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Via Overnight Mail

June 6, 2012

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

JUN 07 2012

PUBLIC SERVICE
COMMISSION

Re: Case No. 2012-00226

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies each of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC's PETITION TO INTERVENE and its RESPONSE AND MOTION TO DISMISS IN OPPOSITION TO APPLICATION TO WITHDRAW TARIFF RTP for filing in the above-referenced docket.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody M. Kyler, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy via electronic mail (when available) and regular U.S. Mail to all parties on this 6th day of June, 2012.



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RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

JUN 07 2012

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF: THE APPLICATION OF KENTUCKY POWER :
COMPANY TO WITHDRAW ITS TARIFF RTP PENDING SUBMISSION :
BY THE COMPANY AND APPROVAL BY THE COMMISSION OF A :
NEW REAL-TIME PRICING TARIFF :
:

Case No. 2012-00226

PETITION TO INTERVENE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Pursuant to K.R.S. §278.310 and 807 KAR 5:001 Section 3(8), Kentucky Industrial Utility Customers, Inc. ("KIUC") requests that it be granted full intervenor status in the above-captioned proceeding and states in support thereof as follows:

1. KIUC is an association of the largest electric and gas public utility customers in Kentucky. The purpose of KIUC is to represent the industrial viewpoint on energy and utility issues before this Commission and before all other appropriate governmental bodies. The members of KIUC who will participate herein are: Air Liquide Large Industries U.S. LP, AK Steel Corporation, Air Products & Chemicals, Inc., EQT Corporation and Catlettsburg Refining LLC, a subsidiary of Marathon Petroleum LP. KIUC will supplement the names of additional intervenors when necessary.
2. The matters being decided by the Commission in this case may have a significant impact on the rates paid by KIUC for electricity. Electricity represents a significant cost of doing business for KIUC. The attorneys for KIUC authorized to represent them in this proceeding and to take service of all documents are:

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3. The position of KIUC cannot be adequately represented by any existing party. KIUC intends to play a constructive role in the Commission's decision-making process herein and KIUC's participation will not unduly prejudice any party.

WHEREFORE, KIUC requests that it be granted full intervenor status in the above captioned proceeding.

Respectfully submitted,



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Kurt J. Boehm, Esq.

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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

June 6, 2012

RECEIVED

JUN 07 2012

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF: THE APPLICATION OF KENTUCKY POWER :
COMPANY TO WITHDRAW ITS TARIFF RTP PENDING SUBMISSION :
BY THE COMPANY AND APPROVAL BY THE COMMISSION OF A : Case No. 2012-00226
NEW REAL-TIME PRICING TARIFF :
:

RESPONSE AND MOTION TO DISMISS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
IN OPPOSITION TO APPLICATION TO WITHDRAW TARIFF RTP

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JUNE 6, 2012

TABLE OF CONTENTS

INTRODUCTION..... 1

ARGUMENT 2

 A. The Application To Withdraw The Existing RTP Tariff Is In Direct Contravention To The Commission
 Approved Unanimous Settlement Agreement In Kentucky Power’s Last Rate Case 2

 B. Kentucky Power’s Application Is Not In The Public Interest..... 3

 1. The Very Low PJM RPM Capacity Pricing For 2012/2013 Was Known To AEP A Full Year Before
 The Unanimous Settlement Agreement Was Signed..... 3

 2. Other Customers Will Not Be Harmed By Enforcing The Unanimous Settlement Agreement,
 And May Be Benefited Through The System Sales Tracker. 5

 3. KIUC Member Companies Have Relied On The Settlement Agreement And Have Been
 Considering RTP Pricing For Many Months And Fully Intend To Use This Lawful Rate. 5

 4. Nothing In The Existing RTP Tariff Requires A Customer Load Shift To Reduce Its Cost. 7

REQUEST FOR RELIEF 8

CONCLUSION..... 9

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF: THE APPLICATION OF KENTUCKY POWER :
COMPANY TO WITHDRAW ITS TARIFF RTP PENDING SUBMISSION :
BY THE COMPANY AND APPROVAL BY THE COMMISSION OF A : Case No. 2012-00226
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:**

**RESPONSE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
IN OPPOSITION TO APPLICATION TO WITHDRAW TARIFF RTP**

INTRODUCTION

On June 1, 2012, Kentucky Power Company (Kentucky Power or AEP) filed an Application to Withdraw its Tariff RTP. KIUC opposes this Application as it is in direct violation of the Commission approved Unanimous Settlement Agreement in Case No. 2009-00459.

The Application is also not in the public interest because: 1) Kentucky Power's forecasted revenue loss of \$10-\$20 million is primarily based upon PJM capacity pricing for the 2012/2013 PJM Planning Year which was known to Kentucky Power in May, 2009, a full year before it signed the Unanimous Settlement Agreement on May 20, 2010; 2) enforcing the Settlement will not increase costs to other consumers because any revenue loss to the utility will be limited to a twelve month period and will therefore be one-time, non-recurring and not recoverable in a general rate case; 3) changing the RTP Tariff would deny at least three industrial consumers the potential (not guarantee) to reduce their electricity costs pursuant to the RTP Tariff after they have engaged in months of review and analysis in reliance on their bargained for rights pursuant to the Unanimous Settlement Agreement; and 4) the existing RTP Tariff specifically allows for a customer to buy part of its service on a cost-based tariff and part on a real-time market rate, and nothing in the tariff requires a customer load shift to reduce its costs.

ARGUMENT

A. The Application To Withdraw The Existing RTP Tariff Is In Direct Contravention To The Commission Approved Unanimous Settlement Agreement In Kentucky Power's Last Rate Case

Kentucky Power's last base rate case (Case No. 2009-00459) was resolved pursuant to a Unanimous Settlement Agreement. Numerous issues were addressed, including a provision which extended the "existing RTP Tariff" for an additional three years. The parties specifically bargained for the three year extension of the "existing" RTP Tariff, not a substitute or modified version. Paragraph 9 (a) of the Unanimous Settlement Agreement provides:

"The existing RTP Tariff shall be extended for an additional three-year period; further the tariff shall be amended to permit customers to enroll at any point during a year for a minimum twelve consecutive month period."

The Unanimous Settlement Agreement also required the signatory Parties to act in good faith and support enforcement of the Settlement Agreement.

"14 (b) Kentucky Power and the Intervenors shall act in good faith and use their best efforts to recommend to the Commission that this Unanimous Settlement Agreement be approved in its entirety and without modification, and that the rates and charges set forth herein implemented.... (d) Kentucky Power and the Intervenors further agree to support the reasonableness of this Unanimous Settlement Agreement before the Commission, and to cause their counsel to do the same, including in connection with any appeal from the Commission's adoption or enforcement of this Settlement Agreement."

The Commission's June 28, 2010 Order approving the Unanimous Settlement Agreement correctly summarized the three year extension of the "existing" RTP tariff (not some modified version which has not yet been disclosed) at page 6 as follows:

"Kentucky Power's existing Real-Time Pricing tariff shall be continued for three years, with customers able to enroll at any point during a year for a minimum period of 12 months."

Kentucky Power's June 1, 2012 Application to Withdraw Tariff RTP and replace it with some yet to be disclosed replacement is in violation of the Unanimous Settlement Agreement. KIUC bargained for and relied upon this provision of the Settlement. Concessions were made to AEP in exchange for the right to have the

existing RTP Tariff extended for three years. AEP's attempt to renege on this part of the Settlement constitutes bad faith and should not be formally condoned by this Commission. As a matter of policy and precedent, this is an important principle. If other utilities believe that settlement agreements made by them and approved by the Commission can be changed to the detriment of one of the signatory parties, then the settlement process is compromised and made less effective. If settlement agreements are allowed to be changed after the fact, then parties are less likely to resolve matters by negotiations.

B. Kentucky Power's Application Is Not In The Public Interest

1. The Very Low PJM RPM Capacity Pricing For 2012/2013 Was Known To AEP A Full Year Before The Unanimous Settlement Agreement Was Signed.

This matter should be decided within the four corners of the Unanimous Settlement Agreement, and Kentucky Power's Application should be dismissed on that ground. But if the Commission incorrectly decides to look beyond the Settlement Agreement itself, then Kentucky Power's Application lacks merit and is not in the public interest.

AEP's complaint essentially comes down to this: Because the RTP Tariff is now likely to save consumers money, which may in turn cost AEP's shareholders, the rate should be terminated. At paragraph 11 of its Application, Kentucky Power estimates that it will experience a revenue loss of approximately \$10 million to \$20 million during the period July 1, 2012 to June 30, 2013. This estimated revenue loss is primarily based on the difference between its retail demand charge for capacity and the PJM RPM Resource Auction price for capacity. AEP calculates that the PJM RPM capacity price is \$0.501/kw/month (\$16.46/mw-day) or just 3.8% of its average embedded capacity costs for eligible RTP customers of \$13.165/kw month (Application at ¶18).

In its Application AEP refers to a "*precipitous drop in [PJM RPM] capacity prices*" (Application at ¶17) as if this were a newly discovered event. It is not. AEP knew to the penny the PJM RPM capacity price for the 2012/2013 PJM Planning Year a full year before it signed the Unanimous Settlement Agreement. The PJM RPM capacity price is determined by a Base Residual Auction held during the month of May three years prior to the start of the Delivery Year. This means that the Base Residual Auction that determined the PJM RPM capacity

price for the 2012/2013 PJM Planning Year of \$16.46/mw-day (\$0.501/kw/month or 3.8% of Kentucky Power's embedded cost) was conducted in May 2009. This was a full year before it signed the Unanimous Settlement Agreement. (See Attachment A).

In May 2009 Kentucky Power knew that the PJM RPM capacity price for the 2012/2013 Planning Year was \$16.46/mw-day, or only 3.8% of its embedded cost. Yet it agreed to a three year extension of the "existing" RTP Tariff in the May 20, 2010 Unanimous Settlement Agreement. The "*precipitous drop*" in PJM capacity prices it now complains of was known for more than a year before KIUC and the other parties settled the Kentucky Power rate case. Therefore, there is no new or unexpected event which can serve as the basis for changing the agreement the parties relied upon and which the Commission approved.

Our final point with respect to capacity pricing is that AEP's economic analysis is incomplete and misleading. Kentucky Power's retail demand charge of \$13.165/KW/month is based on its average embedded cost of base load coal generation. The current PJM RPM capacity rate of \$16.46/MW-day is based on a marginal cost auction. Comparing average cost to marginal cost for capacity is apples to oranges. To get the full economic picture energy needs to be included. The quid pro quo for paying a retail average embedded cost for capacity is the entitlement to the utility's average energy costs. By contrast, in PJM energy is priced on marginal costs. Marginal energy prices, especially during on-peak hours, will almost certainly be higher than Kentucky Power's average energy costs which are predominately based on coal.

In addition to capacity pricing, the other component which presumably serves as the basis for AEP's forecasted revenue loss of \$10-\$20 million is the expectation that the depressed PJM LMP energy market will continue. The estimated revenue loss is also based on the "*expected low locational marginal prices (LMP) for energy, between now and the June 29, 2013 scheduled end*" of the existing RTP Tariff. (Application at ¶7). But the fact that PJM's marginal energy prices might be depressed in the 2012/2013 time frame was known or should have been known to AEP when it signed the Unanimous Settlement Agreement. PJM LMP marginal energy prices change hourly. At the time the Unanimous Settlement Agreement was signed in May 2010, none of the parties could have forecasted with precision what those energy prices would be in 2012/2013. This was a

risk all parties accepted. But for recent shale gas discoveries and low natural gas prices, PJM LMP marginal energy prices could just have easily been inflated rather than depressed. In fact, one of the biggest risks that an RTP customer takes is that PJM market energy prices will change over the next year thus making its decision to use RTP pricing a bad economic one. PJM marginal energy costs, especially during on-peak hours, routinely are many times greater than Kentucky Power's average coal-based energy charges. Speculation about the volatility of energy prices is not valid reason to renege on a Commission approved Settlement.

2. Other Customers Will Not Be Harmed By Enforcing The Unanimous Settlement Agreement, And May Be Benefited Through The System Sales Tracker.

Kentucky Power avers that granting its Application will avoid "*financial harm to the Company and its customers.*" (Application at ¶17). On the contrary, customers stand to lose if the Application is granted. Whatever revenue loss the Company may suffer during the final year of the RTP Tariff will be one-time and non-recurring (assuming the RTP Tariff is allowed to expire by the terms of the Unanimous Settlement Agreement). Therefore, that loss will not be recoverable in a base rate case or otherwise.

Further, nonparticipating customers could very well benefit from the RTP program through increased profits from off-system sales that are automatically passed through the System Sales Tracker. Increased profits from off-system sales would likely occur as native load energy is freed up for resale into the wholesale market when the RTP customers buy market energy. While AEP's shareholders may suffer a loss from the enforcement of the Unanimous Settlement Agreement, customers will not.

3. KIUC Member Companies Have Relied On The Settlement Agreement And Have Been Considering RTP Pricing For Many Months And Fully Intend To Use This Lawful Rate.

Kentucky Power refers to three customers who have expressed interest in the RTP Tariff. (Application at ¶11). Those three customers are all KIUC members, and are: Catlettsburg Refining LLC, a subsidiary of Marathon Petroleum LP ("Marathon"), AK Steel Corporation and Air Products and Chemicals, Inc. Transferring to an RTP rate is not an easy decision for an industrial customer to make. As is evident from the multitude of correspondence dating back to March of this year (attached), the matter has been under serious consideration

and review. KIUC has relied on the existence of the RTP Tariff and the integrity of the Settlement process. Even though capacity savings are certain, there are no guarantees about market energy pricing. It is possible that high market energy prices could make the RTP rate uneconomic, but all three KIUC companies are willing to take that risk. It is an option they bargained for as part of the Unanimous Settlement Agreement, and it is wrong for AEP to try to deny them that right.

The recent history of discussions and negotiations between Marathon and Kentucky Power demonstrates the unreasonableness of abruptly changing the existing RTP Tariff. Attached are a series of e-mails detailing those discussions. The e-mails regarding transferring part of the Marathon load to RTP began on March 2, 2012. On March 13, 2012, Kentucky Power informed Marathon that based upon 2011 LMP data *“the migration of 50 MW to RTP would have produced approximately \$750,000 in annual savings.”* On April 27, 2012, Kentucky Power provided Marathon with a three page draft RTP Addendum. According to Kentucky Power, *“this addendum is devised to become a part of your existing contract if you choose to migrate all or a portion of your existing 145 MW capacity to RTP.”*

As recently as May 16, 2012 Marathon was assured by Kentucky Power that delaying the execution of the Addendum would not cause Marathon to lose its position in the RTP queue. *“I discussed the proposed modifications in the Addendum with Kentucky Power’s Ranie Wohnhas. If the need for this revised language is to guarantee Marathon a place in the ‘queue’ for RTP, there is no need. According to Ranie, although the addendum is yet to be executed, **Kentucky Power still considers Marathon to be in the ‘queue’ for RTP.**”* (Emphasis in original). In the same e-mail, Marathon was assured that no changes in the RTP rate structure are anticipated and that delaying execution of the Addendum would not be an issue. *“[A]s noted, Kentucky Power expects to be filing the new RTP rate in a couple of weeks. We do not anticipate any changes in the methodology of determining the rate structure. We will share the rate information with you at that time. Since we have language in the current Addendum that is acceptable to both parties, I recommend that we revisit the execution of the Addendum in its current form at that time.”* (Emphasis added).

Despite this May 16, 2012 assurance that the Addendum was fine and no changes in the RTP methodology are anticipated, it was only two weeks later that Marathon was blindsided by Kentucky Power's June 1, 2012 application to withdrawal the existing RTP Tariff and replace it with a different, and from the customers prospective, almost assuredly worse substitute.

4. Nothing In The Existing RTP Tariff Requires A Customer Load Shift To Reduce Its Cost.

Kentucky Power premises much of its Application on the assertion that the RTP Tariff is intended to apply only to customers that can shift their usage patterns. *"Tariff RTP was intended to provide Kentucky Power customers the opportunity to manage their electric costs by shifting load periods ... Nothing in the Commission's order approving the tariff suggests the Commission intended that customers receive the benefits of Tariff RTP without either increasing their off-peak load or shifting their usage from on-peak to off-peak periods."* (Application at ¶4). These assertions are flatly contradicted by the RTP Tariff itself. The RTP Tariff describes the program as applying to both customers that can load shift as well as offering *"the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices."*

"PROGRAM DESCRIPTION.

The Experimental Real-Time Pricing Tariff is voluntary and will be offered on a pilot basis through June 2013. The RTP Tariff will offer customers the opportunity to manage their electric costs by shifting load from higher cost to lower cost pricing periods or by adding new load during lower price periods. The experimental pilot will also offer the customer the ability to experiment in the wholesale electricity market by designating a portion of the customer's load subject to standard tariff rates with the remainder of the load subject to real-time prices. The designated portion of the customer's load is billed under the Company's standard Q.P. or C.I.P.-T.O.D. tariff. The remainder of the customer's capacity and energy load is billed at prices established in the PJM Interconnection, L.L.C. (PJM) RTO market." (Emphasis added).

Marathon, AK Steel and Air Products intend to use the RTP Tariff exactly as written by buying part of their power at cost-based tariff rates and the remainder at PJM market rates.

At no point during the negotiations and discussions did Kentucky Power ever assert or imply that the RTP Tariff was intended to apply only to customers that could load shift. To the contrary, Marathon was repeatedly assured that cost savings could be achieved while having the customer maintain its same production

schedule. The notion that RTP should only benefit a customer that changes its production schedule is contrary to the Tariff and is a new theory presented by AEP in this case as an after-the-fact justification for changing the existing program¹. It is certainly true that the RTP Tariff could have been written to only reward customer load shifts. But that is not how the existing RTP Tariff is actually written. A load shifting RTP Tariff was not the rate agreed to in the Unanimous Settlement Agreement. There are many components in the Unanimous Settlement Agreement (i.e., \$63.66 million rate increase, 10.5% ROE in the environmental surcharge, 60/40 sharing of off-system sales profits) that could have been negotiated and written differently. It would be inherently unreasonable and unlawful to give Kentucky Power the benefit of its bargain, but deny the members of KIUC the benefit of theirs.

REQUEST FOR RELIEF


Kentucky Power's June 1, 2012 Application should be dismissed as a matter of law as being in violation of the Unanimous Settlement Agreement in Case No. 2009-00459. If the application is not dismissed, then it should be denied as not being in the public interest. If the Commission opens an investigation in this matter, then the three KIUC customers who are in the process of switching load to RTP should be allowed to do so under the existing RTP Tariff, including capacity pricing at the current PJM RPM capacity rate of \$16.46/MW-day, during the investigation. Updating the capacity charge to reflect the current PJM RPM rate is required by the existing RTP Tariff. *"The Capacity Charge, stated in \$/KW, will be determined from the auction price set in the Reliability Pricing Model (RPM) auction held by PJM for each PJM planning year"*. (Tariff RTP, p. 1). Failing to follow the lawful filed RTP rate during the pendency of any investigation would allow AEP to avoid its obligations under the Unanimous Settlement Agreement during the investigation.

¹ Contrary to Kentucky Power's assertions, it is very likely that some KIUC members would in fact respond to PJM marginal energy cost price signals and reduce usage during high priced hours. This would certainly be the case for Air Products and AK Steel.

CONCLUSION

WHEREFORE, this Commission should enforce the Unanimous Settlement Agreement consistent with this Response.

Respectfully submitted,



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**COUNSEL FOR KENTUCKY INDUSTRIAL
UTILITY CUSTOMERS, INC.**

June 6, 2012

ATTACHMENT A

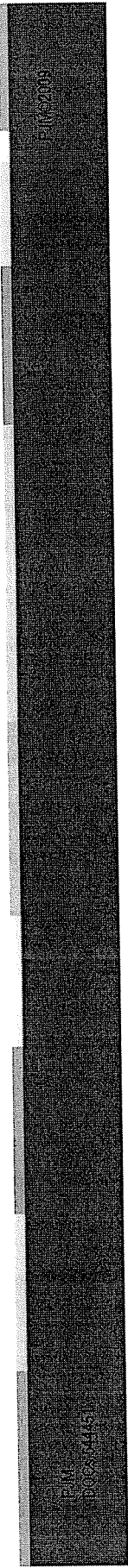


RPM Auction Results
2012/2013 BRA

July 1, 2009

MADRI

Philadelphia, PA





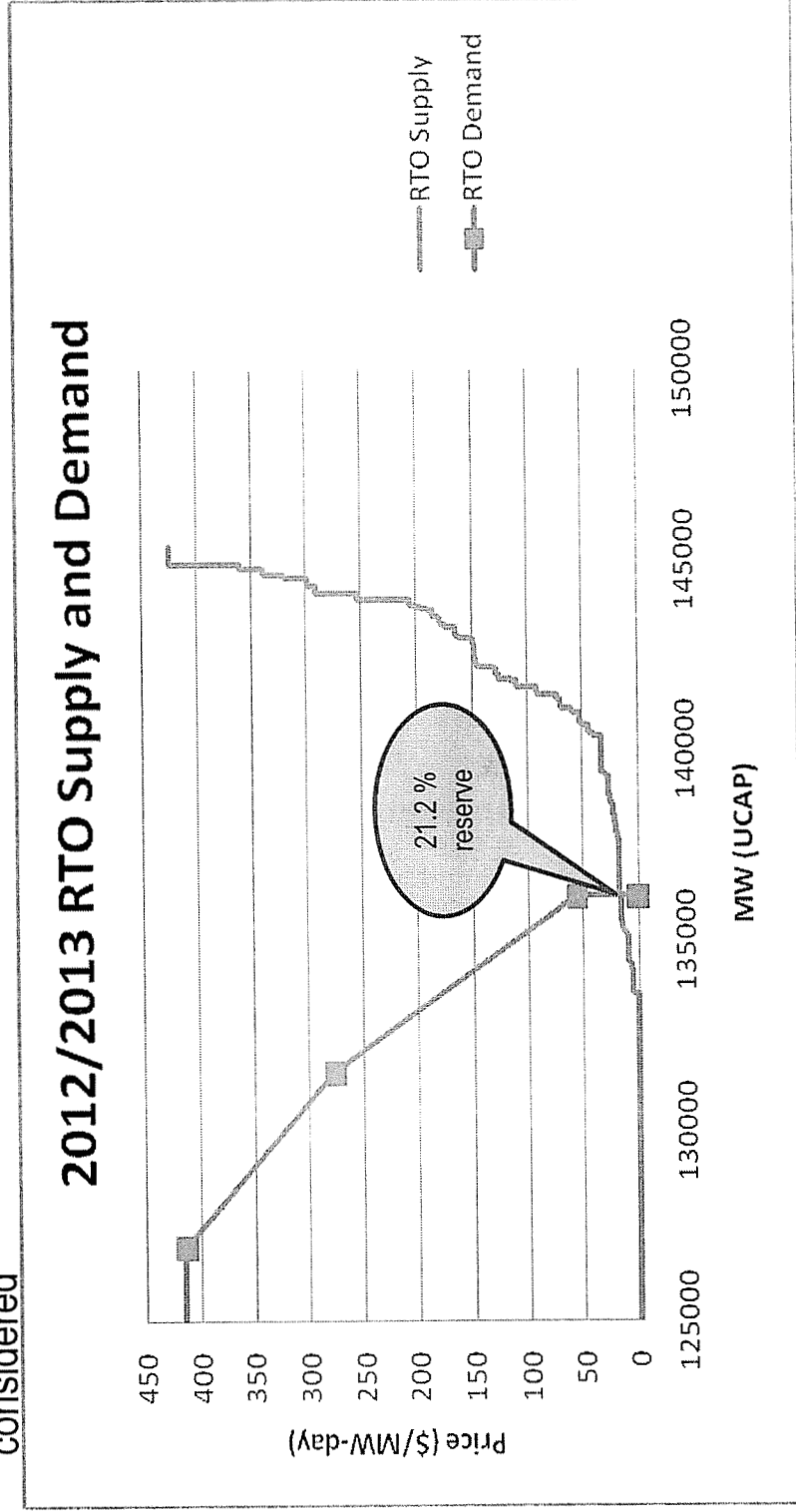
Key Changes for 2012/2013 BRA

- Changes that impacted the Demand Curve:
 - Load in the Duquesne Zone was included in the RTO Demand Curve
 - Cost of New Entry (CONE) updated per the March 26, 2009 FERC Order
 - ILR Forecast was replaced with Short Term Resource Procurement value (2.5% of RTO Reliability Requirement removed from Demand Curve, 3343 MW)
 - LDAs modeled: LDA with CETL < 115% CETO; LDA that was binding three immediately preceding BRAs; EMAAC, SWMAAC, and MAAC in all BRAs.
- Changes that impacted the Supply Curve:
 - ILR Program discontinued – several thousand MW of interruptible load offered into the auction as Demand Response resources.
 - Energy Efficiency and Planned External Generation were permitted to offer as Capacity Resources
 - Generation sell offer changes: removal of EFORD Risk Segment and change to the maximum sell offer EFORD that may be offered
 - Existing Generation Resources planning large capital expenditures could elected New Entry Pricing Adjustment Option
 - ACR default values (default offer caps) were adjusted to reflect 2012/2013 values.



RTO-Level Results

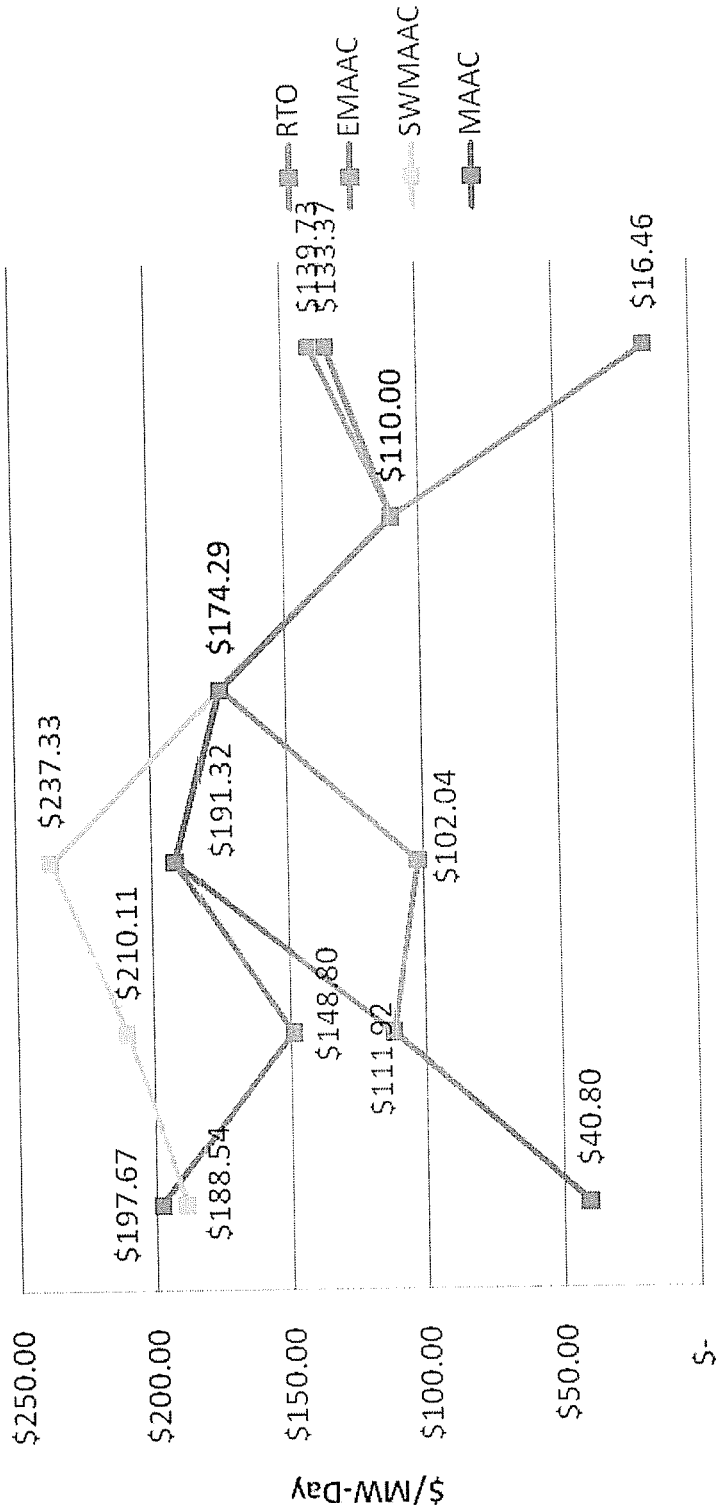
- 136143.5 MW of cleared capacity in the RTO
- RTO Resource Clearing Price = \$16.46
- Reserve Margin = 21.2% at intersection of supply/demand curves, or 20.9% if FRR load is considered





Historic Base Residual Auction Clearing Prices

RPM Base Residual Auction Resource Clearing Prices (RCP)



2007/2008 2008/2009 2009/2010 2010/2011 2011/2012 2012/2013



LDA-Level Results

- LDAs modeled: MAAC, EMAAC, SWMAAC, PS, PS-North, DPL-South
- MAAC, EMAAC, PS-North, and DPL-South were binding LDAs

Auction Results		RTO	MAAC	EMAAC	SWMAAC	PSEG	PS-NORTH	DPL-SOUTH
Offered MW (UCAP)		145,373.3	68,282.5	32,982.5	12,395.8	7,431.4	3,745.3	1,498.9
Cleared MW (UCAP)		136,143.5	65,452.3	31,080.2	11,594.5	7,194.0	3,521.9	1,241.5
Resource Clearing Price	\$	16.46	\$ 133.37	\$ 139.73	\$ 133.37	\$ 139.73	\$ 185.00	\$ 222.30
Locational Price Adder*	\$	-	\$ 116.91	\$ 6.36	\$ -	\$ -	\$ 45.27	\$ 82.57

*Locational Price adder is with respect to the immediate parent LDA



Demand Side Response Participation

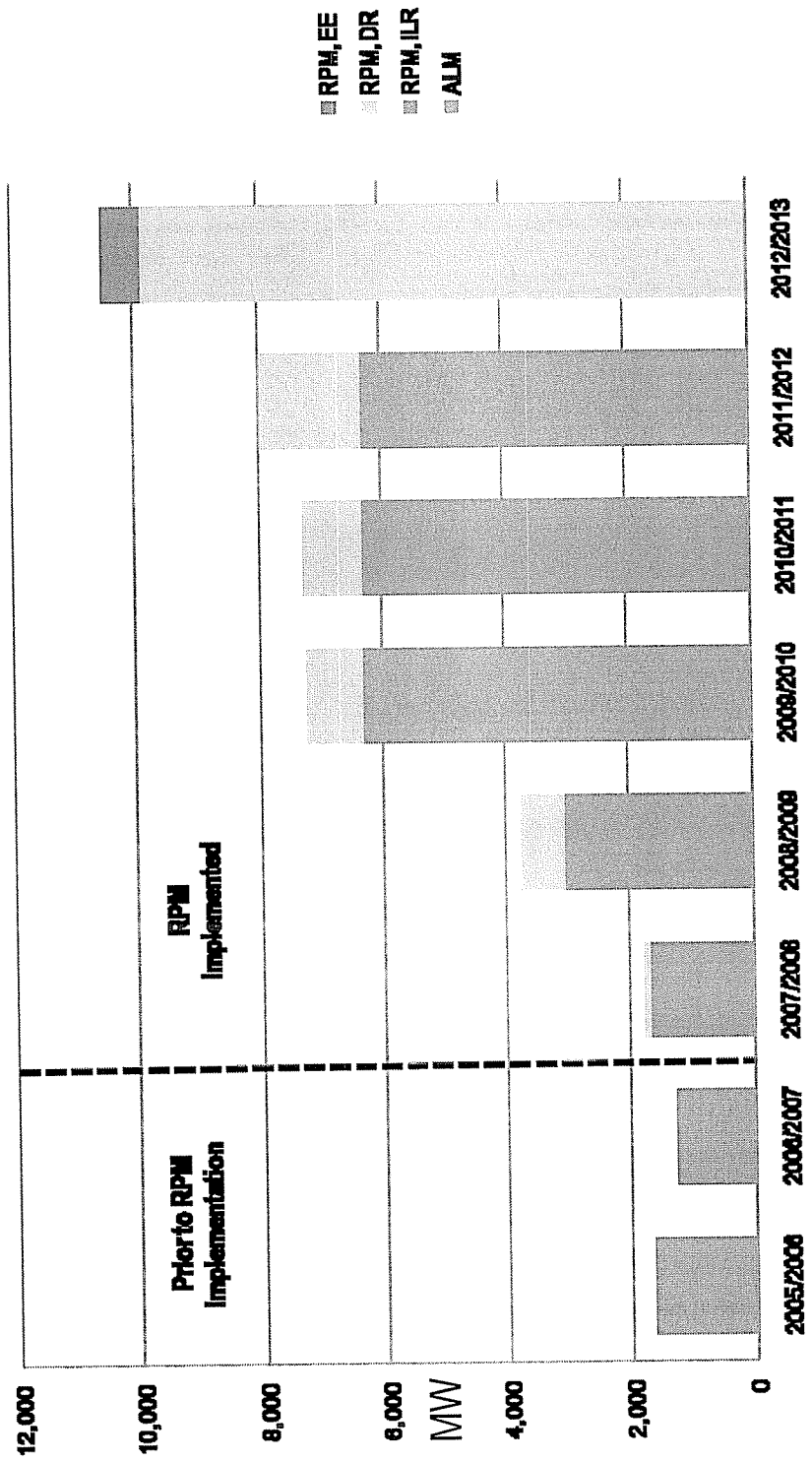
- DR participation in the auction increased by >8000 MW over the 2011/2012 participation level
- Elimination of the ILR option was the major contributing factor to this increase
- ILR registered for 2009/2010 that was offered into the auction was subject to a \$0 offer cap
- 652.7 MW of Energy Efficiency was offered, with 568.9 MW clearing in the auction.

Zone	Offered MW*			Cleared MW*		
	Demand	EE	Total	Demand	EE	Total
AECO	78.9	1.9	80.8	75.1	1.2	76.3
AEP	1352.7	2.6	1355.3	710.8	0	710.8
APS	582.4	0	582.4	272.9	0	272.9
BGE	1370.6	105.8	1476.4	1312.9	103.2	1416.1
COMED	1049	386.4	1435.4	658	386.4	1044.4
DAY	405.6	0	405.6	112.3	0	112.3
DOM	1237.9	76.6	1314.5	494.7	2.4	497.1
DPL	289.6	12.7	302.3	283	12.2	295.2
DUQ	190.8	0.2	191	74.8	0.2	75
JCPL	362.7	2.8	365.5	321.9	1.8	323.7
MIETED	267.2	0	267.2	252	0	252
PECO	581.2	2.9	584.1	496.4	1.9	498.3
PENELLEC	286.1	0.2	286.3	276.3	0.2	276.5
PEPCO	485.1	56.5	541.6	460.8	56.5	517.3
PPL	832.9	0	832.9	783.3	0	783.3
PSEG	472.9	4.1	477	460.1	2.9	463
RECO	2	0	2	2	0	2
Total	9847.6	652.7	10500.3	7047.3	568.9	7616.2

*All MW Values are in UCAP Terms



Demand Side Participation in Capacity Market



ILR certified in 2009/2010 assumed to be the same for 2010/2011 and 2011/2012.



Mitigation

- All suppliers in EMAAC but not in the PS-North or DPL-South LDAs passed the Market Structure Test and their existing resources in these locations were not subject to offer mitigation
- All other suppliers failed the Market Structure Test resulting in mitigation of existing resources to unit-specific or default Avoidable Cost Rate values



Zonal Results

- Preliminary Net Load Price equals Preliminary Zonal Capacity Price less CTR Credits (in \$/MW-Day)
- Prices will be adjusted after each Incremental Auction held for this Delivery Year

Zone	Preliminary Zonal Capacity Price [\$/MW-day]	Preliminary Net Load Price [\$/MW-Day]
AE	\$139.82	\$135.18
AEP	\$16.46	\$16.46
APS	\$16.46	\$16.46
BGE	\$133.46	\$129.63
COMED	\$16.46	\$16.46
DAYTON	\$16.46	\$16.46
DOM	\$16.46	\$16.46
DPL	\$169.63	\$162.99
DLCO	\$16.46	\$16.46
JCPL	\$139.82	\$135.18
METED	\$133.46	\$129.63
PECO	\$139.82	\$135.18
PENLC	\$133.46	\$129.63
PEPCO	\$133.46	\$129.63
PL	\$133.46	\$129.63
PS	\$162.87	\$149.65
RECO	\$139.82	\$135.18

ATTACHMENT B

(Kentucky Power/Marathon
RTP Correspondence)

FW: RTP

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:58 AM**To:** Michael Kurtz**Attachments:** KPCo Application.pdf (188 KB)

From: jsmann@aep.com [mailto:jsmann@aep.com]**Sent:** Friday, June 01, 2012 4:57 PM**Subject:** RTP

Good afternoon:

As you know, rates under the current Tariff RTP expire at the end of the June 2012 billing period. Today, Kentucky Power filed an application with the Kentucky Public Service Commission seeking to withdraw its current Tariff RTP. It is their intent to file a new Tariff RTP by June 11. If approved, the new Tariff RTP rates will be effective starting the July 2012 billing period.

Here is a copy of the application filed. If you have questions, I will be glad to assist.

Regards,

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

FW: RTP

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:58 AM
To: Michael Kurtz
Attachments: Marathon RTP Addendum Dra~1.docx (19 KB)

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Wednesday, May 16, 2012 12:10 PM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: rkwohnhas@aep.com; dmroush@aep.com
Subject: RTP

Hello, Jennifer.

If I recall, your primary concern with delaying execution of the addendum to your existing contract (until after the upcoming RTP filing) was losing your potential position in the "queue" for RTP.

I discussed the proposed modifications in the addendum with Kentucky Power's Ranie Wohnhas. If the need for this revised language is to guarantee Marathon a place in the "queue" for RTP, there is no need. According to Ranie, although the addendum is yet to be executed, **Kentucky Power still considers Marathon to be in the "queue" for RTP.**

as noted, Kentucky Power expects to be filing the new RTP Rate in a couple of weeks. We do not anticipate any changes in the methodology of determining the rate's structure. We will share the rate information with you at that time. Since we have language in the current addendum that is acceptable to both parties, I recommend that we revisit the execution of the addendum in it's current form at that time.

Does this ease your concerns with your position in the "queue"?

Scott Mann
National Account Manager
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707 Virginia Street East
Charleston, WV 25301
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(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

"Steiner-Burner, Jennifer S. (MPC)"
<jsteinerburn@marathonpetroleum.com>

To "jsmann@aep.com" <jsmann@aep.com>

cc

Subject RTP Contract Revision4

05/16/2012 08:23 AM

Scott,

Attached is an updated RTP Addendum that includes a provision in regards to Kentucky Power potentially changing the RTP rate methodology. Please review and call with questions.

Thank you.

Jennifer Steiner-Burner
Marathon Petroleum Company LP
Energy Supply Analyst
539 South Main St.
Findlay, OH 45840
419-421-4399

ADDENDUM
EXPERIMENTAL REAL-TIME PRICING

This ADDENDUM, dated _____, 2012, supplements the electric service CONTRACT dated OCTOBER 1, 2010, by and between KENTUCKY POWER COMPANY, hereafter called the Company, and CATLETTSBURG REFINING, LLC, hereafter called the Customer, and sometimes collectively referred to as the "Parties", providing for service under the Company's Tariff R.T.P. (Experimental Real-Time Pricing Tariff).

W I T N E S S E T H:

WHEREAS, the Customer is an existing customer of the Company that owns facilities at its refinery located near Catlettsburg, KY; and

WHEREAS, the Customer has requested service under the Company's Tariff R.T.P. for the facilities at the Customer's Catlettsburg, KY, refinery.

NOW THEREFORE, in consideration of the promises and the mutual covenants contained herein, and subject to the terms and conditions herein, the Parties agree as follows:

The Customer represents and agrees that it owns the facilities at its Catlettsburg, KY refinery, that it meets the criteria to qualify for Tariff R.T.P., as approved by and on file with the Kentucky Public Service Commission ("Commission"), and that it has the ability to monitor and respond to real-time prices in the wholesale electricity market. A copy of the Company's current Tariff R.T.P. (Experimental Real-Time Pricing Service) is attached hereto and incorporated herein.

The Company agrees to provide service for the Customer's facilities at its Catlettsburg, KY, refinery, as that service is defined in the Company's Tariff R.T.P. and the Customer agrees to pay for such service, in accordance with, at the rates specified in, and subject to the terms and conditions of service applicable, as specified in the Company's then current Tariff R.T.P. and the Company's Terms and Conditions of Service, or any successor thereto approved by and on file with the Commission.

This Addendum covers the provision of service for the Customer's facility, for which the Contract Capacity subject to Tariff C.I.P.-T.O.D. (Commercial and Industrial Power – Time-of-Day) designated by the Customer is set at 7,500 kW. Usage in excess of that Contract Capacity subject to Tariff C.I.P.-T.O.D. shall be billed under Tariff R.T.P. It is understood and agreed the Total Contract Capacity, which is defined as the Contract Capacity subject to Tariff C.I.P.-T.O.D. plus the Contract Capacity subject to Tariff R.T.P., shall not exceed 145,000 kW.

The term of this Addendum shall commence at 12:01 a.m. EDT on July 1, 2012 and expire at 11:59 p.m EDT on June 30, 2013. ~~Upon expiration of this Addendum, all terms and conditions of the Contract that were modified by this Addendum shall revert to their existence and meaning prior to having been so modified. In the event the Tariff R.T.P. is modified to use a methodology to develop the rate that differs substantially from the methodology used to develop the rate in the existing Tariff R.T.P. as of the date first above written, Customer may elect to cancel this Addendum if such election is made within five (5) business days after the date such modified Tariff R.T.P. is approved by the Kentucky Public Service Commission, becomes effective. Upon cancellation or expiration of this Addendum, all terms and conditions of the Contract that were modified by this Addendum shall revert to their existence and meaning prior to having been so modified.~~

Except as modified by this Addendum, the provisions of the Contract shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Experimental Real-Time Pricing Addendum to be duly executed the day and year first above written.

Kentucky Power Company
By: _____
Delinda Borden
Title: Manager

Catlettsburg Refining LLC
By: _____

Title: _____

Date: _____

Date: _____

Account Number: 0333000062

FW: Catlettsburg RTP Contract Addendum Red Line

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:57 AM
To: Michael Kurtz
Attachments: Marathon RTP Addendum Dra~1.docx (18 KB)

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Friday, May 04, 2012 4:30 PM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: wbmoss@aep.com; rlkackley@aep.com; dmroush@aep.com; drbuck@aep.com; rkwohnhas@aep.com; dkborden@aep.com; mdhurley@aep.com
Subject: Re: Catlettsburg RTP Contract Addendum Red Line

Hello Jennifer.

The proposed modifications have been accepted.

It is my understanding that we expect to file for the new RTP rates around the first week of June. We will provide a copy to you once they are determined and ready to file.

Regards,

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

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"Steiner-Burner, Jennifer S. (MPC)"
<jsteinerburn@marathonpetroleum.com>

To <jsmann@aep.com>

cc

Subject Catlettsburg RTP Contract Addendum Red Line

05/02/2012 11:34 AM

Scott,

Attached is Marathon's mark-up on the Addendum Experimental Real-Time Pricing. Please forward this on for further review by AEP/Kentucky Power.

Thank you.

<<Marathon RTP Addendum Draft REV.docx>>

Jennifer Steiner-Burner
Marathon Petroleum Company LP
Energy Supply Analyst
539 South Main St.
Findlay, OH 45840
419-421-4399

[attachment "Marathon RTP Addendum Draft REV.docx" deleted by James S Mann/CH1/AEPIN]

ADDENDUM
EXPERIMENTAL REAL-TIME PRICING

This ADDENDUM, dated _____, 2012, supplements the electric service CONTRACT dated OCTOBER 1, 2010, by and between KENTUCKY POWER COMPANY, hereafter called the Company, and CATLETTSBURG REFINING, LLC, hereafter called the Customer, and sometimes collectively referred to as the "Parties", providing for service under the Company's Tariff R.T.P. (Experimental Real-Time Pricing Tariff)..

W I T N E S S E T H:

WHEREAS, the Customer is an existing customer of the Company that owns facilities at its refinery located near Catlettsburg, KY; and

WHEREAS, the Customer has requested service under the Company's Tariff R.T.P. for the facilities at the Customer's Catlettsburg, KY, refinery.

NOW THEREFORE, in consideration of the promises and the mutual covenants contained herein, and subject to the terms and conditions herein, the Parties agree as follows:

The Customer represents and agrees that it owns the facilities at its Catlettsburg, KY refinery, that it meets the criteria to qualify for Tariff R.T.P., as approved by and on file with the Kentucky Public Service Commission ("Commission"), and that it has the ability to monitor and respond to real-time prices in the wholesale electricity market. A copy of the Company's current Tariff R.T.P. (Experimental Real-Time Pricing Service) is attached hereto and incorporated herein..

The Company agrees to provide service for the Customer's facilities at its Catlettsburg, KY, refinery, as that service is defined in the Company's Tariff R.T.P. and the Customer agrees to pay for such service, in accordance with, at the rates specified in, and subject to the terms and conditions of service applicable, as specified in the Company's then current Tariff R.T.P. and the Company's Terms and Conditions of Service, or any successor thereto approved by and on file with the Commission.

This Addendum covers the provision of service for the Customer's facility, for which the Contract Capacity subject to Tariff C.I.P.-T.O.D. (Commercial and Industrial Power – Time-of-Day) designated by the Customer is set at 7,500 kW. Usage in excess of that Contract Capacity subject to Tariff C.I.P.-T.O.D. shall be billed under Tariff R.T.P. It is understood and agreed the Total Contract Capacity, which is defined as the Contract Capacity subject to Tariff C.I.P.-T.O.D. plus the Contract Capacity subject to Tariff R.T.P., shall not exceed 145,000 kW.

The term of this Addendum shall commence at 12:01 a.m. EDT on July 1, 2012 and expire at 11:59 p.m EDT on June 30, 2013. Upon expiration of this Addendum, all terms and conditions of the Contract that were modified by this Addendum shall revert to their existence and meaning prior to having been so modified.

Except as modified by this Addendum, the provisions of the Contract shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Experimental Real-Time Pricing Addendum to be duly executed the day and year first above written.

Kentucky Power Company
By: _____
Delinda Borden
Title: Manager
Date: _____

Catlettsburg Refining LLC
By: _____

Title: _____
Date: _____

Account Number: 0333000062

FW: Red-lined contract

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:57 AM

To: Michael Kurtz

From: jsmann@aep.com [mailto:jsmann@aep.com]

Sent: Friday, May 04, 2012 10:17 AM

To: Steiner-Burner, Jennifer S. (MPC)

Subject: Re: Red-lined contract

Hello Jennifer.

The red-lined contract has been received. Our regulatory folks are reviewing the suggested modifications.

We should have a response to you fairly soon.

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

"Steiner-Burner, Jennifer S. (MPC)"
<jsteinerburn@marathonpetroleum.com>

To <jsmann@aep.com>
cc
Subject Red-lined contract

05/04/2012 09:54 AM

Hi Scott,

I was just checking to make sure you received Catlettsburg's red-lined contract. I know that everyone has been busy in the KP rate case, but it sounds like the testimony has been completed.

Thanks.

Jennifer Steiner-Burner

Marathon Petroleum Company LP
Energy Supply Analyst
539 South Main St.
Findlay, OH 45840
419-421-4399

FW: RTP Addendum for Catlettsburg

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:57 AM
To: Michael Kurtz
Attachments: Marathon RTP Addendum Draf~1.DOC (40 KB)

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Friday, April 27, 2012 9:28 AM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: wbmoss@aep.com; rlkackley@aep.com
Subject: RTP Addendum for Catlettsburg

Jennifer:

Please find the attached draft RTP Addendum for the Catlettsburg Refinery. This addendum is devised to become a part of your existing contract, if you choose to migrate all or a portion of your existing 145 MW capacity to RTP.

Please review and let me know how you wish to proceed.

Regards,

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

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ADDENDUM
EXPERIMENTAL REAL-TIME PRICING (RTP) AGREEMENT

This ADDENDUM, dated _____, 2012, supplements ~~the electric service~~ ~~THE ELECTRIC SERVICE~~ ~~CONTRACT~~ dated OCTOBER 1, 2010, by and between KENTUCKY POWER COMPANY, hereafter called the Company, and CATLETTSBURG REFINING, LLC, hereafter called the Customer, and sometimes collectively referred to as the "Parties", providing for service under the Company's Tariff R.T.P. (Tariff R.T.P. (Experimental Real-Time Pricing Service ~~Tariff)~~).

W I T N E S S E T H:

WHEREAS, the Customer is an existing customer of the Company that owns facilities at its refinery located near Catlettsburg, KY; and

WHEREAS, the Customer has requested service under the Company's Tariff R.T.P. (Experimental Real-Time Pricing Service) for the facilities at the Customer's Catlettsburg, KY, refinery.

NOW THEREFORE, in consideration of the promises and the mutual covenants contained herein, and subject to the terms and conditions herein, the Parties agree as follows:

The Customer represents and agrees that it owns the facilities at its Catlettsburg, KY refinery, and that it meets the criteria to qualify for Experimental Real-Time Pricing Service under the Company's Tariff R.T.P., as approved by and on file with the Kentucky Public Service Commission ("Commission"), and that it has the ability and expertise to monitor and respond appropriately to real-time prices in the wholesale electricity (Experimental Real-Time Pricing Service), as approved by and on file with the Kentucky Public Service Commission ("Commission") market. ~~— A copy of the Company's current Tariff R.T.P. (Experimental Real-Time Pricing Service) is attached hereto and incorporated herein, by reference.~~

The Company agrees to provide service for the Customer's facilities at its Catlettsburg, KY, refinery, as that service is defined in the Company's Tariff R.T.P. (Experimental Real-Time Pricing Service) and the Customer agrees to pay for such service, in

accordance with, at the rates specified in, and subject to the terms and conditions of service applicable, as specified in the Company's ~~then~~ current Tariff R.T.P. (~~Experimental Real-Time Pricing Service~~) and the Company's Terms and Conditions of Standard Service, or any successor thereto approved by and on file with the Commission.

~~This Addendum covers the provision of service for the Customer's facility, for which the Contract Capacity subject to Tariff C.I.P.-T.O.D. (Commercial and Industrial Power - Time-of-Day) designated by the Customer is set at _____ kW. Usage in excess of that Contract Capacity subject to Tariff C.I.P.-T.O.D. shall be billed under Tariff R.T.P., and is set at _____ kW. It is understood and agreed the Total Contract Capacity, which is defined as the Contract Capacity subject to Tariff C.I.P.-T.O.D. plus the Contract Capacity subject to Tariff R.T.P., shall not exceed 145,000 kW.~~

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~~This Addendum covers the provision of service for the Customer's facility where the initial ~~firm~~ Contractor designated Contract Capacity subject to Tariff C.I.P.-T.O.D. (Commercial and Industrial Power - Time-of-Day) shall be _____ kW. Usage in excess of the ~~firm~~ that Contractor-designated level of capacity shall be billed under Tariff R.T.P. and such Contract Capacity is set at _____ kW. It is understood and agreed the total Contract Capacity, which is defined as the ~~firm~~ Contract Capacity on Tariff C.I.P.-T.O.D. plus the Contract Capacity on Tariff R.T.P., shall not exceed 145,000 kW. Tariff R.T.P. shall be _____ kW.~~

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The term of this Addendum shall be the same as the Contract; provided, however, that either Party may terminate this Addendum, prior to the termination of the Contract, but only after the initial one (1) year term of this Addendum (as defined in Tariff R.T.P.) has been satisfied, ~~by giving the notice required in the then-current version of the Company's Tariff R.T.P. (Experimental Real-Time Pricing Service).~~ At this time, it is understood and agreed that Tariff R.T.P. is available on a pilot basis through June 2013.

Except as modified by this Addendum, the provisions of the Contract shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Experimental Real-Time Pricing Service ~~(R.T.P)~~-Addendum to be duly executed the day and year first above written.

Kentucky Power Company
By: _____
Delinda Borden
Title: Manager
Date: _____

Catlettsburg Refining LLC
By: _____

Title: _____
Date: _____

Account Number: 0333000062

FW: RTP Addendum for Catlettsburg Refinery Contract

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:57 AM

To: Michael Kurtz

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Monday, April 23, 2012 5:04 PM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: rkwohnhas@aep.com; dkborden@aep.com; mdhurley@aep.com; rlkackley@aep.com
Subject: RTP Addendum for Catlettsburg Refinery Contract

Hello, Jennifer.

Received your voice message. Still working on getting you a final version of the RTP Addendum for Catlettsburg.

I am hopeful that we will have something to you by week's end.

Regards,

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

FW: Revised RTP Analysis for Catlettsburg Refinery

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:57 AM

To: Michael Kurtz

Attachments: No.4 - Sample Customer Bil~1.zip (5 MB)

Over 1,000 pgs.

From: jsmann@aep.com [mailto:jsmann@aep.com]

Sent: Tuesday, April 10, 2012 4:17 PM

To: Steiner-Burner, Jennifer S. (MPC)

Cc: dkborden@aep.com; drbuck@aep.com; mdhurley@aep.com; rkwohnhas@aep.com; wbmoss@aep.com

Subject: Revised RTP Analysis for Catlettsburg Refinery

Jennifer:

We look forward to meeting with you tomorrow. Please make arrangements to have a speaker phone available so that AEP's Doug Buck may participate.

AEP attendees will be:

- Ranie Wohnhas - Managing Director, Regulatory and Finance - Kentucky Power**
- Douglas Buck - AEP Regulatory Pricing & Analysis (by phone)**
- Delinda Borden - Manager, Customer & Distribution Services - Kentucky Power**
- Mike Hurley - Customer Services Engineer - Kentucky Power**
- Barry Mosser - AEP National Accounts**
- Scott Mann - AEP National Accounts**

Please find the answers in red below to your questions you submitted last week.

As a result of your findings, we have made some corrections to the original spreadsheet (attached). This has had some impact on our analysis. We apologize for this error.

Here is our revised analysis:

Designated Standard Load (MW)	Charges (\$s)	Approx. MW to RTP	Cost Reduction Relative to all Load at Standard Rates	% Reduction vs. all Load at Standard Rates
0	52,579,135	All	3,325,810	5.95%
25	53,052,826	110	2,852,120	5.10%
50	53,527,378	85	2,377,567	4.25%
75	54,033,476	60	1,871,470	3.35%
100	54,581,385	35	1,323,561	2.37%
125	55,240,988	10	663,958	1.19%
All	55,904,946	None	-	0.00%

Keep in mind this analysis is based upon 2011 data and rates. It may not be indicative of any future outcome.

Thanks.

Scott Mann
 National Account Manager
 American Electric Power
 707 Virginia Street East
 Charleston, WV 25301
 PO Box 1986
 Charleston, WV 25327
 (304) 348-4167 (Office)
 (304) 320-4198 (Cell)
 (304) 348-4158 (Fax)
 jsmann@aep.com
 www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

"Steiner-Burner, Jennifer S. (MPC)"
 <jsteinerburn@marathonpetroleum.com>

To <jsmann@aep.com>
 cc
 Subject

04/05/2012 12:02 PM

As I'm going through AEP's spreadsheet on the RTP rate, I'm finding some questions as follows....

- 1) Regarding the RTP - #5 Distribution Charge. Where has this been added on AEP's analysis spreadsheet of RTP for sub-transmission facilities? I don't see a subtransmission rate in the RTP tariff?

There is a service charge all customers pay and this varies depending on the delivery voltage. However, the refinery is a subtransmission customer. It is my understanding that the RTP - #5 Distribution Charge does not apply.

2) Capacity Rates under the bundled KP CIP-TOD rate is currently .000667. Will this change starting in June 2012 and what will it be? Will this change the RTP tariff rate also?

The CIP-TOD capacity charge will not change in June - this number will only change with a base rate case. This is not the same capacity charge as is in the RTP. The RTP capacity charge will be updated in June.

3) Are Capacity Rates in the RTP tariff under Other Market Services Charge?

RTP Capacity Charges are defined on 30-1 and are separate from Other Market Service Charges which are defined on 30-2 .

4) AEP used a Transmission Diversity Factor of .66 and the tariff states .79?

This a typo in the original spreadsheet. Per 30-2, we have corrected in the attached version of the spreadsheet.

5) AEP used 1.03211 for Losses, which is Transmission voltage level and Catlettsburg is at sub-transmission voltage level – should be 1.04278?

This was a typo in the spreadsheet. Per 30-4, we corrected the voltage level input on the "Sample Bill" tab, cell D4, to subtransmission, for the attached spreadsheet.

FW: RTP Analysis for the Catlettsburg Refinery

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:56 AM

To: Michael Kurtz

Attachments: RTP Analysis 2011.zip (5 MB)

Over 1,000 PPS

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Thursday, March 15, 2012 10:54 AM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: wbmoss@aep.com; rlkackley@aep.com
Subject: RE: RTP Analysis for the Catlettsburg Refinery

Jennifer:

As you know, there is a year notice on your existing contract. We would have to seek management approval for any notification less than that period. If it looks like RTP is a fit for you, how quickly would you be ready to move the 50 mW to RTP?

Here is a copy of the spreadsheet we used for the RTP analysis. It is a **very** large file. If you have difficulties opening the zip file, let me know.

Hope the weather cooperates with our event.

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
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www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

----- Forwarded by James S Mann/CH1/AEPIN on 03/15/2012 10:17 AM -----

"Steiner-Burner, Jennifer S. (MPC)"
<jsteinerburn@marathonpetroleum.com>

To <jsmann@aep.com>

cc

Subject RE: RTP Analysis for the Catlettsburg Refinery

03/15/2012 06:57 AM

Good Morning Scott. Thanks for the update. I have been working on my own analysis and want to sit down and discuss further. I also want to know what are the notification requirements to move load to this RTP. See you on Sunday. Jennifer

From: jsmann@aep.com [mailto:jsmann@aep.com]
Sent: Tuesday, March 13, 2012 2:41 PM
To: Steiner-Burner, Jennifer S. (MPC)
Cc: rlkackley@aep.com; wbmossler@aep.com
Subject: RTP Analysis for the Catlettsburg Refinery

Hello, Jennifer.

Per your request, we have performed an analysis for migrating some of the Catlettsburg Refinery's capacity to the RTP tariff.

As you know, there will be a certain amount of capacity that will continue to be designated for billing under the current CIP TOD rate, depending on the capacity that is migrated. Here is a summary of our findings:

Designated Standard Load (MW)	Charges (\$s)	Approx. MW to RTP	Cost Reduction Relative to all Load at Standard Rates	% Reduction vs. all Load at Standard Rates
0	53,024,352	All	657,271	1.22%
25	52,980,397	110	701,226	1.31%
50	52,937,468	85	744,155	1.39%
75	52,928,470	60	753,153	1.40%
100	52,966,876	35	714,747	1.33%
125	53,142,495	10	539,128	1.00%
All	53,681,623	None	-	0.00%

In our analysis, we used 2011 LMP data, current rates, and 2011 load data for the refinery. Although it is not indicative of future savings, under these assumptions, we would expect that the migration of 50 MW to RTP would have produced approximately \$750,000 in annual savings.

Ray, Barry and I look forward to seeing you at EEI's upcoming National Key Accounts Workshop. I will bring a copy of the spreadsheet that we used to perform this analysis for your review. If you would like to pursue a conference call or a meeting for further discussion on RTP, we welcome the opportunity. Let me know and I will gladly make arrangements to do so.

Scott Mann
 National Account Manager
 American Electric Power
 707 Virginia Street East
 Charleston, WV 25301

PO Box 1986
Charleston, WV 25327
(304) 348-4167 (Office)
(304) 320-4198 (Cell)
(304) 348-4158 (Fax)
jsmann@aep.com
www.AEPNationalAccounts.com

FW: EEI Spring Workshop - San Diego, CA - March 17-21, 2012

Steiner-Burner, Jennifer S. (MPC) [jsteinerburn@marathonpetroleum.com]

Sent: Monday, June 04, 2012 8:56 AM

To: Michael Kurtz

From: jsmann@aep.com [mailto:jsmann@aep.com]

Sent: Friday, March 02, 2012 9:59 AM

To: Steiner-Burner, Jennifer S. (MPC)

Subject: RE: EEI Spring Workshop - San Diego, CA - March 17-21, 2012

Thanks Jennifer.

Our regulatory folks are still working on the RTP analysis. It will probably be another week or two to finish. Once completed, I think we should get together with them to discuss. Maybe meet in Columbus.

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"Steiner-Burner, Jennifer S. (MPC)"
<jsteinerburn@marathonpetroleum.com>

To <jsmann@aep.com>

cc

03/02/2012 08:53 AM

Subject RE: EEI Spring Workshop - San Diego, CA - March 17-21, 2012

Hi Scott. I wasn't sure if I had confirmed with you yet, but yes. I also wanted to see if you had any information on the RTP tariff?

Thanks.

Jennifer

From: jsmann@aep.com [mailto:jsmann@aep.com]

Sent: Tuesday, February 28, 2012 2:44 PM

To: Steiner-Burner, Jennifer S. (MPC)

Subject: Fw: EEI Spring Workshop - San Diego, CA - March 17-21, 2012

Hello, Jennifer.

I just wanted to let you know that I have you on our list of attendees who will be attending the Nick Akins' luncheon at EEI. **Please confirm your attendance and I will forward an agenda when finalized.**

As you know, Barry and I will be meeting you to review your account portfolio on Tuesday (2/20) evening.

Looking forward to seeing you there!

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ATTACHMENT C

(Kentucky Power/AK Steel
RTP Correspondence)

Fw: RTP

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:38 AM
To: Michael Kurtz
Attachments: KPCo Application.pdf (188 KB)

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:38 AM -----

From: jsmann@aep.com
To:
Date: 06/01/2012 04:56 PM
Subject: RTP

Good afternoon:

As you know, rates under the current Tariff RTP expire at the end of the June 2012 billing period. Today, Kentucky Power filed an application with the Kentucky Public Service Commission seeking to withdraw its current Tariff RTP. It is their intent to file a new Tariff RTP by June 11. If approved, the new Tariff RTP rates will be effective starting the July 2012 billing period.

Here is a copy of the application filed. If you have questions, I will be glad to assist.

Regards,

Scott Mann
National Account Manager
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 01 2012

PUBLIC SERVICE
COMMISSION

In The Matter Of:

The Application Of Kentucky Power)
Company To Withdraw Its Tariff RTP)
Pending Submission By The Company) Case No. _____
And Approval By The Commission Of)
A New Real-Time Pricing Tariff.)

APPLICATION

Kentucky Power Company respectfully moves the Public Service Commission of Kentucky pursuant to KRS 278.180 and 807 KAR 5:011 to withdraw its experimental Tariff RTP. Kentucky Power also requests that the Commission find that good cause exists and that the notice period be shortened so that Tariff RTP is withdrawn effective June 28, 2012, which is the first day of the Company's July, 2012 billing period. In support of its motion Kentucky Power states:

Party

1. Kentucky Power is an electric utility organized as a corporation under the laws of the Commonwealth of Kentucky in 1919. A certified copy of Kentucky Power's Articles of Incorporation and all amendments thereto was attached to the Joint Application in Case No. 99-149¹ as Exhibit 1. The post office address of Kentucky Power is 101A Enterprise Drive, P.O. 5190, Frankfort, Kentucky 40602-5190. Kentucky Power is engaged in the generation, purchase, transmission, distribution and sale of electric power. Kentucky Power serves approximately 173,000 customers in the following 20 counties of eastern Kentucky: Boyd, Breathitt, Carter,

¹ *In the Matter of: The Joint Application Of Kentucky Power Company, American Electric Power Company, Inc. And Central And South West Corporation Regarding A Proposed Merger*, P.S.C. Case No. 99-149.

Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike and Rowan. Kentucky Power also supplies electric power at wholesale to other utilities and municipalities in Kentucky for resale. Kentucky Power is a utility as that term is defined at KRS 278.010.

Tariff RTP

2. Since June 1, 2008, Kentucky Power has offered service under its experimental real-time pricing tariff: Tariff RTP (Tariff Sheets 30-1, 30-2, 30-3, and 30-4). To date, no customer has taken service under Tariff RTP.

3. Tariff RTP was approved by Order of the Commission dated February 1, 2008 as a three-year pilot program.² As part of the settlement of the Company's 2009 base rate case, the pilot program was extended until June 29, 2013.³

4. Tariff RTP was intended to provide Kentucky Power customers "the opportunity to manage their electric costs by shifting load periods."⁴ As the Commission explained in its Order approving the tariff, the tariff structure was designed to provide an incentive for those industrial and commercial customers who can shift their load to do so:

This profile, according to Kentucky Power, may benefit participants since the demand charge is much lower under the proposed tariff even though the energy charges are significantly higher and that more savings could result if a customer lowers its overall demand. For high load factor customers, it may not be beneficial to participate. They are using power evenly throughout the time period and thus are less likely to be able to shift their usage pattern to put more usage off-peak. Lower load factor customers, on the other hand, may benefit if they can modify their usage pattern to reduce their peak load or move load to off-peak time periods

² Order, *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166 at 1, 14 (Ky. P.S.C. February 1, 2008).

³ Order, *In The Matter Of: Application of Kentucky Power Company For General Adjustment Of Rates*, Case No. 2009-00459 at 6 (Ky. P.S.C. June 28, 2009).

⁴ Order, *In the Matter of: The Application Of Kentucky Power Company For An Order Approving A Pilot Real-Time Pricing Program For Large Commercial And Industrial Customers*, Case No, 2007-00166 at 3 (Ky. P.S.C. February 1, 2008).

which is the intent of the program. They also would generally have more of an opportunity to change their usage patterns, A participant's ability to react to real-time prices and obtain benefits from the pilot program is enhanced by the fact that unlike other utilities subject to the Commission's Order, Kentucky Power, through its parent AEP, is a member of PJM. As a result, the derivation of real-time prices charged to customers is transparent.⁵

Nothing in the Commission's order approving the tariff suggests the Commission intended that customers receive the benefits of Tariff RTP without either increasing their off-peak load or shifting their usage from on-peak to off-peak periods.

Recent Interest In Tariff RTP

5. Three large customers recently inquired about moving as much as 200 MW of load onto Tariff RTP. This stands in stark contract to the first four years of the tariff's existence during which there was no interest among the Company's customers in the tariff.

6. It is the Company's understanding from discussions with these customers that for the most part the customers intend to maintain their current usage patterns. That is, the customers indicated they are not intending to shift significant amounts of their existing load (or any increased load) to off-peak periods.

7. The Company understands from its discussions that the principal reason for the recent interest in the Company's Tariff RTP is the substantial decrease in rates that can be achieved, even in the absence of shifting load, as a result of the precipitous drop in capacity prices, coupled with expected low locational marginal prices (LMP) for energy, between now and the June 29, 2013 scheduled end of the experimental period.

8. For the 2012/2013 planning year, the PJM RPM Resource Auction price for capacity, which is used to establish the cost of capacity under Tariff RTP, is \$0.501 per kW-month or \$16.46 per MW-Day. This is approximately 3.8% of the Company's average

⁵ *Id.* at 10-11.

embedded capacity costs for eligible RTP customers of \$13.165 per KW-month. It is also less than 15% of capacity rate in the Company's current Tariff RTP of \$3.346 kW-Month or \$110.00 per MW-Day.

9. This drop in the capacity rate for the year 2012-2013 has made it economically advantageous for customers to take most, if not all, of their load under Tariff RTP without shifting that portion of their load to off-peak periods.

Bases For Request To Withdraw

10. The Company seeks to withdraw its current Tariff RTP for two reasons. First, the tariff has not achieved its objective of encouraging customers to manage their energy costs by shifting their load periods.

11. Second, the Company will incur substantial losses if the customers who have expressed interest in shifting their load to Tariff RTP were to do so. Based upon 2011 load data for the three customers who have inquired concerning the Tariff RTP, the Company could experience a revenue loss of approximately \$10 million to \$20 million during the period July 1, 2012 to June 30, 2013.⁶

⁶ The tariff is limited to ten customers.

New Real-Time Pricing Tariff

12. The Company recognizes its obligation under the Commission's Order in Case No. 2009-00459 to offer a Real-Time Pricing tariff through June 29, 2013. The Company also recognizes the interest of both the Commission and certain of its customers in the continued availability of a Real-Time Pricing tariff. To that end, the Company commits to file, on or before June 11, 2012, a new Real-Time Pricing Tariff.

13. Kentucky Power anticipates that if the Commission grants the Company's request to withdraw its Tariff RTP there may be a period between the time of the withdrawal of the current Tariff RTP and the Commission's action on the to be proposed Real-Time Pricing Tariff. Kentucky Power proposes that during any such interim any customer taking service under the Company's current Tariff RTP would revert to the tariff service which was being taken at the time Tariff RTP was elected, or such other tariff the customer chooses. If the Commission approves the new Real-Time Pricing Tariff, the Company proposes that customers be eligible to take service under the new tariff subject to its terms and conditions.

Testimony

14. The testimony of Ranie K. Wohnhas, Managing Director, Regulatory and Finance, Kentucky Power Company, is filed in support of this application.

Request To Shorten Notice Period Or In The Alternative To Suspend Operation Of Tariff

15. KRS 278.180(1) requires thirty days notice for any change to a tariff containing a rate. The statute also authorizes the Commission to shorten the notice period to no less than 20 days for good cause shown.

16. Cycle 1 of the Company's July, 2012 billing period begins June 28, 2012. Kentucky Power requests that the withdraw of Tariff RTP be effective June 28, 2012. The

reduction of customer confusion, as well as administrative convenience, resulting from making the withdraw effective the first day of the July, 2012 billing cycle constitutes good cause to shorten the notice period.

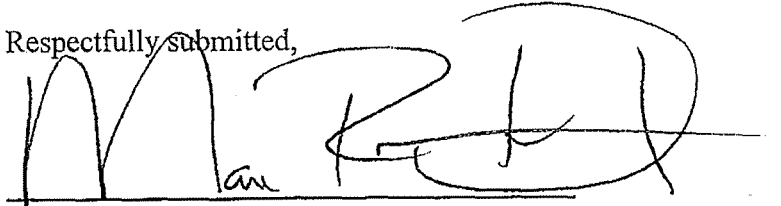
17. To avoid financial harm to the Company and its customers, Kentucky Power respectfully requests that the Commission enter an interim Order suspending Tariff RTP, or otherwise prohibiting any customers from taking service under Tariff RTP, if the Commission is unable to act on the Company's Application by June 27, 2012 (the latest date notification may be received for bills to be issued during Cycle 1 of the July, 2012 billing cycle), or otherwise elects not to permit Tariff RTP to be withdrawn prior to the effective date of the Company's to be filed real-time pricing tariff.

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

1. Authorizing Kentucky Power Company to withdraw its Tariff RTP effective June 27, 2012;
2. Suspending Tariff RTP, or otherwise prohibiting any customers from taking service under Tariff RTP, in the event the Commission is unable to act on the Company's Application by June 27, 2012, or otherwise elects not to permit Tariff RTP to be withdrawn prior to the effective date of the Company's to be filed real-time pricing tariff;
3. Granting Kentucky Power Company such further relief to which it may be entitled.

This 1st day of June, 2012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark R. Overstreet', written over a horizontal line.

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

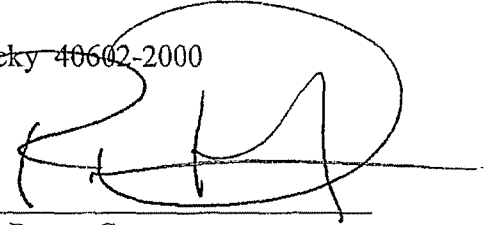
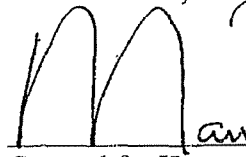
COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing, along with a copy of the Testimony of Ranie K. Wohnhas, was served by First Class Mail upon the following parties of record, this 1st day of June, 2012.

Michael L. Kurtz
Boehm, Kurtz & Lowry
Suite 1510
36 East Seventh Street
Cincinnati, Ohio 45202

Dennis G. Howard II
Lawrence W. Cook
Assistant Attorneys General
Office for Rate Intervention
P.O. Box 2000
Frankfort, Kentucky 40602-2000



Counsel for Kentucky Power Company

Fw: REAL TIME RATE

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:44 AM

To: Michael Kurtz

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:44 AM -----

From: Steve Etsler/AKSTEEL
To: jsmann@aep.com
Date: 05/30/2012 02:13 PM
Subject: Re: REAL TIME RATE

After doing some checking, that should be ok. It seems the main change coming is to make the demand charges conform to the PJM demand charges which is exactly what we want to do for as long as we can. Two years would be nice. Maybe we can get lucky and AEP extend past the current filed sunset;

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/30/2012 01:22 PM
Subject: Re: REAL TIME RATE

Hello, Steve.

You can be moved to RTP with an addendum to your existing contract. I am expecting a filing by June 1 for new RTP rates effective July 1, by week's end.

Questions:

- Are you expecting a drastic change in your operation, if you move to RTP?
- Do you wish to lock in to a year term, even if the RTP changes July 1?

Considering that the filing coincides with your request date, I am working toward sending you a copy of the filed changes to RTP and an addendum together, letting you decide if you still want to make this switch. The switch can still be effective June 1, but you would be subject to the changes July 1. I expect that you could have this as early as Friday. Is that OK?

Regards,

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
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www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

Steve.Etsler@aksteel.com

05/30/2012 12:51 PM

To jsmann@aep.com
cc
Subject REAL TIME RATE

Am I starting day after tomorrow?

I need to alert the plant so they plan accordingly.

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

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Fw: REAL TIME RATE

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:44 AM

To: Michael Kurtz

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9227 Centre Pointe Drive
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----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:44 AM -----

From: Steve Etsler/AKSTEEL
To: jsmann@aep.com
Date: 05/30/2012 01:44 PM
Subject: Re: REAL TIME RATE

The Galvanizing line runs about 10 MW when it is running.

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/30/2012 01:41 PM
Subject: Re: REAL TIME RATE

Steve:

Do you know how much load in MW that would be shifted?

I do not have any information on the filing at this time and no future rate information has been shared with any other customer.

I do not expect to have you any information prior to Friday.

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Steve.Etsler@aksteel.com

05/30/2012 01:30 PM

To: jsmann@aep.com
cc:
Subject Re: REAL TIME RATE

It would be nice to see what changes you are trying to make before I sign up. Any chance if getting a preview of the rate before you go to all that trouble? I am out tomorrow but back on Friday.

If we do go on the rate, I expect the plant to make better use of off peak as opposed to on peak. I would have them move any galvanizing etc to off peak, maybe weekend right off the bat,

If you want to put me on for 30 days with a right to get off if the rates are major bad, then ok.
If you get me some info, I can probably tell you yes or no as soon as you do.

I will also check with the KUIC group and attorneys and see what they have. Did you share the rate changes with Marathon?

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/30/2012 01:22 PM
Subject: Re: REAL TIME RATE

Hello, Steve.

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Regards,

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Steve.Etsler@aksteel.com

05/30/2012 12:51 PM

To jsmann@aep.com
cc
Subject REAL TIME RATE

Am I starting day after tomorrow?

I need to alert the plant so they plan accordingly.

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Fw: Ashland Real Time start date? June 1??????

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:41 AM

To: Michael Kurtz

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
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513-425-5562 (f)

----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:40 AM -----

From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/25/2012 03:00 PM
Subject: Re: Ashland Real Time start date? June 1??????

Steve:

We are working on an addendum for your Ashland contract. I expect to have it to you early next week.

Scott Mann
National Account Manager
American Electric Power
707 Virginia Street East
Charleston, WV 25301
PO Box 1986
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Steve.Etsler@aksteel.com

05/24/2012 12:32 PM

To jsmann@aep.com
cc
Subject Ashland Real Time start date? June 1??????

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
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Fw: Switch to Time of Day rate in Ashland

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:46 AM

To: Michael Kurtz

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:46 AM -----

From: Steve Etsler/AKSTEEL
To: jsmann@aep.com
Date: 05/18/2012 07:56 AM
Subject: Re: Switch to Time of Day rate in Ashland

That is all correct. Thanks for the support.

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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9227 Centre Pointe Drive
West Chester, Ohio 45069
513-425-2723 (o)
513-425-5562 (f)

From: jsmann@aep.com
To: "Steve Etsler" <Steve.Etsler@aksteel.com>, "James Mann" <jnmann@suddenlink.net>
Date: 05/17/2012 07:31 PM
Subject: Re: Switch to Time of Day rate in Ashland

Steve:

I believe that the rate that you are referring RTP. Based upon your note, I assume you wish to migrate 35MW of capacity. Please confirm.

I will have to check on earliest date of the transition and get you an addendum for your existing contract.

Scott

From: Steve.Etsler
Sent: 05/17/2012 11:04 AM AST
To: James Mann
Cc: Eli_Wallace@aksteel.com
Subject: Switch to Time of Day rate in Ashland

AK Steel Ashland wants to convert the entire plant load to the experimental rate option Time of Day for June.1. We understand there is a current sunset on the rate. We also agree that there is no change in the contract demand and minimums calculated off that contract demand.

Thanks for your help in getting this going.

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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Fw: AKS Ashland - RTP/IRP Inquiry

Steve.Etsler@aksteel.com [Steve.Etsler@aksteel.com]

Sent: Monday, June 04, 2012 9:47 AM

To: Michael Kurtz

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
AK Steel
9227 Centre Pointe Drive
West Chester, Ohio 45069
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513-425-5562 (f)

----- Forwarded by Steve Etsler/AKSTEEL on 06/04/2012 09:47 AM -----

From: Steve Etsler/AKSTEEL
To: jsmann@aep.com
Date: 05/14/2012 12:36 PM
Subject: Re: Fw: AKS Ashland - RTP/IRP Inquiry

thanks. That is exactly what I was unclear about from reading the tariff. I will be back to you in the next couple of days. I have a meeting with the COO in the subject which is scheduled for Wednesday.

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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From: jsmann@aep.com
To: Steve Etsler@aksteel.com
Date: 05/14/2012 12:28 PM
Subject: Fw: AKS Ashland - RTP/IRP Inquiry

Steve:

The RTP capacity and energy is billed at prices currently established in the PJM interconnection market. Customers who sign up for RTP will be subject to a one year term, starting July 1.

The RTP Energy Charge is determined using the AEP East Load Zone Real-Time Locational Marginal Price (LMP) established by PJM (including marginal losses), adjusted for energy losses (EL).

For your review, here's a copy of the complete RTP sheet on file.

Keep in mind that the RTP rate for 2012-2013 will be revised to reflect updated PJM pricing and filed to be effective July 1, 2012 through June 30, 2013.

This filing is expected to occur on or about June 1.

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www.AEPNationalAccounts.com

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill

----- Forwarded by James S Mann/CH1/AEPIN on 05/14/2012 11:58 AM -----
Steve Etsler@aksteel.com

05/14/2012 11:47 AM

To: jsmann@aep.com
cc
Subject Re: AKS Ashland - RTP/IRP Inquiry

Ok. That is the most detail I have heard so far.

Assuming I want to migrate some, and will provide you a number of KW to start up June 1, what PJM pricing point would you use for the energy piece?

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From: jsmann@aep.com
To: Steve Etsler@aksteel.com
Date: 05/14/2012 11:22 AM
Subject: AKS Ashland - RTP/IRP Inquiry

Steve:

The existing CIPTOD contract is 35 MW. As long as we are not looking at a change in overall capacity, I believe that Kentucky will consider migrating any part or all of this capacity to RTP, without a year's notice on the existing contract. I have not had any discussions about an interruptible product. However, I would expect that it would be treated likewise.

Here's the most recent history for the account. I'm hearing about potential consideration for future upgrades or expansion at Ashland. Can you give me more insight?

Account: Ak Steel Corp

Acct#: 031-600-006-1

Service Russell Rd
 Addr: Ashland, KY
 41101

Mail Addr: 6343 PRESIDENTIAL GTWY
 STE 140
 COLUMBUS, OH 43231-
 7695

Contract Capacity: 35,000

Deposit Amount: \$0.00

Average Monthly Bill \$1,057,502.88

HPD: 35196

Meter Read Dt	Bill Amount	Cost per kWh	Tariff Code	Metered kWh	Billed kWh	Metered Demand (KW)	Billed Demand	Load Factor	Power Factor	Metered KVAR Demand	Metered OffPK Demand	Metered OnPK Demand
4/27/2012	\$918,499.67	\$0.0488	371	18,816,000	18,816,000	34,398.0	34,398.0	76.0		13,566.0	34,020.0	34,398.0
3/28/2012	\$1,010,837.43	\$0.0545	371	18,564,000	18,564,000	35,196.0	35,196.0	75.8		15,246.0	35,028.0	35,196.0
2/28/2012	\$978,881.23	\$0.0511	371	19,152,000	19,152,000	35,448.0	34,104.0	77.6		14,364.0	35,448.0	34,104.0
1/30/2012	\$1,149,179.22	\$0.0545	371	21,084,000	21,084,000	38,052.0	34,650.0	72.1		14,028.0	38,052.0	34,650.0
12/29/2011	\$1,135,864.01	\$0.0556	371	20,412,000	20,412,000	34,230.0	34,230.0	80.2		12,558.0	33,222.0	34,230.0
11/28/2011	\$1,175,049.03	\$0.0550	371	21,378,000	21,378,000	34,818.0	34,650.0	77.5		13,902.0	34,818.0	34,650.0
10/26/2011	\$972,527.49	\$0.0547	371	17,766,000	17,766,000	34,230.0	32,256.0	74.6		12,432.0	34,230.0	32,256.0
9/27/2011	\$1,082,244.49	\$0.0537	371	20,160,000	20,160,000	34,608.0	34,608.0	75.8		14,364.0	34,314.0	34,608.0
8/26/2011	\$1,035,363.68	\$0.0551	371	18,774,000	18,774,000	35,322.0	34,566.0	76.4		15,120.0	35,322.0	34,566.0
7/28/2011	\$1,063,912.03	\$0.0557	371	19,110,000	19,110,000	34,230.0	33,600.0	77.5		13,566.0	34,230.0	33,600.0
6/28/2011	\$1,173,903.34	\$0.0577	371	20,328,000	20,328,000	34,356.0	34,356.0	77.0		12,432.0	33,978.0	34,356.0
5/27/2011	\$993,772.90	\$0.0555	371	17,892,000	17,892,000	32,760.0	32,760.0	78.5		12,180.0	32,718.0	32,760.0
Totals	\$12,690,034.52			233,436,000	233,436,000							
Averages	\$1,057,502.88	\$0.0544		19,453,000		34,804.0	34,114.5	76.6		13,646.5	34,615.0	34,114.5
Differences from a year ago												
4/28/2011	\$1,000,688.07	\$0.0539	371	18,564,000	18,564,000	34,272.0	34,272.0	75.2		13,650.0	33,852.0	34,272.0
	-\$82,188.40	(\$0.0051)		252,000	252,000	126.0	126.0			-84.0	168.0	126.0

Tariff Description: CIP SUB (371)

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"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." - Sir Winston Churchill
 Steve.Etsler@aksteel.com

05/14/2012 09:01 AM

To: jsmann@aep.com
 cc
 Subject

So what are you showing for that level to be based on the last 12 months? Lets say it is 24 MW for discussion. Then we put 40% or 9.6 mw on the interruptible and the rest stay on firm? is that the way it works.

Steve Etsler

Manager-Purchasing Electric/Natural Gas/Water
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513-425-5562 (f)

From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/11/2012 11:55 AM
Subject: Re: Economic Development at AEP

Steve:

The monthly billing demand established shall not be less than 60% of the greater of the customer's contract capacity in the contract for electric service or your highest previously established monthly billing demand during the past 11 months.

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Steve.Etsler@aksteel.com

05/08/2012 11:25 AM

To: jsmann@aep.com
cc
Subject

Are there any rules about minimums not migrated etc?

We would like to move as much as possible. The plant used 10 mw as a minimum during the strike. Max demand has been about 50 MW, although we seemed settled into a level of about 25 MW steady right now.

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From: jsmann@aep.com
To: Steve.Etsler@aksteel.com
Date: 05/02/2012 11:43 AM
Subject: Re: Economic Development at AEP

Thanks, Steve.

I will note you and Mo as site selection contacts.

Can you provide more information about Ashland? RTP is available to you. It is my understanding that whatever capacity you wish to migrate to RTP, you will be obligated to one year. Do you know how much capacity you wish to migrate?

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Steve.Etsler@aksteel.com

05/02/2012 11:31 AM

To: jsmann@aep.com
cc
Subject

Still me. Mo is ultimately the guy who makes the call (lower than the Board approvals of course.) In fact he is working on two projects right now, and we have a very big decision relative to Ashland we need to start on.

Still trying to get the answer to the Coshocton question. Mo was here for the morning meeting, then off to the coal mines before I ever got to talk to him.

Last: How do we switch Ashland over to the real time experimental rate for as long as it has to run?

Steve Etsler
Manager-Purchasing Electric/Natural Gas/Water
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From: jsmann@aep.com
To: Steve Etsler@aksteel.com
Date: 05/02/2012 11:21 AM
Subject: Economic Development at AEP

Good morning, Steve.

Although we have always been involved in Economic Development, AEP plans to have a much larger and a proactive role in this arena. The AEP National Account team has been selected to serve as a single point of contact for National Account Customers who may be considering expansion and looking at sites for such expansion.

Would that contact be you, or is someone else in your organization involved in the site selection process? Can you provide me with their contact info?

Thanks!

Scott Mann
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ATTACHMENT D

(Kentucky Power/Air Products
RTP Correspondence)

From: Sawicki,Victor F.
Sent: Tuesday, May 29, 2012 10:56 AM
To: 'jsmann@aep.com'
Subject: RE: Kentucky Power Rate RTP

Scott,

Thanks for the additional information. I will look forward to the draft amendment.

If your rate folks have a model for the current version of RTP that would be useful. I think I understand it, but I want to make sure I am not missing anything. If there is not a model, maybe you can suggest a contact in the rates group that can walk me through the calculation for a month.

It looks like we should wait to commit, based on the changes that that will be proposed in the next couple of weeks, if that is okay with you. When you know what the approximate changes are that will be proposed, please let me know so I can circulate the information here.

Vic

From: jsmann@aep.com [<mailto:jsmann@aep.com>]
Sent: Friday, May 25, 2012 3:10 PM
To: Sawicki,Victor F.
Subject: Re: Kentucky Power Rate RTP

Vic:

We are working on an addendum for your Ashland contract that would allow you to migrate capacity to RTP. I expect to have it to you early next week.

Since the current RTP rate expires June 30, there will be a new filing for the 2012-13 period in the next couple of weeks.

Those changes are yet to be determined. So, I do not have accurate modeling at this time.

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"Sawicki,Victor F." <SAWICKVF@airproducts.com>

05/23/2012 04:07 PM

To "jsmann@aep.com" <jsmann@aep.com>

cc "Smith,Shawn P." <SMITHSP@airproducts.com>, "Johnston,Harry" <JOHNSTHK@airproducts.com>

Subject Kentucky Power Rate RTP

Scott,

I recommended today to our commercial team that we switch to rate RTP effective June 1 at our Ashland plant. Could you please tell me what we need to do to commit to this, assuming my recommendation is accepted?

Do you have a model of the rate that you can share (with a sample LMP rate)?

Do you know if any of the factors in the rate are changing soon?

Vic