

Composite Copy

TRANSMISSION AGREEMENT

By and among

APPALACHIAN POWER COMPANY

COLUMBUS SOUTHERN POWER COMPANY

INDIANA MICHIGAN POWER COMPANY

KENTUCKY POWER COMPANY

OHIO POWER COMPANY

and with

AMERICAN ELECTRIC POWER SERVICE CORPORATION

AS AGENT

DATED APRIL 1984, AS MODIFIED BY:

MODIFICATION NO. 1, DATED JANUARY 1, 1989

and

SUPPLEMENT A TO MODIFICATION NO. 1

Dated December 12, 1989

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0.1 THIS AGREEMENT, made and entered into as of the 1st day of April, 1984 by and among APPALACHIAN POWER COMPANY (Appalachian Company), a Virginia corporation, COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY (Columbus Company), an Ohio corporation, INDIANA & MICHIGAN ELECTRIC COMPANY (Indiana Company), an Indiana corporation, KENTUCKY POWER COMPANY (Kentucky Company), a Kentucky corporation, OHIO POWER COMPANY (Ohio Company), an Ohio corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power SYSTEM (AEP System), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and to other affiliated companies.

W I T N E S S E T H
T H A T:

0.2 WHEREAS, the Members own and operate electric facilities in the states herein indicated, (i) Appalachian Company in Virginia, West Virginia, and Tennessee (ii) Columbus Company in Ohio, (iii) Indiana Company in Indiana and Michigan, (iv) Kentucky Company in Kentucky, and (v) Ohio Company in Ohio and West Virginia; and

0.3 WHEREAS, the Members have entered into an interconnection agreement, dated July 6, 1951, with modification thereto, which provides for certain understandings, conditions, and procedures designed to achieve the full benefits and advantages available through the coordinated operation of their electric power supply facilities; and

0.4 WHEREAS, Appalachian Company, Indiana Company, Kentucky Company, and Ohio Company entered into an agreement, dated April 24, 1958, with modification thereto, (said agreement, as so modified, herein called Special Facilities Agreement) which fixed the terms and conditions under which the 345-kV transmission facilities interconnecting the AEP System and Commonwealth Edison Company (Special Facilities) were provided, owned, operated, and maintained; and

0.5 WHEREAS, The Members' electric facilities are now and for many years have been interconnected through their respective transmission facilities at a number of points, forming an integrated transmission network; and

0.6 WHEREAS, the Members have achieved benefits through the coordinated planning and development of a fully integrated Extra High Voltage (EHV) Transmission System; and

0.7 WHEREAS, the members believe that an agreement which provides for the equitable sharing among the Members of the costs incurred by the Members in connection with the ownership, operation, and maintenance of their respective portions of

the EHV Transmission System would enhance equity among the Members for the continued development of a reliable and economic EHV Transmission System; and

0.8 WHEREAS, the Members believe that benefits and advantages could be best realized if this Agreement were administered by a single clearing agent; and

0.9 WHEREAS, the Members believe that the Agent designated herein for such purpose is qualified to perform such services;

0.10 NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the parties hereto hereby agree as follows:

ARTICLE 1 DESCRIPTION OF EHV TRANSMISSION SYSTEM

1.1 The Bulk Power Transmission System covered by this Agreement shall include the following transmission facilities owned by the Members: (i) All transmission lines operating at a nominal voltage of 138 – kV or higher; (ii) all facilities such as transformers, buses, switchgear, and associated facilities located at transmission substations operating at a nominal voltage of 345 – kV and above including EHV/138 – kV substations, and (iii) any other transmission lines and associated substation facilities at any voltage designated by the Transmission Committee as having been, installed for the mutual benefit of all Members.

1.11 In determining the investments in the Bulk Power Transmission System referred to under subsection 1.1 (i) above, only those transmission line costs includable in Accounts 350 and .354-359, inclusive, of the Federal Energy Regulatory Commission's Uniform System of Accounts Prescribed for Public Utilities and Licenses, as in effect on January 1, 1984, shall be used.

1.12 The investments in the Bulk Power Transmission System referred to in subsection 1.1 (ii) and (iii) above are amounts includable in the accounts listed in the preceding subsection 1.11 plus Accounts 352 and 353.

1.2 All investments referred to in Section 1.1 above shall be determined annually as of the end of each calendar year and shall prevail as the basis for monthly settlement payments during the immediately following calendar year, provided, however, that if in any month a Member's investment pursuant to Section 1.1 shall be increased by the addition of facilities costing \$10,000,000 or more, that Member's transmission investment shall be redetermined and, together with the investment of the other Members then prevailing, shall prevail as the basis for monthly settlements during the next and remaining months of the calendar year.

ARTICLE 2 OPERATION

2.1 Each member shall maintain its respective portion of the Bulk Transmission System, together with all associated facilities and appurtenances, in a suitable condition of repair at all times in order that said system will operate in a reliable and satisfactory manner.

ARTICLE 3 TRANSMISSION COMMITTEE

3.1 The Members shall appoint representatives to serve on a Transmission Committee. Such representatives shall have authority to act for the Members in the administration of all matters pertaining to this Agreement.

3.2 Each Member shall designate in writing, delivered to the other Members and Agent, the person who is to act as its representative on said Committee and the person or persons who may serve as alternate whenever such representative is unavailable to act. Agent shall designate in writing delivered to the Members the person who is to act as its representative on said Committee and the person or persons who may serve as alternate whenever such representative is unavailable to act. Such person designated by Agent shall act as chairman of the Transmissions Committee and shall be known as the "Transmission Manager".

ARTICLE 4 AGENTS RESPONSIBILITIES

4.1 For the purpose of carrying out the provisions of this Agreement the Members hereby delegate to Agent, and Agent hereby accepts, the responsibility of administration of this Agreement, and in furtherance thereof Agent hereby agrees:

4.11 To arrange for and conduct such meetings of the Transmission Committee as may be required to insure the effective and efficient carrying out of all matters of procedure essential to the complete performance of the provisions of this Agreement.

4.12 To render to each Member as promptly as possible after the end of each calendar month a statement setting forth the settlements hereunder for such preceding calendar month, in such detail and with such segregations as may be needed for accounting, operating, or other proper purposes.

4.13 To carry out cash settlements under this Agreement. Settlements by the Members shall be made for each calendar month through an account (hereby designated and hereinafter called "TRANSMISSION ACCOUNT") to be administered by Agent. Payments to or from such account shall be made to or by Agent as clearing agent of the account. The total amount of the

payments made by members to the TRANSMISSION ACCOUNT for a particular month shall be equal to the total amount of the payments made to the Members from the TRANSMISSION ACCOUNT for such month.

ARTICLE 5
DEFINITIONS OF FACTORS ASSOCIATED WITH SETTLEMENTS

5.1 Factors associated with settlements under this Agreement are defined as follows:

5.2 MEMBER LOAD OBLIGATION – A Member’s internal electric load plus any firm power sales by the Member to affiliated and non-affiliated companies other than Members, Which firm power sales by the member are principally characterized by the Member’s assuming the load obligation as its own firm power commitment and by the Member’s retaining the advantages accruing from meeting the load.

5.3 MEMBER DEMAND – A Member’s MEMBER LOAD OBLIGATION determined on a clock-hour integrated kilowatt basis.

5.4 MEMBER MAXIMUM DEMAND – The MEMBER MAXIMUM DEMAND in effect for a calendar month for a particular Member shall be equal to the maximum MEMBER DEMAND experienced by such Member during the twelve consecutive calendar months next preceding such calendar month.

5.5 MEMBER LOAD RATIO – The ratio of a particular member’s MEMBER MAXIMUM DEMAND in effect for a calendar month to the sum of the MEMBER MAXIMUM DEMANDS of all the members in effect for such month.

5.6 MEMBER BULK TRANSMISSION INVESTMENT – The aggregate dollar investment of a particular Member in its Bulk Power Transmission System, as described in Article I, less the Investment Tax Credit generated by such investment.

Pursuant to the Order of the Federal Energy Regulatory Commission issued November 3, 1989 – in Docket No. ER84-348-012, the Investment Tax Credit used in the determination of MEMBER BULK TRANSMISSION INVESTMENT amounts shall be the result of multiplying the investment tax credit generated by such Member’s investment by the following respective factors:

i)	Appalachian Company =	0.79127
ii)	Columbus Company ·	0.80245
iii)	Indiana Company ·	0.79220
iv)	Kentucky Company ·	0.79211
v)	Ohio Company ·	0.78515

5.7 SYSTEM BULK TRANSMISSION INVESTMENT – The sum of the MEMBER BULK TRANSMISSION INVESTMENTS of all the Members.

5.8 MEMBER BULK TRANSMISSION OBLIGATION – The SYSTEM BULK TRANSMISSION INVESTMENT multiplied by the MEMBER LOAD RATIO of a particular Member.

5.9 MEMBER BULK TRANSMISSION SURPLUS The difference between the MEMBER BULK TRANSMISSION INVESTMENT and MEMBER BULK TRANSMISSION OBLIGATION of a particular Member, when such MEMBER BULK TRANSMISSION INVESTMENTS exceeds such MEMBER BULK TRANSMISSION OBLIGATION.

5.10 MEMBER BULK TRANSMISSION DEFICIT – The difference between the MEMBER BULK TRANSMISSION OBLIGATION and MEMBER BULK TRANSMISSION INVESTMENT of a particular Member, when such MEMBER BULK TRANSMISSION INVESTMENT is less than such MEMBER BULK TRANSMISSION OBLIGATION.

ARTICLE 6 SETTLEMENTS

6.1 As provided in Article 8 below, following the end of each month, the members shall carry out cash settlements through the TRANSMISSION ACCOUNT.

6.2 BULK TRANSMISSION EQUALIZATION RECEIPT – Each Member having a MEMBER BULK TRANSMISSION SURPLUS (MBTS) shall receive a BULK TRANSMISSION EQUALIZATION RECEIPT (BTER), each month, in dollars from the TRANSMISSION ACCOUNT determined by the following formula:

$$BTER = MBTS \times MCC$$

Where:

MCC = The particular Member's monthly carrying charge factor as listed below:

- i) Appalachian Company = 1.4933%
- ii) Columbus Company = 1.5733%
- iii) Indiana Company = 1.5000%
- iv) Kentucky Company = 1.4950%
- v) Ohio Company = 1.4508%

6.3 BULK TRANSMISSION EQUALIZATION PAYMENT – Each Member having a MEMBER BULK TRANSMISSION DEFICIT (MBTD) shall make a BULK TRANSMISSION EQUALIZATION PAYMENT (BTEP), each month, in dollars to the TRANSMISSION ACCOUNT determined by the following formula:

$$BTEP = SBTER \times MBTD / SMBTD$$

Where:

SBTER = The sum of all Members' BTERs
SMBTD = The sum of all Members' MBTDs

ARTICLE 7 TAXES

7.1 If at any time during the duration of this Agreement there should be levied and/or assessed by any governmental authority against any Member having an MBTS any tax related to the receipt of settlements calculated pursuant to Article 6 of this Agreement (such as sales, excise or similar taxes not included in such Member's MCC), such tax expense incurred by such Member that would not have been incurred were the transmission settlements hereunder not being made, such Member shall be entitled to reimbursement for such additional taxes by Members having an MBTD, i.e., in calculating the monthly settlements hereunder, such Member having an MBTS shall receive an amount in dollars equal to the sum of (a) the amount of settlement calculated pursuant to Article 6 of this Agreement plus (b) an amount sufficient to reimburse such Member for the amount of such additional taxes which it has incurred. Each Member having an MBTD shall pay such reimbursement in (b) above in dollars as determined by the formula in Section 6.3 of this Agreement.

ARTICLE 8 BILLINGS AND PAYMENT

8.1 All bills for amounts owing hereunder shall be due and payable on the fifteenth day of the month next following the month or other period to which such bills are applicable, or on the tenth day following receipt of the bill, whichever date is later. Interest on unpaid amounts shall accrue daily at the prime interest rate per annum in effect on the due date at the Citibank, plus 2% per annum, from the due date until the date upon which payment is made. Unless otherwise agreed upon the calendar month shall be the standard period for the purpose of settlements under this Agreement. If bills cannot be accurately determined at any time, they shall be rendered on an estimated basis and subsequently adjusted to conform to the terms of this Agreement.

ARTICLE 9 MODIFICATION

9.1 Any Member, by written notice given to the other Members and Agent, may call for a reconsideration of the terms and conditions herein provided. If such reconsideration is called for, the Members shall take into account any changed conditions, any results from the application of said terms and conditions, and any other facts that might cause said terms and conditions to result in an inequitable sharing of costs and benefits under this Agreement. Any modification in terms and conditions agreed to by the Members following such reconsideration shall become effective the first day of the month following authorization of such reconsideration by appropriate regulatory authority.

ARTICLE 10
EFFECTIVE DATE AND TERM OF THIS AGREEMENT

10.1 This Agreement shall become effective and shall become a binding obligation of the Parties on the date on which the last of the following events shall have occurred (Effective Date):

- (a) June 1, 1984;
- (b) This Agreement shall have been filed with, and accepted for filing by the Federal Energy Regulatory Commission (FERC) under the Federal Power Act as a rate schedule, under circumstances where the FERC (i) shall not have suspended this Agreement or any part thereof, or (ii) if suspended, at the end of the suspension period.

10.2 This Agreement shall continue in effect for an initial period from the Effective Date to December 31, 1990, and thereafter for successive periods of one year each until terminated as provided under subsection 10.3 below.

10.3 Any Member upon at least three years' prior written notice to the other Members and Agent may terminate this Agreement at the expiration of said initial period or at the expiration of any successive period of one year.

ARTICLE 11
TERMINATION OF SPECIAL FACILITIES AGREEMENT

11.1 The Members agree that the Special Facilities Agreement, dated April 24, 1958, and all supplements and amendments thereto shall terminate as of the Effective Date of this Transmission Agreement and that all further obligations among them in respect thereof shall cease and terminate as of such date, except in respect of any payments or liabilities incurred in respect thereof prior to such termination date.

ARTICLE 12
REGULATORY AUTHORITIES

12.1 The Members recognize that this Agreement, and any tariff or rate schedule which shall embody or supersede this Agreement or any part thereof, are in certain respects subject to the jurisdiction of the FERC under the Federal Power Act, and are also subject to such lawful action as any regulatory authority having jurisdiction shall hereafter take with respect thereto. The performance of any obligation of the Members shall be subject to the receipt from time to time as required of such authorizations, approvals or actions of regulatory authorities having jurisdiction as shall be required by law.

12.2 It is expressly understood that any Member under this Agreement, as it may hereafter from time to time be modified and supplemented by the Members, shall be entitled, at any time and from time to time, unilaterally to make application to the FERC for a change in rates, charges, classification of service, or any rule, regulation or contract relating thereto, or to make any change in or supersede in whole or in part any provision of this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder.

ARTICLE 13 ASSIGNMENT

13.1 This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their respective corporate names and on their behalf by their proper officers thereunto duly authorized as of the day and year first above written.

APPALACHIAN POWER COMPANY

By: _____

COLUMBUS AND SOUTHERN OHIO
ELECTRIC COMPANY

By: _____

INDIAN & MICHIGAN ELECTRIC COMPANY

By: _____

KENTUCKY POWER COMPANY

By: _____

OHIO POWER COMPANY

By: _____

AMERICAN ELECTRIC POWER
SERVICE CORPORATION

By: _____