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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

APPLICATION OF AEP KENTUCKY)
TRANSMISSION COMPANY, INC.)
FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
OPERATE AS A TRANSMISSION ONLY)
PUBLIC UTILITY)

Case No. 2011-00042

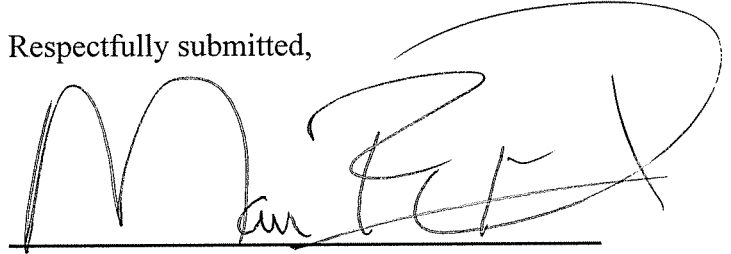
NOTICE OF FILING BY
AEP KENTUCKY TRANSMISSION COMPANY, INC.
OF DECISION BY VIRGINIA STATE CORPORATION COMMISSION

AEP Kentucky Transmission Company, Inc. files with the Public Service Commission of Kentucky the February 27, 2012 decision of the Virginia State Corporation Commission in *Application of Appalachian Power Company For Authority To Enter Into Affiliate Transactions Under Chapter 4 Of Title 56 Of The Code of Virginia*, Case No. PUE-2011-00125 (Va. State Corp. Comm. February 27, 2012) in connection with application of Appalachian Power Company for authority to enter into separate affiliate service agreements with AEP Appalachian Transmission Company, Inc. and AEP West Virginia Transmission Company, Inc. The application also sought authority to amend the AEP Utility Money Pool Agreement.

AEP Kentucky Transmission Company, Inc. makes this filing in response to inquiries by the Commission during these proceedings concerning the status of sister company applications. AEP Kentucky Transmission Company, Inc. notes that the Virginia application sought approvals different from the authority to operate as a transmission-only utility being sought here. AEP Kentucky Transmission Company, Inc. further notes that it is its understanding that the five-year

limitation described in the Virginia order is characteristic of approvals of this type of service agreement in Virginia.

Respectfully submitted,



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COUNSEL FOR AEP KENTUCKY
TRANSMISSION COMPANY, INC.

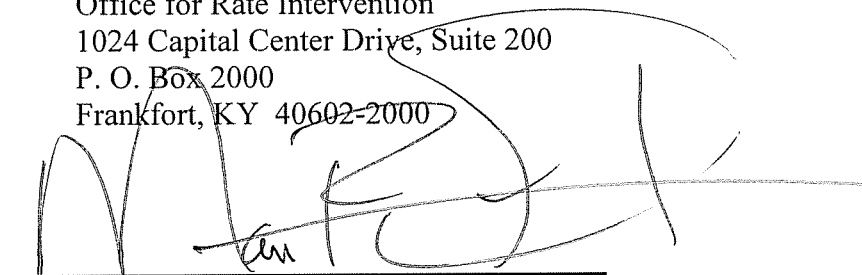
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice of Filing was served by first class mail, postage prepaid, upon the following:

David F. Boehm
Michael L. Kurtz
Kurt J. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Lawrence W. Cook
Assistant Attorney General
Office for Rate Intervention
1024 Capital Center Drive, Suite 200
P. O. Box 2000
Frankfort, KY 40602-2000

this 29th day of February, 2012.



Mark R. Overstreet

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, FEBRUARY 27, 2012

APPLICATION OF

2012 FEB 27 P 12: 26

APPALACHIAN POWER COMPANY OCCIDENT CONTROL CASE NO. PUE-2011-00125

For authority to enter into affiliate transactions
under Chapter 4 of Title 56 of the Code of Virginia.

ORDER

On November 30, 2011, Appalachian Power Company ("APCo") filed an application ("Application") with the State Corporation Commission ("Commission") requesting authority to enter into affiliate transactions under Chapter 4 of Title 56 ("Affiliates Act") of the Code of Virginia ("Code").¹ Specifically, APCo seeks Commission approval of two (2) affiliate service agreements between the following companies: (1) APCo and AEP Appalachian Transmission Company, Inc. ("Virginia Transco"); and (2) APCo and AEP West Virginia Transmission Company, Inc ("West Virginia Transco"). Additional Commission approval under the Affiliates Act is requested to amend the AEP Utility Money Pool Agreement ("Money Pool Agreement") to allow Virginia Transco, West Virginia Transco, and other APCo affiliates to participate in the AEP Utility Money Pool ("Money Pool").² APCo also filed testimonies in support of the approvals requested in its Application.³

According to the Application, Virginia Transco, West Virginia Transco, and each of the Money Pool members is an "affiliated interest" of APCo within the meaning of § 56-76 of the

¹ Va. Code § 56-76 *et seq.*

² Pursuant to Va. Code § 56-84, approximately thirty (30) affiliates of APCo also joined in the Application.

³ APCo indicates that the approvals sought in the Application were the subject of a prior application that was filed with the Commission then subsequently withdrawn by APCo. Application at 3; *Application of Appalachian Power Company and AEP Appalachian Transmission Company, Inc., For authority to enter into affiliate transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2010-00038, 2010 S.C.C. Ann. Rep. 499, Order Terminating Proceeding (July 1, 2010).

Code. APCo is a public service corporation that provides retail electric service in Virginia and West Virginia and is subject to regulation as to rates and service by the Commission. All of APCo's common stock is owned by American Electric Power Company, Inc. ("AEP"). The Application states further that Virginia Transco is a Virginia public service corporation that proposes to plan, construct, own, operate, manage and control facilities within Virginia and Tennessee for the transmission of electricity at wholesale to its customers, including APCo. All of Virginia Transco's common stock is owned by AEP Transmission Company, LLC, a wholly-owned subsidiary of AEP Transmission Holding Company, LLC, which in turn is a wholly-owned subsidiary of AEP.⁴

According to the Application, the creation of Virginia Transco will result in certain new transmission facilities within Virginia being owned by Virginia Transco instead of by APCo.⁵ Virginia Transco's assets will be planned, constructed and managed in the same way that APCo's transmission assets are planned, constructed and managed as part of a unified, integrated transmission system.⁶ The services required by Virginia Transco will be provided primarily by AEP's centralized service company, American Electric Power Service Corporation, and by APCo.⁷ The services provided by APCo to Virginia Transco and West Virginia Transco would be provided at cost.⁸

On December 6, 2011, the Commission Staff ("Staff") filed a Motion to Dismiss alleging that the Application prematurely seeks approval to enable operations by Virginia Transco that

⁴ Application at 1-3.

⁵ *Id.* at 6.

⁶ *Id.* at 4.

⁷ *Id.* at 6.

⁸ *Id.* at 12.

are currently prohibited under the Utility Facilities Act,⁹ and that the Application is incomplete.¹⁰ On December 22, 2011, APCo filed a Response contesting Staff's Motion to Dismiss and asserting that the Application is complete. On January 9, 2012, Staff filed a Reply to APCo's Response.

On January 27, 2012, the Commission issued an Order Extending Time for Review, which docketed this matter as Case No. PUE-2011-00125 and which, pursuant to § 56-77 of the Code, extended, through February 28, 2012, the period of time for the review of the issues presented by the Application. The Order Extending Time for Review did not address, and was issued pending a Commission ruling on, the issues raised by Staff's Motion to Dismiss.

On February 1, 2012, the Commission issued an Order Scheduling Oral Argument, which established a hearing for the purpose of hearing argument from the participants on the legal issues raised in this proceeding and, if requested by the Commission, hearing witness testimony on the Application. On February 8, 2012, the hearing was conducted. After hearing argument and testimony, the Commission instructed APCo and Staff of the opportunity to make any additional filings in this matter on or before February 21, 2012.

On February 21, 2012, APCo and Staff each filed a legal memorandum. Also on February 21, 2012, Staff filed a Staff Report that provides its analysis of the Application and the three proposed agreements. Based on its analysis, Staff recommends approval of the proposed modifications to the Money Pool Agreement, subject to certain requirements.¹¹ Although Staff does not support the proposed service agreements, it indicates that, in the alternative, Staff would

⁹ Va. Code § 56-265.1 *et seq.*

¹⁰ On December 14, 2011, the Staff filed its memorandum indicating that the Application is incomplete.

¹¹ See February 21, 2012 Staff Report at 25.

recommend approval of limited service agreements, subject to certain requirements to ensure that the service agreements are in the public interest.¹²

NOW THE COMMISSION, upon consideration of this matter, approves in part and denies in part the Application – subject to the requirements set forth herein.

APCo states that the "[a]uthority to enter into these agreements is necessary for Virginia Transco and APCo to work together to evaluate transmission projects and prepare certificate applications to this Commission as necessary for new transmission projects in Virginia, and eventually to construct and operate transmission facilities that the Commission may authorize in the future."¹³ In addition, APCo asserts that: (1) "the question regarding Virginia Transco's authorization to build and operate ordinary extensions of APCo's transmission facilities should be addressed in a future proceeding seeking a certificate under Va. Code § 56-265.2 ... (a 'facilities certificate');" (2) "Virginia Transco will apply for and secure a facilities certificate from the Commission prior to constructing or operating any public utility facilities in Virginia;" and (3) "Virginia Transco will not own, build, or operate any ordinary extensions of APCo's facilities until authorized by the Commission."¹⁴

We do not find that it is in the public interest at this time for Virginia Transco to supplant APCo in the construction or ownership of any transmission facilities, or the provision of any transmission service, in Virginia – nor do we address the legal issues that could arise under any

¹² *Id.* at 26.

¹³ APCo's February 21, 2012 Post-Hearing Memorandum at 2.

¹⁴ *Id.* at 2-3.

such proposal.¹⁵ Rather, we find that it is in the public interest, and we hereby approve, limited affiliate services from APCo to Virginia Transco and West Virginia Transco for purposes of studying and evaluating potential transmission projects and for preparation of applications for future submission to the Commission.¹⁶

Approval herein is also subject to the following additional requirements, which we likewise find are necessary to be in the public interest:

- (1) The duration of the Commission's approval herein is limited to five (5) years from the date of this Order.
- (2) Should APCo wish to provide additional services to Virginia Transco or West Virginia Transco, other than those services approved above, subsequent Commission approval is required.
- (3) Separate approval is required for any changes in terms and conditions in the limited service agreements as approved herein, including changes in allocation methodologies and successors and assigns.
- (4) Approval herein has no ratemaking implications.
- (5) APCo is required to file signed and executed copies of the service agreements as approved and limited herein within thirty (30) days of this Order.
- (6) All transactions under the approved service agreements shall be included in APCo's Annual Report of Affiliate Transactions ("ARAT"). In addition to information currently provided in the ARAT, all transactions shall be reported in the ARAT as follows:
 - (a) By Case Number in which the transactions were approved;
 - (b) Description of services provided to Virginia Transco and West Virginia Transco;
 - (c) FERC account;
 - (d) Month; and
 - (e) Dollar amount paid to APCo for each type of service.

¹⁵ For example, additional authority would be required under the Code from the Commission for Virginia Transco to construct, own, or operate transmission facilities in the Commonwealth or for APCo to transfer any such facilities to Virginia Transco.

¹⁶ Based on our findings herein, the Motion to Dismiss is moot.

Finally, the proposed Money Pool Agreement is approved subject to the following requirements, which we find are necessary to be in the public interest:

- (a) Only those AEP Transcos that are currently authorized to provide transmission operations are eligible to join the Money Pool as a fully participating member.
- (b) At this time, Virginia Transco and West Virginia Transco may participate in the Money Pool Agreement to the extent necessary to implement the limited service agreement approval granted herein.
- (c) Subsequent changes to expand the participating members or any terms and conditions of the Money Pool Agreement require separate Commission consideration and approval.
- (d) Applicants shall file a signed and executed copy of the amended Money Pool Agreement within sixty (60) days of its complete execution.

Accordingly, IT IS SO ORDERED and this case is dismissed.

AN ATTESTED COPY of this Order shall be sent by the Clerk of the Commission to:

George J. Clemo, Esquire, and H. A. Glover, Jr., Esquire, Woods Rogers, PLC., P. O . Box 14125, Roanoke, Virginia 24038-4125; and James R. Bacha, Esquire, and Hector Garcia, Esquire, American Electric Power Service Corporation, I Riverside Plaza, Columbus, Ohio 43215; C. M. Browder, Jr., Esquire, Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and the Divisions of Utility Accounting and Finance, and Energy Regulation.