to twelve months (beginning January 2009); actual length of term shall be designated by AEPSC in the event of its acceptance. Seller is to specify the earliest month coal is available and desired term:

5. Shipping Point(s):

Rail Deliveries

Barge Deliveries

Origin Station: _____

Shipping Point: _____

OPSL No. (Defined in OPSL 6000R): _____

River: _____

No. of railcars/shipment* (>=15): _____

Milepost: _____

Maximum Loadout Time: 24 hrs. 4 hrs.

*The minimum size unit train is 75 railcars. The ability to ship in 90 or 150 railcar minimum unit train shipments may significantly reduce Buyer's transportation rate and thus, the delivered cost.

6. Price: _____ \$/ton. Is this price all-inclusive? _____ yes/no

If no, please fully describe:

6. The quality of spot coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specification Table: Product A Product B Product C Product D Product E Product G

7. Guaranteed coal specifications "As-Received":

	Contracted	Half Month Suspension	Daily/Lot Suspension**	
a) Calorific Value (Btu per pound)	_____	_____	_____	Minimum
b) Total Moisture (%)	_____	_____	_____	Maximum
c) *Ash (%)	_____	_____	_____	Maximum
d) Volatile Matter (%)	_____	_____	_____	Minimum
e) Grindability (Hardgrove Index)	_____	_____	_____	Minimum
f) Ash Fusion Temperature (H = 1/2 W), °F in Reducing Atmosphere	_____	_____	_____	Minimum
g) Sulfur (%)	_____	_____	_____	Maximum
h) *SO ₂ (lbs./MMBtu)	_____	_____	_____	Maximum
i) Chlorine (%)	_____	_____	_____	Maximum
j) Sodium (%)	_____	_____	_____	Maximum
k) Coal Top Size	_____	_____	_____	

* Offer evaluations will include appropriate price adjustments for offers which provide for lower Contracted percent ash and, as applicable, lower Contracted Half-Month SO₂.

** Daily/Lot refers to each barge load of coal or at Buyer's election a composite of two or more barges of coal for barge deliveries or each unit train or the number of cars unloaded (if shipments are tendered in less than 75 car trainload lots) if deliveries are made by rail or each day's unloading if by truck.

8. Type of Mine(s): Surface _____% Underground _____%

9. Mine District: _____

10. Name of Seam(s): _____

11. Preparation: Crushed, run-of-mine _____% Washed _____%

12. Comments: _____

THIS IS A FIRM OFFER TO SUPPLY FUEL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPSC'S ACCEPTANCE THROUGH 5:00 P.M., FRIDAY, SEPTEMBER 19, 2008. UNTIL AEPSC'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPSC'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPSC AND SELLER.

Proposal submitted by:

 (Signature)

 (Title)

 (Company)

**American Electric Power
Service Corporation**
155 W. Nationwide Blvd
Suite 500
Columbus OH 43215
(614) 583 - 6275

COAL PROPOSAL FORM

To: AEPSC RFP
Jason Rusk – Manager, Eastern Fuel Procurement
American Electric Power Service Corp.
155 W. Nationwide Blvd.
Suite 500
Columbus OH 43215

Details concerning the supply of coal being offered herein to the American Electric Power Service Corp. are provided below:

1. Seller(s): (If Seller is a Sales Agent, include full names, addresses, and telephone numbers of Sales Agent and Producer and attach Producer's signed authorization for Sales Agent to "exclusively" make an offer on behalf of Producer.)

(a) Seller(s):

(b) Producer(s):

2. Name(s) and location(s) of mine(s): (Include name of mine operating company).

3. Quantity offered (tons per month): _____

4. Term: Up to five years (2009-2013); actual length of term shall be designated by AEPSC in the event of its acceptance. Seller is to specify the earliest month coal is available:

5. Shipping Point(s):

Rail Deliveries

Barge Deliveries

Origin Station: _____

Shipping Point: _____

OPSL No. (Defined in OPSL 6000R): _____

River: _____

No. of railcars/shipment* (≥ 15): _____

Milepost: _____

Maximum Loadout Time: 24 hrs. 4 hrs.

*The minimum size unit train is 75 railcars. The ability to ship in 90 or 150 railcar minimum unit train shipments may significantly reduce Buyer's transportation rate and thus, the delivered cost.

6. The quality of spot coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specification Table: Product A Product B Product C Product D Product E Product F Product G

7. Guaranteed coal specifications "As-Received":

	Contracted	Half Month Suspension	Daily/Lot Suspension**	
a) Calorific Value (Btu per pound)	_____	_____	_____	Minimum
b) Total Moisture (%)	_____	_____	_____	Maximum
c) *Ash (%)	_____	_____	_____	Maximum
d) Volatile Matter (%)	_____	_____	_____	Minimum
e) Grindability (Hardgrove Index)	_____	_____	_____	Minimum
f) Ash Fusion Temperature (H = 1/2 W), °F in Reducing Atmosphere	_____	_____	_____	Minimum
g) Sulfur (%)	_____	_____	_____	Maximum
h) *SO ₂ (lbs./MMBtu)	_____	_____	_____	Maximum
i) Chlorine (%)	_____	_____	_____	Maximum
j) Sodium (%)	_____	_____	_____	Maximum
k) Coal Top Size	_____	_____	_____	

* Offer evaluations will include appropriate price adjustments for offers which provide for lower Contracted percent ash and, as applicable, lower Contracted Half-Month SO₂.

** Daily/Lot refers to each barge load of coal or at Buyer's election a composite of two or more barges of coal for barge deliveries or each unit train or the number of cars unloaded (if shipments are tendered in less than 75 car trainload lots) if deliveries are made by rail or each day's unloading if by truck.

8. Type of Mine(s): Surface _____% Underground _____%

9. Mine District: _____

10. Name of Seam(s): _____

11. Preparation: Crushed, run-of-mine _____% Washed _____%

12. Comments: _____

THIS IS A FIRM OFFER TO SUPPLY FUEL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPSC'S ACCEPTANCE THROUGH 5:00 P.M., WEDNESDAY, SEPTEMBER 24, 2008. UNTIL AEPSC'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPSC'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPSC AND SELLER.

Proposal submitted by:

 (Signature)

 (Title)

 (Company)

AMERICAN ELECTRIC POWER SERVICE CORPORATION
FIXED PRICE SCHEDULE

3-Year Term Offer

<u>Commencement Date</u>	<u>Year</u>	<u>Base Price per ton FOB “ ” prior to quality adjustments</u>
_____ *	Year 1	\$ _____
	Year 2	\$ _____
	Year 3	\$ _____

* mm/yyyy

Base Price Quality Adjustment: In accordance with AEP's standard Terms and Conditions

AMERICAN ELECTRIC POWER SERVICE CORPORATION
AEPSC RFP - PROPOSAL

RAIL TRANSPORTATION FACILITIES INFORMATION

The following information is required for each rail coal origin that is being bid:

Shipping Point _____; Railroad(s) _____; OPSL No. _____

- 1) What is the *minimum* and maximum unit train size that can be loaded?

- 2) How fast can the indicated unit train be loaded?

- 3) How precisely can the tonnage being loaded in each car be controlled? What car loading precision would be guaranteed?

- 4) Can the loading of the Unit Train start at any time and on any day upon the arrival of the cars?

- 5) Is the assistance of the Railroad's locomotive and crew required to load the train?

- 6) Are there any restrictions that would prevent your ability to load Buyer's 4,000 cubic feet AEPX hopper cars?

- 7) How fast, after loading, can an advanced shipping manifest be FAXED to a location?

- 8) Is equipment available for applying freeze-proofing and/or side release agents?

If there are any questions regarding this information being sought, please contact Byram L. Fager at (614) 583-6273.

Signature

Title

Company

AMERICAN ELECTRIC POWER SERVICE CORPORATION
AEPSC RFP - PROPOSAL

BARGE TRANSPORTATION FACILITIES INFORMATION

The following information is required for each barge coal origin that is being bid:

Loading Dock _____

River Milepost _____

- 1) What is the maximum number of Jumbo Barges that can be loaded in an eight-hour shift?

- 2) How many shifts per day are barges loaded? _____
- 3) How many days per week are barges loaded? _____
- 4) How many loaded and empty Jumbo Barges can be accommodated in the harbor of the above named Loading Dock?

- 5) Does this Loading Dock require the use of a harbor service for fleeting and switching?

- 6) If the answer to #5 is Yes, please identify the required harbor service.

- 7) Can the loading of barges commence at any time on any day upon arrival of the barges?

- 8) How fast after loading can an advanced shipping manifest be FAXED to a location?

If there are any questions regarding this information being sought, please contact Byram L. Fager at (614) 583-6273.

Signature

Title

Company

Kentucky Power Company

REQUEST

List each oral coal supply solicitation issued during the period from May 1, 2008 to October 31, 2008.

- 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.

RESPONSE

- a. There were no oral coal solicitations for Kentucky Power issued during the period.
- b. N/A.

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

For the period from May 1, 2008 to October 31, 2008, list each vendor from whom coal was purchased and the quantities and nature of each purchase (e.g., spot or contract).

RESPONSE

Refer to the table below.

Vendor	Tons Purchased	Spot or Contract
Appalachian Fuels, LLC	61,074	Contract
Argus Energy, LLC	80,554	Contract
Beech Fork Processing, Inc	44,057	Contract
COALSALES, LLC	20,670	Contract
ICG, LLC	93,218	Contract
INR - WV Operating, LLC	84,939	Contract
MC Mining, LLC	60,218	Contract
Rhino Energy LLC	60,841	Contract
Trinity Coal Marketing LLC	133,533	Contract
Arch Coal Sales Inc	61,101	Spot
Black Diamond Mining Company, LLC	138,741	Spot
C&R Holding Kentucky, LLC	1,954	Spot
INR - WV Operating, LLC	18,661	Spot
Laurel Creek Co, Inc	83,594	Spot
Logan & Kanawha Coal Company	9,386	Spot
Louis Dreyfus Energy Services, LP	10,750	Spot
Massey Coal Sales Co	9,902	Spot
Root Hog Coal Inc.	867	Spot
United Coal Company	157,226	Spot
Virginia Electric and Power Co.	29,223	Spot
Virginia Power Energy Marketing Inc.	10,387	Spot

WITNESS: Jason T Rusk

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, 2008 to October 31, 2008 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

May 1, 2008 to October 31, 2008

Coal Burned:	1,049,302 tons
Coal Delivered:	1,170,896 tons
Total Kwh Generated:	2,593,179,000
Capacity Factor	55.40 %

WITNESS: David L. Mell

Kentucky Power Company

REQUEST

- a. During the period from May 1, 2008 to October 31, 2008, have there been any changes to Kentucky Power's written policies and procedures regarding its fuel procurement?
- b. If yes,
 - (1) What were these changes?
 - (2) When were these changes made?
 - (3) Why were they made?
 - (4) Provide these written policies and procedures as changed.
- c. If no, provide the date when Kentucky Power current fuel procurement policies and procedures were last changed and when they were last provided to the Commission.

RESPONSE

- a. There have been no changes to AEP's Coal Procurement Policy.
- b. N/A
- c. AEP's Coal Procurement Policy was last updated in September, 2004. This version was filed with the Commission in February, 2005.

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

- a. Is Kentucky Power aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2008 to October 31, 2008?
- b. If yes, for each violation:
 - (1) Describe the violation;
 - (2) Describe the action(s) that Kentucky Power took upon discovering the violation.
 - (3) Identify the person(s) who committed the violation.

RESPONSE

- a. No
- b. N/A

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

Identify all changes in the organizational structure and personnel of the departments or division that are responsible for Kentucky Power's fuel procurement activities that occurred during the period from May 1, 2008 to October 31, 2008.

RESPONSE

During this review period, Tim K. Light replaced Chuck E. Zebula as Senior Vice President, Fuel, Emissions and Logistics, effective September 1, 2008. Mr. Light reports to Mr. Nick K. Akins, Executive Vice President, Generation. This change was made as a result of Mr. Zebula being named as Treasurer and Senior Vice President, Investor Relations, American Electric Power.

WITNESS: Jason T Rusk

Kentucky Power Company

REQUEST

- a. Identify all changes that Kentucky Power made during the period from May 1, 2008 to October 31, 2008 to its maintenance and operation practices that affect fuel usage at Kentucky Power's generation facilities.
- b. Describe the effect of these changes on Kentucky Power's fuel usage.

RESPONSE

During this period Big Sandy Plant made no changes to operation or maintenance practices that affected fuel useage.

WITNESS: David L Mell

Kentucky Power Company

REQUEST

- a. List all intersystem sales during the period from May 1, 2008 to October 31, 2008 in which Kentucky Power used a third-party's transmission system.
- b. For each sale listed above,
 - (1) Describe how Kentucky Power addressed for fuel adjustment clause 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, 2008 to October 31, 2008:

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 of 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 Interchange 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: Errol K Wagner

Kentucky Power Company

REQUEST

Describe any changes that occurred during the period from May 1, 2008 to October 31, 2008 that affected Kentucky Power's determination of intersystem sales line losses.

RESPONSE

Please see the Company's response to Item No. 32.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

In its most recent 2-year case, 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 in 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

No. As explained at the April 4, 2008 informal conference in Case Nos. 2007-00276 and 2007-00522 KPCo believes it is not appropriate to use the "flash cut" approach. The Company still believes, however, that the "bills rendered" approach is appropriate.

A two-month delay in the adoption of a new base is required because the fuel costs used for calculating the fuel adjustment charge in any month are the actual fuel costs from two months prior. A "flash-cut" when the base is changed will result in over-collection (when the base decreases) or under-collection (when the base increases) for the two months following the "flash-cut". For example, the FAC rate for bills rendered in the June, 2009 billing cycle will be calculated by subtracting the prior base fuel rate from the cost per kWh for April, 2009 (which would be filed with the Commission in May 2009).

In a letter dated May 1, 2008 the Commission Staff agreed that because KPCo uses deferred accounting, the "flash cut" approach resulted in KPCo under collecting \$5,715,451 in Case No. 2006-00507.

KPCo's cycle 1 billing dates for the following revenue months are:

Revenue Month	Billing Date
May, 2009	April 29, 2009
June, 2009	May 29, 2009
July, 2009	June 29, 2009
August, 2009	July 29, 2009

WITNESS: Errol K Wagner

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. 2008-00518
FROM NOVEMBER 1, 2006 THROUGH)
OCTOBER 31, 2008)

DIRECT TESTIMONY

OF

JASON K RUSK

February 11, 2009

DIRECT TESTIMONY OF
JASON T. RUSK, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 2008-00518

1 Q. Please state your name, position and business address.

2 A. My name is Jason T. Rusk. I am employed by the American Electric Power
3 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 Q. Please briefly describe your educational background.

8 A. I graduated from Miami University in 1978 with a Bachelor of Science degree in
9 Finance and Economics. I also earned a Master’s in Business Administration
10 degree from the University of Cincinnati in 1981 with concentration in Finance
11 and Marketing and have completed the AEP-OSU Leadership Program at The
12 Ohio State University.

13 Q. Please describe your professional background.

14 A. I joined AEP in 1981 as an Internal Auditor and transferred to the coal
15 procurement group in 1983 as an Analyst performing economic studies and
16 drafting language for prospective long-term coal contracts. I transferred into the
17 Logistics Group in 1994 to work on numerous special projects, and returned to the
18 Coal Procurement group in 1996. I accepted my current position in the Fuel,
19 Emissions & Logistics group, as Manager, Eastern Fuel Procurement in June
20 2004.

1 Q. What are your principal areas of responsibility as manager of fuel procurement for
2 AEP?

3 A. I am responsible for the procurement of fuel for a portion of AEP's eastern
4 generating fleet, which includes power plants owned and operated by Kentucky
5 Power Company (KPCo), Appalachian Power Company, Indiana Michigan Power
6 Company, and I am also an agent for Ohio Valley Electric Corporation and
7 Indiana Kentucky Electric Corporation.

8 Q. Have you testified before any regulatory agencies?

9 A. Yes. I have testified before the Kentucky Public Service Commission on behalf
10 of Kentucky Power Company. I have also submitted testimony to the Indiana
11 Utility Regulatory Commission and the Michigan Public Service Commission on
12 behalf of Indiana Michigan Power Company, and to the Public Service
13 Commission of West Virginia on behalf of Appalachian Power Company and
14 Wheeling Power Company.

15

16

PURPOSE

17 Q: What is the purpose of your testimony in this proceeding?

18 A: The purpose of my testimony in this proceeding is to address the following issues
19 as directed by the Commission:

20 a) Coal suppliers' adherence to contract delivery schedules during the review
21 period.

22 b) KPCo's efforts to ensure coal suppliers' adherence to contract delivery
23 schedules during the review period.

- 1 c) KPCo’s efforts to maintain the adequacy of its coal supplies in light of any
 2 coal suppliers’ inability or unwillingness to make contract coal deliveries.
- 3 d) Any changes in coal market conditions that occurred during the review
 4 period or that KPCo expects to occur within the next two years that have
 5 significantly affected or will significantly affect KPCo’s coal procurement
 6 practices.
- 7 e) The reasonableness of KPCo’s fuel procurement practices during the
 8 review period.

9

10 CONTRACT DELIVERIES

11 Q. Would you please summarize Kentucky Power’s coal suppliers’ adherence to
 12 contract delivery schedules during the review period?

13 A. During the two year review period, the Company had fifteen agreements with
 14 eleven contract suppliers. These suppliers were: Appalachian Fuels, LLC
 15 (“Appalachian Fuels”), Argus Energy, LLC (“Argus”), Beech Fork Processing,
 16 Inc. (“Beech Fork”), Central Coal Company (“Central Coal”), COALSALES LLC
 17 (“COALSALES”), Eastern Consolidated Energy, Inc. (“Eastern”) ICG, LLC
 18 (“ICG”), INR – WV Operating, LLC (“INR”), MC Mining, LLC (“MC Mining”),
 19 Rhino Energy LLC (“Rhino”), and Trinity Coal Marketing, LLC (“Trinity”).

20 The following table provides pertinent data regarding Kentucky Power’s coal
 21 suppliers’ adherence to contract delivery schedules during the review period from
 22 November 2006 through October 2008. If the contract expired within the review

1 period, then the table reflects the total percent of commitment over the contract's
 2 life:

Vendor	Tons Delivered	Percent of Commitment
Appalachian Fuels, LLC *	248,227	78%
Argus Energy, LLC (3 contracts) *	582,014	98%
Beech Fork Processing, Inc (2 contracts)	49,389	31%
Central Coal Company	121,174	81%
COALSALES, LLC	1,147,189	100%
Eastern Consolidated Energy, Inc *	210,823	66%
ICG, LLC	282,845	88%
INR - WV Operating, LLC	96,652	54%
MC Mining, LLC	100,672	101%
Rhino Energy LLC	91,696	92%
Trinity Coal Marketing LLC (2 contracts)	323,476	77%

* "Tons Delivered" include associated Synfuel processed tonnages.

4
 5 Further information concerning these results is provided below.

6 Q. Would you please describe the Company's efforts to ensure coal suppliers'
 7 adherence to contract delivery schedules during the review period?

8 A. Supplier obligations are handled in a firm, practical, and businesslike manner to
 9 achieve substantial compliance by the supplier consistent with the Company's
 10 overall coal procurement policy and the overriding objective of procuring and
 11 maintaining adequate coal supplies to meet current and anticipated requirements.
 12 When a supplier's performance does not meet the conditions or terms of the
 13 applicable agreement, the Company informs the supplier, takes whatever
 14 corrective action is appropriate under the circumstances, and directs that

1 subsequent performance be in compliance. There are times when disputes
2 regarding a supplier's non-performance cannot be satisfactorily resolved through
3 such means. Those matters are evaluated for further action such as additional
4 negotiation, arbitration if provided by the contract, or litigation, all with due
5 consideration of the desirability to maintain a continuing supply of coal. One of
6 the most significant limitations in KPCo's ability to hold coal suppliers to the
7 terms of their contracts is the protection afforded debtors under the bankruptcy
8 laws.

9 Q. What is the status of the Appalachian Fuels agreement?

10 A. The Appalachian Fuels contract began on January 25, 2007. Appalachian Fuels
11 delivered 78% of the contractual obligation during the review period (94% during
12 2007 and 68% during 2008). KPCo is currently in negotiations with this vendor to
13 resolve performance issues.

14 Q. What is the status of the three Argus agreements?

15 A. The oldest Argus agreement began on February 1, 1999 and ended on December
16 31, 2006. This contract delivered all of its commitment over the life of the
17 contract. The second contract was signed on January 1, 2004 and ended on
18 December 31, 2006. This contract also delivered all of its commitment over the
19 life of the contract. The third contract began on January 1, 2007. During the
20 review period, this contract delivered at 90% of its terms (99% during 2007 and
21 80% during 2008). For the combined contracts, Argus delivered 98% of its
22 commitment over the life of the contracts.

23 Q. What is the status of the two Beech Fork agreements?

1 A. Both Beech Fork contracts were signed on June 13, 2008. One contract provided
2 for the acceptance of responsibility for delivering tonnage amounts back to
3 January 1, 2008. This contract delivered 100% of the base contractual obligation
4 from the contract signing date to the end of the review period. The initial backlog
5 of tons from January 1, 2008 until the contract signing date is scheduled for
6 delivery during 2009. The second contract provides for deliveries starting on
7 October 1, 2008. While no deliveries were made for this contract during the
8 review period, these tons are scheduled to be made up during 2009.

9 Q What is the status of the Central Coal agreement?

10 A. The Central Coal contract began on April 24, 2008. Central Coal delivered 81%
11 of the contractual obligation during the review period. This contract was
12 originally set to expire on July 30, 2010, however, the seller ceased production at
13 the source on March 24, 2008 and no further deliveries are anticipated at this
14 time.

15 Q. What is the status of the COALSALES agreement?

16 A. The COALSALES contract began on December 15, 2004 and expired on
17 December 31, 2007. This vendor delivered 98% of its commitment during the
18 two-year review period and 100% over the life of the contract.

19 Q. What is the status of the Eastern agreement?

20 A. The Eastern contract began on September 25, 2004. Eastern delivered 66% of the
21 contractual obligation during the two-year review period. The delivery term was
22 originally set to expire on February 29, 2008, however, a notice of contract

1 termination was sent to Eastern on July 13, 2007. Specific details regarding this
2 contract and Eastern were discussed during the FAC 2007-00522 hearing.

3 Q. What is the status of the ICG agreement?

4 A. The ICG contract was signed on January 2, 2007. ICG delivered 88% of the
5 contractual obligation during the review period (98% during 2007 and 83%
6 during 2008). The shortage equates to four train loads, all of which are scheduled
7 for delivery in 2009.

8 Q. What is the status of the INR agreement?

9 A. The INR contract began on February 27, 2008. INR provided only 54% of the
10 contractual obligation during the review period due to KPCo's prerequisite that
11 INR fulfill its spot agreement tonnage requirements before initiating deliveries
12 under this contract. The contract delivery shortfall tons are scheduled to be
13 delivered during 2009.

14 Q. What is the status of the MC Mining agreement?

15 A. The MC Mining contract began on December 28, 2007. MC Mining delivered
16 101% of the contractual obligation during the review period.

17 Q. What is the status of the Rhino agreement?

18 A. The Rhino contract was signed on January 7, 2008. Rhino delivered 92% of the
19 contractual obligation during the review period. The one-train shortage was due to
20 a force majeure event and will be made up as soon as possible.

21 Q. What is the status of the two Trinity agreements?

22 A. The first Trinity contract was signed on February 27, 2007. During the two year
23 review period, the vendor delivered 82% of its contractual obligations (102% in

1 2007 and 71% in 2008). The second Trinity contract was signed on November 6,
2 2007, with initial deliveries scheduled for January 1, 2008. This contract delivered
3 at 61% of its obligation during the review period. For the combined agreements,
4 Trinity delivered 77% of its commitments during the two-year review period.
5 This vendor has indicated that permitting issues inhibited their production
6 capabilities. KPCo is investigating this claim.

8 COAL PURCHASING STRATEGY

9 Q: How does KPCO maintain adequate deliveries of coal to the Big Sandy
10 generating station, and what plans does it have for adequate deliveries in the
11 future?

12 A: Each year, at an appropriate time, KPCo solicits sales offers for spot and longer
13 term purchases, with each successive long-term arrangement layered onto the
14 base of existing long-term contracts, while the spot offers address KPCo's current
15 needs. As a part of the overall effort to ensure adequate supply, the company
16 issued solicitations in May and September, 2008. KPCo has been able to
17 maintain adequate deliveries of coal to the Big Sandy generating station during
18 the review period

19 Q. Were there any changes in coal market conditions that occurred during the review
20 period or that KPCo expects to occur within the next two years that have
21 significantly affected or will significantly affect KPCo's coal procurement
22 practices?

23 A. Yes. Starting in late 2007, conditions occurred in the fuels market that caused

1 prices to become very volatile. The balance between supply and demand shifted
2 on a global scale, and its impact on the U.S. coal market was, and has been,
3 unprecedented. International demand for U.S coal, coupled with sustained
4 domestic usage resulted in a shortage of available eastern bituminous coal supply
5 and a significant escalation upward of coal prices. Additionally, during 2008, the
6 U.S. dollar decreased in value against most major foreign currencies. This trend
7 directed more eastern bituminous U.S. coal away from the domestic market and
8 into the international export market. Thus, KPCo was confronted with higher
9 than anticipated coal market prices. Market prices peaked during the summer of
10 2008. During the fourth quarter of 2008, market prices declined, most likely due
11 to problems in the world-wide financial markets. KPCo anticipates that market
12 prices will continue to fluctuate over the next two years.

13 Q: Is risk assessment an important factor in KPCo's coal purchasing decisions?

14 A: Yes. KPCo considers a vendor's financial status, ability to deliver and past
15 performance when evaluating its decision to do business with that supplier.
16 Purchases from reliable vendors serve to enhance KPCo's security of supply.

17 Q. Were KPCo's fuel procurement practices reasonable during the review period?

18 A. Yes. KPCo's coal purchases were fair and reasonable during the review period
19 recognizing its goal of obtaining the lowest reasonable delivered cost over a
20 period of years consistent with the obligations of the Company to provide
21 adequate and reliable service to its customers and meet environmental standards.

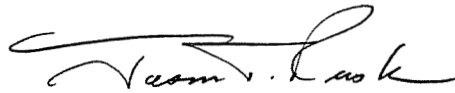
22 Q: Does this conclude your direct testimony?

23 A: Yes.

VERIFICATION

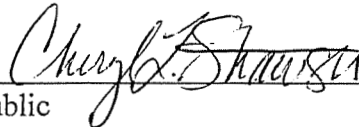
STATE OF OHIO)
) SS
COUNTY OF FRANKLIN)

The undersigned, Jason T. Rusk, being duly sworn, deposes and says that he is the Manager – Eastern Fuel Procurement for American Electric Power Service Corporation, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



JASON T. RUSK

Subscribed and sworn to before me, a Notary Public in and before the said County and State, by Cheryl L. Strawser, this the 9th day of February, 2009.



Notary Public

My Commission Expires: October 1, 2011

CHERYL L. STRAWSER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 10-01-11

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. 2008-00518
FROM NOVEMBER 1, 2006 THROUGH)
OCTOBER 31, 2008)

DIRECT TESTIMONY
OF
ERROL K WAGNER

February 11, 2009

**DIRECT TESTIMONY OF
ERROL K WAGNER, ON BEHALF OF
KENTUCKY POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 2008-00518**

Introduction

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

3 A. My name is Errol K. Wagner. My position is Director of Regulatory
4 Services, Kentucky Power Company (KPCo or Company). My business
5 address is 101A Enterprise Drive, Frankfort, Kentucky 40602.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND**
7 **AND BUSINESS EXPERIENCE.**

8 A. I received a Bachelor of Science degree with a major in accounting from
9 Elizabethtown College, Elizabethtown, Pennsylvania in December 1973. I
10 am a Certified Public Accountant. I worked for two certified public
11 accounting firms prior to joining the Pennsylvania Public Utility
12 Commission Staff in 1976. In 1982, I joined the American Electric Power
13 Service Corporation (AEPSC) as a Rate Case Coordinator. In 1986, I
14 transferred from AEPSC to Kentucky as the Assistant Rates, Tariffs and
15 Special Contracts Director. In July 1987, I assumed my current position.

16 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF**
17 **REGULATORY SERVICES?**

18 A. I supervise and direct the Regulatory Services of the Company, which has
19 the responsibility for rate and regulatory matters affecting Kentucky
20 Power Company. This would include the preparation of and coordination

1 of the Company's exhibits and testimony in rate cases, fuel adjustment
2 clause reviews and any other formal filings before state and federal
3 regulatory bodies. Another responsibility is assuring the proper
4 application of the Company's rates in all classifications of business.

5 **Q. TO WHOM DO YOU REPORT?**

6 A. I report to the President of Kentucky Power Company, Timothy C.
7 Mosher, who is also located in Frankfort, Kentucky.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS**
9 **COMMISSION?**

10 A. Yes, I have testified before this Commission in numerous regulatory
11 proceedings involving the adjustment in electric base rates; the application
12 of the fuel adjustment clause; the operation of the environmental cost
13 recovery mechanism; approval of certificates of public convenience and
14 necessity and other regulatory matters.

Purpose of Testimony

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. The purpose of my testimony is to support the Company's proposed
17 change to the base fuel amount that is built into base rates. I will also
18 address the Commission's questions regarding the wholesale electric
19 power market.

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

22 A. As demonstrated in the Company's response of the Commission's data
23 requests dated January 23, 2009, Item Nos. 1, 2, 3 and 4, the Company is

1 proposing to increase the base fuel amount built into base rates by .716
2 cents per kWh, or from 2.124 cents per kWh to 2.840 cents per kWh.

3 **Q. HOW DID THE COMPANY DETERMINE IT WOULD BE**
4 **APPROPRIATE TO CHANGE THE BASE FUEL AMOUNT THAT**
5 **IS BUILT INTO BASE RATES?**

6 A. First, the Company looked at the historical cost of fuel during the two
7 years under review. Looking at the two year period, the fuel costs actually
8 incurred ranged from a low of 1.956 cents per kWh in the month of
9 November 2006 to a high of 3.618 cents per kWh in the month of
10 September 2008. Second, the Company reviewed the last six month's
11 (May 2008 – October 2008) actual monthly fuel costs. These ranged from
12 a low of 2.233 to a high of 3.618 cents per kWh, as shown in the chart
13 below.

May 2008	2.233
Jun 2008	2.840
Jul 2008	2.786
Aug 2008	3.373
Sep 2008	3.618
Oct 2008	3.550
6 Mo Median	2.829
6 Mo. Avg.	3.067

14 Third, the Company looked at its forecasted cost of fuel for the calendar
15 years 2009 and 2010. The Company's best estimate as to what the fuel
16 costs will be for the two calendar years are 2.815 cents per kWh

1 (\$211,010,700 / 7,495,018,325) for calendar year 2009 and 2.851
2 (\$215,139,200 / 7,545,228,002) for calendar year 2010.

3 The average of the four six month-period averages was 2.421 cents per
4 kWh. As the chart demonstrates above, the average for the most recent
5 six-month period is 3.067 and the median for the same period is 2.829.
6 Finally, the average for 2009 and 2010 forecasted price is 2.833. As each
7 of these measures indicates, fuel costs have increased over the past two-
8 year and six-month periods, and are projected to be significantly higher
9 than the current base in 2009 and 2010.

10 **Q. WHAT WAS THE NEXT STEP IN THE ANALYSIS?**

11 A. The Company looked at actual prices during the most recent six-month
12 review period. The June, 2008 price of 2.840 cents per kWh is the price
13 that is closest to (a) the median of the past six months and (b) the average
14 of the projected prices for 2009 and 2010 (2.833 cents per kWh),
15 therefore, the Company selected June 2008 as its base month because fuel
16 costs during the review period have been increasing and June's 2.840
17 cents per kWh is a recent month in which the actual results are known.

18 Based on this analysis, the Company believes that a change in the base
19 fuel amount built into base rates to 2.840 cents per kWh from 2.124 cents
20 per kWh is reasonable.

21 **Q. HAS THE COMPANY PREPARED TARIFFS THAT REFLECT**
22 **THE PROPOSED CHANGE OF THE BASE FUEL AMOUNT**
23 **THAT IS BUILT INTO BASE RATES?**

1 A. Yes. The Company's response to the Commission Data Request Item No.
2 17 includes a copy of the tariffs that reflect the proposed change of the
3 base fuel amount that is built into base rates.

WHOLESALE ELECTRIC POWER MARKET

4 **Q. HAVE THERE BEEN ANY CHANGES IN THE WHOLESALE**
5 **ELECTRIC POWER MARKET THAT OCCURRED DURING THE**
6 **REVIEW PERIOD?**

7 A. No. AEP has not experienced or observed significant changes in the
8 wholesale electric market that affected AEP's electric power procurement
9 practices during the review period.

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

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

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

19 A. Pursuant to the FERC-approved AEP East System Interconnection
20 Agreement, the member companies, including Kentucky Power Company,
21 benefit through the economic utilization of resources, which includes AEP
22 generation and third party power purchases. In brief, the lowest energy
23 cost resources are assigned to internal load. Purchases are made when it is
24 economic to do so and are used to meet internal load requirements when
25 less expensive than AEP generation.

Conclusion

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A. Yes.**

