



*AEP: America's Energy Partner®*

January 14, 2014

## **INTRODUCTION**

AEP Generation Resources Inc. (AEPGR) is seeking proposals for the supply of coal to one or more power plants.

AEPGR is a competitive company within the AEP Corporation. AEPGR consists of the former AEP Ohio owned generation assets and is managed by the recently formed AEPGR Fuel Team.

This solicitation seeks coal that meets the specifications on the attached "Coal Specifications." All proposals will have specifically negotiated terms and conditions, but will mirror those included in this solicitation as close as practicable.

AEPGR is seeking proposals for the following:

Spot Coal - Beginning in Q2 2014 and ending in Q4 2014

- FOB Conesville Plant or FOB Mine (refer to Specification "A")
- FOB Barge or FOB Mine (refer to Specification "B")

Term Coal - Beginning in Q2 2014 and lasting a term of either 3 or 5 years. AEPGR may choose to transact on a specific year, or years, contained within a term proposal.

- FOB Conesville Plant or FOB Mine (refer to specification "A")
- FOB Barge or FOB Mine (refer to Specification "B")

Each valid proposal should include:

- The Seller's and Producer's name(s);
- The location of the mine and/or loadout
- The mine type (surface or underground) ;
- The seam of coal being mined;
- The mine district;
- The quality of the coal, inclusive of suspension/rejection limits;
- The coal preparation (washed, crushed run-of-mine, etc.);
- The tons proposed for delivery each month;
- The stated price per ton;
- The commencement date and months of delivery;
- MSHA ID Number, Environmental Permits, and the intended method of mining (mountain top removal, contour, or deep)

## **COAL PROPOSAL – SPOT/TERM**

In order to ensure that proposals are responsive to AEPGR's needs, and that they provide a uniform basis for evaluation, any entity providing offers is required to complete either a "Spot Coal Proposal Form", or a "Term Coal Proposal Form" for each submitted offer. Copies of these forms are contained herein. Typical coal analyses, including the Proximate, Ultimate, Trace Element and Mineral Ash Analyses, Grindability Index, Ash Fusion Temperatures and Mercury, shall be submitted with the attached forms.

## **BID SUBMITTAL**

All submitted offers shall be signed by a person having proper authority to legally obligate the offering company, provided along with any additional supporting materials, must be received no later than 5:00 p.m., **THURSDAY, JANUARY 23, 2014**. Proposals are to be kept open for AEPGR's acceptance until 5:00 p.m., **MONDAY, FEBRUARY 10, 2014**. All proposals are to be submitted by e-mail to [kkchilcote@aepes.com](mailto:kkchilcote@aepes.com), or delivered in an envelope marked "AEPGR RFP - COAL PROPOSAL" and are to be addressed as follows:

AEPGR RFP – COAL PROPOSAL  
ATTN: KIM CHILCOTE, MGR., COAL PROCUREMENT  
AMERICAN ELECTRIC POWER SERVICE CORP.  
155 W. NATIONWIDE BLVD.  
SUITE 500  
COLUMBUS, OH 43215

## **BID EVALUATION**

Proposals will be evaluated based upon the following factors:

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

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

AEPGR will retain in confidence all proposals and other information received pursuant to this invitation, except when the same is requested by a court or government agency or otherwise required to be disclosed.

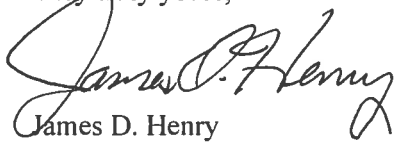
Those submitting proposals shall be responsible for the completeness and accuracy of all information contained in and used in preparation of its proposal(s) and for having supplied all necessary information.

All proposals shall be submitted by the offering company at their sole cost and expense.

AEPGR terms and conditions for both spot and term agreements are available upon request. Upon completion of the bid evaluation terms and conditions will be provided to selected bidders.

Should further information be required, please contact Jim Henry at (614) 583-6974 or Kim Chilcote at (614) 583-6301.

Very truly yours,



James D. Henry  
Vice President – Fuel Procurement  
AEP Generation Resources Inc.

## **COAL SPECIFICATIONS**

<b>Specification "A" (FOB Conesville or FOB Rail)</b>	<b>Contracted Half-Month</b>	<b>Half-Month Suspension Limit</b>	<b>Shipment Rejection Limit</b>
Calorific Value (Btu/lb.)	$\geq 11,800$	$< 11,650$	$< 11,500$
Moisture (%)	$\leq 10.00$	$> 11.00$	$> 12.00$
Ash (%)	$\leq 9.00$	$> 10.00$	$> 11.00$
Sulfur Dioxide (Lbs. SO <sub>2</sub> /mmBtu)	$\leq 5.00$	$> 5.50$	$> 6.50$
Ash Loading (#Ash/mmBtu)			$> 8.12$

<b>Specification "B" (FOB Barge)</b>	<b>Contracted Half-Month</b>	<b>Half-Month Suspension Limit</b>	<b>Shipment Rejection Limit</b>
Calorific Value (Btu/lb.)	$\geq 11,000$	$< 10,900$	$< 10,800$
Moisture (%)	$\leq 10.00$	$> 10.50$	$> 11.00$
Ash (%)	$\leq 8.00$	$> 9.50$	$> 11.00$
Sulfur Dioxide (Lbs. SO <sub>2</sub> /mmBtu)	$\leq 5.00$	$> 5.50$	$> 6.00$
Mercury (Lbs./TBtu)	$\leq 8.50$	$> 10.00$	$> 12.00$

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

## SPOT COAL PROPOSAL FORM

Details concerning the supply of coal being offered herein to the American Electric Power Service Corporation (AEPGR) are provided below:

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

<b>(a) Seller:</b> _____ _____ _____ _____	<b>(b) Producer:</b> _____ _____ _____ _____
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**2. Name(s) and location(s) of mine(s):**

\_\_\_\_\_  
\_\_\_\_\_

**3. Quantity offered (tons per month):**

\_\_\_\_\_

**4. Term:**

\_\_\_\_\_

(The actual length of Term shall be designated by AEPGR in the event of its acceptance of offer. Seller is to specify the earliest month coal is available).

**5. Bidder's Shipping Point:**

**Rail Deliveries** (minimum 90 cars)

Shipping Point(s):

Origin Station: \_\_\_\_\_

OPSL No. (Defined in OPSL 6000R): \_\_\_\_\_

No. of railcars/shipment\* ( $\geq 15$ ):

Maximum Loadout Time:

24 hrs. <input type="checkbox"/>	4 hrs. <input type="checkbox"/>
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**Barge Deliveries**

Shipping Point(s):

Dock: \_\_\_\_\_

River: \_\_\_\_\_

Milepost: \_\_\_\_\_

**6. Pricing (\$/short ton):**

FOB Barge: \_\_\_\_\_

FOB Rail: \_\_\_\_\_

FOB Conesville Plant: \_\_\_\_\_

**7. Type of Mine(s):**

Surface: \_\_\_\_\_ %

Underground: \_\_\_\_\_ %

**8. Mine District:**

\_\_\_\_\_

**9. Name of Seam(s):**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**10. Preparation:**

Crushed, run-of-mine: \_\_\_\_\_ %

Washed: \_\_\_\_\_ %

**11. Comments:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 12. Guaranteed “Spot” coal specifications “As-Received”:

The quality of coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specifications:

☐ Specification A

☐ Specification B

<b>Table 1</b>					
<b>Parameter</b>	<b>Contracted Monthly Weighted Average</b>	<b><u>Suspension</u> Half-Month Wtd. Avg</b>		<b><u>Rejection</u> Applicable Lot*** Wtd. Avg</b>	
		minimum	maximum	minimum	maximum
Calorific Value (Btu/lb.)			N/A		N/A
Moisture (%)		N/A		N/A	
Ash (%)		N/A		N/A	
Volatile Matter (%)		N/A	N/A		N/A
Hardgrove Grindability		N/A	N/A		N/A
**Sulfur Dioxide (lbs. SO <sub>2</sub> per mmBtu)		N/A		N/A	
Ash Fusion Temp. (H=½W) °F Red. Atm.		N/A	N/A		N/A
**Ash Loading (lbs. Ash/mmBtu)		N/A		N/A	
Mercury (lbs. Hg per TBtu)		N/A		N/A	
Chlorine (%)		N/A		N/A	
Sizing	2” x 0	N/A	N/A		2” x 0

\*\* Half-Month Suspension should be reasonably close to the contracted specification

\*\*\* Applicable Lot refers to each barge load of coal or at Buyer’s election a composite of two or more barges

THIS IS A FIRM OFFER TO SUPPLY COAL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS COAL PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPGR'S ACCEPTANCE THROUGH 5:00 P.M., **MONDAY, FEBRUARY 10, 2014**. UNTIL AEPGR'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPGR'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPGR AND SELLER.

Proposal submitted by:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Company)

## **TERM COAL PROPOSAL FORM**

Details concerning the supply of coal being offered herein to the American Electric Power Service Corporation (AEPGR) are provided below:

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

<b>(a) Seller:</b> _____ _____ _____ _____	<b>(b) Producer:</b> _____ _____ _____ _____
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**2. Name(s) and location(s) of mine(s):**

\_\_\_\_\_  
\_\_\_\_\_

**3. Quantity offered (tons per month):** \_\_\_\_\_

**4. Term:** \_\_\_\_\_

(Number of years, beginning as early as January, 2014; the actual length of Term shall be designated by AEPSC in the event of its acceptance of offer. Seller is to specify the earliest month coal is available).

**5. Bidder's Shipping Point:**

**Rail Deliveries** (minimum 90 cars)

Shipping Point(s):	Origin Station: _____		
	OPSL No. (Defined in OPSL 6000R): _____		
No. of railcars/shipment* ( $\geq 15$ ):			
Maximum Loadout Time:	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="padding: 2px 10px;">24 hrs. <input type="checkbox"/></td><td style="padding: 2px 10px;">4 hrs. <input type="checkbox"/></td></tr></table>	24 hrs. <input type="checkbox"/>	4 hrs. <input type="checkbox"/>
24 hrs. <input type="checkbox"/>	4 hrs. <input type="checkbox"/>		



**Barge Deliveries**

Shipping Point(s):

Dock: \_\_\_\_\_

River: \_\_\_\_\_

Milepost: \_\_\_\_\_

**6. Pricing (\$/short ton):**

	FOB Conesville	FOB Rail
2014		
2015		
2016		
2017		
2018		

**7. Type of Mine(s):**

Surface \_\_\_\_\_ %

Underground \_\_\_\_\_ %

**8. Mine District:**

\_\_\_\_\_

**9. Name of Seam(s):**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**10. Preparation:**

Crushed, run-of-mine \_\_\_\_\_ %

Washed \_\_\_\_\_ %

**11. Comments:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## TERM COAL PROPOSAL FORM

### 12. Guaranteed “Term” coal specifications “As-Received”:

The quality of coal being offered herein is intended to meet one of the following specifications as stated on the Coal Specifications:

☐ Specification A

☐ Specification B

**Table 1**

Parameter	Contracted Monthly Weighted Average	<u>Suspension</u> Half-Month Wtd. Avg		<u>Rejection</u> Applicable Lot*** Wtd. Avg	
		minimum	maximum	minimum	maximum
Calorific Value (Btu/lb.)			N/A		N/A
Moisture (%)		N/A		N/A	
Ash (%)		N/A		N/A	
Volatile Matter (%)		N/A	N/A		N/A
Hardgrove Grindability		N/A	N/A		N/A
**Sulfur Dioxide (lbs. SO <sub>2</sub> per mmBtu)		N/A		N/A	
Ash Fusion Temp. (H=½W) °F Red. Atm.		N/A	N/A		N/A
**Ash Loading (lbs. Ash/mmBtu)		N/A		N/A	
Mercury (ppm)		N/A	N/A	N/A	N/A
Chlorine (%)		N/A		N/A	
Sizing	2" x 0	N/A	N/A		2" x 0

\*\* Half-Month Suspension should be reasonably close to the contracted specification

\*\*\* Applicable Lot refers to each barge load of coal or at Buyer's election a composite of two or more barges of coal

THIS IS A FIRM OFFER TO SUPPLY COAL UNDER ALL TERMS AND CONDITIONS INCLUDED IN THIS COAL PROPOSAL PACKAGE, AND SHALL BE HELD OPEN BY SELLER FOR AEPSC'S ACCEPTANCE THROUGH 5:00 P.M., **MONDAY, FEBRUARY 10, 2014.** UNTIL AEPSC'S ACCEPTANCE HEREOF, WHICH SHALL BE AT ITS SOLE DISCRETION, THIS PROPOSAL SHALL NOT CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT, BUT UPON AEPSC'S ACCEPTANCE, SUCH PROPOSAL SHALL CONSTITUTE A VALID AND ENFORCEABLE AGREEMENT BETWEEN AEPSC AND SELLER.

Proposal submitted by:

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(Signature)

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(Title)

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(Company)