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JUN 07 2011

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June 7, 2011

**VIA E-MAIL (TO MESSRS. BOEHM AND COOK)
AND HAND DELIVERY (TO MR. DEROUEN)**

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RE: P.S.C. Case No. 2011-00042

Gentlemen:

Questions have arisen concerning the relation between the regional transmission projects described in the June 2, 2011 American Electric Power Company, Inc. ("AEP") press release and Kentucky Power Company ("Kentucky Power") and AEP Kentucky Transmission Company, Inc ("Kentucky Transco.") Kentucky

The press release, a copy of which is enclosed, described two memoranda of understanding. The first memorandum of understanding is non-binding and is between the Tennessee Valley Authority ("TVA") and AEP. AEP is the indirect parent of both Kentucky Power and Kentucky Transco. Neither Kentucky Power nor Kentucky Transco is a party to the AEP-TVA memorandum of understanding.

Because the purpose of the memorandum of understanding between AEP and TVA is to identify beneficial transmission enhancements to strengthen the transmission system in Kentucky, Virginia and Tennessee, no specific projects have been selected for construction. It is

Jeff R. Derouen
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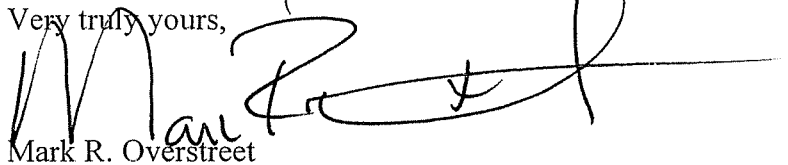
yet to be determined which AEP entity would own the assets, if any, that might be constructed as an outgrowth of the AEP-TVA memorandum of understanding.

The second memorandum of understanding is between Pioneer Transmission, LLC ("Pioneer") and TVA. Pioneer is a joint venture between Duke Energy and AEP Transmission Holding Company, LLC ("AEPHoldco"). AEPHoldco is a wholly owned subsidiary of AEP. Pioneer was created to build, own and operate electric transmission facilities in Indiana, including the Greentown-Rockport line described in the press release. Pioneer and not Kentucky Power or Kentucky Transco will own the Greentown-Rockport line and related facilities.

The press release also describes the 55-mile 765 kV transmission line project to be developed by TVA and Pioneer. The line, which will be subject to appropriate Kentucky siting approval, will connect the Rockport Station with TVA's Paradise Fossil Plant in Drakeboro, Kentucky. Although ownership shares of the final project will be determined by TVA and through the PJM approval process, it is not contemplated that either Kentucky Power or Kentucky Transco will have any ownership interest in the line or its related facilities.

Please do not hesitate to contact me if you have any further questions.

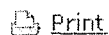
Very truly yours,

A handwritten signature in black ink, appearing to read "Mark R. Overstreet", is written over a horizontal line. The signature is stylized and somewhat cursive.

Mark R. Overstreet

cc: Richard Raff (by hand delivery)

MRO
Enclosure



AEP Joins With TVA To Develop Regional Transmission Projects

COLUMBUS, Ohio, June 2, 2011 – American Electric Power (NYSE: AEP) has signed a memorandum of understanding (MOU) with Tennessee Valley Authority (TVA) to pursue extra-high voltage transmission projects designed to strengthen the transmission system in Tennessee, Virginia and Kentucky.

Through the non-binding MOU, AEP and TVA will collaboratively identify beneficial transmission enhancements along the interface of the PJM Interconnection (PJM) and TVA transmission systems. Joint development agreements would be negotiated for any potential future projects.

"This region's transmission system, which was home to some of the very first extra-high voltage transmission projects built in the United States, has not seen significant transmission investment for nearly three decades. It is time to build additional transmission in these states to maintain a strong regional grid," said Susan Tomasky, president, AEP Transmission.

"A reliable supply of electricity is critical for economic growth. Partnering with TVA will leverage our vast transmission expertise and resources to ensure that both systems have the transmission capacity necessary to power this region's economic future," Tomasky said.

Through its Pioneer Transmission LLC joint venture with Duke Energy, AEP also signed a second MOU with TVA to develop a transmission project in Indiana and Kentucky. The companies propose to build 55 miles of 765-kilovolt (kV) extra-high voltage transmission connecting AEP's Rockport Station, located east of Evansville, Ind., with TVA's Paradise Fossil Plant in Drakesboro, Ky. The project also would include construction of a new 765-kV substation at Paradise Fossil Plant. The project would cost approximately \$275 million, depending on approved routing, with a projected completion date to be determined by the PJM and TVA.

AEP, Duke and TVA will submit the Rockport-Paradise proposal to the PJM for consideration in their regional planning process. Additionally, the project will require siting approval from the Kentucky Public Service Commission. Ownership shares of the final project will be determined by TVA and the PJM approval processes.

The Rockport – Paradise project complements the Greentown – Rockport transmission line that AEP and Duke proposed in August 2008. Greentown – Rockport received a final order Jan. 21, 2010 from the Federal Energy Regulatory Commission granting the project a formula rate and project incentives. AEP and Duke are working with PJM and MISO to move the project through the respective approval processes. Pioneer Transmission LLC expects to file for utility status in Indiana later this year.

American Electric Power is one of the largest electric utilities in the United States, delivering electricity to more than 5 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's transmission system directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection, the interconnected transmission system that covers 38 eastern and central U.S. states and eastern Canada, and approximately 11 percent of the electricity demand in ERCOT, the transmission system that covers much of Texas. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and east Texas). AEP's headquarters are in Columbus, Ohio. Visit AEP on the web at www.aep.com.

This report made by American Electric Power and its Registrant Subsidiaries contains forward-looking statements within the meaning

of Section 21E of the Securities Exchange Act of 1934. Although AEP and each of its Registrant Subsidiaries believe that their expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Among the factors that could cause actual results to differ materially from those in the forward-looking statements are: the economic climate and growth in, or contraction within, AEP's service territory and changes in market demand and demographic patterns; inflationary or deflationary interest rate trends; volatility in the financial markets, particularly developments affecting the availability of capital on reasonable terms and developments impairing AEP's ability to finance new capital projects and refinance existing debt at attractive rates; the availability and cost of funds to finance working capital and capital needs, particularly during periods when the time lag between incurring costs and recovery is long and the costs are material; electric load and customer growth; weather conditions, including storms, and AEP's ability to recover significant storm restoration costs through applicable rate mechanisms; available sources and costs of, and transportation for, fuels and the creditworthiness and performance of fuel suppliers and transporters; availability of necessary generating capacity and the performance of AEP's generating plants; AEP's ability to recover Indiana Michigan Power's Donald C. Cook Nuclear Plant Unit 1 restoration costs through warranty, insurance and the regulatory process; AEP's ability to recover regulatory assets and stranded costs in connection with deregulation; AEP's ability to recover increases in fuel and other energy costs through regulated or competitive electric rates; AEP's ability to build or acquire generating capacity, including the Turk Plant, and transmission line facilities (including the ability to obtain any necessary regulatory approvals and permits) when needed at acceptable prices and terms and to recover those costs (including the costs of projects that are cancelled) through applicable rate cases or competitive rates; new legislation, litigation and government regulation, including requirements for reduced emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances or additional regulation of flyash and similar combustion products that could impact the continued operation and cost recovery of AEP's plants; timing and resolution of pending and future rate cases, negotiations and other regulatory decisions (including rate or other recovery of new investments in generation, distribution and transmission service and environmental compliance); resolution of litigation (including AEP's dispute with Bank of America); AEP's ability to constrain operation and maintenance costs; AEP's ability to develop and execute a strategy based on a view regarding prices of electricity, natural gas and other energy-related commodities; changes in the creditworthiness of the counterparties with whom AEP has contractual arrangements, including participants in the energy trading market; actions of rating agencies, including changes in the ratings of debt; volatility and changes in markets for electricity, natural gas, coal, nuclear fuel and other energy-related commodities; changes in utility regulation, including the implementation of electric security plans and related regulation in Ohio and the allocation of costs within regional transmission organizations, including PJM and SPP; accounting pronouncements periodically issued by accounting standard-setting bodies; the impact of volatility in the capital markets on the value of the investments held by AEP's pension, other postretirement benefit plans and nuclear decommissioning trust and the impact on future funding requirements; prices and demand for power that AEP generates and sells at wholesale; changes in technology, particularly with respect to new, developing or alternative sources of generation; and other risks and unforeseen events, including wars, the effects of terrorism (including increased security costs), embargoes and other catastrophic events.

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