

Composite Copy

TRANSMISSION AGREEMENT

By and among

APPALACHIAN POWER COMPANY

COLUMBUS SOUTHERN POWER COMPANY

INDIANA MICHIGAN POWER COMPANY

KENTUCKY POWER COMPANY

KINGSPORT POWER COMPANY

OHIO POWER COMPANY

WHEELING POWER COMPANY

and with

AMERICAN ELECTRIC POWER SERVICE CORPORATION

AS AGENT

DATED APRIL 1984, AS ~~MODIFIED BY:~~AMENDED

~~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~~1984, and as subsequently amended, by and among APPALACHIAN POWER COMPANY (Appalachian Company), a Virginia

corporation, COLUMBUS AND SOUTHERN ~~OHIO-ELECTRIC~~POWER COMPANY (Columbus Company), an Ohio corporation, INDIANA ~~&-MICHIGAN~~ ~~ELECTRIC~~POWER COMPANY (Indiana Company), an Indiana corporation, KENTUCKY POWER COMPANY (Kentucky Company), a Kentucky corporation, OHIO POWER COMPANY (Ohio Company), an Ohio corporation, KINGSPORT POWER COMPANY (Tennessee Company), a Tennessee corporation, and WHEELING POWER COMPANY (Wheeling Company), a West Virginia 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~~Tennessee Company in ~~Ohio and~~Tennessee, (vi) Ohio Company in Ohio and West Virginia, and (vii) Wheeling Company in West Virginia; and

0.3 WHEREAS, certain of 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~~ 0.5 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~~ 0.6 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

0.7 WHEREAS, effective October 1, 2004 the Members joined the PJM Interconnection, LLC ("PJM"), and placed their respective transmission facilities under the functional control of PJM, a regional transmission operator or "RTO"; and

0.8 WHEREAS, PJM provides transmission service, pursuant to the PJM Open Access Transmission Tariff ("OATT"), to the Members and others who require transmission service over the Transmission System; and

~~0.8~~ 0.9 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~~ 0.10 WHEREAS, the Members believe that the Agent designated herein for such purpose is qualified to perform such services;

~~0.10~~ 0.11 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 all the ~~following~~ transmission facilities, from time to time, owned by the Members: ~~(i) All transmission lines operating at a nominal voltage of 138 kV or higher that are included in the costs of service used to determine rates for transmission service under the PJM OATT, including without limitation, (i) All Member transmission lines;~~ (i) All Member transmission lines; (ii) all facilities such as transformers, buses, switchgear, and associated facilities located at Member 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 or leased for the mutual benefit of all Members and/or others who receive transmission service from PJM or a successor RTO or other successor transmission service provider.

~~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~~ General Ledger accounts (hereby designated and hereinafter called the "TRANSMISSION ~~ACCOUNT~~ACCOUNTS") to be administered by Agent. ~~Payments to or from such account shall be~~ For the purposes of This Agreement, Transmission Accounts shall be consistent with the accounts listed in the FERC Uniform System of Accounts, and shall include such accounts and sub-accounts as are necessary and proper, directed by the Transmission Committee, and consistent with applicable regulatory requirements.  
~~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:~~

<del>i)</del>	<del>Appalachian Company =</del>	<del>0.79127</del>
<del>ii)</del>	<del>Columbus Company</del>	<del>0.80245</del>
<del>iii)</del>	<del>Indiana Company</del>	<del>0.79220</del>
<del>iv)</del>	<del>Kentucky Company</del>	<del>0.79211</del>
<del>v)</del>	<del>Ohio Company</del>	<del>0.78515</del>

~~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~~ 5.1 As provided in this ~~Article 8 below~~, following the end of each month, the ~~members~~Members shall ~~carry out cash~~effect settlements through the TRANSMISSION ~~ACCOUNT~~ACCOUNTS. Generally, Settlements hereunder will involve the allocation of transmission-related costs and revenues among the Members, and the recording of same in the Transmission Accounts of the Members, as specified in Appendix I.

~~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:~~

$$\text{BTER} = \text{MBTS} \times \text{MCC}$$

~~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:~~

$$\text{BTEP} = \text{SBTER} \times \text{MBTD} / \text{SMBTD}$$

~~Where:~~

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

5.2 All amounts to be allocated among the Members hereunder shall, to the extent practicable, be included in Settlements for the month in which such cost or revenue is realized or accrued. If necessary in order to implement such timely Settlement, the Agent shall be authorized to effect Settlements on an estimated basis and make such adjustment as is needed in subsequent Settlements that will conform the Settlements to the terms of this Agreement.

~~ARTICLE 7~~

ARTICLE 6

TAXES

~~7.1~~ 6.1 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~~ 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~~ Settlements hereunder not being made, such Member shall be entitled ~~to reimbursement,~~ to the extent permitted by the applicable regulatory authority(ies) to include such tax in its transmission revenue requirement under the PJM or successor OATT when transmission revenue requirements of the Members are next updated, and thereby receive an appropriate level of reimbursement (through cost sharing) 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,~~ and others receiving service from the Transmission System.

ARTICLE 7

Allocation Principles

7.1 All items of cost and revenue included in Settlements hereunder shall be related to the provision of or receipt of transmission service or a related ("ancillary") service by one or more Members on behalf of one or more of the Members. The allocation methods used to share such costs and revenues, as specified in Appendix I, shall be made pursuant to direction by the Transmission Committee.

7.2 The Transmission Committee may at any time during the Term of This Agreement, upon the recommendation of the Agent or any Member, review any item of cost or revenue, in order to determine whether such item is transmission-related, and whether it should be included in Settlements hereunder. Further, whenever the Transmission Committee determines that any change is needed in Appendix I to add or delete any item of cost or revenue, or to change the allocation or accounting basis of any item, the Transmission Committee shall authorize and direct the Agent when and how to effect such change in Appendix I and in monthly Settlements among the Members.

7.3 Allocations of costs shall, to the extent practicable, be based on measurable cost indicators that will effect a sharing of costs among the Members consistent with the use of such service, and will be sufficiently stable, over time, so as not to cause undue or objectionable variability in the costs of the Members.

7.4 Allocations of revenues shall, to the extent practicable, be based on measurable indicators of the cost incurred by each Member in providing the service that gave rise to the revenue

## 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~~ 8.1 Any Member, or the Agent, 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~~9

## EFFECTIVE DATE AND TERM OF THIS AGREEMENT

~~10.1~~ 9.1 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~~ specified in an Order in such proceeding as 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~~ a rate schedule.

~~10.2~~ 9.2 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~~ 9.3 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~~10

##### ~~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~~ 10.1 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~~ 10.2 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~~11

ASSIGNMENT

~~13.1~~11.1 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 daily authorized as of the day and year first above written.

[Next Page is Signature Page](#)

Transmission Agreement Among:

AMERICAN ELECTRIC POWER  
SERVICE CORPORATION,

By: \_\_\_\_\_

Michael Heyeck  
Senior Vice President

KENTUCKY POWER COMPANY,

By: \_\_\_\_\_

Timothy C. Mosher  
President and Chief Operating  
Officer

APPALACHIAN POWER COMPANY,

By: \_\_\_\_\_

Dana E. Waldo  
President and Chief Operating  
Officer

KINGSPORT POWER COMPANY,

By: \_\_\_\_\_

Dana E. Waldo  
President and Chief Operating  
Officer

COLUMBUS SOUTHERN POWER  
COMPANY,

By: \_\_\_\_\_

Joseph Hamrock  
President and Chief Operating  
Officer

OHIO POWER COMPANY, and

By: \_\_\_\_\_

Brian X. Tierney  
Vice President

INDIANA MICHIGAN POWER  
COMPANY,

By: \_\_\_\_\_

Helen J. Murray  
President and Chief Operating  
Officer

WHEELING POWER COMPANY

By: \_\_\_\_\_

Dana E. Waldo  
President

Dated as of: \_\_\_\_\_

#	Item	FERC Account*	PJM Billing Determinant	Allocation	Comment
AEP as Transmission Owner (Revenues)					
1	Transmission Owner Scheduling, System Control and	456.1	NSPL	ARR S1A	From AEP Affiliates
2	Dispatch Service (PJM Schedule 1A)	456.1	NSPL	ARR S1A	From Non-affiliates
3	NITS (AEP LSE)	456.1	NSPL	ATRR	
4	NITS (Non-Affiliates)	456.1	NSPL	ATRR	
5	Grandfathered PTP (CPL & NCEMC)	456.0	Contract	ATRR	
6	PJM Expansion Cost Recovery Charge (PJM ECRC)	456.1	NSPL	ARR EC	
7	RTO Startup Cost Recovery Charge (RTO SCRC)	456.1	NSPL	ARR SC	

AEP as LSE (Expenses)					
8	Transmission Owner Scheduling, System Control and Dispatch Service (PJM Schedule 1A)	456.1	MWh	MWh	From service to AEP Affiliates
9	NITS Charges (for AEP Retail Load)	456.1	NSPL	12CP	
10	NITS Charges for AEP FR Customers	447.0	NSPL	DA	
11	NITS Reimbursement from AEP FR Customers	447.0	NSPL	DA	
12	Schedule 1A Charge for AEP FR Customers	447.0	NSPL	DA	
13	Schedule 1A Reimbursement from AEP FR Customers	447.0	NSPL	DA	
14	Firm Point-to-Point Credits (for AEP Retail Load)	456.1	NSPL	12CP	
15	Non-Firm Point-to-Point Credits (AEP Retail Load)	456.1	NSPL	12CP	
16	Transmission Enhancement (Sched. 12)	565.0	NSPL	12CP	
17	PJM Expansion Cost Recovery Charge (PJM ECRC)	456.1	NSPL	12CP	
18	RTO Startup Cost Recovery Charge (RTO SCRC)	456.1	NSPL	12CP	

\* Note: Should the net amount in 456.1 for any Member be negative, e.g. more expense than revenue, the net expense will be recorded in 565.0.

**NSPL** PJM Network Service Peak Load  
**Contract** Pre-OATT FERC Rate Schedules

**ARR S1A** Annual Revenue Requirement - Schedule 1A  
**ATRR** Annual Transmission Revenue Requirement  
**ARR EC** Annual Revenue Requirement - Expansion Cost Recovery  
**ARR SC** Annual Revenue Requirement - Startup Cost Recovery  
**12CP** Average of 12 coincident peaks through 10/31 of prior year  
**DA** Directly Assigned to Operating Company