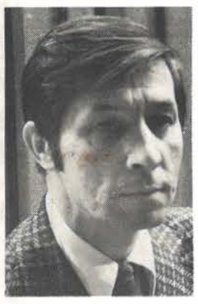
the ILLUMINATOR

PUBLISHED FOR THE EMPLOYEES OF APPALACHIAN POWER COMPANY • KENTUCKY POWER COMPANY • KINGSPORT POWER COMPANY • OF THE AMERICAN ELECTRIC POWER SYSTEM **Vol. XXVI, No. 5, February, 1975**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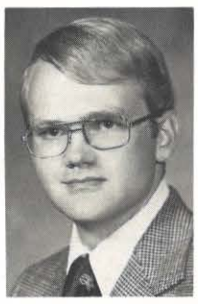

Jamison


Joseph

Three awarded certificates in 1974 Illuminator competition

Winners of the 1974 **Illuminator** awards competition were revealed last month by Appalachian Executive Vice President John W. Vaughan at a staff luncheon in Roanoke.

For the second consecutive year, Lynchburg Division had the highest percentage of news printed, based on the number of employees. Steve Jamison, Lynchburg administrative assistant, received the quota award. This was Jamison's first year as an associate editor of **The Illuminator.**

Charlie Frye, Logan-Williamson administrative assistant, was recognized for contributing the best story in 1974. His article on Mrs. Floyd Taylor which appeared in the February issue was the winning story. Frye has been an **Illuminator** associate editor for more than three years.

Also for the second consecutive year, W. A. Joseph, Huntington photographer and reproduction man, was the recipient of the best photo award. His winning photo of precast conduit appeared in the March issue.

Running a close second in quota competition was Roanoke Division. Huntington was third; Abingdon, fourth; and Ashland, fifth.

Standings of all other locations were: Beckley, sixth; Pulaski, seventh; Bluefield, eighth; Hazard, ninth; Kanawha River, tenth. Also, Logan-Williamson, 11th; Charleston, 12th; Kingsport, 13th; Pikeville, 14th; Cabin Creek, 15th; General Office, 16th; Glen Lyn, 17th; Philip Sporn, 18th; John E. Amos, 19th; Big Sandy, 20th; and Clinch River, 21st.

10-million shares of AEP common to be sold in spring

American Electric Power Company will sell 10-million shares of its authorized but unissued common stock in late March or early April.

AEP Chairman Donald C. Cook made the announcement last month and said the sale would be a negotiated public offering to underwriters.

A major portion of the proceeds will be used to retire short-term indebtedness of the company; any balance will be invested in the common stock equities of the operating companies.

AEP now has 73-million shares of common outstanding, including 13.5-million from rights offerings to existing shareowners in both 1973 and 1974. The coming sale would raise the total outstanding to 83-million, an increase of 13.7 per cent. At the 1974 annual meeting the stockholders had approved an increase in the number of authorized shares from 80- to 100-million.

Cook Unit 1 attains criticality

At 8:10 p. m., Saturday, January 18, the American Electric Power System passed into the Nuclear Age.

That was the moment when the reactor of Indiana & Michigan Electric Company's Donald C. Cook Nuclear Plant Unit 1 attained criticality — that is, when it achieved its first self-sustaining chain reaction.

The 1.1-million-kilowatt unit now faces a series of incremental increases in production, each step followed by tests and evaluation of its performance. The first power was expected to flow from Unit 1 as this issue went to press. It is anticipated that it will reach 81 per cent of its capacity, the initial limit specified in the operating license, by late spring.

Construction work on Unit 2, also 1.1-million kw, was halted in late 1974 because of economic conditions, approximately a year away from completion.

In 1967, when plans for the plant were announced, its estimated cost was $300-million. To date, $705-million has been expended. Completion of Unit 2 is expected to raise the plant's total cost to more than $830-million.

at SCC hearing

APCo's Virginia operations probed

As **The Illuminator** went to press, there were three days to go in the hearing before the Virginia State Corporation Commission on Appalachian Power Company's request for a $36,196,600 rate increase. The hearing began January 22 in Richmond and continued before the three-member Commission through January 29.

Further hearings are scheduled for February 4 in Abingdon, February 5 in Roanoke and February 6 in Richmond.

Public witnesses were heard on the first day of the hearing. Six legislators from Appalachian's service area in Virginia appeared as well as representatives of Patrick, Henry and Bedford counties, the Cities of Roanoke and Martinsville to enter statements in opposition to the rate increase. Some of the legislators did compliment Appalachian on the quality of service which the company has been furnishing but indicated the constituents in their areas were highly incensed at the increase in the cost of electric power which has been brought about because of the fuel adjustment clause.

During the presentation by the public witnesses, questions were raised about the operation of Pennhall, Camp Kilowatt, Franklin Real Estate Company and Appalachian's affiliated coal operations.

Virginia Attorney General Andrew Miller questioned whether Appalachian was entitled to all of the rate increase which the company is requesting. Richard Rogers, counsel for the Commission, indicated in his opening statement that the Commission Staff felt a rate of return of 8.75 per cent, which perhaps would yield an increase of $27-28 million might be the rate of return to which the company is entitled. In the company's filing, Appalachian is seeking a 9.65 per cent rate of return.

Abraham Spalter, attorney for Owens Illinois Glass Company, did not question the need for a rate increase but was concerned about the rate structures. Representative Don Pendleton of Amherst County; Senator Virgil Goode, representing Franklin and Henry Counties and the City of Martinsville; Commonwealth Attorney Clarke of Patrick County and Commonwealth Attorney Reynolds of Henry County, Vrgnia, made statements in opposition to the rate increase. In almost every case they were questioning the fuel adjustment clause. These men participated in the cross examination of witnesses along with counsel for the Staff and the Attorney General's office.

Some of the representatives of local governments did say Appalachian needs to be maintained as a viable organization and that the company might need a rate increase but they questioned the amount of the increase.

The second day was opened with J. W. Vaughan, Appalachian's executive vice president, making a presentation of the company's position and its financial situation. His presentation is reprinted in a special supplement to this issue of **The Illuminator.**

After his opening statement, Vaughan was cross examined by the six attorneys and was on the stand the entire day.

During the cross examination, Vaughan was questioned about the relationship of Appalachian and Franklin Real Estate, Appalachian's problems in selling bonds, Appalachian's relationship to its affiliated coal companies, the operation of Pennhall Training and Conference Center, the company's load factor, employee discounts, Camp Kilowatt and the company's austerity program.

Vaughan was followed on the witness stand by R. E. Disbrow, executive vice president and controller of the American Electric Power Service Corporation. Disbrow described the company's financial situation in his filed testimony, and he was questioned at length on the company's debt ratio, its federal income tax payments and the company's financial situation.

In his prepared testimony, Disbrow said if there is no rate relief the company will not be able to issue additional long term debt which will affect the company's construction program that could cause a deterioration of service to its customers. He predicted there would continue to be a steady growth of the utilization of electric power in the long term.

Following Disbrow as the next company witness was T. J. Nagel, executive vice president of system planning for the American Electric Power Service Corporation. Nagel first described the function of

(Continued on page 2)

PSC orders refund in W. Va.; APCo announces further cutbacks

The West Virginia Public Service Commission issued an order January 31 directing Appalachian Power Company to refund approximately 86% of a rate increase it had been collecting under bond from its retail customers in that state since the PSC authorized such collections in mid-1971. The company's request for the increase had been filed early that year and was based on 1970 "test" year data.

Amount of the refund has been estimated at $33.5 million, including 6% annual interest.

Appalachian Power announced February 3 that it would petition the PSC "yet that week" for a rehearing on its order. This would have the effect of staying both the order and the refund. "If our petition for a re-hearing is denied," said John W. Vaughan, executive vice president, "then we expect to appeal to the courts."

Vaughan said that the PSC's order, if it remains unchanged, would have a seriously adverse effect on the company's financing capability. Thus, although the company has indicated that it will contest the Commission's decision and order, it will meanwhile take the following additional steps because of them:

- File a new rate-increase application with the West Virginia PSC in the near future, with its supporting data reflecting a more up-to-date test year;
- Immediately freeze all major construction work in West Virginia requiring significant expenditures and review what other cost-cutting steps can be taken; and
- Undertake at once a workforce reduction of 10% in the company's five operating divisions in West Virginia.

Vaughan indicated that refund of the revenues collected over the past 42 months, plus accumulated interest, would have "some relatively small offsetting effects" with respect to Federal income and state taxes.

Appalachian Power's request in 1971 was for a rate increase of $9.5 million per year, which the PSC shortly thereafter permitted the company to begin collecting, subject to refund if its final decision later were that the amount was excessive. That decision, announced January 31, allowed Appalachian approximately $1.3 million or only about 14% of the requested amount. The order directed the utility to (a) file new rates with the PSC within 90 days to reflect the allowed increase and (b) refund within 60 days the difference between the amount collected under bond and the approved rate increase, plus interest.

This heated truck area and loading dock in the Abingdon service center is capable of handling 12 vehicles at the same time. Loading a truck for the day's work are (l. to r.) H. D. Plummer, T. L. Russ and C. D. Coulthard.

Abingdon service center occupied

Seventy-seven employees moved into Abingdon Division's newly-completed service center last month.

The 55,000-square-foot building, constructed of masonry precast panels, block and brick, is total electric.

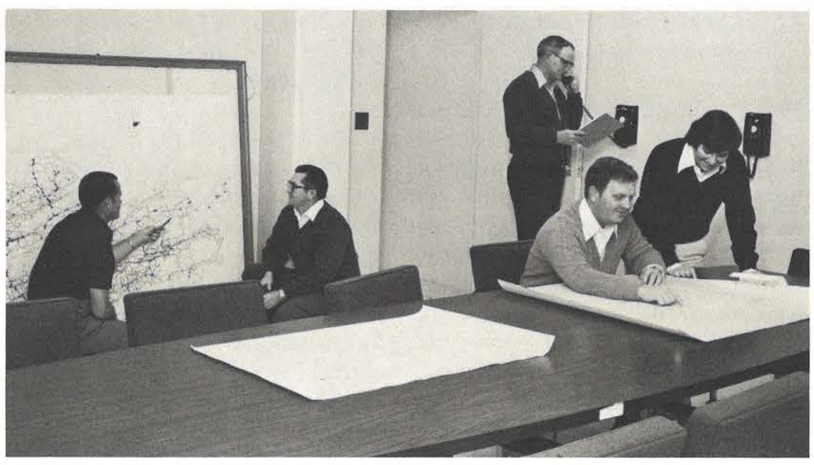
Located one mile north of Abingdon on U. S. Highway 19, the new facility houses the engineering, line, station, stores, records, meter, garage and drafting sections which were previously housed at three locations in and near town.

A regional dispatch center and General Office communications section serving the southwest sector of Appalachian Power as well as Kingsport Power are also housed in the facility.

Space is available for future division and general office department expansion.

A company-owned telephone system located in the facility also serves the main division office building.

Other features include a pole storage yard replacing four smaller ones; parking lot for employees, visitors and company vehicles; a separate dock for incoming freight and a 15,000-square-foot outside storage pad.



From this trouble restoration room in the new Abingdon service center, engineers can provide information to the four area offices during periods of widespread trouble. Seated, l. to r., H. C. Breeding, J. E. Vencill, D. C. Landreth and Paul Voros. Paul Lethcoe is at phone.

Rate increases granted in Ohio, Indiana; two requests pending

Ohio Power Company, on January 13, was given permission by the Public Utilities Commission of Ohio to add a surcharge of 17.53 per cent to the base rate charged its 571,000 retail customers. The boost, effective that day, will add $49,388,000 to annual revenues.

On January 24, the Indiana Public Service Commission authorized an immediate interim rate increase of 15.22 per cent for 313,000 Indiana customers of Indiana & Michigan Electric Company. This, too, is a surcharge on the base rate.

Both increases are part of general permanent rate requests still pending in the two states. In both cases the interim increases are refundable if the respective commissions should later determine that the amount is too high.

Ohio Power had filed an application for a general increase of $85-million in November, and asked that $40.4-million of it be made effective immediately. The PUCO subsequently approved the full amount of the interim request. I&M, following the same procedure, had filed for a permanent boost of $62.1-million, and asked for immediate interim relief of $38.3-million. The Commission granted $21.1-million of the interim amount asked.

Meanwhile, general increase requests by the two AEP System companies serving Michigan are pending. I&M is asking for a $6.5-million hike for its 72,000 retail customers there, and Michigan Power Company for $4-million. The latter request includes $2.1-million from 54,000 gas customers, the remainder from 26,000 electric customers.

the ILLUMINATOR

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Virginia operations (Continued from page 1)

planning and he was cross examined vigorously by the attorneys on the need for continued expansion of the company's generating capability. In his prepared testimony, Nagel predicted that blackouts could occur in the Roanoke urban area as well as extensive areas to the east and south of Roanoke because of overloaded electric facilities if construction of a reinforcement program is further delayed or has to be cancelled because of the company's financial condition. He pointed to the fact that Appalachian has reduced its construction budget for 1975 from an original estimate of $285.9-million to approximately $149-million.

The next company witness was H. G. Roseman, vice president of National Economic Research Associates, Inc., who testified that the company should be permitted a rate of return of at least 9.65 per cent on base rates and a 15.5 per cent return on common equity. He was interrogated by the attorneys on his analysis and how he arrived at his conclusions.

Following Roseman, a Staff witness, David Parcell, consulting economist and vice president of Technical Associates of Richmond, Virginia, presented testimony which indicated that the company is entitled to only an 8.75 per cent rate of return on base rates and 12 to 13 per cent return on common equity.

The company's counsel, Carl Hobelman, interrogated Parcell at some length and attempted to ascertain from Parcell the basis for his computations. Parcell compared Appalachian's operations to those of non-regulated industries.

Alexander E. Wiskup, president of VanScoyoc and Wiskup, Inc., a Staff witness on allocation of properties, was presented and underwent some cross examination.

Gerald P. Maloney, chief financial officer and a vice president of Appalachian, pointed out that in 1975 Appalachian faces estimated external financing program of $173-million but that under its present revenue situation the company could only borrow $30-million. He was cross examined by all of the attorneys on the ways the company raises funds, the distribution of those funds, and the dividend payments that Appalachian Power Company makes to American Electric Power. He said that the dividend payments to AEP by Appalachian and other affiliates are AEP's only source of income and are costs of doing business for Appalachian that are as essential and unavoidable as cost of fuel and labor and their elimination would be suicidal.

James B. Berg, accounting manager of Appalachian, was the company's next witness. He testified that Appalachian's rate of return in Virginia during 1974, after necessary adjustments to total operating income to reflect normal revenue and expense levels was only 6.42 per cent.

He was cross examined by all of the attorneys on many of the company's cost items and expenses, including pension payments, fuel costs, transportation costs, customer service costs and other parts of the company's revenues and costs.

After Berg's testimony, J. M. Burnett, rates and tariff supervisor for the company, presented his testimony concerning the allocation of properties. He was asked a few questions by some of the attorneys present.

R. H. Hively, director of tariffs, rates and contracts for Appalachian, presented a new fuel adjustment clause which he indicated was different from that in his filed testimony.

Hively also entered into the record a report which showed Appalachian Power Company in 1974 had recovered only 89 per cent of the cost of fuel from its Virginia customers which the company had used in generating electric power consumed by its Virginia ratepayers.

Hively was still on the stand at the recess, and he will complete his cross examination in Richmond on February 6.

Staff witnesses and one other Appalachian witness will be heard at the continuance of the hearings in Richmond. The hearings in Abingdon and Roanoke will be confined generally to statements from public witnesses and customers of the power company.

Lamb transfers to Michigan Power

Lamb

Ronald L. Lamb, Huntington Division administrative assistant, will become personnel director of Michigan Power Company, Three Rivers, Michigan, on February 10.

A native of South Charleston, West Virginia, Lamb holds a business administration degree from West Virginia State College and has done graduate study in business at West Virginia University and Marshall University. He was employed in 1970 as a personnel assistant in the General Office Executive Personnel Section, Roanoke, and went to Huntington in 1973.

Everything customers want to know about their electric bills

(and aren't afraid to ask)

WHY IS MY ELECTRIC BILL SO HIGH?

There are two basic reasons why electric bills are increasing. One, of course, is higher consumption. Despite the fact that many customers have been trying to cut back their use because of all the publicity about the energy crisis, they tend to forget about this when the weather gets cold. The average residential customer of Appalachian used 8,867 killowatt-hours of electricity during 1974, compared with 8,706 in 1973.

In addition to increased usage is the increase in the cost of coal that Appalachian burns to make electricity. Ninety-seven per cent of the electricity generated by Appalachian comes from coal-burning steam electric plants, which consume about 10 million tons of coal annually. In 1969, the company paid an average of $5.22 per ton of coal. In December 1974, the average cost had risen to $30.51 per ton. Appalachian is permitted by the Public Service Commission of West Virginia and the State Corporation Commission of Virginia to pass on to its customers increases or decreases in the cost of coal through the use of the fuel adjustment clause.

HOW DOES THE FUEL ADJUSTMENT CLAUSE WORK?

The Fuel Adjustment Clause is a part of the company's rate schedules. Its purpose is to provide the company an opportunity to recover the cost of fuel over that part of the fuel cost which is built into the base rate.

It works this way: Where the cost of coal exceeds the cost built into the base rates, the company is allowed to pass the excess cost on to our customers.

Conversely, if the cost of coal goes below the amount in the base rates, customers will receive credits. It is difficult to believe, in this day of high fuel adjustment clause rates, but in the period of the 1960's customers did receive some credits.

The company does not make any profit on the fuel clause. The funds obtained from the fuel adjustment clause go directly to the fuel supplies. In fact, in 1974, the company did not recover its cost of fuel from the combination of the base rates and the fuel adjustment clause.

YOU CAN HELP

One of the tough problems electric utilities face today is the handling of customers who are concerned about the rising cost of electricity brought about by increasing costs of coal and fuel. Customers simply don't understand what is happening to their bills.

Many customers are using twice as much electricity today as they were ten years ago and often overlook this fact. The increased usage coupled with the increasing cost of fuel as reflected in the fuel adjustment clause is resulting in higher bills for our customers.

Telephone calls and letters by the hundreds have poured into Appalachian's local offices as customers demand to know whether the company is treating them fairly or whether they're being overcharged. For the first time in many years, we're feeling the sting of unfavorable opinion. Unfortunately, because of misunderstanding, lack of information, or refusal to believe the facts, many customers feel their bills are a power company "ripoff."

People you meet who are puzzled and angered by rising electric bills point the finger at you — as a power company employee. Utility economics is not an easy subject to get across even if you are an expert on the subject.

It can be very frustrating trying to defend our company's position, particularly if you, as an employee, do not completely understand yourself.

Some of the most frequently asked questions about electric bills are answered on this page. They can help in answering our critics and in explaining our operations to our friends and neighbors.

Our Customer Services and Accounting Departments are doing a good job in handling customer complaints, but you can help too. Every employee — secretary, meterman, accountant, lineman, equipment operator, laborer — can be a customer contact employee.

Persuasion and explanation are not going to be easy. That's where you can help — by telling the Appalachian Power story.

IS THE FUEL ADJUSTMENT CLAUSE A "RIPOFF" FOR THE POWER COMPANY?

No. Appalachian currently recovers only about 89 per cent of its increased cost of coal from its customers. The company pays taxes on fuel clause dollars collected from customers. Also, because of rising fuel costs, the company spends more in any given month for fuel than it collects from the application of the fuel clause. There is a mismatch between fuel production costs and fuel clause revenues because of this lag. The company is required to report its actual fuel costs to the Commissions each month.

WHY IS THE COST OF COAL SO HIGH?

A combination of factors is causing the escalating prices electric utilities must pay for coal. The Mideast oil embargo a little over a year ago not only boosted the price of oil but also put additional demands on an already short supply of coal, creating a tight and chaotic coal market — a seller's market. In addition, air quality regulations require Appalachian to use coal which meets low sulfur and ash specifications to generate electricity. The Federal Mine Health and Safety Act of 1969 had an adverse effect on mining productivity and costs. Increases in the wages and benefits won by the coal miners recently amounted to an overall increase of 63 per cent.

IS APPALACHIAN DOING ANYTHING TO LOWER THE PRICE OF COAL?

Appalachian has always made an effort to obtain coal at the lowest possible cost. Most of our power plants are located in or near the coal fields in an effort to minimize transportation costs. These plants were designed to burn locally produced coal. In addition, most coal was obtained through long-term contracts, providing dependability of supply and favorable pricing terms; and now, the American Electric Power System is acquiring and developing mining operations of its own. The ultimate objective is a high degree of self-sufficiency in fuel. By 1981, it is hoped that 50 per cent of AEP's coal needs can be met from our own mining operations. This will have two major benefits: greater security of supply of coal for the System's power plants and a stronger position from which to negotiate the lowest prices for our purchased coal.

WHY IS APPALACHIAN APPLYING FOR A RATE INCREASE OVER AND ABOVE THE FUEL ADJUSTMENT CLAUSE?

Appalachian is seeking a $36,196,600 increase in its rates to Virginia customers because it is a victim of inflation just like everybody else. The company has had only one rate increase in Virginia, in 1952, and several rate reductions since then, including one in 1966. The company's base rates now in effect are less than those which were in effect prior to 1953.

In the past ten years, Appalachian has expended over $1-billion in construction. For 1975, we had forecast $285.9-million in construction expenditures; but because of our financial picture, we have slashed that to $149-million. Many projects have been cancelled or delayed. Costly equipment, which does not provide any revenue but which is required to protect the environment, is an additional drain on Appalachian's financial resources. More than $129-million is now scheduled for such equipment at our power plants, including $42-million at two plants in Virginia and $60-million for one in West Virginia. The cost of materials and supplies needed in our business — things like poles, crossarms, gasoline, line trucks, and conductors have risen sharply.

Interest charges on money we must borrow to construct facilities have increased by 75 per cent in the past three years. For every dollar of revenue we receive, we have invested about four dollars in facilities. About 70 per cent of the money we invest comes from sources outside the company, and interest charges on that money amounted to more than $57-million in 1974.

HAS APPALACHIAN HAD A RATE INCREASE IN WEST VIRGINIA?

Appalachian has had increased electric rates in effect under bond in West Virginia since July 1971, awaiting a final Order from the West Virginia Public Service Commission.

HAS MONTHLY BILLING CAUSED MY BILL TO GO UP?

No. Appalachian began monthly billing in September as a convenience to customers. Since most families live on a monthly budget, they find monthly payments easier to handle. The change also benefited the company because revenues are coming in more often — revenues which are used to conduct day-to-day business. This is an important factor for all businesses in today's tight money situation. A customer's electric service bills for a year's period would add up to the same amount.

WHY HAS MY BUDGET PAYMENT BEEN INCREASED SO OFTEN?

Appalachian's Customer Services Department periodically reviews each budget payment account. Because of the increased coal costs, many customers' equal payment plans have not been keeping pace with the actual cost of electricity. So that customers will not be faced with a large balance on their settlement month, the monthly equal payment has been increased.

WHAT ARE PEOPLE ON FIXED INCOMES GOING TO DO WHEN THEY SIMPLY CANNOT PAY THEIR ELECTRIC BILLS?

Every electric bill has to be paid for service to continue.

WILL THE COST OF ELECTRICITY EVER COME DOWN?

The days of cheap energy — be it gas, oil, or electricity — are over. The same is true for everything else, including food and clothing. We can only hope that the rate of inflation will level off soon or maybe even roll back some.

PEOPLE IN THE SPOTLIGHT

GENERAL OFFICE

Lovegrove

C. Richard Lovegrove, supervisor of public information in GO Public Affairs, has been elected senior warden of Christ Episcopal Church, Roanoke. This is the highest position a lay person may hold in an Episcopal parish.

Ted Bartlett, properties representative for the Blue Ridge Project, bagged an 8-point, 175 pound buck near the mouth of Little River in Grayson County, Virginia.

BLUEFIELD

Lois Ann Dudash, daughter of Station Supervisor Steve Dudash, was selected for membership in the Home Economics Honorary, Kappa Omicron Phi. She is a senior at Marshall University, majoring in home economics.

Mrs. Hylbert H. McClung, wife of the retired engineering aide, was honored with a special life membership in the United Methodist Women of Trinity United Methodist Church, Bluefield, W. Va.

Roanoke General Serviceman Don McNeil's first trouble call of 1975 came at 8:30 AM on January 1 when a squirrel caused an outage on Governor Drive in Roanoke County. One of the customers affected was Betty Lou Carter, editor of **The Illuminator.** When McNeil remarked that was his first call-out of the new year, that's all it took for the editor to record the event with her camera. Upon checking, it turned out this was the first trouble call in the entire division.

Dale Rice, son of Mary Lou Rice, Princeton clerk trainee, won third place in the area 13-year-old Punt, Pass & Kick competition.

A team composed of Appalachian employees won the Pineville Independent Basketball Tournament. Members were **William C. Goode,** lineman helper; **Rickey Ray Mitchell,** lineman A; and **David Hill,** lineman A. The team was undefeated to take the area championship.

Donnie Jackson, son of Accounting Supervisor K. A. Jackson, was selected to second team honors on the 1974 West Virginia Class AAA All-State Football Team. He was a halfback for the Bluefield Beavers.

PULASKI

Brewer

The biography of **W. P. Brewer, Jr.,** area serviceman, will be included in the 1975 edition of "Outstanding Young Men of America". A former scoutmaster of Pulaski Troop #242, he now serves as assistant scoutmaster and institutional representative. He is a member of the Order of the Arrow, American Legion, Pulaski Lodge #1067 B.P.O.E. and publicity chairman, Pulaski County Bass Masters. A member of the Aldersgate United Methodist Church, Brewer is on the administrative board, superintendent of church school and a member of the property and grounds committee. He also serves on the Pulaski County Weekday Religious Committee.

R. D. Byrd, Jr., son of the Christiansburg meter reader, was appointed by the Montgomery County board of supervisors to an eight-man committee to study alternate plans for the new Montgomery County Courthouse.

F. H. "Tater" Anderson, Galax lineman A, was re-elected captain no. 1 of the Galax Volunteer Fire Department.

KINGSPORT

Wayne Mullins, lineman B, caught a 38-inch, 14-pound Northern Pike while fishing with the Kingsport Bass Club at South Holston Lake. The fish was caught on the Virginia portion of the lake. Had it been caught on the Tennessee side, it would have established a new state record.

Michael Fugate, son of Engineering Supervisor E. J. Fugate, has earned nine merit badges and achieved the rank of Star Scout in Troop #89.

LOGAN-WILLIAMSON

E. E. King, retired Williamson area manager, was elected president of the newly formed Tug Valley Chamber Area Development Corporation.

Fred Varney, Williamson area superintendent, was elected president of the Tug Valley Country Club.

ABINGDON

Mrs. Clark Peck, wife of the retired records supervisor, was hostess for the annual meeting of the Abingdon Garden Club.

L. C. Angle, Jr., and **Lovis Countiss** received awards for their participation in the 1974-75 Washington County United Fund. They served as special gifts division chairman and Abingdon residential division chairwoman, respectively. **C. M. Wagner, Jr.,** received an award as the outstanding volunteer. **Prince Coleman,** as vice mayor, accepted an award for the Town of Glade Spring.

ROANOKE

Brown

Fieldale Accounting Supervisor **Melvin W. Brown** has been re-elected chairman of the Henry County Board of Supervisors.

Mrs. Leonard Jenkins, wife of the Fieldale residential representative senior, was elected publicity chairman of the Collinsville Literary Society.

Prince E. Thornton, retired division administrative assistant, was re-elected corporate secretary of the Roanoke Goodwill Industries.

BECKLEY

Officers of the Beckley Employee Flower Fund for 1975 are **Paula Goddard,** president; **Loretta Pryor,** vice president; and **June Winner,** secretary-treasurer.

Harry F. Arnott, retired customer accounting supervisor, was elected treasurer of the First Baptist Church of Beckley.

ASHLAND

Richard E. Kouns, residential advisor, received a one galloneer pin from the Boyd County Chapter, American Red Cross.

PHILIP SPORN

Hoffman

H. H. Hoffman, retired utility foreman, was re-elected president of the New Haven Volunteer Fire Department. **C. A. Weaver,** assistant stores supervisor, was re-elected secretary.

W. L. Carter, supervisory assistant, was elected vice chairman of the Mid-Ohio Valley Industrial Emergency Planning Council.

CHARLESTON

Credit Representative **Elaine Braxton** won $58 in a jackpot for five strikes in a row at Town-N-Country Lanes. She had a series of 184-212-243 for a 639 total.

Nancy Frazier, daughter of Personnel Supervisor John Frazier, graduated from West Virginia University in December.

Residential Representative **Leroy Balding** was elected secretary-treasurer of the Electric League of Charleston.

Ray Sayre, meterman B, and **Clayton Starcher,** meterman A, each bagged a deer this season.

William B. Belchee, assistant division manager, was re-elected to the board of directors of the Buckskin Council, Boy Scouts of America.

HUNTINGTON

Arlene Leadman, AEP Lab, was elected president of the newly formed Tri-State Singles Club.

Paul Baker, customer services supervisor, was appointed to a one-year term on the board of directors of the Tri-State Home Builders Association.

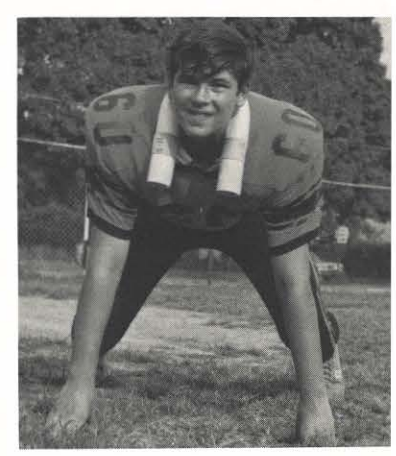
LYNCHBURG

Wesley Garner, meter service helper, was elected Worshipful Master of the Evington Masonic Lodge No. 333.

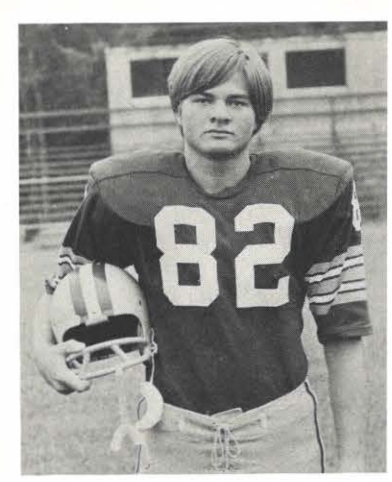
E. Garland Key, son of Meter Serviceman Woodrow H. Key, was promoted to business manager of **The News** and **The Daily Advance.** He was also named treasurer and assistant secretary for Carter Glass & Sons Publishers, Inc., owners of the Lynchburg papers.

Philip Biggs (right) was a member o the Cave Spring Lions 90 lb. sandlo team which won the Roanok County Sandlot Football Cham pionship. He is being congratulate by his father, E. R. Biggs, genera stores supervisor in General Offic Purchasing.

Robert Alexander, brother of Earnes Alexander, meter reader in Mon gomery, Charleston Division, wa named to the halfback position o the West Virginia Class AAA All State Football Team.



Charles "Chuck" Johnson, Jr., so of Charleston Collector Charle Johnson, played offensive guard o the Stonewall Jackson High Scho team which won the West Virgin AAA football championship for 197



Michael Blake Cooper was selecte an offensive end on both t Martinsville Bulletin and Roanok Timesland All Piedmont Distri Teams. The son of D. W. Coope Stuart lineman A, he was a starter o Patrick County Consolidated Hi School's varsity football team f three years.

PROMOTIONS & TRANSFERS

Appalachian Power

Beckley

Jean B. Lavender to customer accounting supervisor non-exempt.

Cabin Creek

Johnny G. Woody to stores attendant. **Preston S. Stacy** to chemist assistant.

Charleston

Robert E. Christenson to senior engineering technologist.

Clinch River

John C. Barrett to master maintenance man. **Thomas D. Taylor** and **Donald K. Scales** to maintenance men. **Michael W. Witt** to utility operator B. **Roland D. Begor, Jr.**, performance engineer, to Donald C. Cook Nuclear Plant. **Glenn S. Kincaid** to utility man A.

General Office

Carlton L. Updike to station maintenance man C, GO T&D Station, Roanoke. **James R. Wertz,** and **Larry H. Betterton** to junior maintenance men, GO Hydro, Roanoke. **Linda J. Sullivan** to stenographer, GO Purchasing, Roanoke. **J. A. Hawkins** to communications engineer, GO T&D Communications, Roanoke. **Philip R. Richardson** to general bookkeeper, GO Accounting, Roanoke. **Karen T. McMillan** to clerk junior, GO Accounting, Roanoke.

Huntington

G. A. Bailey and **D. M. Morris** to lineman C.

Kanawha River

M. R. Pauley to equipment operator. **L. M. Green** to auxiliary equipment operator. **M. D. Rosenbaum** to utility operator. **D. L. Hall** to maintenance man. **J. P. Harrison** to junior maintenance man. **R. A. Sparkman** to helper.

Lynchburg

James W. Dalton to stationman B.

Pulaski

Benny C. Litteral to master maintenance man. **Willie G. Jones, Lelia L. Johnson** and **Mamie G. Carter** to cooks. **Katherine B. Harvey** to cook-housekeeper. **Nathan G. Via** to lineman C.

Roanoke

Paul M. Kinney to meterman B. **J. R. Wilson** to lineman C. **A. R. Casey** to meter serviceman C, Rocky Mount.

Cedar Coal

Dorsey E. Ramsey to surface foreman, Denny. **Billy J. Gillenwater** to foreman trainee, Ridge Road.

Central Coal

Edward Duke Wright, maintenance foreman, from SACCo, Marmet, to CCCo, New Haven. **Glenn Ray Boggs** to section foreman, Philip Sporn Mine. **William Joseph Yoho** to foreman trainee, Philip Sporn Mine.

Kentucky Power

Big Sandy

John M. Chapman to coal equipment operator. **Billie L. Isaacs** to yard helper.

General Office

Johnny Charles to transmission man C, GO T&D, Pikeville.

Kingsport Power

Dianna K. Kern to clerk stenographer. **C. L. Barnes** to collector. **J. E. Hunt** to lineman A. **L. J. Boyer** to draftsman.

Southern Appalachian Coal

Ashford

Emmett Donald Cunningham and **James Ronald Carroll** to assistant general mine foremen, Bull Creek Mines. **Dennis Allen Carper,** mine office administrator, to Bull Creek Office.

Julian

Harrison Fugett McArdle to preparation plant foreman.

Lusk elects early retirement

Lusk

Dewey Gilmer Lusk, switchboard operator at Glen Lyn Plant, elected early retirement February 1 and plans to "just take life easy."

The Spanishburg, West Virginia, native was employed at Glen Lyn in 1942 as a laborer. In his 32 years' service he also worked as an auxiliary equipment operator and equipment operator.

Dewey attends the Glen Lyn Baptist Church and enjoys fishing and gardening in his spare time. He and his wife Eva have one child and two grandchildren.

APCo customers set peak demand

Two new all-time high peak demands for electricity were set by Appalachian Power Company customers January 14, and for the 24-hour period, customers used more electricity than for any other day in company history.

The first peak occurred during the hour ending 9 a. m. when customers required 3,539,000 kilowatts of electric energy. It was exceeded an hour later, when the demand rose to 3,608,000.

For the 24-hour period, customers used 77,327,000 kilowatthours of electricity.

Harry Arnott ends 38-year career

Arnott

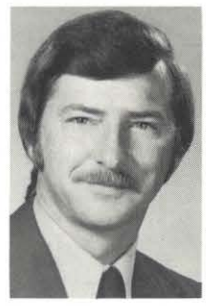
"I was so overjoyed about getting a job with the power company that I didn't even know how much I was making until I received my first pay check," recalls Harry F. Arnott, who retired February 1 as Beckley Division customer accounting supervisor.

A native of Greenville, West Virginia, Harry attended Coyne Electrical School in Chicago and received a standard normal certificate from Concord College. He began his utility career in 1936 as an appliance serviceman in Bluefield and worked there as a clerk, collector and clerk senior before transferring to Beckley in 1945. He was a clerk special and credit supervisor before being promoted to customer accounting supervisor in 1971.

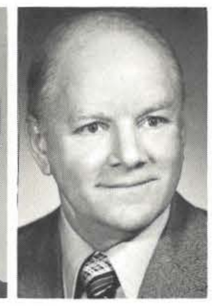
Among his early experiences with the company was learning to ride a bicycle. "During World War II, the company couldn't get tires or gasoline so they bought bicycles for the meter readers and collectors to ride. It was the first bicycle I had ever ridden," he notes.

A member of the First Baptist Church in Beckley, Harry was elected church treasurer for 1975 and has served four three-year terms on the deacon board, and president and secretary of the Baraca Sunday School Class. He is also a member of the Captain James Ellison Chapter, Sons of the American Revolution. His hobbies include fishing, gardening and stamp collecting.

MOVING UP



Fernatt



Epling

Sharp

Peal

Mathews

Smith

Miller

Malone

Jerry L. Fernatt, former T&D instrument man in the General Office T&D Civil Engineering Section, Roanoke, has been promoted to the exempt position of survey party chief. He succeeds Harold E. Chambers, who resigned.

William F. Epling, former customer accounts representative A, has been promoted to Beckley Division customer accounting supervisor. He succeeds H. F. Arnott, who retired February 1.

Buford Q. Sharp, former master maintenance man, has been promoted to hydro plant foreman at Byllesby-Buck Hydro Plants, Pulaski Division.

Leon F. Peal, former equipment operator at Kanawha River Plant, has been promoted to unit foreman. He succeeds R. W. Gwinn, who elected early retirement January 1.

E. T. Perry, machinist 2nd class at Central Machine Shop, was using a sledge hammer to break a bearing race in a pulverizer assembly when a piece of the race broke loose and struck his safety glasses in the middle of the right lens. The impact shattered the lens and knocked the glasses from his face but his eyesight was not impaired. Because of this, Perry became the first Machine Shop employee to be awarded membership in the Wise Owl Club of America. The club, sponsored by the National Society for the Prevention of Blindness, has over 56,000 members, all of whom have had the sight of one or both eyes saved by safety eye protection.

William J. Mathews, Jr., former personnel coordinator at Southern Appalachian Coal's Morris Creek Office, has been named the company's personnel supervisor. He holds a BS degree in business administration from West Virginia University. Mathews succeeds Frank Snyder, III, who resigned to accept employment in Wyoming.

Sandy Kay Smith, former general accounting clerk senior at Southern Appalachian Coal's Bull Creek Office, has been promoted to mine office administrator at the company's Julian Office. She attended West Virginia State College and Charleston School of Commerce. Smith succeeds D. A. Carper, who transferred to Bull Creek.

Randy Bruce Miller, former mine office administrator at Southern Appalachian Coal's Bull Creek Office, has been promoted to area office supervisor at Marmet. He holds a BS degree in business administration from West Virginia University.

William Robert Malone, former area office supervisor at Southern Appalachian Coal's Marmet Office, has been promoted to administration supervisor. He attended Bowling Green Business University.

Joseph Barber, Jr., former personnel assistant at Southern Appalachian Coal's Julian Office, has been promoted to personnel coordinator. He holds a BA degree in sociology from West Virginia State College.

Frederick Herman Vollmuth, former personnel assistant at Southern Appalachian Coal's Marmet Office, has been promoted to personnel coordinator at Morris Creek Office. He holds a BS degree from West Virginia Institute of Technology and is working towards a master's degree in industrial relations.

Charles Raymond Kellam, former personnel assistant senior at Southern Appalachan Coal's Ashford Office, has been promoted to personnel coordinator there.

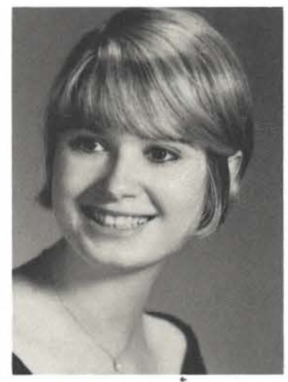
13 couples around system married in recent weeks


Summers


Sutphin


Wright


Birchfield


Laurie


Bach


Plogger

WEDDINGS

Sally Rae Barker to Stephen S. Summers, Logan-Williamson electrical engineer, November 2.

Sandra Kay McCoy to Richard Stephen Sutphin, intermediate clerk for Southern Appalachian Coal, Ashford, December 7.

Susan Diane Trull to Barry Wayne Wright, son of Roanoke Residential Services Coordinator J. W. Wright, December 21.

Shirley Jean Likens to John W. Birchfield, maintenance man C at John E. Amos Plant, January 11.

AnnJane Craven to R. J. Laurie, Roanoke T&D Engineering, January 3.

Linda Dale Barnett, daughter of Pikeville Personnel Supervisor Bill E. Barnett, to John M. Bach, December 21.

Kathy Sue Wright, part-time PBX operator at Fieldale, Roanoke Division, to Charles Edward Plogger, December 21.

Shirley Hankins to Steve Neely, Roanoke lineman C, November 28.

Janice Page Jones, daughter of William S. Jones, transmission inspector in General Office T&D, Bluefield, to Thomas Yewell Crowe.

Linda Faye Altizer to B. J. McCoy, Pulaski Division meter reader, December 31.

Brenda Sharon Kenney to Michael W. Bates, meter reader at Rainelle, Beckley Division, November 29.

Judy M. Absher, stenographer in General Office Real Estate and Right of Way, Roanoke, to Jerry Caldwell, October 11.

Deana Rose to Roger D. Adkins, Pikeville auto repairman B, December 14.


New officers of the Appa-Mo Club in Roanoke are (seated, l. to r.) W. C. Reed, treasurer; J. D. Harris, president; Marsena Hartless, secretary; J. E. McCallum, advisor; and Janice Potter, advisor. Standing is S. M. Hill, vending machine organization representative. The Appa-Mo Club is comprised of General Office Accounting employees.

Every phone call is a challenge to TRUST Volunteer Della Dougan


Della Dougan mans the phone at TRUST, Roanoke Valley Trouble Center, where she serves as a volunteer at night and on weekends.

"Ever since my graduation from college, I've wanted to get involved in community work. Last November a friend of mine called me about TRUST and I thought this would be a good opportunity," says Della Dougan.

TRUST, the Roanoke Valley Trouble Center, Inc., is a 24-hour 7-day-a-week counseling, crises, information and referral center for the Roanoke Valley.

The daughter of Roanoke Division Personnel Supervisor Larry G. Dougan, Della underwent a month of extensive training by the staff at TRUST as well as training in professional counseling, psychology, drugs, alcoholism and parental guidance. She is a second grade teacher at Roanoke's Fishburn Park Elementary School and works evenings and weekends as a TRUST volunteer.

Della says, "It is a real challenge and experience handling the calls that come in. The cross section of people ranges from seven years of age to the very old looking for someone to lean on because they don't know where to turn." She continues, "Troubles don't discriminate against the young or old. When you pick up the phone, you never know whether the person has overdosed, is a runaway because of trouble at home, or maybe even a parent not knowing how to handle his son or daughter.

There are other problems such as the wife whose husband has deserted her and the children and then the very depressed callers with whom you must be so careful because quite often they are bordering on suicidal tendencies."

"Many times parents will call after finding drugs in their child's room. They want to know what they can or should do. Then the job of a volunteer is to give counseling and, if necessary, refer them to the right professional agency.

While all of this is a trying experience," Della notes, "it is one that offers a great amount of satisfaction in knowing you are helping someone."

In addition to being a TRUST volunteer, Della operates the switchboard at Friendship Manor, a Church of the Brethren home for the elderly, on Saturdays. She means it when she says, "I love working and enjoy staying busy."

BABY PARADE

Abingdon

Larry Joe, Jr., son of **L. J. Dean,** Gate City meter reader, December 25.

John E. Amos

Brian Dale, son of **Dempsey D. Casto,** coal handler, December 24.

Chastity Lynn, daughter of **Clarence W. Lovejoy,** maintenance man C, December 17.

Scott Alan, son of **Claude Breeding,** coal handler, December 12.

Deborah Colleen, daughter of **Jewel R. L. Parsons,** maintenance man C, December 24.

Big Sandy

Deana Rachelle, daughter of **Michael E. Bailey,** maintenance helper, January 9.

Bluefield

David Paul, son of **John E. Rowan, Jr.,** Tazewell lineman A, December 11.

Brian Kyle, son of **Rickey R. Mitchell,** Pineville lineman A, November 18.

Beth Ann, daughter of **Mary P. Steffey,** Welch clerk trainee, November 20.

Charleston

Tammy Sue, daughter of **O. E. Lewis, Jr.,** lineman A, December 10.

Stephen Lee, son of **Ronald L. White,** head T&D clerk, January 3.

General Office

Amy Denise, daughter of **E. Mark Dooley,** engineer B, GO T&D Station Section, Charleston, January 3.

Heather Virginia, daughter of **William E. Brown,** transmission man B, GO T&D Transmission, Bluefield, December 6.

Todd Michael, son of **Thomas E. Tyree,** transmission man A, GO T&D Transmission, Roanoke, December 22.

Kanawha River

Opal Lynn, daughter of **Glenn C. Dahlin,** auxiliary equipment operator, January 4.

Logan-Williamson

Martha Dean, daughter of **Billy Joe Brumfield,** Logan line foreman nonexempt, December 12.

Lynchburg

Jeffrey Scott, son of **Ralph S. Bird, Jr.,** senior engineering technologist, December 26.

Marmet

Brian William, son of **William George Casto, Jr.,** mining engineer, December 26.

Pikeville

Kathy Jo Hubbard, daughter of **Joe Hubbard,** instrument man, December 23.

Pulaski

Sherri Lanelle, daughter of **Raymond E. Lyons, Jr.,** customer accounts representative, December 24.

Yvette Richelle, daughter of **Richard T. Wingate,** lineman A, December 19.

Philip Sporn

Brandon Lee, son of **D. D. Tulloh,** junior maintenance man, January 5.


Who says money doesn't grow on trees? When Pearl and Pauline Lester awoke Christmas morning they found that Santa Claus — in the form of their son Ronald Lee and his wife — had decorated the Christmas tree with varying denominations of U. S. currency as their gift. Lester is a T&D clerk senior in Huntington.

AEP retirement plan provides protection against economic uncertainties

One of the major protections against the economic uncertainties of old age is a dependable retirement income.

The American Electric Power System Retirement Plan, established in 1940, provides such protection for its retired employees.

Retirement income for AEP employees comes from two sources: Social Security benefits and the AEP Retirement Plan. Both are financed by contributions from the individual employee and the company. In the case of Social Security, the contributions are equal; in the case of the Retirement Plan, the company's contributions are substantially greater than the employee's.

As of January 1 of this year, the employee and the company will each contribute to Social Security a maximum of $824.85 on earnings up to $14,100. With Social Security benefits and the taxable wage base on which contributions are based now tied to changes in the Consumer Price Index, Social Security payments are becoming a significant factor in one's retirement income, say, 30 to 40 per cent. Ever-rising contributions during one's working years will mean higher costs to both the individual and the company.

That's the Social Security part of the package. Let's explore some other aspects of AEP's Plan.

Who's eligible for the AEP Plan?

Eligibility for Plan membership begins when the employee is 20 years old and has completed one year of employment.

How much does it cost to be a Plan member?

At present, employees contribute two per cent of the first $13,200 of base or straight-time earnings and five per cent of such earnings over $13,200. Based on 1974 pension costs, it was estimated that employee contributions comprise about 25 per cent of the total pension contributions to provide the benefits planned for. The Company pays the balance of the cost required to maintain the Plan on a sound actuarial basis.

How much income will I get when I retire?

This depends on a combination of how long you have been a plan member and how much you earn.

On the chart below are actual retirement benefits currently provided for six AEP employees who retired between August 1 and December 1, 1974.

This chart shows the combined benefits of AEP pension coupled with Employee Primary Social Security benefits in column 1, and if the employee has a spouse aged 65 or over, the additional benefits are shown in column 2. Both 1 and 2 also express the benefits as a percentage of final annual salary.

In many cases, the combined benefits payable at age 65 equal or exceed pre-retirement net spendable income levels. Experience shows that, with lower personal income tax rates, and elimination of job related expenses, retirement contributions and Social Security contributions, a combined income of approximately 75 per cent in the post-65 years is equivalent to the net spendable income in the years before 65.

Note that in four of the six actual cases shown here, the net purchasing power of the employee's combined retirement income from Company pension and Social Security equals or exceeds net purchasing power before retirement. We believe this is solid evidence that our plan is doing a good job.

May I retire before age 65?

After reaching age 60, with 15 years or more of service you may retire with only a three per cent reduction in retirement income for each year prior to age 65. In the event you retire **before** age 60, with Company permission, the reduction in retirement income will be actuarial — that is, the reduction factor is based on life expectancy for your age at the time.

What if I die before age 65?

Our plan provides a pre-retirement Spouses' Benefit for employees who reach age 50 and have 15 years or more of continuous service at date of death. In other words, should you survive to age 50 and have 15 years of continuous service and subsequently die, your surviving spouse would receive a lifetime income.

Based on the latest revision in our plan, this income would be calculated as though the employee had retired early, and had elected a joint and survivor annuity payable to a joint annuitant. The amount payable would be equal to 60 per cent of the retiree's reduced annuity.

In the event that the employee does not meet the above age and service conditions, and dies before retirement, accumulated contributions plus interest are paid to the designated beneficiary.

What if I die after age 65?

Our plan also contains a post-retirement spouses' benefit for employees who retire at age 65. Based on the latest revision in our plan, there is an automatic lifetime continuaton of 30 per cent of the retirement income without any reduction in the normal retirement income paid to the retiree.

What is the Joint and Survivor Option?

An employee may arrange for a surviving spouse to receive a percentage of income greater than the 30 per cent automatic lifetime benefit referred to above. If this option is elected, a reduction in the employee's regular retirement benefit will result. In this, as in other aspects of the retirement plan discussed here, the Personnel Department will provide more detailed answers to employee's questions.

The Company retirement plan coupled with Social Security is designed to provide a measure of dignity to our lives when our working years are behind us. As conditions change, every effort will be made to keep our retirement plan responsive to the interest of our employees consistent with the Company's continued ability to bear a reasonable share of plan costs.

Samples of actual retirement benefits

Yrs. of Cred. Service	Final Annual Salary	AEP Annual Pension	Primary Social Security Annual Pension	Employee Total Income (1) $	%	Employee and Spouse Total Income (2) $	%
27	$13,266	$ 4,502	$ 3,659	$ 8,161	62%	$ 9,991	75%
32	24,411	9,175	3,659	12,834	53%	14,664	60%
36	9,845	4,060	3,578	7,638	78%	7,638	(no spouse)
36	13,923	6,223	3,659	9,882	71%	11,712	84%
39	27,500	13,919	3,659	17,578	64%	19,408	71%
45	14,100	7,553	3,659	11,212	80%	13,042	92%

Elected to serve as officers of the Roanoke Retired Employees Associatio during 1975 are (l. to r.) Elizabeth Sydnor, former GO personnel clerl secretary; Clarence Mills, former customer accounts representative, pres dent, Prince E. Thornton, former division administrative assistant, vic president; and Frank Harris, former T&D clerk senior, treasurer.

Austin Neal begins retirement with six-week trip to Spain

"When I finished school in 1933, jobs were not very plentiful. I was jerking sodas at People's Drug Store when I was offered a job with Appalachian," recalls Austin R. Neal, Jr., who retired February 1 as senior staff engineer in the General Office T&D Administrative Section, Roanoke.

Austin, who holds BS degrees in electrical and industrial engineering from Virgini Polytechnic Institute and Stat University, began his career as production clerk at the old Walnu Avenue Steam Plant. Soon a terwards, he was promoted t distribution engineer and then t assistant distribution superin tendent of Roanoke District.

His career was interrupted i December 1940 when he wa called into active duty with th United States Army. After servin a year, he returned to Appa lachian. Barely two weeks late "I got a telegram telling me t report back" when the Japanes bombed Pearl Harbor. This tim he served in the Pacific an Europe until 1946.

In 1953 Austin moved to Hun tington as division supervisin engineer and organized the divi sion engineering department. H notes, "I was the only employe for about six months." He re mained in Huntington as divisio superintendent of T&D unt 1967, when he transferred t General Office T&D in Roanoke

Although Austin says he will "pla retirement by ear", he ha already made many plans. Begir ning in mid-February, he and hi wife Betty will spend six weeks i Spain. Then he will "spend som time on my farm in South Carolin and go into the tree growin business". Austin's main hobby i golf. "I hope to have enough tim to practice so that I can brea 100 one of these days."

The Neals have two daughters one son and five grandchildren.

Neal

Gene Hall retires from Cabin Creek

Hall

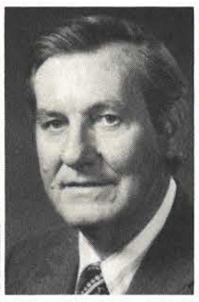
Eugene Harvey Hall, shift operating engineer at Cabin Creek Plant, elected early retirement February 1 after nearly 40 years' service.

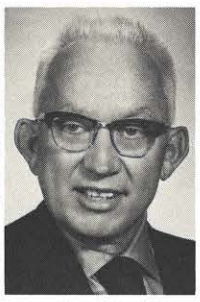
A native of Cabin Creek, West Virgina, Gene had broken service before being permanently employed in 1938 as a laborer and pumpman. He has also worked as a turbine operator B and A and assistant shift operating engineer.

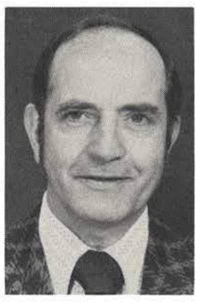
Gene's retirement plans call for traveling, fishing, hunting and some front porch rocking. He also expects to do some house building and block laying in the community. Gene attends the Chelyan Church of the Nazarene and participates in community efforts such as planning recreation facilities for children. He and his wife Nona have two children and four grandchildren.

Veterans receive service pin awards


Bryant


Smith, F.


Hall


Cooke

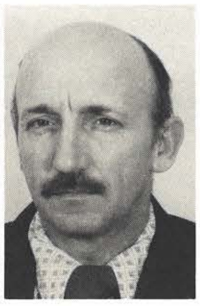

Rottgen


Smith, E.


Jenks


Adams


Boult


Payne

35 Years	Classification	Location
Bryant, J. R.	Equip. Serv. Advisor	GO-Roanoke
30 Years		
Smith, F. O.	Station Foreman NE	Lynchburg
25 Years		
Hall, R. L.	Comm. Engineer Sr.	GO-Huntington
Cooke, R. M.	Performance Engr. Sr.	Philip Sporn
Rottgen, R. M.	Maintenance Foreman	Philip Sporn
Smith, Earl	Truck Driver-Groundman	Hazard
Kidd, Jacquelyn	Merchandise Bookkeeper	Pikeville
20 Years		
Jenks, H. W.	Unit Foreman	Big Sandy
Adams, Virgil	Asst. Plant Manager	John E. Amos
Boult, J. R.	Commercial Representative	Pulaski
Payne, T. B.	Station Foreman NE	Charleston
15 Years		
Hackney, J. D.	Instrument Maint. Man A	Clinch River
10 Years		
Cook, Joyce	General Bookkeeper	GO-Roanoke
Short, R. R.	Station Maint. Man A	GO-Huntington
Williams, Edith	PBX Operator	Logan-Williamson
Harold, Paul	Surface Foreman	Cedar Coal
Abbott, J. L.	Section Foreman	Cen. Ap. Coal
5 Years		
Poe, R. D.	Meterman B	Abingdon
Purky, Delta	Cust. Rep. C	Abingdon
Coulter, J. H.	Equipment Operator	John E. Amos
Peterman, C. W.	Custodian	Big Sandy
Dawson, H. L.	Lineman B	Bluefield
Fisher, W. M.	Draftsman	Bluefield
Ryan, J. C.	Lineman C	Charleston
Corder, J. R.	Lineman C	Charleston
Wymer, D. J.	Meter Reader	Charleston
Stinnett, D. L.	Lineman C	Charleston
Breeding, B. D.	Maintenance Man	Clinch River
Hogan, R. H.	W/O Accounting Clerk	GO-Roanoke
Perdue, D. W.	Transmission Man B	GO-Bluefield
Potter, Janice	Stenographer	GO-Roanoke
Weaver, P. M.	Communications Engr.	GO-Huntington
Hagley, B. L.	Stores Attendant	Huntington
Blake, J. E.	Lineman B	Huntington
Carver, W. H.	Auto Repairman Helper	Huntington
Newman, S. L.	Lineman C	Huntington
Kidd, R. N.	Lineman B	Roanoke
Rose, W. A.	Electrical Engineer	Roanoke
Duffy, C. M.	Meter Reader	Roanoke
Adams, H. L.	Maintenance Helper	Philip Sporn
Adkins, Jackie	Transmission Man B	GO-Ashland
Killin, Sherylene	Stenographer	GO-Ashland
Combs, A. B.	Draftsman	Hazard
Pigman, Margaret	Cashier-Clerk Sr.	Hazard
Hess, R. K.	Material Clerk	Kingsport
Wright, E. D.	Maintenance Foreman	So. Ap. Coal

Six share operating ideas

One employee of Kingsport Power and five employees of Appalachian Power had articles published in the January/February issue of **AEP Operating Ideas.**

H. D. Gillenwater, Kingsport stationman A, wrote "Simplifies Repair of Broken Conduit". Dale Fisher, hydro maintenance foreman at Smith Mountain, was the author of "Assembles Handy Portable Power Supply". F. J. Long, plant performance engineer; P. H. Mann, instrument maintenance mechanic A; and D. E. Brown, instrument maintenance mechanic B, all at Glen Lyn Plant, collaborated on "Monitors Performance of Control Air Dryer". "Rolls PD Tapes Easily" was written by Arnold Anderson, Pulaski equipment service advisor.

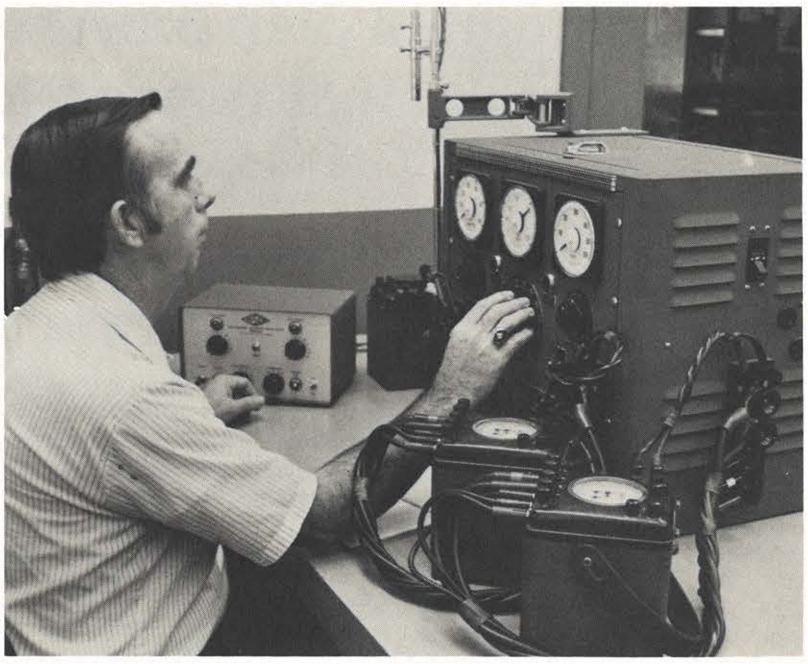
Gwinn ends 30-year career


Gwinn

Robert Wiley Gwinn, unit foreman at Kanawha River Plant, elected early retirement January 1. His new bride, Genevieve, also took early retirement from her job and they plan to spend a couple of months in Florida.

Wiley, a native of Russellville, West Virginia, began his career in 1948 as a laborer at Cabin Creek Plant. He worked there as a utility operator A before transferring to Kanawha River as an auxiliary equipment operator in 1953. He became an equipment operator in 1954 and unit foreman in 1970.

A member of the Methodist Church, Wiley enjoys fishing and hunting in his spare time. He has two children and five grandchildren.


Wayne E. Webb, T&D meterman A in the General Office Meter Section, Roanoke, makes a comparison test of a division meter kwh standard against the General Office reference standard.

Extensive testing procedures insure accuracy of electric meters

The average Appalachian residential customer uses nearly twice as much electricity today as he did ten years ago — a fact that is often overlooked until the monthly bill arrives. The claim, "There must be something wrong with my meter; I couldn't possibly have used that much electricity," is heard many times over by our Customer Services and Accounting employees. According to Appalachian Power's Meter Superintendent John Bostian, a defective meter is most unlikely.

"Most people don't realize the effort our company puts into maintaining good accuracy," Bostian says. "Last year we tested approximately 66,000 single phase watt-hour meters in Appalachian. The average calibration error for all those was **less** than one-tenth of one per cent."

Meter accuracy is verified by precision testing. The companies that manufacture meters test them before shipment, but on arrival they are tested again by the division meter section. There are four such meter shops — Roanoke, Bluefield, Charleston and Huntington. Although experience has shown meters will register accurately for many years, a definite schedule of testing is maintained. The testing program carried on in Roanoke Division is a good example.

Marshall G. Covey, Roanoke Division meter supervisor, explains, "Each year a sample lot of single phase meters is selected at random by the company computer, and a service order is printed to remove that meter and replace it with another. The meter which has been removed is then brought in for testing to determine its accuracy. The regulatory commission requires that only one per cent of the single phase meters in service be tested each year; but, as you can see, our testing program covers far more than one per cent."

The regulatory commission also requires that a meter must be accurate within two per cent, either fast or slow. When a meter is tested and found to be faster than two per cent, the Accounting Department is notified.

R. F. Cooke, Roanoke Division accounting supervisor, says, "When that happens, we apply credit on that customer's bill."

Bostian adds, "Every precaution is taken to insure good accuracy of our meters. Once each month the division meter watt-hour standards are tested by the General Office Meter Section against our reference standard. We annually have our General Office reference standard tested by the National Bureau of Standards in Gaithersburg, Maryland. We ship the reference standard to Gaithersburg, but we hand carry it back as a precaution against any possible shipping damage. Further, within our own standards laboratory we maintain a very precise means of constantly verifying the accuracy of the General Office standard. These continued tests and verifications of the correct accuracy of our standards and of the meters in service give us good assurance that our metering is accurate."


Bill H. Eller, Jr., Roanoke Division meterman A, tests one of the 1600 sample meters selected by the computer for checking in Roanoke Division last month.

WE REMEMBER




Nester Bussey Barrett Crist


Meadows Graham

Hobert Lee Nester, 71, retired assistant shift operating engineer at Glen Lyn Plant, died December 31. A native of Mercer County, West Virginia, he began his career at Glen Lyn in 1933 as a laborer and retired May 1, 1968. Nester is survived by two daughters.

Jesse Bussey, 70, retired senior personnel assistant A in the General Office Personnel Department, Roanoke, died January 13. A native of Franklin County, Virginia, he was employed in 1936 as assistant tax agent in the Accounting Department and retired January 1, 1970. Bussey is survived by his widow Lois, one brother and one sister.

Edward R. Barrett, Jr., 53, Kingsport general serviceman, died December 26. A native of Honaker, Virginia, Barrett joined Kingsport Power in 1940 as a clerk in the Meter Department. He is survived by his widow Barbara, one daughter and two sons.

Estel C. Crist, 82, retired janitor at Cabin Creek Plant, died December 22. A native of Holly Grove, West Virginia, he joined the plant in 1937 as a laborer and retired September 1, 1959. Crist is survived by one daughter, two sons, one sister and one brother. His son, Jack Crist, is maintenance foreman at Kanawha River Plant.

Benjamin P. Meadows, 54, auxiliary equipment operator at Kanawha River Plant, drowned January 4. A native of Lerona, West Virginia, he began his career at Kanawha in 1953 as a plant guard and was on LTD leave at the time of his death. Meadows is survived by his widow Helen, two daughters and one son.

Enos Kyle Graham, 80, retired driller for Radford Limestone Company, Inc., died January 1. A native of Pulaski County, Virginia, he was employed in 1945. Graham is survived by four daughters, three sons and 20 grandchildren.

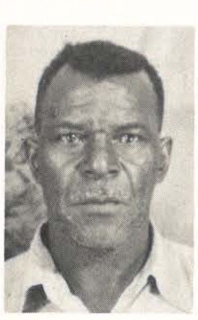
Horace P. Martin, 79, retired Kingsport custodian, died December 30. A native of Mooresboro, North Carolina, Martin began his career in 1937 as a laborer and retired September 1, 1960.

W. I. Hartman, 66, retired Roanoke Division groundman, died December 31. A native of Roanoke County, Virginia, he was hired in 1941 as a crane operator at the old Roanoke Steam Plant and took early disability retirement in 1967. Hartman is survived by his widow Bertha, one son, one daughter, six grandchildren, four sisters, four brothers, one half brother and one half sister.

Vernon Galloway, 72, retired Huntington stationman B, died December 31. A native of Wayne County, West Virginia, he began his career in 1925 as an assistant chemist and retired September 1, 1958. Galloway is survived by his widow Faye, one son and three daughters.

William H. Ribble, 73, retired system operations coordinator in General Office Operations, Roanoke, died January 22. A native of Newport News, Virginia, he was employed in 1934 as a machine helper and oiler for Kentucky & West Virginia Power Company at Hazard. He elected early retirement November 1, 1965. Ribble is survived by his widow Gertrude, one daughter, two grandchildren and two sisters.

James E. Bailey, 43, engineering aide in the General Office T&D Transmission Line Section, Bluefield, died January 21. A native of Ashland, West Virginia, he was employed in 1952 as a junior clerk in Bluefield Division. Bailey is survived by his widow Betty and three children.




Martin Hartman Ribble Bailey

Operating companies request extension of Retirement Act

Operating companies of the American Electric Power System last month requested the Secretary of Labor to extend to June 30, 1975 the effective date for some provisions of the new Employment Retirement Income Security Act of 1974. The original effective date was January 1.

The application was made for retirement plan, welfare benefit plan, educational trust fund, and educational assistance program, all of which are substantially identical System-wide, and for the sick-leave and vacation-pay plans, which vary in slight detail from company to company within the System.

The requested extensions will have no adverse effects on the participants of the plans or their beneficiaries.

Notice of the application has been posted on bulletin boards throughout the System. Retirees may obtain a copy of the notice by writing to American Electric Power Service Corporation, Room 1437, 2 Broadway, New York, N. Y. 10004.

Participants in the employee benefits programs and their beneficiaries may submit written comments regarding the extension up to July 1 to Office of Employment Benefits Security, Labor-Management Service Administration, U. S. Department of Labor, P. O. Box 176, Washington, D. C. 20044.

Whatever doubts Lynchburg Meter Reader Donald G. Morris may have ha about the necessity of wearing a seat belt are gone forever. On December 6 Morris was driving an International Scout down a private road to read a customer's meter when the vehicle hit a hole, overturned and came to rest up side down. Morris recalls, "You cannot imagine the pressure on my seat bel with my total weight on it. I had to pull myself up to release the pressure s that I could unhook the belt. Wearing that belt saved my life. When I wen back and looked at the vehicle, I still didn't see how I came out without a scratch. A wreck like this sure convinced me."

Meter Serviceman Curtis Winebarger finds valuable insulators in trash

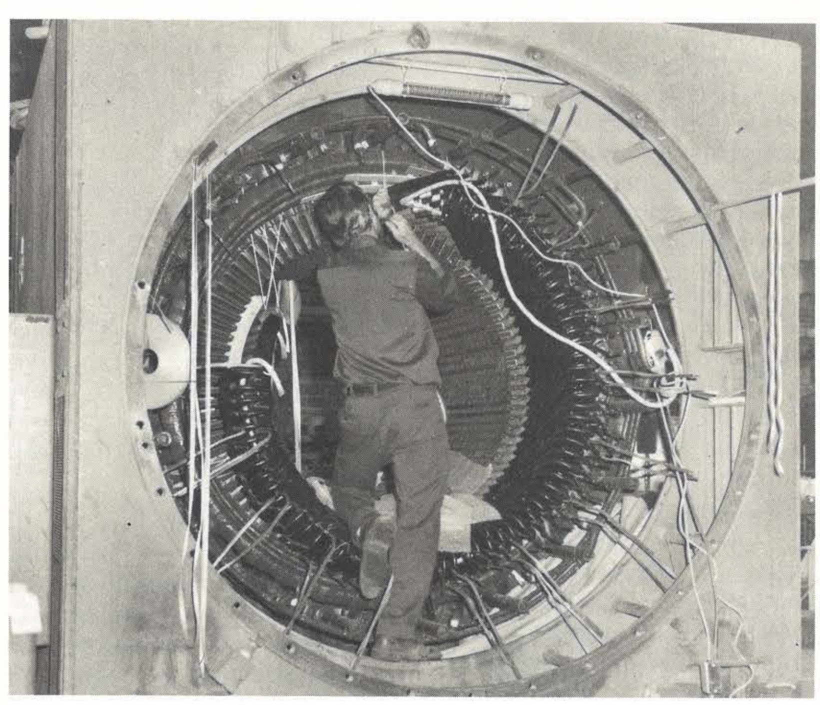
Susan Winebarger isn't joking when she says, "Everywhere I look there are more insulators". Her husband Curtis, Lynchburg meter serviceman C, has accumulated several hundred insulators since he started collecting them four years ago.

Curtis notes, "I have at least 50 different types, with the oldest dating back to July 25, 1865, around the time of the Civil War. A fellow employee got me started, but I really became interested after ordering the book "Insulators Priced and Illustrated" out of an antique collector's newspaper. The book lists my Civil War insulator at $25 I have one plastic insulator mad by H. K. Porter that is so rare it i listed at $50."

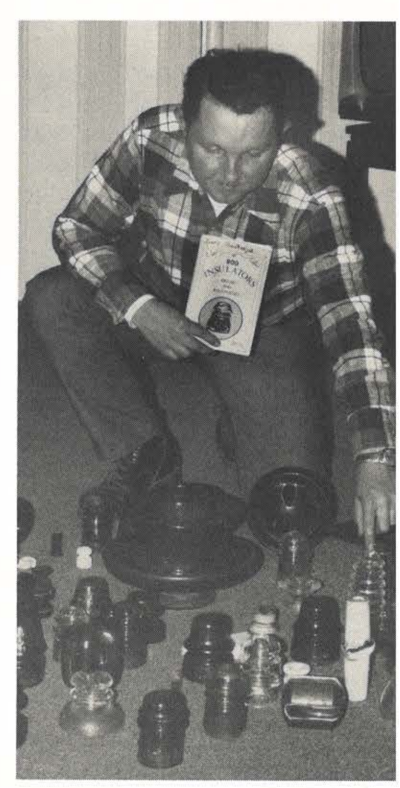
He continues, "I have looked u so many in the book that now can spot the types of insulator driving down the road. Othe employees know I collect the and bring them in as they ar replaced. Some of my best o most expensive were found i the trash. You never know wha you've got until you wash it u and get the book to compar your find with the illustrations."

Curtis makes all kinds of thing out of duplicates in his collectio "Our clothes line is strun between insulators. They als make nice bookends, coat rack and I even use them in bir houses."

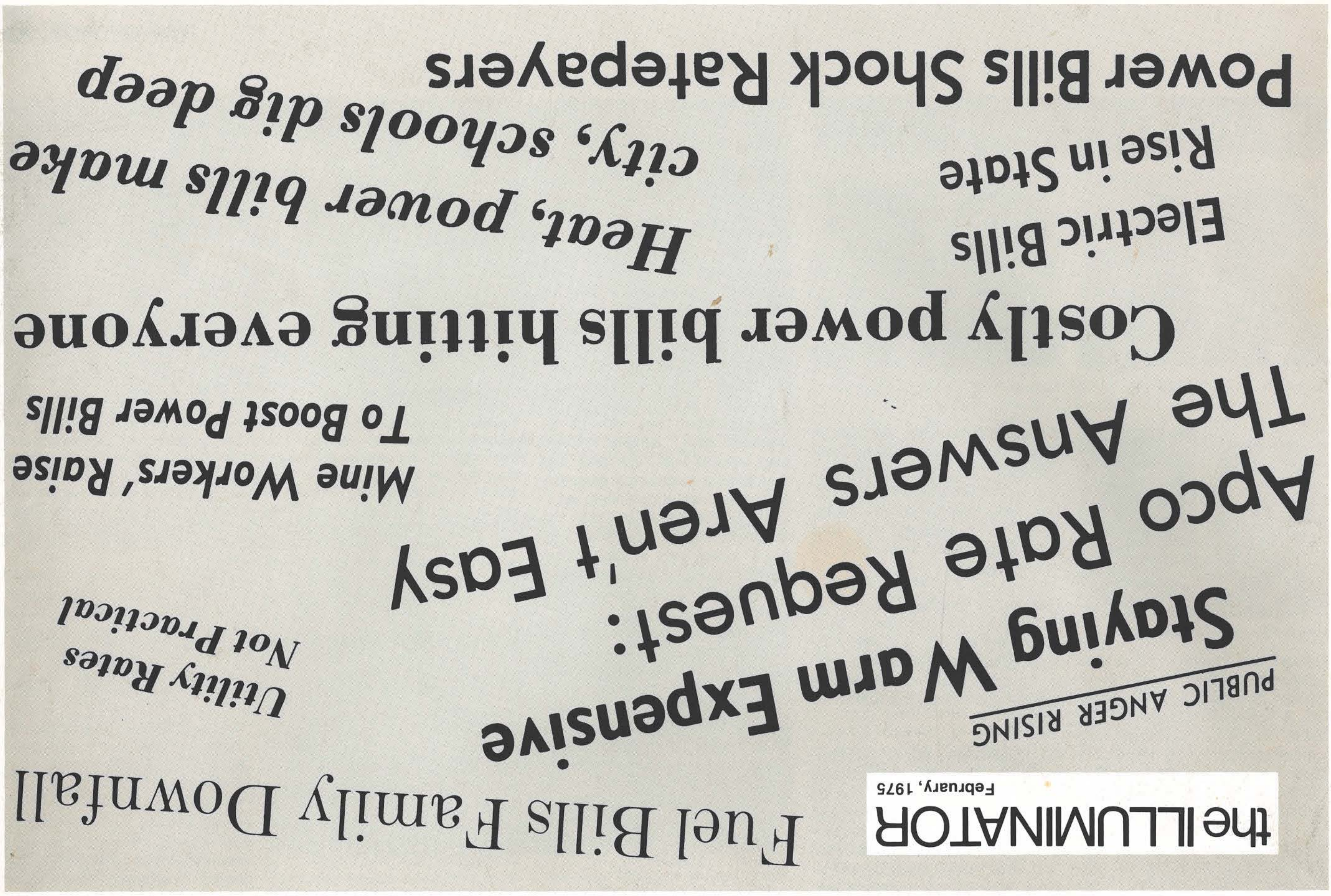
"My hobby really adds to my jo when we replace some of the ol lines," Curtis adds. "You ca almost tell the history of a line b studying the insulators."



Appalachian Power's Central Machine Shop was quick to respond when an electrical problem caused the failure of one of the 9500 hp, 13 kv induction motors at Tanners Creek Unit 4, reducing the unit's output by one-half. The CMS tractor-trailer was dispatched to transport the 40-ton motor from Tanners Creek through Indiana, Kentucky and on into West Virginia. Special wide-load and oversize-load permits were required for the entire trip; and, because of the weight of the motor, a special bond had to be posted with the State of Indiana to travel over a six-mile section of new road. When the motor arrived at the Machine Shop, one of the two motor shop foremen and his crew were working on a 600 mw generator field at Muskingum River's Unit #5 and the remaining winders were repairing several smaller motors. A three-shift operation was quickly under way and within 12 days the motor had been completely rewound, broken rotor bars repaired and dynamically balanced. Production Supervisor Bill Dean attributes the record repair time to the supervision of Motor Shop Foreman A. O. Reedy, the skill of the entire motor shop crew and the cooperation of Tanners Creek personnel in obtaining the necessary Indiana hauling permits. Winder First Class K. L. Cline is shown here working on the motor.



Lynchburg Meter Serviceman Curtis Winebarger points out one of severa hundred insulators.



APCo employees submit ideas saving $1,350,000

Ideas submitted by employees through Appalachian Power's Operations Improvement Program during 1974 are expected to save the company approximately $1,350,000. The corporate goal of $386,000 in savings was reached by the end of the second quarter.

In achieving this record, generating plants achieved 618 per cent of their quota; operating divisions, 66 per cent; and general office departments, 210 per cent.

Clinch River Plant, Lynchburg Division and General Office Accounting received best performance trophies for having the most effective operations improvement programs in 1974.

Proposals from Clinch River, Logan-Williamson Division and General Office Operations were judged best in their respective categories. The idea from Clinch River concerned the improvement of turbine efficiency via use of a modified low solids boiler water treatment procedure. Logan-Williamson Division's proposal involved the company's billing procedure with respect to its TV cable agreements. A procedure for logging transmission switching activities was the subject of the best proposal from GO Operations.

Lynchburg Division Manager James B. White (left) congratulates James K. Reid upon being selected "coordinator of the year" in Appalachian's 1974 Operations Improvement Program.

Employees submitting approved operations improvement proposals having an estimated savings of $100 or more were eligible for participation in an "end of the year" sweepstakes. The names drawn and their prizes were:

E. S. Freeman, Glen Lyn Plant — microwave oven; B. G. Duty, Clinch River Plant — home entertainment music center; G. A. Perfater, General Office Purchasing — electronic calculator; Cathy Moberly, Charleston — upright sweeper; and N. G. Marshall, General Office Accounting — FM/AM digital clock radio.

A total of 1,180,500 Top Value trading stamps was awarded to employees submitting Operations Improvement proposals during 1974. Twenty-four proposals received additional monetary awards via subsequent publication in **AEP Operating Ideas.**

James K. Reid, Lynchburg electrical engineer, was named "coordinator of the year" in the 1974 Operations Improvement Program. In the two years he has served as that division's coordinator, Lynchburg has attained more than 100 per cent of its quota and had one article published in **AEP Operating Ideas.** Reid responded, "The support of the Lynchburg supervisors has made the difference. Our supervisors are behind the program."

Appalachian Power's Byllesby-Buck Hydro Plants set a new yearly generation record of 139,157,000 kilowatt-hours for 1974. The previous generation record of 138,319,000 kilowatt-hours, set in 1949, was surpassed at 6:00 PM on December 30. Claud K. Kirkland (left), Pulaski Division manager, congratulates W. F. Childers, station and hydro supervisor; Buford Q. Sharp, hydro plant foreman; and Paul Askew, hydro plant foreman, on the new record.

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the ILLUMINATOR

Virginia Rate Case Supplement

This special supplement to *the Illuminator* is the opening statement of John W. Vaughan, executive vice president of Appalachian Power Company, at the hearing on the company's request for a $36,196,600 rate increase before the Virginia State Corporation Commission on January 22 in Richmond.

Vaughan outlines the company's financial position, discusses the fuel problem and covers many other aspects of the company's need for the rate increase.

During the course of his presentation, Vaughan answered several questions from the Commissioners, which are included in this transcript of the proceedings. Members of the Commission are Preston Shannon, chairman; Junie Bradshaw and Thomas P. Harwood, Jr.

CARL HOBELMAN (Counsel for Appalachian): Would you proceed with a brief summary of your testimony, Mr. Vaughan?

VAUGHAN: Appalachian is coming into this hearing requesting an increase of $36,196,600 from the jurisdictional customers, for whom the rates are established by this Commission.

The rates that we are presently charging our customers here in the Commonwealth were last adjusted in 1966, and this, incidentally, was a downward adjustment.

Our basic rate levels today are lower than they were in the early '50s.

As a matter of fact, we have had one increase in the Virginia jurisdictional area. As I recall, that was in 1953, when the company was feeling the pressures associated with the inflationary trends coming out of the Korean War economy.

Our basic rates are at this level despite the fact that costs have increased in every area of our business. In large measure we have been able to offset these in the intervening years through improved efficiencies, and by significant technological advances.

We hear a lot today about the efficiency of utility operations. We've heard a lot of discussion already about the cost of fuel. I think one of the measures that indicates a way that we have been able to hold our costs down is this: that in 1973, when the results were tabulated for generating plant operations in this country, Appalachian Power Company was the second most efficient generator of electricity.

That is, we got more kilowatt-hours out of a pound of coal than did all but one company in this country.

Now, with double-digit inflation, unrealistically harsh environmental requirements, a most difficult fuel problem, our ability to offset the constantly upward increase in prices has come to an end.

We are caught in the same squeeze as every family and evey business in this country, and it is not realistic to think that Appalachian or any utility company is immune from these pressures.

Now, it is true that our growth slowed somewhat in 1974, with respect to kilowatt-hour usage on the part of our customers. But I would have to agree with the statement that Mr. Pendleton (Delegate Pendleton of Amherst County) made yesterday; that I see little evidence that the public generally, and our customers in particular, are cutting back significantly on their consumption.

As a matter of fact, in December of 1974, we established a new internal peak to our ultimate customers in Appalachian; then in January 1975, on one day when the temperature dropped down into the 20s, we established a new peak at 9:00 in the morning.

At 10:00 that same day, we established another peak. This peak took us up in the range of 3607 megawatts.

On the day in January that we established this all-time peak, we also had the all-time high day as far as kilowatt-hour input to our system was concerned.

It says to me simply that there is a latent demand for electricity.

COMMISSIONER BRADSHAW: What was the date of that peak, Mr. Vaughan, or what month?

VAUGHAN: January of this year, and I believe it was the 7th or 8th of January.

To give you some idea of what is causing this: Despite the slowdown in homebuilding, we connected 17,000 electrically-heated units to our lines in 1974.

Out of some 660,000 customers — well, I think a better measure might be about 600,000 residential customers, we now have 100,000 electrically-heated residential units that we are supplying.

We have heard and read a lot about the shortage of natural gas in southwest Virginia and in the Danville areas, and the effect that it has on jobs and the economy.

One of my people reported to me that, just as an illustration, when this came about, one of our industrial customers immediately installed 600 kilowatts worth of electrical heating equipment in order to heat the plant to keep it in business.

This further indicates to me that with the scarcity of natural gas, the shortage and the obvious increase in price of oil, that there's going to be a further shift to the electric economy in the years that lie ahead.

We've listened to much in recent days about the great energy problems in this country, and that brings me to the question of the fuel clause.

I indicated earlier that our basic rates were the same as they had been at the levels that they were in the early '50s. But make no mistake, we are quite aware that our customers have been getting higher bills. We don't like to render these higher bills. The higher bills come about because of the fuel adjustment clause, a factor that we've had in our commercial and industrial rates for — well, for as long as I've been with the company, we have had the fuel adjustment clause in our industrial rates.

It was placed in our residential rates in 1966, and as was indicated here yesterday, this fuel adjustment clause works both ways. It can give the customer a credit on the bill, and while it's hard to believe that this happens, it did indeed happen in 1968 and '69. Our customers got small credits.

Since that time, we've seen environmental pressures, a shortage of supply, lagging productivity, and a combination of other problems push the fuel costs up.

Today it is an important factor in the electric bill.

In looking at the fuel clause, I think you have to consider it in two parts: Number one, the basic rate has a certain amount built into it to cover the cost of fuel.

The fuel clause becomes operational above that level as the fuel costs increase above the basic factor built into the rates.

CHAIRMAN SHANNON: Mr. Vaughan, let me interrupt you to ask you this question:

What percentage of your total operating expenses is represented by fuel costs?

VAUGHAN: Judge, it is a very significant portion.

I suspect this year it's going to be probably up in the range of 65 percent, just making a guess at it.

I can give you a better indication as it relates to the dollar of revenue that we get from our customer.

In 1968, the '68, '69 and '70, the period when I was talking about we were giving a credit, it represented 15 to 16 percent of the customer's revenue dollar coming into us.

In 1973, 33.1 percent of our revenue dollars represented fuel expense. This year, 1974, I haven't seen the final figures yet, but the indications are that it's going to be well within the 40 to 50 percent range, that is, roughly half of the dollars, or very close to half of the dollars that we take in will go to pay for fuel.

Appalachian Power Company is simply the middle man as far as fuel is concerned. We take a raw basic fuel, convert it to a refined energy source and deliver it and sell it to our customers. If we are to tackle the real cost of fuel, we have to look at the question of supply. If you are concerned as to where the dollars for fuel may be going, I would suggest that you look at the earning statements of the coal companies.

The cost that we are paying is a pass-through to our customers and, obviously, with the escalation that we have seen in the last year this company would be on the brink of bankruptcy without the ability to pass through these added fuel costs.

It has a great effect on us in another way, if I might use two very simple examples to illustrate: Generally speaking, we have about two and a half million tons of coal in storage. If the average cost of that fuel is in the range of $10, it means it takes 25 million dollars to finance the coal piles. With the average cost moving to $30 per ton, it means that we have experienced a 50-million-dollar increase in the amount of money necessary to support that coal pile. I have likened that to a siphon just sucking 50 million dollars out of our business that we have just had to put out in the coal pile.

On the other hand, the fuel adjustment clause is difficult to explain to many people, very difficult to explain to our customers. It seems to me that one way to look at it might be this: That it takes us about one pound of coal, generally speaking, to deliver a kilowatt-hour to our customers' homes or places of business.

There are 2,000 pounds of coal in a ton. If the coal is costing us $30 a ton, a simple division will indicate that there is one and a half cents' worth of fuel that has to be purchased before we start to recover any of our other costs.

CHAIRMAN SHANNON: Mr. Vaughan, I believe, as I recall reading your testimony, about 97 percent of the electricity generated is generated from coal.

VAUGHAN: Yes. In the Appalachian Company that is.

CHAIRMAN SHANNON: Where does the other 3 percent come from?

VAUGHAN: Hydro.

CHAIRMAN SHANNON: Hydro.

VAUGHAN: Yes. Now, why are we faced with this coal situation? We simply have seen in the last year a condition existing in the energy market where there has not been enough raw fuel to go around. This was aggravated by the Arabian oil embargo that took place in November of 1973 and there were governmental pressures on power companies and other industries located particularly along the East Coast that have been heavily dependent on oil, that converted power plants to oil because of the availability and because it permitted them to meet very difficult environmental standards that existed in their areas.

They still had coal handling equipment installed. There were great pressures brought to get these people to change back to coal so they would have an energy source. A ton of coal has the heat value of about four barrels of oil, so you can readily see that when the price of oil went to $10 per ton it meant that if you could bring coal into your plant and put it in a boiler at somewhere close to $40 a ton, economically you were in business.

These companies moved into the coal fields and purchased coal. They had no regular sources of supply and it became an auction market, if you will.

Where you are dependent upon buying a certain portion of your coal in the so-called spot market you found that you were bidding against many buyers for that same ton of coal. We turned down coal prices that we thought were excessive and had the agents and the operators to tell us later, "We are glad that you didn't buy it because we sold it at a higher price."

The Tennessee Valley Authority, the so-called yardstick for those of us in the private utility business, decided they weren't going to pay but so much for coal. The net result was that they didn't get coal and in late last year they called upon their customers for a 20-percent voluntary reduction in their usage or they were going to face mandatory rationing or allocation.

We in Appalachian have felt that the right approach was to be assured that our customers had a supply of fuel to meet their electric needs. We don't think that a 20-percent allocation reduction or rationing is the right answer to meeting our customers' needs. We think that this is a proper position to take because, again, I come back to the question of the shortage of gas and I read with great interest customers saying that they were willing to pay three and four times as much for propane to operate their plants as they were paying for natural gas.

We are suggesting that, to keep electric utilities viable, that the proper approach is reasonable increases and not having to play a catch-up game when it becomes too late to do so.

On the question of the need to build for the future, and we heard questions yesterday like "scare tactics". We don't agree that what we are trying to explain to our customers should be construed as a scare tactic, because, if you read the statistics that exist, there has been something in the range of 150 to 160 million kilowatts of generating capacity deferred because of the financial condition of the utilities.

I could make a great case for you, but I won't take your time to do it this morning. But the deferral of that much construction in this country is almost enough in itself to create an economic recession.

But more importantly, these plants that are being deferred take from four to five years to build in the case of fossil fuel plants; they take eight to 10 years if they are nuclear; and, gentlemen, once you fall significantly behind schedule, there is no way that you can accelerate and catch up.

And if you think that the shortage of gas in southwest Virginia has created problems, the day that there is not enough electric power to go around is going to be the saddest day that this economy has ever seen.

It is a national problem. In part, it is an international problem. We've seen little inclination on the part of our national leaders to deal effectively with it in recent months, and it seems to me that the comments that we heard in recent days, as far as we can tell, spell only one thing: That is, that we are going to see higher prices for oil in the months that lie ahead.

And again, I come back to my analogy of the four barrels of oil to one ton of coal. If the price of oil is forced up by $3 per barrel, economically you're looking at another $10 to $12 dollar per ton increase in the cost of coal. This is so, because in this country, in 1974, the production of coal was about 591 million tons. Virtually no increase over the preceding year.

The last figures that I saw on estimated consumption came about in the fall of the year, and it was estimated to be something like 661 million tons. This may have dropped off a little bit late in the year because of the economic conditions existing in the economy, but it's quite clear that when you produce 591 million, and you use 661 million, the difference has to be made up out of the stockpiles, and it produces strictly a seller's market.

There are environmental restrictions due to be effective either mid-1975 or mid-1976, that are so stringent that unless variances or deadlines are extended, much of the coal being burned by the utility companies will no longer meet the air quality regulations in this country.

Now, depending upon whose figures you want to believe, I've seen them published by the Federal Energy Agency, and also the Department of Interior, and those estimates range from 225 million tons to 244 million tons of coal that will be nonconforming. And this compares with somethink like 400-plus million tons being burned by the utility companies.

So we are looking at the possibility, unless we in this country do something about these national problems, that this fuel situation and the fuel cost is not going to ease one iota.

CHAIRMAN SHANNON: Mr. Vaughan, earlier you alluded to the profits of the coal producing companies. Do you have any information or statistics on the increase in their profits since November of '73?

VAUGHAN: I don't have it with me and available this morning, but those figures are indeed available, and are publicized in the financial press.

HOBELMAN: Your Honor, I think we could provide whatever we have.

CHAIRMAN SHANNON: It is really not germane to the issue. It is information the Commission would like to have. I think if there are profits being made in this area, certainly we want to keep ourselves informed.

VAUGHAN: I think it is germane to the issue to the extent that the utility companies are really being made the whipping boy because of the fuel problem, a problem over which we have little control. We are a regulated industry, and these suppliers are not regulated.

CHAIRMAN SHANNON: When I say not germane, I mean that they are beyond the control of this Commission.

VAUGHAN: Precisely. This is why I say, it is a national and international problem in scope. We buy coal from the Pittston Company at our Clinch River Plant. We built a plant there in southwest Virginia in the '50s because it was close to the source of coal. Very economical. Probably cost 12 to 14 cents per million Btu when we built it.

CHAIRMAN SHANNON: Translating that, what were you paying for coal per ton?

VAUGHAN: Well, the 14 cents, I guess, would translate into perhaps $3, something like that.

CHAIRMAN SHANNON: Now what are you paying for coal?

VAUGHAN: I saw some figures from this company to the Clinch River Plant that had gotten up to 81 cents per million Btu, just one shipment. I said to myself, it used to be 18, that's what we have built into the rate, 18 cents per million built into the rate, and here we are looking at the reverse of that, 81 cents.

CHAIRMAN SHANNON: And that would be approximately 40 —

VAUGHAN: 81 cents. No, that is not $40 a ton.

That would be in the low 20s.

CHAIRMAN SHANNON: That's what you are paying now?

VAUGHAN: That was one shipment. It varies in the Btu content.

CHAIRMAN SHANNON: Do you have information from the other generating plant in Virginia?

VAUGHAN: The other generating plant in Virginia is our Glen Lyn Plant, and that has been one of the places on the system where we've had the steepest increases in the fuel cost. We can supply the Commission the detailed information on the cost of fuel at each of these plants.

CHAIRMAN SHANNON: I would like to have that.

VAUGHAN: We can show you historically what has happened to this fuel.

The question was raised yesterday about whether or not we were tough buyers as far as coal was concerned.

Anybody that raises that question, I can say to you that you never went to the coal fields and talked to the coal operators about the buying practices of the American Electric Power System.

We have been characterized in terms that I won't repeat this morning, because we have driven hard bargains for coal.

COMMISSIONER BRADSHAW: Mr. Vaughan, of the 97 percent coal you referred to, that your generation is 97 percent coal, how much of that coal comes from what we heard yesterday, the captive mines?

VAUGHAN: During 1974, about 11 to 12 percent of this coal originated in our company-owned mines.

COMMISSIONER BRADSHAW: Would you tell those here of the press how coal coming from your mine goes into your fuel adjustment clause?

VAUGHAN: Yes, sir. I would be very happy to.

As I indicated, we have had this fuel adjustment clause in our rates for many years. At the time that it was put in, the Commissions in both states where we operate insisted that the cost of that fuel had to be based on what we paid outside suppliers. So, in other words, whatever costs that we incurred could not determine the level of the fuel adjustment clause. We had to base it on prices that were determined through arm's-length bargaining. Through the years, we have been in the mining business in a pretty small way. So, consequently, our production costs for most of these years is really higher than what we could buy it outside.

So, we determined the fuel adjustment clause based strictly on the outside supplier coal. The kilowatt-hour that was generated at the power plant, we could not distinguish whether it was generated with our coal or with coal from the outside supplier.

So, the fuel adjustment clause allowed us to recover the excess cost based on the outside supplier price.

To the extent that our cost was higher than that outside supplier cost, we had to absorb that higher cost as part of our operating expense.

In the last several months, we have seen the situation reversed, not reversed totally, but particularly because of the increase in the price of outside coal that today bears no relationship to the cost of production, we have seen the cost that we've had to pay, particularly at our Amos Plant, which is a new generating station, go up, the outside cost go up higher than what we are paying out of our own operations.

So, we are still basing the cost of this fuel on the outside supplier price, and to the extent that we can generate a kilowatt-hour with coal produced in our own mine at a lower cost, we get an advantage.

We have studied this advantage, and because of the lag, because of the lack of a tax recovery in it, the last look that we made, we had not recovered from our customers the total cost of our fuel expense here in the Virginia jurisdiction in 1974.

Now, in the fuel clause that we are proposing to file in this proceeding, we are attempting, and we hope that we will be successful in convincing the Commission that the fuel adjustment clause should be based strictly on all fuel costs, company and non-company alike. And we say to the Commission quite openly that we have no objections to the type of information that you were asking for yesterday. We think it is a part of the regulatory process.

And what we are doing in our coal operations, we believe, over the longer term, will accrue to the benefit of the customers here in this state.

Now, that's the long way around. I'm not sure that I covered the specific points that you had [in] mind.

COMMISSIONER BRADSHAV Yes, sir.

Well, I think that those interest in this question want to ma sure that the proposed clause cost-based.

In other words, if it costs you $ or $10, coming out of your mir that's what it goes into the clau as. If you buy it from Wyomi at $40, that's what it goes in at.

VAUGHAN: Right.

COMMISSIONER BRADSHAV If you can save money in yo mines, the consuming public the beneficiary.

VAUGHAN: Precisely. That is that we are asking in th proceeding. It's all that we ha ever asked, as a matter of fact.

CHAIRMAN SHANNON: Isn't t clause that is being propos here, isn't that essentially t same clause, the one we call t efficiency type fossil fu adjustment clause, that t Commission, I think, approved the Vepco case?

VAUGHAN: I'm really not famil with the Vepco case, Jud Shannon. I probably should b But I just have not looked at th clause.

CHAIRMAN SHANNON: But it an efficiency type fuel clause?

VAUGHAN: Yes, sir. And we a proposing to exclude from th fossil fuel adjustment a kilowatt-hours generated w hydro power. We are proposi that there be a provision in it permit us to recover the tax ass ciated with it.

Let me say this: I'm not sure th everybody appreciates it, b every dollar of fuel clau revenue that we collect Virginia, we pay to the state Virginia a 3½ percent gro receipts tax on it.

And for those cities that add the half of 1 percent, this mak an aggregate of 4 percent out every fuel clause revenue dol that goes to political subdivisio in this state for taxes.

So, this 4 percent tax item is big, big factor, and our fuel clau proposes to take that i consideration.

The fuel clause that we a proposing also is one that will c down on the lag. We ha generally talked about a tw month lag in the recovery of th fuel cost, but in fact it is mu more than a two-month l because the fuel clause is bas on the cost of fuel consumed the plant, not the cost of fu delivered to the plant.

We say the cost of fu consumed. It's a two-month l after it is consumed, but when w have a 90-day stockpile at t plant, the cost of coal is averag through that stockpile, whi creates a further delay in our recovery.

COMMISSIONER BRADSHAW: And you try to keep 2½ million tons on hand?

VAUGHAN: 2½ million is a good, round figure. I think 2½ million is something in the neighborhood of a 70-day supply. 2½ million is about what we had on hand at the time that we were putting the case together, and I pick that out because it made the multiplying easier for me.

COMMISSIONER BRADSHAW: Well, since you are in the coal fields all the time buying, I know the miners just got a new contract here not long ago. What is your forecast as far as the price of coal?

VAUGHAN: Going up. There's no question about it. There was a significant increase in the labor rates associated with the mine settlement. There were productivity factors associated with it, requiring more people to be placed on mining machines than ever have before. There are cost of living factors built into it that no one has determined. Our people have looked at it and see nothing but upward pressures.

CHAIRMAN SHANNON: Well, has APCO been able to get long-term contracts with coal producers for a supply of coal, Mr. Vaughan?

VAUGHAN: In the years past, we have. The difficulty with getting long-term contracts in the past year has been this: With these people being able to sell their coal for virtually any price that you can get, if you go a long-term contract in 1974, you lock yourself into the highest prices in the history of the industry.

We don't think that is necessarily in the best interest of our customers to have this to come about.

We have been criticized for some of our advertising, and again, as I listened yesterday, I was reminded of the Shakespearean quotation, to be or not to be, except our question is to advertise or not to advertise.

We have been trying to say to the people in this country, and have been somewhat of a lone voice, that the solution to the energy problem in part has to be a greater supply of domestic fuel in this country.

For this reason we have been calling for the opening up of the western coal reserves. Right here domestically we have the possibility of increasing the supply of fuel in this country.

Now, you say why should you advertise? That costs your customers money. But if we could get across the idea that here is a national resource that can bring down the cost of fuel, we are going to burn 10 million tons of coal in Appalachian this year. If we could bring the cost of that coal down by $2.00 a ton, that represents a 20-million-dollar savings in our operating expense.

We are only going to bring the price down on coal when we can increase the supply. As long as the usage exceeds production by 10 percent, 15 percent, the cost is going to stay right up there.

CHAIRMAN SHANNON: Mr. Vaughan, let me ask you this question: Here in Appalachian we are sitting on possibly the largest coal piles in the world. Why can't the supply be increased? What are the reasons why it is not being increased?

VAUGHAN: Well, there are a number of reasons. First off, if you will look at the productivity statistics you will find that the productivity in the deep mines in the West Virginia — Virginia area, in particular, has trended downward through the years.

This has come about because of many things. Wildcat strikes which we saw quite a bit of last year cut production. The new Mine Safety & Health Act, I guess it was, about 1968, imposed great restrictions on the industry. I don't think there is any one of us that would argue that working conditions should not be improved and they should not be made safe, but these things did indeed reduce the productivity, and tended to increase the cost of the fuel.

I think there is another big item that looms in the background and that is to develop a new mine to produce, say, a million tons of coal a year. It requires, perhaps, an investment of 25 million dollars. Five, six, eight years ago the hue and cry in this country was that nuclear fuel was the coming thing, it was just going to generate the electricity so the people that owned the coal said, "Well, why should we spend 20 million to open a coal mine when the utilities are not going to buy coal. They are going to generate with nuclear."

So they didn't open the mine. Then along came the Environmental Protective Agency and the legislation that created it. If the coal in West Virginia is high-sulphur coal it is coal that cannot be burned in compliance with the Air Quality Act that we have.

So again, the mine owners, the operators say, "Why should we open a mine if the federal restrictions will not let us burn this coal?"

CHAIRMAN SHANNON: When you say "we" you mean American Electric Power?

VAUGHAN: American Electric power, yes, sir. The same thing is true in West Virginia. This is one of the things that pushed up the cost of fuel that we burn in Appalachian. We have three plants located in the Kanawha River Valley in West Virginia. They are having to meet air quality regulations that most of the states will not have to meet until mid-'75 or mid-'76.

The John Amos Plant west of Charleston will burn 7 million tons of coal this year. This coal has to have a sulphur content of one percent or less. That is premium fuel and when you buy premium fuel you pay a premium price for it. So the cost of our fuel has gone up because of these air quality regulations.

CHAIRMAN SHANNON: Mr. Vaughan, simply stated, would you really say that the crux of the fuel problem in this country is due to the fact our national government has not had and does not have today a national energy or national fuel policy?

VAUGHAN: I think that's certainly a contributing factor to it and in large measure is a problem, and I guess our national government has little control over it unless we are willing to get out the gunboats and go over to the Middle East because we don't have any control over the cutting-off of this petroleum supply and this, in itself, has compounded our problems.

We are so dependent upon energy in this country that we are very susceptible to embargoes, and I think we have seen in a sense that energy has been so cheap in this country that we have made so many usages of it that the people don't want to give it up.

Energy cost despite the hardships that it works today, and I will be the first to admit that it does in many instances, you still find that it represents a very small portion of the cost of producing any manufactured goods or services, and relatively speaking if the people that heat their houses with electricity will add up their electric bill, their oil bill and all of the other bills that the electricity is the substitute for, they find that they have all increased.

I would like to say to you that I think that it is going to get better, but over the short term it does not appear that this is going to be the case. You know, I was hoping yesterday that I would get some real ideas out of this group as to how we could communicate this problem to our customers. I get greatly concerned when our people don't communicate and handle it right.

I say to you that we have a fine group of employees, but it is little that they can do when the customer comes in and complains to them that they are living on Social Security and they only have an income of X dollars and their electric bill is so high.

It really gets close to our people some days and they don't have a solution to that problem, either. It is a solution that has to be worked out on a national basis, but because it is that type of solution it doesn't mean that any given company should be asked to be the one company that can't survive because of these national problems.

COMMISSIONER HARWOOD: While you are on that, we have received many letters from citizens who have been good enough to write us concerned that they are near Smith Mountain hydro peaking facility, that they seem to feel as if their particular electricity that comes to their particular business or house is generated almost a few miles away where they can see it, and, therefore, why is there a fuel adjustment clause since hydro is out in their bill?

VAUGHAN: Well, I think the real answer to it is the fact that you have to look at the total generation that the company does. As we indicated earlier, we generate 97 percent of our electricity with coal. Smith Mountain is a peaking operation. In other words, we use it to reduce the peaks in our system. We use it as a means to try to make the most efficient utilization of our generating equipment. It is one way that we can store electricity, but it is an integral part of our system.

Smith Mountain may operate four hours per day, and I doubt that these same customers would say to you that they would be willing to have electricity just for four hours per day. So we generate 97 percent of our kilowatt-hours with coal and in the fuel adjustment clause that we are proposing with this rate increase, we are proposing to exclude from the fuel adjustment clause the kilowatt-hours that are generated with hydro.

COMMISSIONER HARWOOD: In the present fuel adjustment clause is there any hydro?

VAUGHAN: Yes, in the present clause as it is constituted we put the fuel adjustment factor on every kilowatt-hour that we sell regardless of where it comes from.

CHAIRMAN SHANNON: Mr. Vaughan, as a practical matter, isn't it almost impossible to trace the source of any particular user's power?

VAUGHAN: Yes, sir. I think it is to the great credit to the industry in this country that it is so highly interconnected that it permits the most efficient utilization of power and if we can buy that power some place more economically than we can generate it, those advantages flow through to the benefit of the customers.

VAUGHAN: Now, we talked about or we have heard comments about the question of belt-tightening. We have tightened our belts. We have tightened our belt significantly in Appalachian. We started out with a construction budget of 169 million dollars and in late August when these pressures began to intensify and really some utility companies were in great trouble and we looked around at what was happening, we cut this budget by 22 percent in the latter part of the year. We had plans for a construction budget in 1975 that totaled 285 million dollars back in March. That is what w[e] anticipated spending this yea[r]. By June we had pruned th[at] down to 170.6 million and th[e] latest cut got it down to 14[…] million, and since the emergenc[y] rate relief that we requested wa[s] not forthcoming we hav[e] suspended construction on [a] major generating plant out at Ne[w] Haven in West Virginia on th[e] Ohio River.

We have indicated that we w[ill] review our financial situation an[d] our load situation in the spring [of] 1975 and make decision[s] whether we can resume co[n]struction on it or not. Even if w[e] resume construction in mid-'75 [it] appears that it would be the fir[st] half of 1969 before that plant ca[n] go into service.

COMMISSIONER BRADSHAW[:] You mean '79.

VAUGHAN: Yes, '79. I a[m] sorry. We have cut back in th[e] operation and maintenance are[a] of our company. We hav[e] stopped doing any work on ou[r] lines and facilities except wor[k] associated directly with gettin[g] service to new customers an[d] meeting expanded load requirements.

In July of 1974 we had 6[…] contractor crews working on ou[r] property with 360 men. Now[,] historically, we have supplemented our own work forc[e] with contractor personnel. W[e] phased out 280 of these peopl[e] in the latter part of the year whic[h] was a 35-percent reduction i[n] our outside work force. In recen[t] weeks, after filing for this increas[e] we have eliminated all of th[e] overhead contractor personne[l] working in our Virginia territory[.] The only contractor personne[l] that we are using now are what [I] would describe as skeleto[n] crews in three of our operatin[g] divisions to put in undergroun[d] facilities and this is because w[e] don't have the equipment an[d] people ourselves to put in th[e] underground services in thes[e] areas.

In our right-of-way maintenanc[e] area, we cut back in August fro[m] 252 people, contractor people[,] to 147 people. This represente[d] a 58 percent reduction.

We have had very stringent employment restrictions. They started in July of last year. They are continuing, and every tim[e] someone leaves our employmen[t] through resignation, retirement[,] death, what have you, we take a[n] awful hard look at whether tha[t] person is replaced, and we do i[t] only in those places where it i[s] absolutely essential.

And that result is we hav[e] eliminated 100 positions in Appalachian Power Company in th[e] latter half of this year through a[] program of attrition.

Now, these represent our efforts to keep Appalachian financiall[y] healthy, because it is only b[y] staying financially healthy that we are going to meet our obligations.

The problem that we have had i[n] this rate case, in large measure boils itself down to a question of corporate liquidity, the availability of cash to operate our business, and the ability to sell securities, to finance on a long-term basis our construction.

We have talked here about the pollution control bonds, and I think it illustrates our problem. This is the only financing that we have had in Appalachian, incidentally, since the screws really tightened down in 1974.

Our normal procedure is to borrow funds in the short-term market.

We finance our construction with these short-term funds, and then when we reach certain levels, we attempt to convert this to long-term financing, pretty much the same way as the contractor who goes out to build a house. He borrows construction funds from the bank, and then he hopes to sell the house and place it under a long-term mortgage.

We operate in Appalachian with a limit on our short-term debt of $150 million as approved by the Securities and Exchange Commission. We have made application to increase that to $175 million just in case of an absolute emergency, but in today's market conditions we don't feel that it would be wise at all to go above 150 if we could.

We've indicated earlier that we would approach the $150 million limit by the end of 1974, and we did indeed, on December 26, reach $146 million. We had anticipated selling in the month of December pollution control bonds to finance the installation of precipitators at our Clinch River and Glen Lyn Plants. Again, an expenditure to meet the air quality regulations of the state of Virginia, and this, incidentally, will bring these plants into compliance with these state regulations.

Since these bonds were being sold through an industrial development agency in Russell County, we didn't have to take competitive bids on them. The securities were going to be handled by Blyth, Eastman, Dillon Company in New York, and by Wheat First Securities, headquartered here in Richmond.

In November of '74 we structured an offer that was to consist of $10 million of five-year bonds that carried a 7½ percent coupon rate.

I can't read that figure very well, but I believe it's a half. We had another 10 million to mature in 10 years, and we had 24 million to mature in the year 2004, a 30-year bond with a 9 percent coupon.

We felt that these rates would move the bonds in the market, but the underwriters started getting an indication of interest in this offer, and by December 9, they had secured an indication of interest on less than $10 million worth of these bonds, and there was virtually no activity in this regard.

We decided to extend the offering period, without specifying the cutoff date, and on December 12 we took those bonds that were due to mature in the year 2004, and we increased the interest rate from 9 to 9¼ percent.

We still had only about $10 million sold. Then we restructured the offering again on December 13. We changed the maturities, we changed the interest rates, and without going through it, I would say that on each of these moves it essentially sweetened the pot as far as raising the rate and changing the maturity.

By December 17, they had gotten an indication that about $14 million of these bonds would be taken up, and we decided then to reduce the size of this issue to 24 million.

We ended up selling $10½ million worth of bonds to mature in 1979, with an 8 percent interest rate; $1 million in '89 with an 8¾ percent rate; $1 million in '94 with a 9.8 percent rate; and 11½ million in the year 2000, not quite a 30-year bond, at 9 3/8 percent rate.

These bonds were tax-exempt from federal income taxes and state income taxes in Virginia, and, as you know, the tax-exempt bonds are basically sold to people in the higher income brackets. This represents a return equivalent to a taxable investment for the man in the 50 percent bracket of 18 to 20 percent.

I don't think there's anybody around that would have thought that Appalachian Power Company could not have sold $44 million worth of bonds, and to say that you would have to sell them at an interest rate on tax-exempt securities of 9 3/8 percent is absolutely unbelievable.

Now, since we were not able to sell all the bonds that we had anticipated, we are hoping that we are going to be able to come back after the first of the year and move that other $20 million worth of pollution control bonds, because this represents a more economical way of financing than going the conventional taxable route.

We have over $100 million in short-term debt existing right today.

CHAIRMAN SHANNON: I think you said earlier it reached 146 million on the 26th of December, Mr. Vaughan.

VAUGHAN: Yes.

Well, you see, we took the proceeds of this bond issue. I should say that we got the money from this bond sale on December 30, so that was used to reduce the short-term debt. And the short-term debt will fluctuate up and down from day to day, because you get collections from your customers, and the collections may be in excess of what you have to pay at the moment, so that will bring it down, and then you have to make a big payment, and it will go back up.

CHAIRMAN SHANNON: Do you have any idea what your present short-term debt is?

VAUGHAN: We are in the range of $115 million to $120 million at this point in time.

I would say that probably in the range of $100 million of this is represented by commercial paper, and the commercial paper market has been somewhat uncertain in recent months, and I'm sure that some of you noted that Arizona Public Service Company, as an example, lost its commercial paper rating and was no longer able to sell it and had to convert all of this to bank loans.

So, it is a very difficult financial market that we are working in, and I think this illustrates the problem that we are dealing with here.

VAUGHAN: I tried in these opening comments, and I realize it is quite a long summary, but we are dealing with very difficult and complex problems — but I hope we've indicated that in part Appalachian is still trying to do a good job for its customers in its territory and wants to continue to do that.

We've faced a situation in recent months where the costs have continued to go up, as much as we hate to see it, and these costs have imposed hardships on customers. There's no question about it. And we would hope that we could get an understanding across as to why this was necessary, and the importance of it.

We've done everything that we think we can to keep these prices under control, and the last comment that I would make in the summary comes down to my Exhibit 3, in which I detail a number of special accounting changes that we made in 1974 that had the effect of enhancing our earnings; accounting changes that were quite acceptable from an accounting point of view that are used by many companies.

But they are one-time items, and if you were to remove the effect of those one-time items, you can see that our 1974 earnings would have been down to a $26 million level, less than half of what a comparable adjustment would have been for 1973.

We are asking, as has been indicated here earlier, for a 9.65 percent rate of return, and I'm no cost of money expert by any manner or means, but I think that our people that deal in these markets each day will be able to substantiate quite clearly why this is a reasonable and appropriate figure.

COMMISSIONER BRADSHAW: Mr. Vaughan, I haven't read the responses to the interrogatories, but while you're on the stand, would you comment for those members of the public that inquired yesterday as to whether or not you really — this question may be oversimplified — but if you own acres and acres of land that you don't use, and it has value, why that can't be sold and the money put in the till, so to speak?

VAUGHAN: Judge, I would be happy to do that. I think it is important that we set into perspective what we are dealing with here.

Appalachian Power Company serves 19,000 square miles in its service area. That is a lot of land. The nature of our business is such that we do require land for generating plants, transmission lines, substations, office facilities, et cetera.

I spoke earlier of the fact that we have been involved with economic development in times past. So here we are, a corporation talking about investments of other people's money in the range of 1½ billion to 1,600,000,000.

In the case of Franklin Real Estate holdings, we are talking about investments that total in the range of $16 million.

Most important to this case, I believe, is the understanding that this investment enters no way into the setting of the rates, and the rates are not predicated on this type of investment that we have.

Now, as to the question of disposing this property: A good bit of the property, as we have indicated in this Franklin Real Estate holding, is around Smith Mountain, which we have detailed here.

That property ranges from very desirable property to the major mountain down there, that consists of some 4800 acres. And even if we could sell everything involved, we are talking about raising a minimum number of dollars. Sure, they are dollars that would help some. But where do you stop this kind of thing?

The problem that we are faced with is that, number one, as a utility under regulation, we are legally entitled to earn an appropriate rate of return on our investment devoted to the public service.

But I think more importantly the problem that we are dealing with here is a lack of investor confidence, and when we are talking about financing major construction programs, the reason we have to have a rate increase is to assure these investors that the funds to pay off these investments or carrying charges will be forthcoming on a yearly basis, and to think in terms of maybe recouping 10 million, 16 million, 20 million dollars, whatever the case might be, by disposing of all the property that we have, is really not a solution to the problem that we are dealing wit here.

I am not aware that there is really you know, any restrictions tha say that the company canno own property within a limitec degree. On this property down a Smith Mountain we have had i for some time. Much of it came about through the acquisition o land to build a dam. We have and continue to take a great interes in the shoreline developmen around Smith Mountain.

One of our ideas for this Smith Mountain property, quite frankly was to develop a high quality residential subdivision which we thought would add greatly to the economic development o Franklin County.

There has been no great, deep dark secret about that. We publicized it in the newspapers eight to 10 years ago, but we have never been able to work ou an arrangement in this regard nothing active in this regard at the present time. Some of this land that we own in Franklin Rea Estate — well this Commission is very much aware that we have a 480-acre tract over next t Lynchburg called Ivy Creek. We hope to build a substation on it Now, the question is should the company dispose of the property like Ivy Creek when it may present a real location for us at a future date to build a facility t serve the public? We have some other properties in the Franklin Real Estate account that consis of potential lands for industria development. The question migh be raised today is that an appropriate thing for a utility to be doing.

Ten years ago I'd say we were getting bouquets from every body in our area because w were willing to make a investment in the future of ou operating territory by holding these sites for big industrie that might come in.

The White Motor Company Plant that is opening in th vicinity of Pulaski and Dublin i being built on just such a sit that we bought a number o years ago and held for th industrial development in tha area.

You know, we have always taken the position that we are not lik an industry that when the labo market gets bad and th economic situation gets bad tha we can pick up our poles and ou wires and offices and generatin plants and move to a mor desirable section of the country We felt that our destiny was tie to the service area in which w operated, that our well-being wa tied totally to the growth and th well-being of that area.

We still think that that is reasonable philosophy and it i for this reason that we hav invested in some of these land and really reasons that we fe that we should not rush out t sell this property just simply t raise some dollars at this point i time.