## ARTICLE 13. MISCELLANEOUS PROVISIONS

13.1 Severability

Subject to Section 13.17, if any provision or provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions, or the application of such provision to persons or circumstances other than those as to which it is held to be invalid or unenforceable, shall in no way be affected or impaired thereby.

13.2 Modifications

No amendment or modification to this Agreement or waiver of a Party's rights hereunder shall be binding unless it shall be in writing and signed by the Party against which enforcement is sought. Except as provided for in Sections 13.15 and 13.16, this Agreement may be amended by and only by a written instrument duly executed by each of the Parties hereto.

13.3 Prior Agreement Superseded

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and its execution supersedes all previous agreements, discussions, communications and correspondence with respect to such subject matter. In the event of any inconsistency between this Agreement and the Appendices attached hereto and made a part hereof, this Agreement shall control.

13.4 Counterparts

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

13.5 Further Assurances

The Parties agree (a) to furnish upon request to each other such further information, (b) to execute and deliver to each other such other documents, and (c) to do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement. Without limiting the generality of the foregoing, Company shall, at Generating Company's expense, as and when requested to do so by Generating Company at any time after the execution of this Agreement, prepare and provide such information in connection with this Agreement and/or the services to be provided by it under this Agreement (including resolutions, certificates, opinions of counsel or other documents relating to Company's corporate authorization to enter into this Agreement and to undertake the obligations set out herein) as may be reasonably required by any potential lender to Generating Company under a proposed loan agreement. Company shall cooperate with Generating Company in good faith, at Generating Company's expense, in order to satisfy on a mutually agreeable basis the requirements of Generating Company's financing arrangements, including where appropriate the making of amendments to the terms of this Agreement as may be required and are acceptable to Company.

13.6 Relationship of Parties/No Third-Party Beneficiaries

(a) Nothing in this Agreement shall be construed as creating any relationship between the Parties, including any partnership or joint venture, other than that of independent contractors.

(b) This Agreement is not intended to, and does not, confer upon any Person other than the Parties hereto and their respective successors and permitted assigns, any rights, benefits, or remedies hereunder.

13.7 Announcements

Except as otherwise required by law or the rules of the New York Stock Exchange, for so long as this Agreement is in effect, Company shall not, nor shall it permit any of its Affiliates to, issue or cause the publication of any press release or other public announcement with respect to the Interconnection contemplated by this Agreement; provided, however, that nothing herein shall prevent Company or its Affiliates from supplying such information or making such statements relating to such interconnection as may be required by any competent Governmental Authority or as Company or its Affiliates may consider necessary in order to satisfy its legal obligations, but Company or Affiliate shall thereafter furnish prompt notice thereof to the Generating Company.

13.8 Confidentiality

(a) The Parties agree that certain information relating to this Agreement and the Interconnection contemplated hereby that the Parties may exchange or have exchanged may be confidential, proprietary or of competitive value, and that all information designated as such shall be kept confidential. Such obligation of confidentiality shall also extend to all information, whether exchanged orally or in written or electronic form, of a commercial nature or which concerns the cost, design or operation of the Facility, Facility outages (scheduled or unscheduled), planned outages, and all information that is metered or telemetered with respect to the Facility and Interconnection Facilities. Other information considered by a Party to be confidential, proprietary or of a competitive value shall also be kept confidential so long as such information is marked "confidential" or "proprietary" at the time of disclosure, or if disclosed orally, the receiving Party confirms promptly in writing that such information is to be treated as confidential for purposes of this Agreement. Each Party shall only be permitted to disclose confidential information to its officers, directors, employees, agents and Affiliates who need to know such information for the purpose of implementing this Agreement (but only so long as the disclosure of such information to such Persons and the use of such information thereby complies with the requirement of applicable standards of conduct on file at the FERC), except that Generating Company may disclose such information to the officers, directors and employees of Generating Company who need to know such information for the purpose of implementing this Agreement, and Generating Company's lenders, consultants, contractors and potential and actual investors and owners. Each Party agrees to notify such Persons of the confidential nature of such information and to be responsible for any unauthorized disclosure of such information by such Persons. Without limiting the generality of the foregoing, the Company agrees not to disclose or permit the disclosure of such information to (i) Company's merchant function or any of its non-utility generator subsidiaries or Affiliates in

competition with Generating Company, or (ii) its officers, directors, employees, agents and consultants who are engaged in wholesale merchant functions that are in competition with Generating Company. Information shall not be deemed to be confidential if it (i) was in the public domain prior to the date hereof, (ii) becomes publicly available after the date hereof other than as a result of the unauthorized disclosure thereof by a Party or by an officer, director, employee, agent or Affiliate of a Party, (iii) becomes available to a Party on a non-confidential basis from a source other than the other Party if such source was not subject to any prohibition against transmitting the information or (iv) is required to be disclosed pursuant to any Applicable Laws and Regulations or pursuant to administrative or judicial process. Notwithstanding anything contained in this agreement, Confidential Information may be disclosed to transmission employees of Affected Systems, ECAR, NERC and any governmental, judicial or regulatory authority, requiring such Confidential Information, provided that, prior to disclosure, the disclosing party shall promptly inform the other party of the substance of any inquiries so that the other party may take whatever action it deems appropriate including intervention in any proceeding and the seeking of an injunction to prohibit such disclosure. The Parties agree to abide by the terms of this Section 13.8 for as long as this Agreement is in effect and for a period of two (2) years thereafter.

(b) Each Party may utilize information or documentation furnished by the disclosing Party and subject to Section 13.8(a) in any proceeding or dispute under Article 11 or in an administrative agency or court of competent jurisdiction addressing any dispute arising under this Agreement, subject to a confidentiality agreement with all participants (including, if applicable, any arbitrator) or a protective order.

13.9 Interpretation

The words "include" or "including" shall mean including without limitation based on the item or items listed. Except as otherwise stated, reference to Articles, Sections, Schedules, Appendices and Exhibits mean the Articles, Sections, Schedules, Appendices and Exhibits of this Agreement. The Appendices are hereby incorporated by reference into and shall be deemed a part of this Agreement. All indices, titles, subject headings, section titles and similar items in this Agreement are provided for the purpose of reference and convenience only and are not intended to be inclusive or definitive or to affect the meaning of the contents or scope of this Agreement.

13.10 Submission to Jurisdiction; Waivers

Subject to the provisions of Article 11, each of the Parties hereby:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the general jurisdiction of the Courts of the Commonwealth of Kentucky, the courts of the United States for the Eastern District of Kentucky, and appellate courts from any thereof;

(b) consents and agrees that any such action or proceeding may be brought in and only in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the other Party at its address set forth in Article 7, or at such other address of which the other Party shall have been notified pursuant thereto;

(d) agrees that this Agreement is to be governed by federal law where applicable, and when not in conflict with or preempted by federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky without regard to its conflict of laws principles; and

(e) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law.

13.11 Successors, Assigns and Assignments

(a) This Agreement shall inure to the benefit of, and be binding upon, Company and Generating Company and their respective successors and permitted assigns.

(b) Company intends to transfer operational control of its transmission facilities to an RTO. Company expects that, if such a transfer occurs, it will be necessary for Generating Company to enter into an interconnection and/or operating agreement with such RTO. It is possible that the agreement with the RTO may take the form of an assignment by Company of this Agreement or portion of this Agreement to the RTO. If it is deemed necessary to maintain an agreement between Company and Generating Company, Company believes such agreement may be subject to approval by the RTO and regulatory authority having jurisdiction. The foregoing notwithstanding, nothing contained herein shall limit the Generating Company's right to defend this Agreement or to challenge such assignment, or the terms or conditions thereof.

Notwithstanding anything herein to the contrary, Company shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of Generating Company, such consent not to be unreasonably withheld or delayed, except that Company may assign or transfer its rights and obligations under this Agreement without the prior written consent of Generating Company, if Company is not then in material default of this Agreement:

(i) where any such assignment or transfer is to an Affiliate of Company; provided, however, no such assignment or transfer pursuant to this Section 13.11(b) shall relieve Company of its obligations under this Agreement and no such assignment shall be to Company's merchant function or any of its non-utility generator subsidiaries or Affiliates in competition with Generating Company;

(ii) where such assignment or transfer is to the RTO that becomes responsible for the part of the Company Transmission System that includes the Company Interconnection Facilities and System Upgrades provided, however, that the FERC must approve such assignment or transfer; or

(iii) to any successor to or transferee of the direct or indirect ownership or operation of all or part of the Company System that includes the Company Interconnection Facilities and System Upgrades, provided, however, that the FERC must approve such assignment or transfer, and upon the assumption by any such permitted assignee of Company's rights, duties and obligations hereunder, Company shall be released and discharged therefrom.

(c) Notwithstanding anything herein to the contrary, Generating Company shall not assign or otherwise transfer all or any of its rights or obligations under this Agreement without the prior written consent of Company, such consent not to be unreasonably withheld or delayed, except that Generating Company may assign or transfer its rights and obligations under this Agreement without the prior written consent of Company, if Generating Company is not then in material default of this Agreement:

(i) where any such assignment or transfer is to an Affiliate of Generating Company; provided, however, no such assignment or transfer pursuant to this Section 13.11(c) shall relieve Generating Company of its obligations under this Agreement;

(ii) to any Person or entity (or any Affiliate thereof) that purchases or otherwise acquires, directly or indirectly, all or substantially all of the Facility; or

(iii) to any Project Financing Holder as security for amounts payable under any Project Financing.

(d) Except as specifically provided for in Articles 13.11 (b) and (c), any assignment or transfer of this Agreement or any rights, duties or interests hereunder by any Party without the written consent of the other Party shall be void and of no force or effect.

(e) Upon assignment of this Agreement pursuant to Sections 13.11 (b) (ii), (b) (iii), and (c) (ii), the assigning Party shall be relieved of any further obligations under this Agreement arising after the date of such assignment to the extent that such obligations are expressly assumed by the assignee and the non-assigning Party reasonably determines that the assignee is no less technically and financially capable of performing its obligations under the Agreement than was the assigning Party.

(f) Company agrees, if requested by Generating Company, to enter into an agreement (in a form reasonably acceptable to Company) with the Project Financing Holders, pursuant to which Company will acknowledge the creation of security over Generating Company's rights under this Agreement and agree that, upon breach of this Agreement or any loan documents by Generating Company or the insolvency of Generating Company, the Project Financing Holder shall:

(i) have the right within a reasonable period of time as specified therein to cure any breach of this Agreement complained of, provided the Project Financing Holder agrees to perform Generating Company's obligations under the Agreement during the cure period; and

(ii) have the right, upon payment of all outstanding amounts due and payable to Company, to assume all the rights and obligations of Generating Company under this Agreement.

13.12 Waivers

The failure of either Party to insist in any one or more instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

13.13 Good Utility Practice

Company and Generating Company shall discharge any and all obligations under this Agreement in a prudent manner and in accordance with Good Utility Practice.

13.14 Cooperation

Each Party to this Agreement shall reasonably cooperate with the other and shall employ good faith as to all aspects relating to the performance of their respective obligations under this Agreement.

13.15 Company Section 205 Rights

Notwithstanding any other provisions in this Agreement to the contrary, Company may unilaterally make application to the FERC under Section 205 of the Federal Power Act and pursuant to the FERC's rules and regulations promulgated thereunder for a change in any rate, term, condition, charge, classification of service, rule or regulation under or related to this Agreement.

13.16 Generating Company Section 205 and 206 Rights

Notwithstanding any other provisions in this Agreement to the contrary, Generating Company may exercise its rights under Section 205 and 206 of the Federal Power Act and pursuant to the FERC's rules and regulations promulgated thereunder with respect to any rate, term, condition, charge, classification of service, rule or regulation for any services provided under this Agreement over which the FERC has jurisdiction.

13.17 Good Faith Negotiations Upon Occurrence of Certain Events

(a) If one of the following events (an "Event") take place, the Parties agree to re-negotiate in good faith an amendment or amendments to this Agreement or to take other appropriate action so as to put each Party in as nearly the same position as the Parties would have been had the Event not occurred:

(1) this Agreement is not approved or accepted for filing by the FERC without

modification or condition; or

(2) FERC, the United States Congress, any state or state regulatory commission, the RTO, or Company (upon approval of the FERC) implements any change in any law, regulation, rule or practice which materially affects or is reasonably expected to materially affect either Party's ability to perform under this Agreement.

(b) If, within sixty (60) calendar days after the occurrence of an Event, the Parties (1) are unable to reach agreement as to what, if any, amendments are necessary, and (2) fail to take other appropriate action so as to put each Party in as nearly the same position as the Parties would have been had the Event not occurred, the Parties may proceed under Article 11 to resolve any disputes related thereto.

(c) If either Party is unable to fully perform this Agreement due to the occurrence of an Event, the affected Party will not be deemed to be in default of its obligations under this Agreement to the extent that (1) the Party is unable to perform as a result of the Event and (2) the affected Party acts in accordance with its obligations under this Section 13.17.

13.18 EWG Status

Nothing in this Agreement shall require Generating Company to take any action that could result in its inability to obtain, or its loss of, status as an Exempt Wholesale Generator within the meaning of the Public Utility Holding Company Act of 1935, as amended.

**[Remainder of Page Intentionally Left Blank—Next Page is Signature Page]**

KENTUCKY POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER

By: _____

Name: RP Verret

Title: Vice President

Date: 6/18/01

KENTUCKY MOUNTAIN POWER, LLC

By: _____

Name: MORTON SISSONEER

Title: Ex. V.P. & COO

Date: JUNE 8, 2001

# APPENDIX A

## FACILITY, INTERCONNECTION FACILITIES AND SYSTEM UPGRADES

1. **Name:** **Kentucky Mountain Power, LLC**

2. **Location:** **Knott County, Kentucky**

3. **Nominal Delivery Voltage:** 138 kV

4. **Metering Voltage:** 138 kV

5. **Normal Operation of Interconnection (check one):** Open ___ Closed X

6. **Control Area Interchange Point (check one):** Yes _X__ No ___

7. **One-Line Diagram Attached (check one):** Yes __X No ___

8. **Description of Facilities to be installed and owned by Generating Company:**

   **Interconnection Facilities**

   - An approximately 500 MW net capacity generating plant. The plant will consist of one 500 MW base loaded waste-coal fired unit.
   - Step-up transformer and associated equipment
   - One (1) 138 kV radial circuit and associated equipment

9. **Description of Facilities to be installed by Generating Company and Owned by Company* (See Figures 1 and 2)**

   - Talcum Switching Station ("Talcum Station"), with four (4) 138 kV circuit breakers, and associated equipment, to accommodate three (3) 138 kV line exits one each to Beaver Creek, Harbert, and Hazard stations as well as one (1) 138 kV circuit from the Facility.
   - Fiber optic static wire to interface with relaying and metering, to connect the Facility to Talcum Station.
   - On a new right-of-way, construct a double circuit 138 kV steel lattice tower line between the Talcum Station and Harbert Station – a distance of about 3.9 miles.
   - On a new right-of-way (parallel to the existing AEP right-of-way), construct a single

* To be transferred to Company prior energization in accordance with Section 3.6

circuit wood H-Frame 138 kV line between Consol. Coal Tap and Harbert stations – a distance of about 9.25 miles.

- On a new right-of-way, construct a single circuit wood H-Frame 138 kV line between Talcum and Hiner stations – a distance of about 9.75 miles.
- On a new right-of-way, construct a single circuit wood H-Frame 138 kV line between Hazard and Hiner stations – a distance of about 2.6 miles.

**10. Description of Facilities to be installed and owned by Company (See Figures 1 and 2)**

**Interconnection Facilities**

- At the Talcum Station install 138 kV metering, all line potential and carrier relaying equipment for the three (3) 138 kV line exits, as well as panels, data acquisition and fault recording equipment inside the control house provided by the Generating Company.
- At the Beaver Creek Station install a new 138 kV circuit breaker, disconnect switches, bus work, structural steel, control cable, relaying, grounding and associated equipment.
- At the Hazard Station install a new 138 kV circuit breaker, disconnect switches, bus work, structural steel, control cable, relaying, grounding and associated equipment.
- Expand the Harbert Station to accommodate the termination of a new 138 kV line to the Talcum Station. Install a 138 kV steel bay, foundations, grounding, one (1) 138 kV circuit breaker and associated line, bus and breaker by-pass disconnect switches, one (1) 138 kV gang operated air break switch and carrier equipment, 138 kV bus work, relaying, control cables, grounding and associated equipment.
- Remove the 9.97-mile section of the existing wood H-frame 138 kV line between the Beaver Creek Station and the Consol Tap. On the existing line right-of-way construct a new double circuit 138 kV steel lattice tower line.
- Remove an existing 2.25 miles of the existing 69 kV wood H-frame line between the Hazard and Bulan stations. On the existing line right-of-way construct a new double circuit lattice steel tower line. Right outside of Hazard Station, upgrade 0.7 miles of Beaver Creek-Hazard 138 kV line. In addition, Construct approximately 0.5 mile of a new, single circuit, wood H-frame line directly behind the existing Hazard Station and on a new right-of-way parallel to the existing Hazard-Beaver Creek 138 kV line. Utilize one set of conductors on the double circuit tower line to create the Hazard-Hiner-Talcum 138 kV circuit and the other to re-establish the Hazard-Bulan 69 kV line.

**System Upgrades**

- Construct a new Hiner 138/ 69 kV station located at a site provided by the Generating Company. The new station will connect to the new Talcum-Hazard 138 kV line. Install a 138/69/12kV autotransformer, 138 & 69 kV bus work, three (3) 69 kV circuit breakers and associated line and bus disconnect switches, relaying and associated control cable, 138 & 69 kV structural steel, foundation, grounding, site preparation, control building and associated equipment. Connect the Bonnyman and Hazard 69 kV lines to the new 69

kV bus.

- Hiner 69 kV loop: On a new right-of-way construct a single circuit - a distance of about 0.2 mile to loop Bonnyman and Hazard 69 kV lines in-and-out of the Hiner Station.

**11. Cost Responsibilities of Each Party:**

Generating Company shall install and own the facilities described in Paragraph 8 above at Generating Company Cost. Generating Company shall install the facilities described in Paragraph 9, which will be owned by Company, at Generating Company cost.

Company shall install and own the Interconnection Facilities and System Upgrades described in Item 10 above. Generating Company shall reimburse Company for these facilities as provided for in Subsections 3.7 (a) and (b), subject to the refund provided in Section 3.7 (f) for the System Upgrades required, to eliminate thermal overloads.

**12. <u>Interconnection Point</u>**

After the transfer of ownership of Talcum Station and the three (3) 138 kV line exits as provided in Section 3.6, the Interconnection Point shall be the disconnect switches where the 138 kV circuits from the Facility attach to the Talcum Station ring bus.

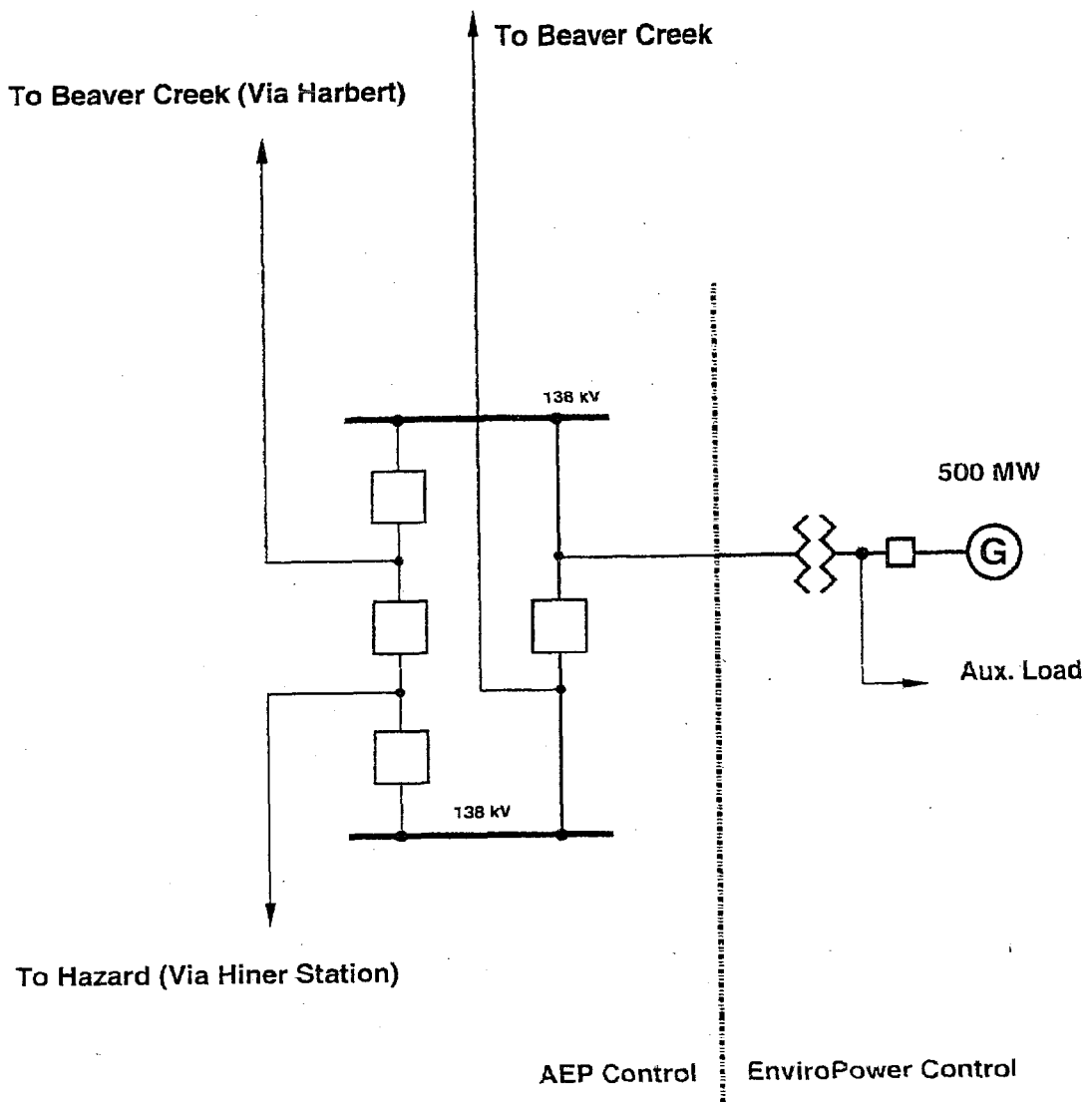



FIGURE 1 Talcum Switching Station

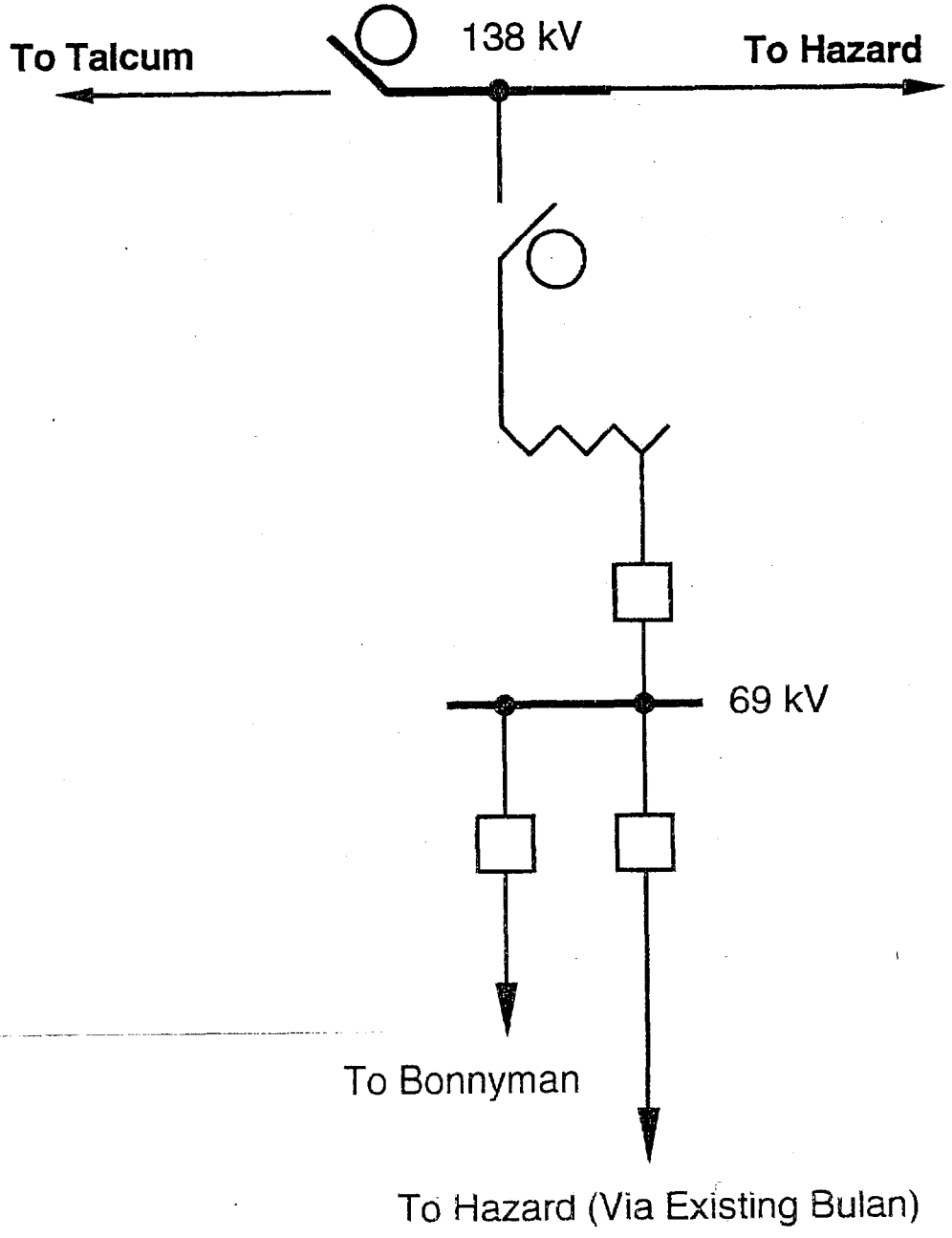


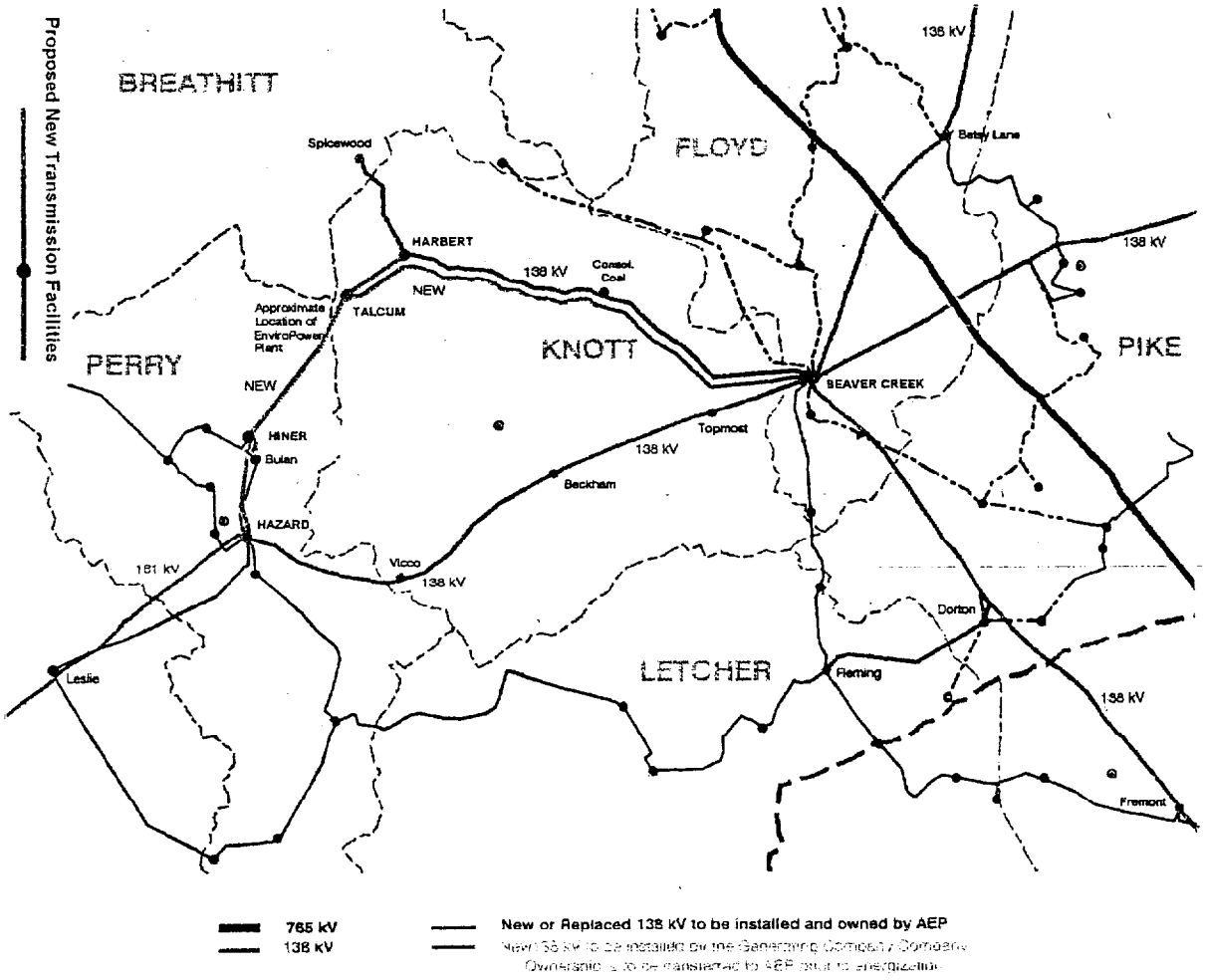

**FIGURE 2** **Proposed Switching Configuration – Hiner 138/69 kV Switching Station**

# APPENDIX B

# DESCRIPTION OF THE FACILITY SITE

## 1. Facility Site Description:

Generating Company's EnviroPower, LLC Facility will be constructed on a site in Knott County, Kentucky approximately 3.9 miles south west of Company's Harbert Station. Approximate location of the proposed plant site and the interconnection transmission lines are shown below:



# APPENDIX C

# DESCRIPTION OF METERING EQUIPMENT

**1. Metering Equipment Description:**

The metering point and point of delivery for this interconnection shall be at the termination point of the 138 kV circuit from the Facility in the Talcum Station, as indicated on Figure 1 to Appendix A. Metering shall be at 138 kV, and shall be designed and installed according to provisions specified in Section 4.16 of this Agreement.

Equipment to be Installed:

- CTs and VTs
- KWh Meters
- One (1) dial-up phone line for remote data retrieval
- One RTU and leased phone line

# APPENDIX D

# LIST OF PROTECTIVE EQUIPMENT

**Protective Equipment and Schemes:**

Company and Generating Company agree to coordinate design of protective equipment.

1. Line Protection
   (a.) The IPP-Harbert -Beaver Creek line will employ the following:
   - Primary: A carrier blocking scheme using a GE type ALPSDA35 relay and Pulsar TC-10B carrier current set.
   - Backup: Phase step distance and ground overcurrent using Schweitzer type SEL321 and GE type JBCG51M relays.

   This line will also utilize a transfer trip scheme (using Pulsar TCF-10B transmitters at the Talcum and Beaver Creek stations and a Pulsar TCF-10B receiver at Harbert Station) to trip out Harbert Station whenever one of the remote ends of the line trips out.

   (b.) The Talcum-Beaver Creek line will have the following protection:
   - Primary: A carrier blocking scheme using a GE type ALPSDA35 relay and Pulsar TC-10B carrier current set.
   - Backup: Phase step distance and ground overcurrent using Schweitzer type SEL321 and GE type JBCG51M relays.

   (c.) The Talcum-Hiner-Hazard line will use the following:
   - Primary: A weak feed carrier scheme using a GE type D60 relay and a Pulsar TC-10B carrier current set.
   - Backup: Phase step distance and ground overcurrent using Schweitzer type SEL321 and GE type JBCG51M relays.

   The remote ends of each of these lines will have compatible protective relays. The tapped stations (Harbert and Hiner) will have slightly different protective schemes.

2. 138kV Differential
   The 138kV leads between the GSU breaker and two of the Talcum station breakers are protected as follows:
   - Primary: A current differential scheme utilizing an RFL Model 9300 Charge Comparison relay and fiber optic communication.
   - Backup: Backup: Schweitzer type SEL321 (using fiber optic communication) and GE type JBCG53M relays.

3. Breaker Failure

To protect in case of breaker failure, each of the four circuit breakers will utilize a scheme consisting of SAM201 and SBC231 relays.

4. Control

   Each of the four circuit breakers will have automatic, manual, and remote supervisory control.

# APPENDIX E

# PROJECT COST PROJECTIONS♦

**1. Project Cost Projections of Company Owned Facilities (In 2000 Dollars) as described in Appendix A:**

**Interconnection Facilities**

At the Talcum Station install 138 kV metering, all line potential and carrier relaying equipment for the three (3) 138 kV line exits, as well as panels, data acquisition and fault recording equipment inside the control house provided by the Generating Company.

Estimated Cost $ 739,000

At the Beaver Creek Station install a new 138 kV circuit breaker, disconnect switches, bus work, structural steel, control cable, relaying, grounding and associated equipment.

Estimated Cost $ 714,000

At the Hazard Station install a new 138 kV circuit breaker, disconnect switches, bus work, structural steel, control cable, relaying, grounding and associated equipment.

Estimated Cost $ 513,000

Expand the Harbert Station to accommodate the termination of a new 138 kV line to the Talcum Station. Install a 138 kV steel bay, foundations, grounding, one (1) 138 kV circuit breaker and associated line, bus and breaker by-pass disconnect switches, one (1) 138 kV gang operated air break switch and carrier equipment, 138 kV bus work, relaying, control cables, grounding and associated equipment.

Estimated Cost $ 1,053,000

On a new right-of-way, construct a double circuit 138 kV steel lattice tower line between the Talcum Station and Harbert Station – a distance of about 3.9 miles. This section of the line is to be engineered and constructed by the Generation Company. AEP will assist in right-of-way issues, inspect the transmission line during construction and review the engineering and design drawings.

Estimated Cost $ 201,000

Remove the 9.97-mile section of the existing wood H-frame 138 kV line between the Beaver Creek Station and the Consol. Coal Tap. On the existing

♦ Delay in service date from June 1, 2003 to June 1, 2004 will cause these estimates to change. The new estimates are not presently available.

line right-of-way construct a new double circuit 138 kV steel lattice tower line.

Estimated Cost $ 8,100,000

On a new right-of-way (parallel to the existing AEP right-of-way), construct a single circuit wood H-Frame 138 kV line between Consol. Coal Tap and Harbert Station – a distance of about 9.25 miles. This section of the line is to be engineered and constructed by the Generation Company. AEP will assist in right-of-way issues, inspect the transmission line during construction and review the engineering and design drawings.

Estimated Cost $ 370,000

On a new right-of-way, construct a single circuit wood H-Frame 138 kV line between Talcum and Hiner stations – a distance of about 9.75 miles. This section of the line is to be engineered and constructed by the Generating Company. AEP will assist in right-of-way issues, inspect the transmission line during construction and review the engineering and design drawings.

Estimated Cost $ 391,000

On a new right-of-way, construct a single circuit wood H-Frame 138 kV line between Hazard and Hiner stations – a distance of about 2.6 miles. This section of the line is to be engineered and constructed by the Generating Company. AEP will assist in right-of-way issues, inspect the transmission line during construction and review the engineering and design drawings.

Estimated Cost $ 106,000

Remove an existing 2.25 miles of the existing 69 kV wood H-frame line between the Hazard and Bulan stations. On the existing line right-of-way construct a new double circuit lattice steel tower line. Right outside of Hazard Station, upgrade 0.7 miles of Beaver Creek-Hazard 138 kV line. In addition, construct approximately 0.5 mile of a new, single circuit, wood H-frame line directly behind the existing Hazard Station and on a new right-of-way parallel to the existing Hazard-Beaver Creek 138 kV line. Utilize one set of conductors on the double circuit tower line to create the Hazard-Hiner-Talcum 138 kV circuit and the other to re-establish the Hazard-Bulan 69 kV line.

Estimated Cost $ 2,836,000

**Interconnection Facility Cost** **$ 15,023,000**

**System Upgrades**

Construct a new Hiner 138/ 69 kV station located at a site provided by the Generating Company. The new station will connect to the new Talcum-Hazard 138 kV Line. Install a 138/69/12kV autotransformer, 138 & 69 kV bus work, three (3) 69 kV circuit breakers and associated line and bus disconnect switches, relaying and associated control cable, 138 & 69 kV structural steel, foundation, grounding, site preparation, control building and associated

equipment. Connect the Bonnyman and Hazard 69 kV lines to the new 69 kV bus.

Estimated Cost $ 2,217,000

Hiner 69 kV loop: On a new right-of-way construct a single circuit - a distance of about 0.2 mile to loop Bonnyman and Hazard 69 kV lines in-and-out of the Hiner Station.

Estimated Cost $ 133,400

| | |
|---|---|
| **System Upgrade Cost** | **$2,350,400** |
| **Total Project Estimated Cost** | **$17,373,400** |
| **System Upgrades Cost Qualify for Transmission System Credit** | **$2,350,400** |

1. **Proposed Payment Schedule: ♦**

Payment Due Date Amount

| Month/Year | Amount |
|---|---|
| | |
| April 15, 2001 | $0 |
| May 15, 2001 | $0 |
| June 15, 2001 | $200,000 |
| July 15, 2001 | $171,000 |
| August 15, 2001 | $346,000 |
| September 15, 2001 | $550,000 |
| October 15, 2001 | $792,000 |
| November 15, 2001 | $723,000 |
| December 15, 2001 | $777,000 |
| January 15, 2002 | $656,000 |
| February 15, 2002 | $729,000 |
| March 15, 2002 | $959,000 |
| April 15, 2002 | $853,000 |
| May 15, 2002 | $1,120,000 |
| June 15, 2002 | $242,000 |
| July 15, 2002 | $270,000 |
| August 15, 2002 | $777,000 |
| September 15, 2002 | $688,000 |
| October 15, 2002 | $574,000 |
| November 15, 2002 | $854,400 |
| December 15, 2002 | $750,400 |
| January 15, 2003 | $727,400 |
| February 15, 2003 | $713,400 |
| March 15, 2003 | $712,400 |
| April 15, 2003 | $712,400 |
| May 15, 2003 | $712,400 |
| June 15, 2003 | $711,400 |
| July 15, 2003 | $711,400 |
| August 15, 2003 | $252,400 |
| **Total** | **$17,285,000** |

♦ Delay in service date from June 1, 2003 to June 1, 2004 will cause these estimates to change. The new estimates are not presently available.

# APPENDIX F

# PROJECT MILESTONES

1. **Project Schedule Milestones:**

   Significant project milestones of key events and interfaces between Company and Generating Company facilities are shown below. This schedule is contingent upon 1) no significant deviations in the scope of work described in Appendix A; and 2) no requests from Generating Company for delays in the performance of such work.

| **Interconnection Facilities** | **Project Milestones** |
|---|---|
| Generating Plant Construction Start | October 1, 2001 |
| Generator Interconnection Facilities Complete | March 5, 2004 |
| Company Interconnection Facilities Complete | March 5, 2004 |
| Receive Back Feed Power | April 1, 2003 |
| Begin Generator Testing | March 5, 2004 |
| Commercial Operation Date Declared | June 1, 2004 |
| **System Upgrades** | |
| All System Upgrades Complete | February 1, 2004 |

# APPENDIX G

# AMERICAN ELECTRIC POWER
# DESCRIPTION AND FORMULA RATE FOR FACILITY CONSTRUCTION, OPERATION AND MAINTENANCE CHARGES

General

The formula rate contained in this document applies when construction, operation and/or maintenance activities are performed for non-AEP Parties, under circumstances precluding the charging of a profit margin. The American Electric Power Companies1 (AEP) will recover costs for such operation and maintenance activities through bills which reflect the cost AEP has incurred in six categories, namely: 1) materials, 2) labor, 3) equipment, 4) outside services, 5) engineering and administration, and 6) taxes.

AEP charges its costs for construction, operation and maintenance activities on behalf of others to special work orders which accumulate the costs to be billed. As a result of these accounting procedures, the charges billed to non-AEP Parties are not reflected in AEP's transmission, operation, maintenance, or plant accounts.

However, the costs which AEP incurs and bills in such cases are the kinds of costs which would be assignable to the following the FERC Uniform System of Accounts if they were incurred in connection with AEP's owned property:

Transmission Operation and Maintenance Expenses

560 - Operation Supervision and Engineering
562 - Station Expenses
563 - Overhead Line Expenses
566 - Miscellaneous Transmission Expenses
568 - Maintenance Supervision and Engineering
569 - Maintenance of Structures
570 - Maintenance of Station Equipment
571 - Maintenance of Overhead Lines

Construction - Transmission Plant Costs

352 - Structures and Improvements
353 - Station Equipment
397 - Communications Equipment

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1 Appalacian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, and Wheeling Power Company, all of which are now doing business as AEP.

108 - Accumulated Provision for Depreciation

All Activities - Administrative, General and Other Expenses

920 - Administrative and General Salaries
408 - Taxes Other Than Income Taxes

The charges billed for maintenance in each of the previously identified six categories are discussed in order below.

1. Materials

Materials charges are made in four sub-categories: 1) direct material costs (DM), which may be delivered direct from vendors to the job site (VDM) or issued from company stores (SDM), 2) purchasing expenses (PE), 3) stores expenses (SE), and 4) exempt minor materials (EM). The latter three costs are charged using material loading rates.
Direct material costs are vendor invoiced charges for items, other than exempt minor materials, which are used for Generating Company maintenance. Purchasing expenses are material overhead costs incurred in selecting and ordering materials. Stores expenses are the costs of performing the stores function. Exempt minor materials are low cost expendable materials, supplies, and hand tools used in Transmission and Distribution construction, maintenance, or operations.

Material items that are delivered direct from the vendor to the job site (VDM) are charged at cost, plus a purchasing loading rate (plr) of 1%, up to a maximum of $150 per invoice. Materials issued from company storerooms for individual work orders (SDM) are charged at cost, plus a combined stores/purchasing loading rate (slr) and an exempt minor materials loading rate (mlr).

Projected annual stores and exempt minor materials costs are divided by projected annual costs of stores issued materials (SDM + EM) to determine projected stores and exempt minor materials loading rates. The rates are reviewed monthly and adjusted as required in order to clear current year stores expense and exempt minor materials costs to the accounts charged with the materials issued.

In symbolic format, the charges for materials are calculated as follows:

$$M = DM + [VDM \times (plr), \text{ up to } \$150/bill] + SDM \times (1 + (mlr)) \times (slr)$$

2. Labor

Labor is charged to Generating Company maintenance work orders in three parts - direct labor (DL), fringe labor costs (FL), and miscellaneous out-of-pocket employee expenses (ME). Direct labor charges reflect the actual work hours (whr) and basic hourly rates of pay (hrp) for the personnel that are directly involved; i.e., DL = (whr) x (hrp). Fringe labor costs for vacation, holiday, sick leave, and other paid time away, plus payroll taxes, insurance, workers' compensation, pension, and savings plan expenses are recovered through labor loading rates (llr) which are developed by dividing fringe labor costs by earned payroll. The labor loading rates are reviewed monthly and adjusted, as needed, to clear fringe labor costs yearly.

In symbolic format, the charges for labor are calculated as follows:

$$L = DL + FL + ME = DL \times (1 + llr) + ME$$

3. Equipment

Equipment (E), primarily vehicles, used in the performance of maintenance is charged based on actual hours of usage (aeu) and hourly equipment cost rates (ecr). Cost of purchasing, leasing, and operating equipment, by equipment class, are collected in clearing accounts and divided by total hours of usage by class to develop the equipment cost rates. Equipment cost rates are reviewed quarterly and adjusted, as needed, to clear the cost of equipment.

In symbolic format, equipment charges are calculated as follows:

$$E = (aeu) \times (ecr)$$

4. Outside Services

The actual amount of invoices received from vendors for restorative and other maintenance services (S) performed by third parties for AEP on behalf of the Generating Company are charged in maintenance billings by AEP.

5. Engineering and Administration

Engineering and administrative overhead loading rates are used to allocate engineering, supervision, and administrative overhead costs not assigned to specific project work orders. AEP uses separate loading rates for AEP Service Corporation engineering ($SCE_{t\&d}$) and operating company construction overhead costs (CCO). A complete description of the costs recovered through the loading rates is provided in Note 1 to page 218 of each AEP Company's FERC Form-1 Report. A copy of that note is included as the last page in this Appendix G.

As the description of Construction Overhead Procedure shows, the CCO and $SCE_{t\&d}$ loading rates (cclr and $sclr_{t\&d}$, respectively) are derived in the normal course of business for the purpose of capturing the portions of AEP Service Corporation engineering and operating company construction overhead costs which are incurred in connection with transmission and distribution (T&D) plan construction. The cclr and $sclr_{t\&d}$ are reviewed monthly and updated, as needed, to clear the respective engineering and administrative overhead costs yearly.

In symbolic form, the engineering and administration overhead costs (O) are calculated as follows:

$$O = CCO + SCE_{t\&d}$$

Where CCO $= (M + L + E + S) \times cclr$
and $SCE_{t\&d}$ $= (M + L + E + S + CCO) \times sclr_{t\&d}$

6. Taxes

The total taxes charged to the Generating Company will be the sum of receipts and other taxes incurred.

i.e.: $T = RT + OT$

Summary of Charges

The total Operation and Maintenance (O&M) charges under this Agreement in symbolic form are:

$O\&M = M + L + E + S + O + T$

Where M, L, E, S, O, and T are calculated as explained in Sections 1 through 6 above, respectively.

# APPENDIX G

# AMERICAN ELECTRIC POWER
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Summary of Charges

The total Operation and Maintenance (O&M) charges under this Agreement in symbolic form are:

$O\&M = M + L + E + S + O + T$

Where M, L, E, S, O, and T are calculated as explained in Sections 1 through 6 above, respectively.

General Description of Construction overhead Procedure:

A. Engineering and Supervision (American Electric Power Service Corporation )

(a) Overheads "Engineering, Technical and Drafting Services" are engineering services performed by the Engineering Department of American Electric Power Service Corporation (AEPSC).

(b) In accordance with provisions of a service agreement between American Electric Power Service Corporation (AEPSC) and the respondent, approved by the Securities and Exchange Commission February 19, 1981, salaries, expenses and overheads of AEPSC personnel directly relating to construction activities are collected by mean of a work order system and billed to the respondent as:
(1) Identifiable costs, generally relating to major construction projects, for which timekeeping and other specific cost identification is economically feasible, and
(2) Non-identifiable costs, generally relating to numerous small construction projects, for which timekeeping and other specific cost identification are not economically feasible.

(c) Charges billed by AEPSC as (b)(1) above are charged directly by respondent to the applicable specific construction projects. Charges billed by AEPSC as (b)(2) above are allocated to all applicable construction projects proportionate to the direct costs charged to such projects.

(d) A uniform rate is applied to all subject construction expenditures.

(e) See (d) above.

(f) See (c) above.

B. Company Construction Overheads in its own Operating Division, Engineering Department and System Office Departments

(a) Charges representing cost of Company's Engineering Supervision and related drafting and technical work.

(b) On basis of time and work studies.

(c) Spread to accounts in proportion to dollar value on construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.

(f) Shown on page 217.

C. Company Construction Overheads in Administrative and General Departments

(a) Proportion of Administrative and General Expenses representing salaries and expenses of General Office and Managerial employees applicable to construction.

(b) Partly on basis of time and work studies.

(c) Spread to accounts in proportion to dollar value of construction for those classes of construction accounts to which these overheads are considered to be applicable.

(d) For each class of overheads the same percentage is used for all types of construction.

(e) Not applicable. See (d) above.
(f) See note (c) above

Page 218 Footnote.1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

American Electric Power Service Corporation ) Docket No. ER_____

**NOTICE OF FILING**

Take notice that on _____, 2001, the American Electric Power Service Corporation (AEPSC) tendered for filing an executed Interconnection and Operation Agreement between Kentucky Power Company and Kentucky Mountain Power, L.L.C. The agreement is pursuant to the AEP Companies' Open Access Transmission Service Tariff (OATT) that has been designated as the Operating Companies of the American Electric Power System FERC Electric Tariff Revised Volume No. 6, effective June 15, 2000.

AEP requests an effective date of August 31, 2001. Copies of AEP's filing have been served upon the Kentucky Public Service Commission.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R §§ 385.211 and 385.214). All such motions or protests should be filed on or before _____, 2001. Protests filed with the Commission will be considered by it in determining the appropriate action to be taken but will not serve to make the protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at http://www.ferc.fed.us/online/rims.htm (call 202-208-2222 for assistance).

David P. Boergers

Secretary