

**RATE SCHEDULE No. 301**

**BRIDGE AGREEMENT**

**among**

**APPALACHIAN POWER COMPANY,  
INDIANA MICHIGAN POWER COMPANY,  
KENTUCKY POWER COMPANY,  
OHIO POWER COMPANY,  
AEP GENERATION RESOURCES INC.**

**and**

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

**as Agent**

Tariff Submitter: **Appalachian Power Company**  
FERC Program Name: **FERC FPA Electric Tariff**  
Tariff Title: **APCo Rate Schedules and Service Agreements Tariffs**  
Tariff Proposed Effective Date: **01/01/2014**  
Tariff Record Title: **Bridge Agreement**  
Option Code: **A**  
Record Content Description: **Rate Schedule No. 301**

## BRIDGE AGREEMENT

**THIS AGREEMENT** is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 2013, by and among Appalachian Power Company (“APCo”), Indiana Michigan Power Company (“I&M”), Kentucky Power Company (“KPCo”), Ohio Power Company (“OPCo” and, collectively with APCo, I&M and KPCo, the “Operating Companies”), AEP Generation Resources Inc. (“AEP Generation Resources”) and American Electric Power Service Corporation (“Agent” and, collectively with APCo, I&M, KPCo, OPCo and AEP Generation Resources, the “Parties”).

### RECITALS:

**WHEREAS**, the Operating Companies are each wholly-owned subsidiaries of American Electric Power Company, Inc. (“AEP”) and members of the Interconnection Agreement (“Pool Agreement”), which has been in effect since 1951;

**WHEREAS**, each member of the Pool Agreement has provided notice to the other members (and to the Agent) that it will terminate its participation in the Pool Agreement in accordance with the termination provisions thereof;

**WHEREAS**, pursuant to the Pool Agreement, the Operating Companies have made joint wholesale purchases and sales of physical power (at market based rates), and of financial power, for the purpose of hedging the output of the Operating Companies’ generation assets, some of which will not expire until after the Pool Agreement terminates (“Legacy Hedge Contracts”);

**WHEREAS**, in addition to the Legacy Hedge Contracts, the Operating Companies have made other joint wholesale purchases and sales of physical power (at market based rates), and of financial power and related commodities, pursuant to the Pool Agreement under joint purchase and sale contracts, some of which will also not expire until after the Pool Agreement terminates (collectively the “Legacy Trading Contracts”);

**WHEREAS**, the Operating Companies desire to jointly share in the gains and losses resulting from the settlement and liquidation in the market of the Legacy Hedge Contracts and Legacy Trading Contracts (collectively, the “Legacy Off-System Sales Portfolio”);

**WHEREAS**, the Operating Companies have previously elected to fulfill their capacity obligations to PJM pursuant to the Fixed Resource Requirement (“FRR”) alternative under the

PJM Reliability Assurance Agreement through and including Planning Year 2014/2015 (the “Operating Companies’ FRR Obligation”) and desire to continue to fulfill those obligations;

**WHEREAS**, the Public Utilities Commission of Ohio in a Finding and Order issued October 17, 2012 in Case No. 12-1126-EL-UNC has authorized OPCo to conduct an internal corporate reorganization under which its generation and power marketing businesses will be separated from its transmission and distribution businesses consistent with Ohio restructuring law and OPCo’s structural corporate separation plan;

**WHEREAS**, for the benefit of the Operating Companies, this Agreement commits the retained capacity resources of AEP Generation Resources, which it acquired from OPCo as a result of corporate separation and pursuant to the Asset Contribution Agreement, to fulfilling the Operating Companies’ FRR Obligation through and including Planning Year 2014/2015; and

**WHEREAS**, pursuant to OPCo’s corporate separation plan and the terms of the Asset Contribution Agreement between OPCo and AEP Generation Resources, AEP Generation Resources will succeed to all of OPCo’s right, title and interest in and to its generation and power marketing business (excepting the limited generation assets specifically retained by OPCo) and to all associated liabilities, including all of OPCo’s allocations of (1) gains and losses from the Legacy Off-System Sales Portfolio, (2) the Operating Companies’ FRR Obligations, (3) FRR Charges and Credits, and (4) all costs and liabilities associated with the foregoing, from which AEP Generation Resources will indemnify, defend and hold harmless OPCo pursuant to the terms of the Asset Contribution Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein set forth, the Parties mutually agree as follows:

**ARTICLE I**  
**DEFINITIONS**

**1.1 Capacity Resources** means, in respect of any Planning Year, the megawatts of net capacity from the Operating Companies and AEP Generation Resources eligible to satisfy the Operating Companies’ FRR Obligation.

**1.2 Capacity Requirement** means, in respect of any Planning Year, the megawatts of net capacity from the Operating Companies and AEP Generation Resources required to satisfy the Operating Companies’ FRR Obligation.

**1.3 Commission** means the Federal Energy Regulatory Commission.

**1.4 Final MLR** means, for each member of the Pool Agreement, the arithmetic average of the member's MLR for each of the twelve full calendar months preceding the termination of the Pool Agreement.

**1.5 FRR Charges and Credits** means all PJM charges and credits arising from or relating to the Operating Companies' FRR Obligation, including but not limited to capacity auction revenues and cost of compliance with the Operating Companies' FRR Obligations under the PJM Reliability Assurance Agreement.

**1.6 Member Demand** means Member Load Obligation determined on a clock-hour integrated kilowatt basis, as set forth in Section 5.4 of the Pool Agreement.

**1.7 Member Load Obligation** means an Operating Company's internal load plus any firm power sales to un-affiliated and affiliated companies other than the Operating Companies, principally characterized by the Operating Company assuming the load obligation as its own firm power commitment and by the Operating Company retaining advantages accruing from meeting the load, as set forth in Section 5.2 of the Pool Agreement.

**1.8 Member Load Ratio or MLR** means the ratio of a particular Operating Company's Member Maximum Demand in effect for a calendar month to the sum of all of the Operating Companies' Member Maximum Demands in effect for such month, as set forth in Section 5.6 of the Pool Agreement.

**1.9 Member Maximum Demand** means the Member Maximum Demand in effect for a calendar month for a particular Operating Company, which shall be equal to the maximum Member Demand experienced by said Operating Company during the twelve consecutive calendar months next preceding such calendar month, as set forth in Section 5.5 of the Pool Agreement.

**1.10 Operating Committee** means the administrative body established pursuant to Article IV for the purposes therein specified.

**1.11 PJM** means PJM Interconnection, LLC, a regional transmission organization approved by the Commission.

**1.12 Planning Year** means each period of June 1 through May 31 of the following year during the term of this Agreement, in whole or in part, which period constitutes a planning year as defined by PJM.

## ARTICLE II TERM OF AGREEMENT

**2.1 Term.** Subject to Commission approval or acceptance for filing, this Agreement shall take effect upon the effective date of the corporate separation of OPCo's generation and power marketing businesses from its transmission and distribution businesses and shall continue in full force and effect until the later of the settlement of the Legacy Off-System Sales Portfolio or the end of the Operating Companies' FRR Obligation under this Agreement, provided, however, that the Parties' obligations under Article V will only apply to the period starting on the effective date of this Agreement and ending May 31, 2015. The Agent will provide notice to the Operating Companies and AEP Generation Resources of the end of the term of this Agreement.

## ARTICLE III AGENT

**3.1 Delegation and Acceptance of Authority.** The Operating Companies and AEP Generation Resources hereby delegate to the Agent and the Agent hereby accepts responsibility and authority for the duties specified in this Agreement. Except as herein expressly established otherwise, the Agent shall perform each of those duties in consultation with the Operating Committee.

**3.2 Reporting.** The Agent shall provide periodic summary reports of its activities under this Agreement to the Parties and shall keep the Parties and the Operating Committee informed of situations or problems that may materially affect the outcome of these activities. Furthermore, the Agent agrees to report to the Parties and to the Operating Committee in such additional detail as is requested regarding specific issues or projects under its supervision as Agent. The Agent will carry out its responsibilities under this paragraph in accordance with the regulations of the Commission.

## ARTICLE IV OPERATING COMMITTEE

**4.1 Operating Committee.** By written notice to the other Parties, each Party shall name one representative ("Representative") to act for it in matters pertaining to this Agreement and its implementation. A Party may change its Representative at any time by written notice to the other Parties. The Representatives of the respective Parties shall comprise the Operating Committee. The Agent's Representative shall act as the chairman of the Operating Committee

("Chairman"). All decisions of the Operating Committee shall be by a simple majority vote of the Representatives.

**4.2 Subcommittees.** The Chairman, or any other Representative, subject to a majority of the Operating Committee concurring, may create a subcommittee or working group of the Operating Committee ("Subcommittee"). Membership in a Subcommittee will be determined by the Operating Committee. Subcommittees shall perform the duties assigned to them and shall report to the Operating Committee on all matters referred to them. Actions of a Subcommittee shall be reported in the form of proposals or recommendations to the Operating Committee and shall have no force or binding effect except by action of the Operating Committee.

**4.3 Meeting Dates.** The Operating Committee and each Subcommittee thereof shall hold meetings at such times, means, and places as the members shall determine. Minutes of each Operating Committee and Subcommittee meeting shall be prepared and maintained.

**4.4 Information for Use of the Agent.** The Parties shall cooperate in providing to the Agent the information it reasonably requests and shall supplement or correct any such information on a timely basis.

## **ARTICLE V FRR OBLIGATION**

**5.1 Annual Capacity Resource Planning.** Prior to each Planning Year, the Agent will analyze the impacts on the Operating Companies' FRR Obligation of projected and realized changes to Capacity Resources and Capacity Requirements and prepare a recommended Capacity Resource plan for the Operating Companies' FRR Obligation. The plan will describe whether additional Capacity Resources should be made available to the market and whether additional Capacity Resources should be procured for the applicable Planning Year. The portion of the Capacity Resource plan that applies to the Capacity Resources of the Operating Companies is subject to their unanimous written approval in consultation with the Agent. The portion of the Capacity Resource plan that applies to the Capacity Resources of AEP Generation Resources is subject to its written approval in consultation with the Agent. The Agent will have no duty to provide to AEP Generation Resources any portion of the Capacity Resource plan that applies to the Capacity Resources of the Operating Companies. If a Capacity Resource plan submitted by the Agent is rejected by the Operating Companies or by AEP Generation

Resources, then the Agent will revise and resubmit the plan in accordance with the foregoing procedures until the plan is accepted by both the Operating Companies and AEP Generation Resources.

**5.2 Capacity Resource Plan Implementation.** During each Planning Year, the Agent will collect Capacity Resource information from the Operating Companies and AEP Generation Resources and may alter the combination of Capacity Resources in the plan based on that information to maintain the Operating Companies' compliance with the PJM Reliability Assurance Agreement and to minimize compliance charges to the extent reasonably practicable. The Agent will implement the Capacity Resource plan for the Operating Companies' FRR Obligation, and any plan adjustments, with PJM. During each Planning Year, the Operating Companies and AEP Generation Resources will each perform testing of their Capacity Resources in accordance with the PJM Reliability Assurance Agreement and in consultation with the Agent.

**5.3 Allocation of Capacity-Related Charges and Credits.** The Agent will allocate PJM charges and credits associated with (1) Capacity Resource purchases and sales (excepting only those purchases and sales related to the generation assets specifically retained by OPCo) and (2) FRR Charges and Credits, among APCo, KPCo, I&M and AEP Generation Resources, as successor to the FRR obligations of OPCo, based on the Final MLR.

**5.4 Other Agreements.** The fulfillment of the Operating Companies' FRR Obligation, including the allocation of any associated charges and credits, for the Planning Years covered by this Article V, shall be governed by this Agreement and not by the Power Coordination Agreement among APCo, KPCo, I&M and the Agent.

## ARTICLE VI

### LEGACY CONTRACTS

**6.1 Legacy Trading Portfolio.** The Agent will settle and liquidate the Legacy Trading Portfolio in the market in accordance with the terms of the Legacy Trading Contracts and Legacy Hedge Contracts.

**6.1.1 Legacy Trading Contracts.** The Agent shall allocate gains and losses arising from the settlement and liquidation of the Legacy Trading Contracts in the market among APCo, KPCo, I&M and AEP Generation Resources, as successor to the generation-related obligations of OPCo, based on the Final MLR. The Agent may, from time to time, enter into new transactions on behalf of the Operating Companies that are

dedicated to the portfolio of Legacy Trading Contracts with the intent of reducing the tenor and/or risk of that portfolio, and those additional transactions will also be deemed Legacy Trading Contracts, provided that the Agent will not enter into any such transaction whose term extends beyond the final delivery month of the portfolio of Legacy Trading Contracts on the effective date of this Agreement.

**6.1.2 Legacy Hedge Contracts.** The Agent shall allocate gains and losses arising from the settlement and liquidation of the Legacy Hedge Contracts in the market to (1) APCo, KPCo and I&M collectively (the "Integrated AEP-East Utilities") and (2) AEP Generation Resources, as successor to the generation-related obligations of OPCo, in a ratable manner based on the respective forecasted spot market energy sales of the Integrated AEP-East Utilities, collectively, and AEP Generation Resources, determined as of the effective date of this Agreement. The forecasted spot market energy sales for the Integrated AEP-East Utilities, collectively, and AEP Generation Resources will be calculated in monthly increments based on the forecasted output of their owned or contracted generation minus forecasted internal load. The forecasted internal load for the Integrated AEP-East Utilities is defined as the forecasted amount of megawatt-hours associated with their retail and firm wholesale loads in the aggregate, using the most recent forecast available as of the effective date of this Agreement. The forecasted internal load for AEP Generation Resources is defined as the forecasted amount of megawatt-hours to be provided by AEP Generation Resources to OPCo, under the Ohio Power Supply Agreement between those parties, and to any non-Parties, under other firm wholesale contracts, if any, determined as of the effective date of this Agreement. The monthly forecasts will be calculated through and including the final delivery month of the portfolio of Legacy Hedge Contracts. Any allocation of gains and losses to the Integrated AEP-East Utilities will be shared among APCo, KPCo and I&M in a ratable manner based on their forecasted spot market energy sales. If the forecasted internal load of either the Integrated AEP-East Utilities or AEP Generation Resources exceeds the forecasted output of their respective owned or controlled generation for a given month, then the Integrated AEP-East Utilities or AEP Generation Resources, as applicable, will not receive any allocation of gains or losses for that month, unless both are in this position in which case gains or losses will be allocated ratably among APCo, KPCo, I&M



and AEP Generation Resources in proportion to the forecasted output of their owned or contracted generation.

**6.2 Legacy Trading Contracts Administration.** The Agent will administer the scheduling, billing, settlement and liquidation in the market of the Legacy Off-System Sales Portfolio, and will provide such information, reports and position data to each Party as is requested regarding the Party's allocation of the Legacy Off-System Sales Portfolio. Any gains and losses arising from the liquidation of the Legacy Off-System Sales Portfolio shall be governed and allocated by this Agreement and not by the Power Coordination Agreement among APCo, KPCo, I&M and the Agent.

## **ARTICLE VII**

### **BILLING PROCEDURES**

**7.1 Records.** The Agent will maintain the records necessary to determine the allocation of all gains, losses, charges and credits under this Agreement. Such records shall be made available to the Operating Companies and to AEP Generation Resources upon request for a period not to exceed three (3) years.

**7.2 Monthly Statements.** As promptly as practicable after the end of each calendar month, the Agent shall prepare a statement setting forth the monthly summary of all gains, losses, charges and credits allocated or assigned to the Parties in sufficient detail as may be needed for settlements under the provisions of this Agreement. As required, the Agent may provide such statements on an estimated basis and then adjust those statements for actual results.

**7.3 Billings and Payments.** The Agent shall handle all billing between the Parties and non-Parties regarding the Legacy Contract Portfolio and the Operating Companies' FRR Obligation. Payments by the Operating Companies and AEP Generation Resources shall be made by remittance of the net amount billed to the applicable Party or by making appropriate accounting entries on the books of the Parties. The entire amount shall be paid when due.

**7.4 Taxes.** Should any federal, state, or local tax, surcharge or similar assessment, in addition to those that may now exist, be levied upon the services to be provided in connection with this Agreement, or upon the provider of service as measured by the services or the revenue therefrom, such additional amount shall be included in the billing described in this Article VII.

**7.5 Billing Errors.** If the Agent or any other Party discovers a billing error pertaining to a prior billing for reasons including, but not limited to, billing omissions or missing

or erroneous data or calculations (including those caused by meter, computer or human error), a corrective adjustment will be calculated by the Agent. Except as the Operating Committee may authorize in the exercise of reasonable discretion, the correction adjustment shall not be applied to any period earlier than the beginning of the first full billing month preceding the discovery of the error, nor will interest accrue on such adjustment. The corrective adjustment will be applied as soon as practicable to the next subsequent regular monthly bill. Any overpaid amount attributed to such billing errors shall be returned by the owing Party upon determination of the correct amount with no interest.

**7.6 Billing Disputes.** The Parties shall have the right to dispute the accuracy of any bill or payment for a period not to exceed one month from the date on which the bill was initially delivered. Following this one month period, the right to dispute a bill is permanently waived for any and all reasons including but not limited to, (a) errors, (b) omissions, (c) Agent's actions, and (d) the Operating Committee's decisions, Agreement interpretations and direction in the administration of the Agreement. Any amounts collected or reimbursed due to such disputes shall exclude interest.

## **ARTICLE VIII FORCE MAJEURE**

**8.1 Events Excusing Performance.** No Party shall be liable to another Party for or on account of any loss, damage, injury, or expense resulting from or arising out of a delay or failure to perform, either in whole or in part, any of the agreements, covenants, or obligations made by or imposed upon the Parties by this Agreement, by reason of or through strike, work stoppage of labor, failure of contractors or suppliers of materials (including fuel, consumables or other goods and services), failure of equipment, environmental restrictions, riot, fire, flood, ice, invasion, civil war, commotion, insurrection, military or usurped power, order of any court or regulatory agency granted in any *bona fide* legal proceedings or action, or of any civil or military authority either *de facto* or *de jure*, explosion, Act of God or the public enemies, or any other cause reasonably beyond its control and not attributable to its neglect. A Party experiencing such a delay or failure to perform shall use due diligence to remove the cause or causes thereof; however, no Party shall be required to add to, modify or upgrade any facilities, or to settle a strike or labor dispute except when, according to its own best judgment, such action is advisable.

## **ARTICLE IX**

### **GENERAL**

**9.1 No Third Party Beneficiaries.** This Agreement does not create rights of any character whatsoever in favor of any person, corporation, association, entity or customer, other than the Parties, and the obligations herein assumed by the Parties are solely for the use and benefit of the Parties. Nothing in this Agreement shall be construed as permitting or vesting, or attempting to permit or vest, in any person, corporation, association, entity or customer, other than the Parties, any rights hereunder or in any of the resources or facilities owned or controlled by the Parties or the use thereof.

**9.2 Waivers.** Any waiver at any time by a Party of its rights with respect to a default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. Any delay, short of the statutory period of limitation, in asserting or enforcing any right under this Agreement, shall not be deemed a waiver of such right, except as otherwise set forth herein.

**9.3 Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the Parties only, and their respective successors and assigns, and shall not be assignable by any Party without the written consent of the other Parties except to a successor in the operation of its properties by reason of a reorganization, to comply with state or federal restructuring requirements, or a merger, consolidation, sale or foreclosure whereby substantially all such properties are acquired by or merged with those of such a successor.

**9.4 Liability and Indemnification.** SUBJECT TO ANY APPLICABLE STATE OR FEDERAL LAW THAT MAY SPECIFICALLY RESTRICT LIMITATIONS ON LIABILITY, EACH PARTY SHALL RELEASE, INDEMNIFY, AND HOLD HARMLESS THE OTHER PARTIES, THEIR DIRECTORS, OFFICERS AND EMPLOYEES FROM AND AGAINST ANY AND ALL LIABILITY FOR LOSS, DAMAGE OR EXPENSE ALLEGED TO ARISE FROM, OR BE INCIDENTAL TO, INJURY TO PERSONS AND/OR DAMAGE TO PROPERTY IN CONNECTION WITH ITS FACILITIES OR THE PRODUCTION OR TRANSMISSION OF ELECTRIC ENERGY BY OR THROUGH SUCH FACILITIES, OR RELATED TO PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, INCLUDING ANY NEGLIGENCE ARISING HEREUNDER. IN NO EVENT SHALL ANY PARTY BE LIABLE TO ANOTHER PARTY FOR ANY INDIRECT, SPECIAL,

INCIDENTAL, OR CONSEQUENTIAL DAMAGES WITH RESPECT TO ANY CLAIM ARISING OUT OF THIS AGREEMENT.

**9.5 Notice.** Any notice or demand for performance required or permitted under any of the provisions of this Agreement shall be deemed to have been given on the date such notice, in writing, is delivered by hand or deposited in the U.S. mail, postage prepaid, addressed to the Parties at their principal place of business at 1 Riverside Plaza, Columbus, Ohio 43215, or in such other form or to such other address as the Parties may stipulate.

**9.6 Interpretation.** In this Agreement: (a) unless otherwise specified, references to any Article or Section are references to such Article or Section of this Agreement; (b) the singular includes the plural and the plural includes the singular; (c) unless otherwise specified, each reference to a requirement of any governmental entity or regional transmission organization includes all provisions amending, modifying, supplementing or replacing such governmental entity or regional transmission organization from time to time; (d) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (e) unless otherwise specified, each reference to any agreement includes all amendments, modifications, supplements, and restatements made to such agreement from time to time which are not prohibited by this Agreement; (f) the descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict the terms and provisions thereof; and (g) “herein,” “hereof,” “hereto” and “hereunder” and similar terms refer to this Agreement as a whole.

## ARTICLE X

### REGULATORY APPROVAL

**10.1 Regulatory Authorization.** This Agreement is subject to and conditioned upon its approval or acceptance for filing without material condition or modification by the Commission. In the event that this Agreement is not so approved or accepted for filing in its entirety without modification, or the Commission subsequently modifies this Agreement upon complaint or upon its own initiative, any Party may, irrespective of the notice provisions in Section 2.1, withdraw from this Agreement by giving thirty (30) days’ advance written notice to the other Parties.

**10.2 Changes.** It is contemplated by the Parties that it may be appropriate from time to time to change, amend, modify, or supplement this Agreement to reflect changes in operating

practices, PJM procedures or for other reasons. Any such changes to this Agreement shall be in writing executed by the Parties and subject to approval or acceptance for filing by the Commission. It is the intent of the Parties that, to the maximum extent permitted by law, the provisions of this Agreement shall not be subject to change under Sections 205 and 206 absent the written agreement of the Parties, and that the standard of review for changes unilaterally proposed by a Party, a non-Party or the Commission, acting sua sponte or at the request of a non-Party, shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 128 S.Ct. 2733 (2008), and *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 130 S.Ct. 693 (2010).

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed and attested by their duly authorized officers on the day and year first above written.

**APPALACHIAN POWER COMPANY**

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

Title: \_\_\_\_\_

**INDIANA MICHIGAN POWER COMPANY**

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

Title: \_\_\_\_\_

**KENTUCKY POWER COMPANY**

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

Title: \_\_\_\_\_

**OHIO POWER COMPANY**

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

Title: \_\_\_\_\_

**AEP GENERATION RESOURCES INC.**

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

Title: \_\_\_\_\_

**AMERICAN ELECTRIC POWER SERVICE CORPORATION**

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

Title: \_\_\_\_\_