12-18-2019 Freddie Coleman
795 Kingdom Come Crk.
whitesburg Ky 41858

RECEIVED
DEC 23 2019
PUBLIC SERVICE
COMMISSION

Before the Public Service Commission
Pertaining to Case No. 2019-00389

I am sending some information concerning unit 2 at Rockport. Please read Ehibit6 . It sayes that Wilmington Trust co. of Deleware owns unit 2 at Rockport.

Ehibit7 , page 9, which was taken from "AEP Generating 2012 annual report" which is high lighted in yellow showes the break down of ownership of Rockport Power plant. Ehibit 8 also shows the breakdown of ownership at Rockport power plant.

a mistake was made during Case No. 2014-00396 on page 80 shown on Ehibit 9, which is high lighted in yellow which states "Ky power Co has a FERC - sales agreement with AEP generating Company (AEGCO) under which it receives 30 percent of the output and is charged 30 percent of the

cost of Rockport power plant."
"OK!" unit 1 produces 1300 mw plus
unit 2 produces 1300 MW equals
2600 mw at Rockport.

"OK" 30% x 2600 mw = 780 MW. Rockport
(upA) agreement is for 393 Mw. Not 780 MW.
Now compare Ehibit 9 page 80 in
case no. 2014-00396 to Ehibit 10
taken from Ky. power Co. appalication
at filing case no. 2019-00389 on
page 2 which is high-lighted in
yellow. It states: The company
purchases additional generating
capacity of 393 MW through the
Rock port unit power agreement.

"So" 30% of unit 1 producing 1300 MW = 390
mw. I ask the commission to
look into this mistake.

It is evident that Ky power
has more generating capacity than
what is needed by its customers.
Can this extra generating
capacity be sold on PJM Grid to
non-Kentucky power customers, with
the money from these sales going
back to the Ky power customers.

The money from these Sales Could be used to pay expense at each Ky. power plant to help lower peoples power bills.

I ask the PSC to deny Ky. power Co. request for $118,77,342 for unit 2 at Rockport to pay for Selective Catalytic Reduction system. Ky. power customer should not have to maintains both units 1 and unit 2 at Rock port when 1 unit producting 1300 mw would meet the 393 upa agreement.

Thank You
Respectfully

Freddie Coleman

Ehibit 6

Indiana Michigan Power (I&M) wants to lock customers into 30 more years of paying for the AEP Rockport coal-fired power plant, one of the biggest toxic polluters in Indiana. I&M wants to raid our pocketbooks to pay for more dirty, expensive coal while they scheme to take away our freedom to generate our own power through rooftop solar.

ONE OF INDIANA'S BIGGEST POLLUTERS

The AEP Rockport coal-fired power plant in Spencer County is the sixth largest toxic chemical polluter in Indiana and the sixth largest carbon polluter in the nation. AEP Rockport spewed 5.8 million pounds of toxic pollution into Indiana's air and water in 2013, according to the U.S. Environmental Protection Agency.[1] AEP Rockport dumps nearly 13,000 pounds of toxic chemicals into the Ohio River each year, including emissions known to harm human health like arsenic, mercury pollutants, and lead.

AEP Rockport is one of Indiana's most dangerous power plants. Experts at the Clean Air Task Force estimated in 2014 that AEP Rockport's pollution causes 130 premature deaths, 200 heart attacks, and 2,200 asthma attacks every year.[2] In addition, pollution from the plant disproportionately threatens low-income and our most vulnerable neighbors, including children. According to U.S. EPA, 45 percent of the people living within three miles of the plant are considered low-income, and 20 percent are either under age 5 or over 64.

As the nation's sixth largest carbon polluter, the AEP Rockport plant emits nearly 16 million tons of climate-disrupting carbon pollution each year, accounting for approximately 15 percent of Indiana's annual carbon emissions from power plants. Climate disruption poses a threat to Indiana crops, our health, our families and our communities, and we face increasing costs of cleaning up climate-related weather disasters. According to the 2014 National Climate Assessment, the Midwest was home to 11 of the 14 most expensive U.S. weather-related disasters in 2011 (those with damages of more than $1 billion).

A FINANCIAL DRAIN ON OUR COMMUNITIES

I&M is also hurting our communities by sending our hard-earned dollars out of state to continue burning coal at the AEP Rockport coal-fired plant. Coal burned at the AEP-

Facts: AEP Rockport Power Plant

Location: Spencer County, Indiana

Owners: Unit 1: Indiana Michigan Power and AEP Corp. of Ohio; Unit 2: Wilmington Trust Co. of Delaware

Annual Carbon Dioxide Pollution (2014): 15.8 million tons (6th in U.S.)[3] *(Equivalent to annual greenhouse gas emissions from 3 million passenger vehicles)*

Annual Toxic Pollution (2013): 5.8 million pounds *(6th worst toxic polluter in Indiana and 2nd most toxic power plant in Indiana, after Duke Energy's Gibson Power Plant)*

Health Impacts (annual):

- 30 premature deaths
- 200 heart attacks
- 2,200 asthma attacks
- 40 asthma ER visits

Rockport power plant comes from Wyoming and Kentucky coal mines, not Indiana. Out-of-state coal purchases in 2013 cost I&M customers $400 million—money that leaves Indiana's economy. I&M spent another $172 million in 2013 to operate the Spencer County plant along the Ohio River, draining more resources away from I&M communities like Fort Wayne, South Bend, Elkhart, and Muncie. Some of Rockport's coal comes from mountaintop removal mining, a practice that has destroyed 500 Appalachian mountains, a million acres of forest and buried 2,000 streams.

Half of the AEP Rockport plant is owned by I&M and its parent company, Ohio-based AEP Corp.—the biggest corporate carbon polluter in the United States.[4] The other half is owned by a group of East Coast moneymen operating as Wilmington Trust Co. I&M is leasing and operating Wilmington's part of the plant under a lease agreement that expires in 2022. Ending the lease would give I&M an opportunity to unload a dirty, polluting, expensive coal plant and invest instead in affordable, homegrown Indiana clean energy.

I&M ATTACKS ON ROOFTOP SOLAR

I&M is trying to squash Indiana's rooftop solar businesses and our freedom to generate our own power in order to protect its profits by locking our communities into paying for their dirty power plants. In 2015, I&M and other Indiana electric utilities tried to push legislation called House Bill 1320 that would restrict energy freedom by raising rooftop solar costs and give less than fair credit on solar owners' bills for the power they generate. House Bill 1320 would have placed expensive fees and restrictions on rooftop solar and small-scale wind energy in Indiana, allowing monopoly utilities to continue their control of Hoosiers' energy choices. Rooftop solar would be one means to free Hoosiers from coal plants' chokehold, but I&M and its cohorts have attempted to rig the game in favor of electric utility control, and restrict your freedom to generate your own electricity. Hoosiers fought back and stopped the utility power grab in 2015, but we expect I&M and its friends to continue attacks on rooftop solar power.

I&M'S 20-YEAR PLAN

I&M recently issued a 20-year energy plan to chart a path for meeting our energy needs in the future. The 20-year energy plan, known as an Integrated Resource Plan (IRP), was finalized on November 2, 2015. Today, only about 3 percent of I&M's energy comes from wind and solar. Under I&M's plan, renewable energy sources will grow to only about 13 percent by 2035. I&M also wants to spend more than $6 billion of your money to keep burning coal at AEP-Rockport for two or three decades. I&M rejected a less expensive plan that would retire half of the Rockport plant in 2022 and replace it with more renewable energy and energy efficiency.

Meanwhile, I&M's energy efficiency programs don't offer their Indiana customers as many rebates, home energy audits and other services as they offer to customers in Michigan. I&M doesn't do enough to reduce energy demand and make customers' homes and businesses more energy-efficient, but they do spend 70 cents of every energy efficiency dollar padding their profits with so-called lost revenues for electricity they no longer sell. I&M customers deserve better.

WHAT I&M CUSTOMERS NEED

We can keep our hard-earned dollars in our communities and create local clean energy jobs while safeguarding Hoosier health from the effects of dangerous coal pollution.

Talk to your friends and neighbors. Tell I&M CEO Paul Chodak you want him to retire one-half of AEP-Rockport by 2022 and replace it with local clean energy like solar, wind and cost-effective energy efficiency. Together, we can make a difference in our communities.

ENDNOTES

1 http://iaspub.epa.gov/triexplorer/tri_release.facility
2 http://www.catf.us/fossil/problems/power_plants/
3 http://ghgdata.epa.gov/ghgp/main.do
4 http://www.forbes.com/sites/jeffmcmahon/2014/05/28/and-the-biggest-power-polluter-is-aep/

Sierra Club National
85 Second Street, 2nd Floor
San Francisco, CA 94105
(415) 977-5500

Contact: Megan Anderson
megan.anderson@sierraclub.org
317.222.1146

sierraclub.org
facebook.com/SierraClub
twitter.com/SierraClub

Ehibit Z

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

AEGCo engages in the generation and wholesale sale of electric power to its affiliates, I&M, KPCo and OPCo. AEGCo and I&M co-own Unit 1 of the Rockport Plant. Unit 2 of the Rockport Plant is owned by a third party and leased to I&M and AEGCo. I&M operates the Rockport Plant. AEGCo derives operating revenues from the sale of Rockport Plant energy and capacity to I&M and KPCo pursuant to FERC-approved long-term UPAs through December 2022. Under the terms of its UPA, I&M agreed to purchase all of AEGCo's Rockport energy and capacity unless it is sold to other utilities or affiliates. I&M assigned 30% of its rights to AEGCo's energy and capacity to KPCo.

In 2007, OPCo and AEGCo entered into a 10-year UPA for the entire output from the plant effective with AEGCo's purchase of Lawrenceburg. The UPA has an option for an additional 2-year period. I&M operates the plant under an agreement with AEGCo. Under the UPA, OPCo pays AEGCo for the capacity, depreciation, fuel, operation and maintenance and tax expenses. These payments are due regardless of whether the plant is operating. The fuel and operation and maintenance payments are based on actual costs incurred. All expenses are trued up periodically.

The UPAs provide for a FERC-approved rate of return on common equity, a return on other capital (net of temporary cash investments) and recovery of costs including operation and maintenance, fuel and taxes. Under the terms of the UPAs, AEGCo accumulates all expenses monthly and prepares bills for its affiliates. In the month the expenses are incurred, AEGCo recognizes the billing revenues and establishes a receivable from the affiliated companies. The costs of operating the plants are billed to the affiliates receiving the benefits under the UPAs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rates and Service Regulation

The FERC regulates AEGCo's rates and affiliated transactions, including AEPSC intercompany service billings which are generally at cost, under the 2005 Public Utility Holding Company Act and the Federal Power Act. The FERC also has jurisdiction over the issuances and acquisitions of securities of the public utility subsidiaries, the acquisition or sale of certain utility assets and mergers with another electric utility or holding company. For non-power goods and services, the FERC requires that a nonregulated affiliate can bill an affiliated public utility company no more than market while a public utility must bill the higher of cost or market to a nonregulated affiliate. Both the FERC and state regulatory commissions are permitted to review and audit the relevant books and records of companies within a public utility holding company system.

The FERC regulates wholesale power markets and wholesale power transactions. AEGCo's wholesale power transactions are generally cost-based regulated under FERC approved unit power agreements.

Accounting for the Effects of Cost-Based Regulation

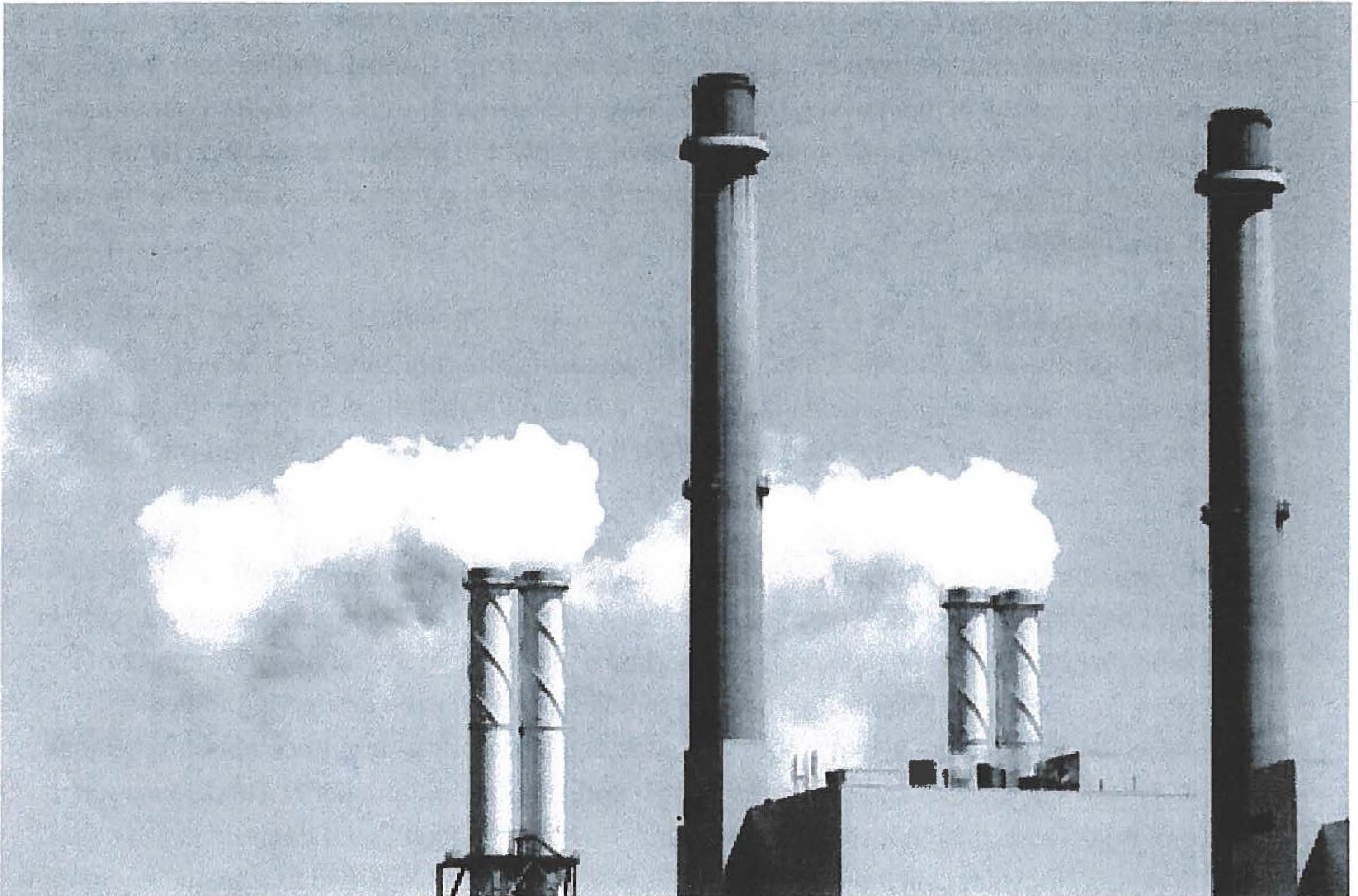
As a rate-regulated electric public utility company, AEGCo's financial statements reflect the actions of regulators that result in the recognition of certain revenues and expenses in different time periods than enterprises that are not rate-regulated. In accordance with accounting guidance for "Regulated Operations," AEGCo records regulatory assets (deferred expenses) and regulatory liabilities (deferred revenue reductions or refunds) to reflect the economic effects of regulation in the same accounting period by matching expenses with their recovery through regulated revenues and by matching income with its passage to customers in cost-based regulated rates.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates include, but are not limited to, inventory valuation, long-lived asset impairment, the effects of regulation, long-lived asset recovery and the effects of contingencies. The estimates and assumptions used are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results could ultimately differ from those estimates.

Indiana commission okays SCR project for Unit 1 of Rockport coal plant

Ehibit 8



The **Indiana Michigan Power** unit of **American Electric Power** (NYSE: AEP) won a May 13 approval from the Indiana Utility Regulatory Commission for a selective catalytic reduction (SCR) installation for NOx control on Unit 1 of the coal-fired Rockport power plant.

For various reasons, including a clean-air consent decree with the federal government, the utility needs to clean up air emissions, including through an impending retirement of its coal-fired Tanners Creek power plant. That will leave it with increased reliance on the two-unit, 2,600-MW Rockport plant.

Indiana Michigan Power (I&M) must retrofit Unit 1 at Rockport with SCR technology by Dec. 31, 2017, in order to be able to continue operation of this unit. Rockport Unit 1 was placed in service in 1984.

I&M jointly owns the two units at the plant with **AEP Generating Co.** (AEG), which is another subsidiary of AEP. I&M owns 50% of Rockport Unit 1. AEG sells 70% of its 50% share to I&M under a unit power agreement (UPA) and the remaining 30% is sold to **Kentucky Power**, another AEP subsidiary. I&M ultimately owns or purchases 85% of the capacity and energy of the Rockport plant, which amounts to

The commission noted how its approval decision is not based on this power plant using Indiana coal (it actually uses Powder River Basin coal from Wyoming). "Rockport Unit 1 does not bum Indiana coal and the evidence shows the SCR Project is economically justified. The provisions of the state environmental statutes providing favorable regulatory treatment to projects using Indiana or Illinois Basin coal have been held to be an unconstitutional interference with interstate commerce, but severable from the rest of the statutes which remain valid."

Ehibit 4

such an occurrence would have to be known before a decision could be reached as to what, if any, liability Kentucky ratepayers would have. For the Commission to address such a scenario in this Order would be speculative and premature.

Rockport Plant Unit Power Sales Agreement ("Sales Agreement") – Return on Equity of 12.16 Percent

Kentucky Power has a FERC-approved Sales Agreement with AEP Generating Company ("AEGCO") under which it receives 30 percent of the output and is charged 30 percent of the costs of the Rockport plant. In the test year, the total charges were approximately $118.2 million, including $68.8 million for fuel (account 5550046) and $43.4 million for non-fuel (account 5550027) charges.[224] AEGCO receives a 12.16-percent ROE under the terms of the Sales Agreement. Any purchaser, state regulatory commission having jurisdiction over the retail rates of purchasers under the agreement, or other entity representing customers' interest may file a complaint with FERC with respect to the specified ROE.

The AG recommends that the Commission and any other parties that are concerned that the 12.16-percent ROE being used as the basis for charges to Kentucky Power in this affiliated contract is excessive address the matter before FERC as soon as possible. In addition, he recommends the Commission also consider establishing an affiliate Charge-ROE-Reduction Rider for Kentucky Power in order to flow back to ratepayers the impact of the cost reductions to Kentucky Power that could be achieved by having the 12.16-percent ROE in the affiliated contract reduced by FERC. The AG also recommends that the Commission require Kentucky Power to present an accounting of the return-of-common equity portion of the AEGCO charges to Kentucky

[224] Smith Testimony at.79.

accounting of the return-of-common equity portion of the AEGCO charges to Kentucky Power that are related to an ROE reduction, and to report on any refunds from AEGCO to Kentucky Power related to such a reduced affiliated contract ROE.[225]

The Commission finds that the AG's recommendations to address at FERC the 12.16 ROE being used in the Sales Agreement and the establishment of an affiliate Charge-ROE-Reduction Rider should be denied. As with the Commission, FERC is mandated to set rates that are fair, just, and reasonable. While the Commission may not agree with the manner in which FERC establishes ROE, we take note that the terms of a FERC-approved contract have been found to legally constitute a fair, just, and reasonable rate. We also note that FERC's methods of setting an ROE have withstood prior challenges.

Under the terms of the Sales Agreement, the AG has the same authority as the Commission to file a complaint with FERC to address the ROE, should it chose to do so.

ORDERING PARAGRAPHS

The Commission, based on the evidence of record and the findings contained herein, HEREBY ORDERS that:

1. The rates and charges proposed by Kentucky Power are denied.

2. The provisions in the Settlement Agreement, as set forth in Appendix A hereto, are approved, subject to the modifications and deletions set forth in this Order.

3. Within seven days of the date of this Order, the President of Kentucky Power shall file written notice with the Commission indicating whether Kentucky Power

[225] *Id.* at 82.

Ehibit 10

A. INFORMATION REGARDING THE APPLICANT.

1. **Name and Address**: The applicant's full name and post office address is: Kentucky Power Company, 855 Central Avenue, Suite 200, Ashland, Kentucky 41101. The Company's electronic mail address is kentucky_regulatory_services@aep.com.

2. **Incorporation**: Kentucky Power is a corporation organized on July 21, 1919 under the laws of the Commonwealth of Kentucky. The Company currently is in good standing in Kentucky.[1]

3. **Business**: Kentucky Power Company is a public utility principally engaged in the provision of electricity to Kentucky consumers. The Company generates and purchases electricity that it distributes and sells at retail to approximately 165,600 customers located in all, or portions of, the Counties of Boyd, Breathitt, Carter, Clay, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Leslie, Letcher, Lewis, Magoffin, Martin, Morgan, Owsley, Perry, Pike, and Rowan. The Company also furnishes electric service at wholesale to the City of Olive Hill and the City of Vanceburg.

4. **Rockport Unit Power Agreement**: Kentucky Power is a party to the Federal Energy Regulatory Commission-approved unit power agreement ("Rockport Unit Power Agreement"). Kentucky Power is responsible for its contractual share of the costs associated with Rockport Plant Generating Units No. 1 and No. 2 located near Rockport, Indiana, including environmental control equipment. The Company purchases additional generating capacity of 393 MW through the Rockport Unit Power Agreement.

[1] A certified copy of the Company's Articles of Incorporation and all amendments thereto was attached to the Joint Application in *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. The Company's November 12, 2019 Certificate of Existence is filed as **EXHIBIT 1** to the Application.