COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	**CASE NO. 2013-00325**
POWER COMPANY FOR THE TWO YEAR	)	
BILLING PERIOD ENDED JUNE 30, 2013	)	

KENTUCKY POWER COMPANY RESPONSE TO
COMMISSION STAFF'S NOVEMBER 14, 2013 INFORMAL CONFERENCE
DATA REQUEST

November 18, 2013

VERIFICATION

The undersigned, Lila P. Munsey, being duly sworn, deposes and says she is the Manager, Regulatory Services, that she has personal knowledge of the matters set forth in the forgoing responses for which she is the identified witness and that the information contained therein is true and correct to the best of her information, knowledge and belief

Lila P. Munsey

Lila P. Munsey

COMMONWEALTH OF KENTUCKY)
) CASE NO. 2013-00325
COUNTY OF FRANKLIN)

Subscribed and sworn to before me, a Notary Public in and before said County and State, by Lila P. Munsey, this the 18th day of November 2013.

Belinda Stacy #423274

Notary Public

My Commission Expires: 7-6-2014

Kentucky Power Company

REQUEST

Please provide a copy of the AEP System Interim Allowance Agreement (IAA).

RESPONSE

Please see Attachment 1 to this response.

WITNESS: Lila P Munsey

American Electric Power
1 Riverside Plaza
Columbus, OH 43215 2373
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AMERICAN ELECTRIC POWER

June 21, 1996

Honorable Lois D. Cashell
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20425

Subject: Modification No. 1 to the AEP System Interim Allowance Agreement

Dear Secretary Cashell:

American Electric Power Service Corporation, on behalf of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company (collectively "the AEP Companies") tenders to the Commission for filing Modification No. 1 to the AEP System Interim Allowance Agreement.

Included in this filing are an original and six copies of the following documents:

1. This letter of transmittal.

2. Proposed Modification No. 1 to the AEP System Interim Allowance Agreement ("IAA"), which fully integrates the changes being proposed into the IAA.[1]

[1] The IAA has been designated as Appalachian Power Company Supplement No. 8 to Rate Schedule FERC No. 20; Columbus Southern Power Company, Supplement No. 2 to Rate Schedule FERC No. 30, Indiana Michigan Power Company, Supplement No. 9 to Rate Schedule FERC No. 17; Kentucky Power Company, Supplement No. 5 to Rate Schedule FERC No. 11 and Ohio Power Company, Supplement No. 8 to Rate Schedule FERC No. 23.

3. A document executed by the AEP Companies adopting the changes to the IAA, where deletions appear as struck-through text and additions appear as shaded text.

4. Appendix A, showing the allowance flows and financial statement effects on the AEP Companies for the years 1996 and 1997, of the IAA, as amended. The only change from the existing IAA relates to the intercompany transfers for current year compliance and allocation of the AEP System allowance bank. Under the terms of Modification No. 1 to the IAA, each AEP Company is required to own its MLR-share of the AEP System Allowance Bank at the end of each year. The result of this change is to alter the level of the year-by-year intercompany purchases and sales; however, as shown in Appendix C, there is virtually no effect on the long-term revenue requirements.

5. Appendix B showing the allocation to each AEP Company of (1) the proceeds from EPA emission allowance auctions, (2) the proceeds from emissions allowance sales to third parties, and (3) the cost of allowances purchased from third parties. Under the terms of Modification No. 1 to the IAA, each AEP Company retains the proceeds including carrying charges, associated with the sale of its withheld allowances at EPA emission allowance auctions. Additionally, the proceeds from the sale of other emission allowances to third parties, including carrying charges, are shared on an MLR-basis; and the cost of emission allowances purchased from third parties, including carrying charges, are shared on an MLR-basis.

6. Appendix C showing a comparison of the existing IAA (Base Case) and the Modification No. 1 to the IAA (MLR Case). The results indicate that there is no significant difference in the net present value (NPV) of revenue requirements over a 20-year forecast period.

7. A form of notice suitable for publication in the *Federal Register*.

An additional copy of this letter and all attachments is enclosed which we would appreciate having marked with your file stamp, docket number, and date and returned in the enclosed self-addressed, postage-paid envelope.

Background of Filing

In September 1994, the AEP Companies filed the IAA with the Commission. The purpose of the IAA was to establish, on an interim basis, a methodology and price for the transfer of emission allowances among the major operating companies of the

American Electric Power ("AEP") System, a multistate public utility holding company system registered under the Public Utility Holding Company Act of 1935.

In developing the IAA, the AEP Companies worked in close cooperation with the AEP Regional Coordinating Committee, a committee consisting of representatives and/or staff from each of the seven state regulatory commissions that oversee the utility operations of the AEP operating companies. The IAA represented a compromise position designed to resolve differences of opinion among the state regulators regarding the distribution among the AEP operating companies of costs and benefits associated with the Companies' compliance with the Clean Air Act Amendments of 1990.

The IAA provides for and governs the terms of five basic types of allowance transactions among the AEP Companies: (1) an annual reallocation of allowances initially allocated by the United States Environmental Protection Agency to Ohio Power's Gavin Plant; (2) transfer of allowances associated with primary and economy energy transactions among the members; (3) a monthly cash settlement for allowances consumed in connection with power sales to foreign (i.e., non-affiliated) companies; (4) transfers of allowances for current period compliance; and (5) transfers of allowances for future period compliance.

The IAA was accepted for filing by the Commission by letter order of December 30, 1994 in Docket No. ER94-1670-000.

An issue that was unresolved by the IAA was the allocation of costs and revenues related to the sale or purchase of allowances to or from non-affiliated companies. The IAA states that this issue is intended to be addressed in a subsequent agreement governing all such transactions whether occurring before or after the effective date of such agreement. The IAA further provides that during the interim period pending resolution of the issue, the net proceeds from such transactions shall be deferred, with a return at the AEP System cost of capital, on the books of the Member involved (IAA, § 2.2).

Following the Commission's acceptance of the IAA, AEP representatives continued their contacts with the Regional Coordinating Committee and the individual state commissions that are members of the Regional Coordinating Committee, in an effort to resolve the unresolved issue regarding the treatment of costs and proceeds associated with sales of allowances to non-affiliates. Modification No. 1 reflects a resolution of this issue which the AEP Companies believe is satisfactory to each of the state regulatory commissions involved.[2] In addition, Modification No. 1 effects certain changes designed to simplify administration of the agreement and to support the reasonableness of the proposed treatment of allowance proceeds.

Explanation of Amendments

Modification No. 1 to the IAA makes the following changes to the agreement:

1. Each Member would be required to own its Member Load Ratio ("MLR") share of the AEP System allowance bank at the end of each year. MLR is a measure of relative peak demand extensively used in the AEP System Interconnection Agreement, Transmission Agreement and IAA for allocation of costs and benefits among the members. Under the IAA as originally filed, each Member was required to own at the end of the year, a portion of the bank based on an estimate of its needs for future compliance and a share of a "Contingency Bank" based on its original EPA allocation of allowances. By simply requiring each member to own an MLR share of the total system bank, the proposed amendments simplify the administration of the agreement by eliminating the need to estimate each Member's future compliance needs. In addition, MLR sharing of the System bank is consistent with the proposed MLR sharing of costs and revenues associated with sales of allowances to non-affiliates.

2. Each member would pay for and receive its MLR share of any allowances purchased from third parties, including any allowances purchased at EPA auctions held pursuant to Section 416 of the 1990 Clean Air Act Amendments, 42 U.S.C. § 7651o.

3. Each Member would contribute its MLR share of allowances toward any sale to third parties and would receive its MLR share of the proceeds from any such sales.

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[2]At least one state regulatory commission prefers to retain the designation of the IAA as an interim agreement, in recognition of the fact that the IAA continues to reflect a compromise that may not be ideal from the standpoint of each individual state. However, Modification No. 1 resolves the major outstanding issue left unresolved by the IAA, and the AEP Companies do not expect any substantive protest of Modification No. 1 or any other provision of the IAA by any of the state commissions.

4. Each member would share in the net proceeds and costs, and accrued carrying charges on such proceeds and costs associated with allowance transactions with non-affiliates which occurred prior to the effective date of Modification No. 1.

5. Each Member would retain the proceeds associated with the sale of its withheld allowances at the EPA auctions.

In addition, to simplify the administration of the provision related to allowances consumed in connection to sales to foreign companies, reimbursement to the supplying member pursuant to Section 4.3 of the IAA would be made at average inventory cost instead of the cost of compliance.

Effect of Modification No. 1 to IAA

Appendices A, B and C, described above, show the allowance flows and financial effects on the Members for the years 1996 and 1997, the allocations to each Member, and a net present value comparison of revenue requirements, respectively, compared to the same effects under the IAA prior to the proposed amendments.

Effective Date

The AEP Companies request an effective date of September 1, 1996. However, in accordance with original Section 2.2 of the IAA, transactions with non-affiliates which have occurred prior to the effective date will be processed as though this Modification No. 1 had been in effect.

Pre-Filing Communications
With State Commissions, Wholesale Customers
and FERC Staff

As indicated above, the AEP Companies have worked with the Regional Coordinating Committee and individual state commissions in developing proposed Modification No. 1 to the IAA. It is our understanding and belief that none of the state commissions will object to the proposed modification. In addition, we have, through meetings and other communications, explained the substance, development and effect of proposed Modification No. 1 to our wholesale customers. Finally, the AEP Companies, in advance of the filing, sought guidance from the Commission's Division of Applications regarding the Division's informational needs in connection with the filing.

Service and Notices

Copies of this filing have been served upon the Indiana Regulatory Utility Commission, The Kentucky Public Service Commission, The Michigan Public Service Commission, The Public Utilities Commission of Ohio, The Public Service Commission of West Virginia, the Public Service Commission of Tennessee and the Virginia State Corporation Commission.

Communications regarding this matter should be sent to the following:

Henry W. Fayne
Senior Vice President
American Electric Power
Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
(614) 223-2890

Edward J. Brady, Esq
Kevin F. Duffy, Esq.
American Electric Power
Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215
(614) 223-1608

Request for Effective Date and Waivers

The AEP Companies request an effective date of September 1, 1996.

The AEP Companies request that the IAA be allowed to go into effect without suspension, hearing or investigation. Such action is appropriate in light of the extensive prefiling involvement of state regulators and communications with wholesale customers, FERC Staff and other interested parties. The AEP Companies have accumulated proceeds associated with sales of allowances to non-affiliates. Upon approval of Modification No. 1 to the IAA, the AEP Companies will be able to determine that portion of the proceeds to be allocated to each Member of the AEP System. Once this determination is made on a system basis, each state jurisdiction can address the retail aspects of these transactions. The AEP Companies request waiver of any regulations with which this filing may not comply, in order that it may be allowed to go into effect on August 15, 1996 as requested and the Companies' customers may benefit from these transactions.

Respectfully submitted,

Edward J. Brady
Kevin F. Duffy
Attorneys for the AEP Companies

Public Service Commission
of West Virginia
State Capitol Building
Charleston, WV 25305

Tennessee Public Service Commission
460 James Robertson Parkway
Nashville, TN 37243-0505

Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Indiana Utility Regulatory Commission
Indiana Government Center South
302 West Washington Street, E306
Indianapolis, IN 46204

State Corporation Commission
Document Control Center
Jefferson Bldg., Level B1
1220 Bank St.
Richmond, VA 23219

Public Utilities Commission of Ohio
Docketing Division
180 East Broad Street
Columbus, Ohio 43215

MODIFICATION NO. 1 TO THE
AEP SYSTEM INTERIM ALLOWANCE AGREEMENT

BY AND AMONG

APPALACHIAN POWER COMPANY

COLUMBUS SOUTHERN POWER COMPANY

INDIANA MICHIGAN POWER COMPANY

KENTUCKY POWER COMPANY

OHIO POWER COMPANY

AND WITH

AMERICAN ELECTRIC POWER SERVICE CORPORATION

AS AGENT

CONTENTS

0.1 THIS AGREEMENT, made and entered into as of the 28th day of July, 1994 by and among APPALACHIAN POWER COMPANY (APCo), a Virginia corporation, COLUMBUS SOUTHERN POWER COMPANY (CSP), an Ohio corporation, INDIANA MICHIGAN POWER COMPANY (I&M), an Indiana corporation, KENTUCKY POWER COMPANY (KPCo), a Kentucky corporation, OHIO POWER COMPANY (OPCo), an Ohio corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power System (AEP), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and the other affiliated companies.

W I T N E S S E T H

T H A T:

0.2 WHEREAS, the Members own and operate electric facilities in the states herein indicated, (i) APCo in Virginia, West Virginia and Tennessee, (ii) CSP in Ohio, (iii) I&M in Indiana and Michigan, (iv) KPCo in Kentucky, and (v) OPCo in Ohio and West Virginia; and

0.3 WHEREAS, the Members have entered into an Interconnection Agreement, dated July 6, 1951, with modifications thereto, which provides for certain understandings, conditions, and procedures designed to achieve the full benefits and advantages available through the coordinated planning and operation of their electric power supply facilities; and

0.4 WHEREAS, Congress in 1990 enacted amendments to the Clean Air Act, including Title IV, 104 Stat. 2584, 42 U.S.C.A. § 7651, et seq. ("the 1990 Amendments") which limit emissions of sulfur dioxide (SO_2) by electric utilities; and

0.5 WHEREAS, under the 1990 Amendments, compliance is to be achieved in two stages -- Phase I, which begins January 1, 1995 and Phase II which begins January 1, 2000; and reductions in sulfur dioxide emissions are to be effected by a system in which a limited number of "emission allowances" have been allocated by the United States Environmental Protection Agency (EPA) to individual utility generating units; and

0.6 WHEREAS, twenty-one (21) of the Members' generating units have been designated by the 1990 Amendments as Phase I affected units, and fifty-one (51) of the Members' generating units have been designated as Phase II affected units, and as such, have been awarded emission allowances by the EPA; and

0.7 WHEREAS, the Members may have ownership or entitlement to emission allowances through several means, including: (i) EPA-AWARDED ALLOWANCES based on emission levels experienced during a base-line period, (ii) EPA bonus allowances awarded for various compliance strategies, primarily through the installation of FGD systems, and (iii) the purchase of allowances. Generally, Members are permitted to emit SO_2 only to the extent they have allowances to cover such emissions.

0.8 WHEREAS, compliance with the 1990 Amendments has been and will continue to be planned by the Members on an integrated and coordinated basis, consistent with the integrated and coordinated planning and operation of the Members' electric systems; and

0.9 WHEREAS, the Members desire to arrive at an equitable methodology of allocating emission allowances and associated costs and benefits between and among the Members; and

0.10 WHEREAS, the Members have entered into the Interim Allowance Agreement to establish, on an interim basis, a methodology and transfer price for the transfer of SO_2 emission allowances; and

0.11 WHEREAS, the Members believe that an agreement which provides for an equitable assignment of cost and benefits among the Members can best be realized if administered by a single clearing agent; and

0.12 WHEREAS, the Members believe that the Agent designated herein for such purpose is qualified to perform such services;

0.13 NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the parties hereto, hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1 The following terms and factors associated with settlements under this Agreement are defined in alphabetic order as follows:

1.2 **DELIVERING MEMBER** -- a Member which sells PRIMARY ENERGY and/or ECONOMY ENERGY to the POOL.

1.3 **ECONOMY ENERGY** -- electric energy delivered to the POOL from the MEMBER PRIMARY CAPACITY of a particular Member to displace energy that otherwise would be supplied by less efficient MEMBER PRIMARY CAPACITY of another Member to meet its MEMBER LOAD OBLIGATION.

1.4 **EPA-AWARDED ALLOWANCES** -- the allowances awarded to each generating unit by the EPA as defined in Section 404(a) of the 1990 Amendments.

1.5 **FERC** -- the Federal Energy Regulatory Commission or any successor agency.

1.6 **GAVIN BONUS ALLOWANCES** -- 184.7, 184.0, 44.6, 44.6 and 44.6 thousand allowances, excluding transfer allowances, for the years 1995, 1996, 1997, 1998 and 1999, respectively, awarded by the EPA to OPCo's Gavin Plant pursuant to Section 404(d) of the 1990 Amendments.

1.7 **GAVIN EPA-AWARDED ALLOWANCES** -- the allowances awarded to the Gavin Plant by the EPA pursuant to Section 404(a) of the 1990 Amendments.

1.8 **GAVIN SCRUBBER SO_2 REDUCTION** -- the difference between actual SO_2 emissions at OPCo's Gavin Plant operating with scrubbers and GAVIN UNCONTROLLED EMISSIONS for a given year.

1.9 **GAVIN UNCONTROLLED EMISSIONS** -- an estimated amount of SO_2 emissions that would result from operating the Gavin Plant without scrubbers. The estimate of GAVIN UNCONTROLLED EMISSIONS is calculated by dividing the scrubbed Gavin SO_2 EMISSIONS by (1.00 minus the scrubber SO_2 removal efficiency rate).

1.10 **INTERCONNECTION AGREEMENT** -- the Interconnection Agreement among the Members dated July 6, 1951, as amended.

1.11 **MEMBER AFFECTED UNITS** -- a Member's generating units that are required to meet the emission standards established by the 1990 Amendments.

1.12 **MEMBER CAPACITY DEFICIT FACTOR** -- for any Member, the average for the calendar year of its MEMBER PRIMARY CAPACITY DEFICIT divided by the sum of all members' average MEMBER PRIMARY CAPACITY DEFICITS.

1.13 **MEMBER DEMAND** -- MEMBER LOAD OBLIGATION determined on a clock-hour integrated kilowatt basis.

1.14 **MEMBER GENERATION** -- the total of a Member's net generation from its MEMBER PRIMARY CAPACITY.

1.15 **MEMBER LOAD OBLIGATION** -- a Member's internal load plus any firm power sales to Foreign Companies and to affiliated companies other than Members.

1.16 **MEMBER LOAD RATIO** -- the ratio of a particular Member's MEMBER MAXIMUM DEMAND in effect for a calendar month to the sum of the five MEMBER MAXIMUM DEMANDS in effect for such month.

1.17 **MEMBER MAXIMUM DEMAND** -- the MEMBER MAXIMUM DEMAND in effect for a calendar month for a particular Member shall be equal to the maximum MEMBER DEMAND experienced by said Member during the twelve consecutive calendar months next preceding such calendar month.

1.18 **MEMBER PRIMARY CAPACITY** -- the aggregate capacity of the electric power sources of a particular Member, in kilowatts, that is normally expected to be available to carry load. Such capacity shall include (i) the capacity installed at the generating stations owned by the Member and (ii) the capacity available to that Member through interconnection arrangements with affiliated companies or Foreign Companies.

1.19 **MEMBER PRIMARY CAPACITY DEFICIT** -- difference between the MEMBER PRIMARY CAPACITY and MEMBER PRIMARY CAPACITY RESERVATION of a particular Member, when such MEMBER PRIMARY CAPACITY is less than such MEMBER PRIMARY CAPACITY RESERVATION.

1.20 **MEMBER PRIMARY CAPACITY RESERVATION** -- SYSTEM PRIMARY CAPACITY multiplied by the MEMBER LOAD RATIO of a particular Member.

1.21 **OPCo CAPACITY SURPLUS FACTOR** -- the weighted average for the calendar year of (OPCo's MEMBER PRIMARY CAPACITY minus OPCo's MEMBER PRIMARY CAPACITY RESERVATION) divided by OPCo's MEMBER PRIMARY CAPACITY.

1.22 **OVER-COMPLIANCE** -- the amount by which a Member's SO_2 EMISSIONS are less than its EPA-AWARDED ALLOWANCES for the current year; provided, however, that in determining OPCo's OVER-COMPLIANCE, its emissions shall be deemed to include, in lieu of actual emissions from the Gavin Plant, 50% of GAVIN UNCONTROLLED EMISSIONS, and its allowances shall be deemed to include, in lieu of actual GAVIN EPA-AWARDED ALLOWANCES, only 50% of GAVIN EPA-AWARDED ALLOWANCES.

1.23 **POOL** -- electric energy delivered by one Member, from its MEMBER PRIMARY CAPACITY, to another Member shall be considered to be energy delivered to the POOL by the former Member and delivered from the POOL by the latter Member.

1.24 **POWER SALES TO FOREIGN COMPANIES** -- sales of electric power and energy to Foreign Companies, made by a Member on behalf of the System, where the revenue and cost of such sales are allocated to the Members in proportion to their respective MEMBER LOAD RATIOS.

1.25 **PRIMARY AND ECONOMY ENERGY RECEIPT FACTOR** -- the ratio of PRIMARY ENERGY and ECONOMY ENERGY receipts by a receiving Member from a DELIVERING MEMBER to the total sales of PRIMARY ENERGY and ECONOMY ENERGY by the DELIVERING MEMBER.

1.26 **PRIMARY AND ECONOMY ENERGY SUPPLY FACTOR** -- the sum of the Member's PRIMARY ENERGY and ECONOMY ENERGY deliveries divided by the MEMBER'S GENERATION.

1.27 **PRIMARY ENERGY** -- electric energy delivered to the POOL from the MEMBER PRIMARY CAPACITY of a particular Member to meet another Member's deficiency in capacity.

1.28 **RECEIVING MEMBER** -- a Member which buys PRIMARY ENERGY and/or ECONOMY ENERGY from the POOL.

1.29 **SO_2 EMISSIONS** -- the total of the Member's SO_2 EMISSIONS from the MEMBER'S AFFECTED UNITS.

1.30 **SURPLUS ALLOWANCES** -- the excess of a Member's current year EPA-AWARDED ALLOWANCES, plus allowances transferred to the Member pursuant to Sections 4.1, 4.2, 4.3 and 4.4 of this Agreement, over the Member's annual SO_2 EMISSIONS and its MLR share of the SYSTEM ALLOWANCE BANK.

1.31 **SYSTEM ALLOWANCE BANK** -- the sum of all the Members' allowances in excess of all the Members' SO_2 emissions.

1.32 **SYSTEM COST OF COMPLIANCE** -- for calendar year 1995 is \$115.43/ton of SO_2. For each subsequent year, the SYSTEM COST OF COMPLIANCE shall be \$115.43/ton of SO_2 escalated annually at a rate of 10.56%.

1.33 **SYSTEM PRIMARY CAPACITY** -- the sum of the MEMBER PRIMARY CAPACITY of all the Members.

1.34 **UNDER-COMPLIANCE** -- the amount by which a Member's SO_2 EMISSIONS are greater than its EPA-AWARDED ALLOWANCES for the current year; provided, however, that in determining OPCo's UNDER-COMPLIANCE, its emissions shall be deemed to include, in lieu of actual emissions from the Gavin Plant, 50% of GAVIN UNCONTROLLED EMISSIONS, and its allowances shall be deemed to include, in lieu of actual GAVIN EPA-AWARDED ALLOWANCES, only 50% of GAVIN EPA-AWARDED ALLOWANCES.

ARTICLE 2

EMISSION ALLOWANCE MANAGEMENT

2.1 In determining the transfer of costs and benefits related to emission allowances among Members, settlements for the following transactions will be governed by this Agreement: 1) an annual reallocation of Gavin allowances, described in Section 4.1, 2) an annual cash settlement for the transfer of allowances associated with PRIMARY ENERGY and ECONOMY ENERGY, described in Section 4.2, 3) a monthly cash settlement for allowances consumed for POWER SALES TO FOREIGN COMPANIES, described in Section 4.3, 4) sales and purchases of allowances to/from non-affiliated parties, described in Section 4.4, and 5) an annual transfer of allowances for current period compliance and allocation of the SYSTEM ALLOWANCE BANK, described in Section 4.5.

2.2 Agent shall have the authority to make any and all decisions relating to the use, management, purchase, sale and transfer of emission allowances. Except as provided in this Agreement or any superseding agreement, no other payment or compensation shall be made between or among the Members with respect to any such use, management, purchase, sale or transfer.

ARTICLE 3

AGENT'S RESPONSIBILITIES

3.1 For the purpose of carrying out the provisions of this Agreement, the Members hereby delegate to Agent, and Agent hereby accepts, the responsibility of administration of this Agreement, and in furtherance thereof Agent hereby agrees:

3.11 To render to each Member as promptly as possible after the end of each month a statement setting forth the settlements hereunder for such preceding calendar month, in such detail and with such segregation as may be needed for accounting, operating, or other proper purposes.

3.12 To carry out allowance transfer settlements under this Agreement. Settlement for the Gavin Allowance Reallocation shall be recorded annually in December for each calendar year.

3.13 To carry out cash settlements under this Agreement through an account (hereby designated and hereinafter called the SYSTEM ALLOWANCE ACCOUNT) to be administered by Agent. Payments to or from such account shall be made to or by Agent as clearing agent of the account. The total amount of the payments made by the Members to the SYSTEM ALLOWANCE ACCOUNT each month shall be equal to the total amount of the payments made from the SYSTEM ALLOWANCE ACCOUNT for the same period.

3.131 Monthly settlements by the Members shall be determined for Allowances Consumed for Power Sales to Foreign Companies.

3.132 Annual settlements by the Members shall be determined in December of each calendar year for Allowance Transfers for Primary and Economy Energy Transactions.

3.133 Settlements by the Members shall be determined for allowances sold and purchased to/from non-affiliated parties as they occur.

3.134 Annual settlements by the Members shall be determined in December of each calendar year for the Transfer of Allowances for Current Period Compliance and Allocation of the System Allowance Bank.

ARTICLE 4

SETTLEMENTS

4.1 GAVIN ALLOWANCE REALLOCATION - In December of 1995 and each subsequent calendar year, the allowance inventory accounts of the Members will be adjusted to recognize the Gavin Allowance Reallocation. The number of Gavin allowances available for reallocation is determined by multiplying the OPCo CAPACITY SURPLUS FACTOR by the sum of (i) GAVIN BONUS ALLOWANCES and (ii) 50% of the sum of the GAVIN EPA-AWARDED ALLOWANCES and the GAVIN SCRUBBER SO_2 REDUCTION. The Gavin allowances available for reallocation shall be transferred, at zero cost, to the Members having a MEMBER

PRIMARY CAPACITY DEFICIT. Each deficit Member's share of the Gavin Allowance Reallocation is determined by multiplying the Gavin Allowances to Reallocate by the MEMBER'S CAPACITY DEFICIT FACTOR.

4.2 ALLOWANCE TRANSFERS ASSOCIATED WITH PRIMARY AND ECONOMY ENERGY TRANSACTIONS - In December of each year, the DELIVERING MEMBERS shall transfer allowances to or receive allowances from the RECEIVING MEMBERS, according to this Section. A DELIVERING MEMBER shall be transferred allowances from a RECEIVING MEMBER if the DELIVERING MEMBER is in an UNDER-COMPLIANCE position. A DELIVERING MEMBER shall transfer allowances to a RECEIVING MEMBER if the DELIVERING MEMBER is in an OVER-COMPLIANCE position. Members supplying allowances shall be compensated by the Members receiving allowances based on the supplying Member's average allowance inventory cost. For the year, a Member may be both a DELIVERING MEMBER and a RECEIVING MEMBER.

4.21 In December of each year, the Member's annual OVER-COMPLIANCE or UNDER-COMPLIANCE shall be determined.

4.22 The PRIMARY AND ECONOMY ENERGY SUPPLY FACTOR of each DELIVERING MEMBER shall be multiplied by that Member's over/(under) compliance to determine its incremental OVER-COMPLIANCE or incremental UNDER-COMPLIANCE position. The incremental over/(under) compliance position represents the total number of allowances to be transferred from or received by the DELIVERING MEMBER.

4.23 If the DELIVERING MEMBER is in an UNDER-COMPLIANCE position, the number of allowances to be transferred from the RECEIVING MEMBER is calculated by multiplying the DELIVERING MEMBER'S incremental UNDER-COMPLIANCE by the respective PRIMARY AND ECONOMY ENERGY RECEIPT FACTOR. If the DELIVERING MEMBER is in an OVER-COMPLIANCE position, the number of allowances to be transferred to the RECEIVING MEMBERS is calculated by multiplying the incremental OVER-COMPLIANCE of the DELIVERING MEMBER by the respective PRIMARY AND ECONOMY ENERGY RECEIPT FACTORS.

4.24 The net allowances transferred from the supplying Member during the year are priced at their individual weighted average inventory cost computed at the end of December. The net allowances transferred to the receiving Members shall be based on the weighted average inventory cost of all Members supplying allowances. The average inventory cost of a supplying Member is computed by taking the total book cost of allowances available for transfer divided by the number of allowances available for transfer at the end of December.

4.3 ALLOWANCES CONSUMED FOR POWER SALES TO FOREIGN COMPANIES - When allowances are consumed for power sales to foreign companies, the customer has the option of reimbursing the supplying company with allowances in kind, or paying cash for the allowances at the current market rate. If the customer reimburses in kind, the allowances shall be retained by the supplying Member (Member company that generated the energy and consumed the allowances); and a cash settlement shall be made to each Member based on its MLR-share of the current value of the allowances received. If cash is received, in lieu of allowances, it shall be shared by each member based on its current MLR. The supplying Member's consumed cost of allowances for sale to foreign companies shall be allocated to each Member based on its current MLR. The method for determining the allowances consumed in generating the energy for POWER SALES TO FOREIGN COMPANIES is set forth in Appendix E to this Agreement.

4.4 ALLOWANCE TRANSACTIONS WITH NON-AFFILIATED PARTIES - Participation in the allowance market could involve either the sale or purchase of allowances to or from non-affiliated parties.

4.41 SALE OF ALLOWANCES - Except as provided in Section 4.43, in the event allowances are sold to non-affiliated parties, each Member shall contribute its MLR share of the total quantity sold. To the extent a Member cannot provide its MLR share due to a shortfall, that Member shall purchase an amount of allowances necessary to cover the shortfall from other Members having a surplus, at the System Cost of Compliance. Each Member shall receive its MLR share of the total proceeds.

4.42 PURCHASE OF ALLOWANCES - In the event allowances are purchased from non-affiliated parties, each Member shall take ownership of its MLR share of the total quantity purchased and pay its MLR share of the total cost.

4.43 SALE OF WITHHELD ALLOWANCES AT EPA AUCTIONS - The proceeds from sales of allowances withheld by the EPA, pursuant to Section 416 of Title IV of the 1990 Amendments, shall be retained by the Member owning the generating units from which the allowances were withheld.

4.44 NET PROCEEDS AND COSTS FROM PREVIOUS ALLOWANCE TRANSACTIONS - The net proceeds from sales of allowances to non-affiliated parties which occurred prior to the effective date of Modification No. 1 to this Agreement, the cost of allowances purchased from non-affiliated parties which occurred prior to the effective date of Modification No. 1 to this Agreement and all carrying charges accrued on such proceeds and costs, shall be shared by each Member based on its MLR.

4.5 TRANSFERS OF ALLOWANCES FOR CURRENT PERIOD COMPLIANCE AND ALLOCATION OF THE SYSTEM ALLOWANCE BANK - At the end of December of each calendar year, each Member shall own a share of the SYSTEM ALLOWANCE BANK, based on its current MEMBER LOAD RATIO. A Member whose annual SO_2 EMISSIONS exceed its available allowance inventory, after intercompany settlements described in Section 4.1, 4.2, 4.3 and 4.4 of this Agreement, will purchase allowances to eliminate its shortfall in that calendar year and to provide for its MLR share of the SYSTEM ALLOWANCE BANK. These purchases will be made from Members having SURPLUS ALLOWANCES and will be priced at the SYSTEM COST OF COMPLIANCE. If more than one Member has SURPLUS ALLOWANCES, the buying Member will purchase a proportionate share from the surplus Members.

ARTICLE 5

BILLINGS AND PAYMENTS

5.1 All bills for amounts owing hereunder shall be due and payable on the fifteenth day of the month next following the month to which a settlement has been rendered, or on the tenth day following the receipt of the bill, whichever date is later. Interest on unpaid amounts shall accrue daily at the prime interest rate per annum in effect on the due date at Citibank, plus 2% per annum, from the due date until the date upon which payment is made. Unless otherwise agreed upon, the calendar month shall be the standard period for the purpose of settlements under this Agreement. If bills cannot be accurately determined at any time, they shall be rendered on an estimated basis and subsequently adjusted to conform to the terms of this Agreement.

ARTICLE 6

TAXES

6.1 If at any time during the duration of this Agreement there should be levied and/or assessed by any governmental authority against any Member any tax related to the receipt of settlements calculated pursuant to Article 5 of this Agreement (including, but not limited to sales, excise, etc.), the tax expense incurred by such Member that would not have been incurred were the allowance settlements hereunder not being made, such Member shall be entitled to reimbursement of the tax expense from the Member generating the tax expense.

ARTICLE 7

MODIFICATIONS

7.1 Any Member, by written notice given to the other Members and Agent, may call for a reconsideration of the terms and conditions herein provided. If such reconsideration is called for, the Members shall take into account any changed conditions, any results from the application of said terms and conditions, and any other facts that might cause said terms and conditions to result in an inequitable sharing of costs and benefits under this Agreement. Any modification in terms and conditions agreed to by the Members shall be subject to appropriate regulatory approval and become effective the first day of the month following regulatory authorization.

ARTICLE 8

EFFECTIVE DATE AND TERMS OF THIS AGREEMENT

8.1 This Agreement shall become effective and shall become a binding obligation of the Parties on January 1, 1995, or such other effective date determined by FERC.

8.2 This Agreement shall continue in effect from the effective date until the effective date of any subsequent agreement.

ARTICLE 9

REGULATORY AUTHORITIES

9.1 The Members recognize that this Agreement, and any tariff or rate schedule which shall embody or supersede this Agreement or any part thereof, are in certain respects subject to the jurisdiction of the FERC under the Federal Power Act, and are also subject to such lawful action as any regulatory authority having jurisdiction shall hereinafter take with respect thereto. The performance of any obligation of the Members shall be subject to the receipt of such authorizations, approvals or actions of regulatory authorities having jurisdiction as shall be required by law.

9.2 It is expressly understood that the Members shall be entitled, at any time unilaterally, to make application to the FERC for a change in the rates, charges, classification of service, or any rule, regulation or contract relating thereto, or to make any change in or supersede in whole or in part any provision of the this Agreement, under Section 205 of the Federal Power Act and pursuant to the FERC's Rules and Regulations promulgated thereunder.

ARTICLE 10

ASSIGNMENT

10.1 This Agreement shall accrue to the benefit of and be binding upon the successors and assigns of the respective parties.

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed in their respective corporate names and on their behalf by their proper officers thereunto duly authorized as of the day and year first above written.

APPALACHIAN POWER COMPANY

By (Signature on Original Document)

COLUMBUS SOUTHERN POWER COMPANY
OHIO POWER COMPANY

By (Signature on Original Document)

INDIANA MICHIGAN POWER COMPANY

By (Signature on Original Document)

KENTUCKY POWER COMPANY

By (Signature on Original Document)

AMERICAN ELECTRIC POWER
SERVICE CORPORATION

By (Signature on Original Document)

WHEREAS, APPALACHIAN POWER COMPANY (APCO), a Virginia corporation, COLUMBUS SOUTHERN POWER COMPANY (CSP), an Ohio corporation, INDIANA MICHIGAN POWER COMPANY (I&M), an Indiana corporation, KENTUCKY POWER COMPANY (KPCO), a Kentucky corporation, OHIO POWER COMPANY (OPCO), an Ohio corporation, said companies (herein sometimes called 'Members' when referred to collectively and 'Member' when referred to individually) being affiliated companies of the integrated public utility electric system known as the American Electric Power System (AEP), and AMERICAN ELECTRIC POWER SERVICE CORPORATION (Agent), a New York corporation, being a service company engaged solely in the business of furnishing essential services to the aforesaid companies and the other affiliated companies, all of whom are currently doing business as American Electric Power, desire to establish a mechanism for the allocation of emission allowance costs and proceeds associated with purchases and sales with non-affiliated entities; and

WHEREAS, the Members desire to amend the AEP System Interim Allowance Agreement dated July 28, 1994 to reflect this mechanism and to effect certain other changes to the Agreement; and

WHEREAS, except as changed by amendments, the AEP System Interim Allowance Agreement remains in full force and effect.

NOW THEREFORE, the Members adopt the document attached hereto showing the proposed amendments to the AEP System Interim Allowance Agreement in a form in which deletions appear as struck-through text and additions appear as shaded text, as "Modification No. 1 to the AEP System Interim Allowance Agreement By and Among

Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Ohio Power Company and With American Electric Power Service Corporation As Agent."

Agreed to this ___ day of June, 1996.

Wm J. Lhota

By: William J. Lhota

Title: President and Chief Operating Officer of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, and Ohio Power Company; and Executive Vice President of American Electric Power Service Corporation, collectively doing business as American Electric Power

APPENDIX A

ALLOWANCE TRANSFER SUMMARY

FINANCIAL STATEMENT EFFECTS

AEP System
Interim Allowance Agreement - Modification No. 1
Description of Allowance Transfer Summary

The forecasted allowance transfers for 1996 and 1997, pursuant to Modification No. 1 of the Interim Allowance Agreement, are summarized on the top of Pages 3 and 4 of Appendix A. Under the terms of Modification No. 1 ("Modified Agreement"), the calculation of these transfers remains unchanged, with the exception of the Intercompany Purchases/(Sales). The elements related to the allowance transfers are described below.

EPA Awarded Allowances - Defined in Section 1.4 of the Modified Agreement, EPA Awarded Allowances represent the allowances awarded to each generating unit by the EPA as defined in Section 404(a) of the 1990 Amendments.

Other Allowances, Ormet - Other Allowances represent the allowances received by OPCO from Ormet Primary Aluminum Corporation, pursuant to a contract for retail power sales to Ormet.

SO2 Emissions - Defined in Section 1.29 of the Modified Agreement, SO2 Emissions represent the total of the Member's SO2 Emissions from the Member's Affected Units.

Over/(Under) Compliance - Represents the difference between a Member's allowances (including EPA Awarded Allowances and Other Allowances) and its SO2 Emissions.

Gavin Reallocation - Described in Section 4.1 of the Modified Agreement, the terms of the Gavin Reallocation are not affected by Modification No. 1.

P&E Transfers - Described in Section 4.2 of the Modified Agreement, the terms of the P&E Transfers are not affected by Modification No. 1.

Intercompany Purchases/(Sales) - Described in Section 4.5 of the Modified Agreement, the method for calculating Intercompany Purchases/(Sales) of allowances has been changed by Modification No. 1. Under the amended terms, each Member must own, at the end of each calender year, a sufficient number of allowances to cover (1) its annual compliance requirement and (2) its MLR-share of the AEP System Allowance Bank. This represents a change from the original agreement, which required each Member to own, at the end of each calender year, a sufficient number of allowances to cover (1) its annual compliance requirement and (2) a share of the AEP System Allowance Bank based on its estimated future compliance requirements over a 20-year forecast period. The calculation of Intercompany Purchases/(Sales) is presented on Pages 5 and 6 of Appendix A.

AEP System
Interim Allowance Agreement - Modification 1
Description of Financial Statement Effects

The forecasted financial statement effects of allowance transfers for 1996 and 1997, pursuant to Modification 1 of the Interim Allowance Agreement, are summarized on the bottom of Pages 1 and 2 of Appendix A. Below is a brief description the effects on financial statements.

__Income Statement Effects:__

Sales for Resale - Reflects the reimbursement of the market value of allowances consumed for sales to foreign companies. Also reflects intercompany billing for the consumed cost of such allowances.

Purchased Power - Reflects the consumed cost of allowances used in the generation for sales to foreign companies.

SO2 Emissions Expense - Reflects the consumption of allowances, at average cost, to cover the SO2 emissions from affected units.

__Balance Sheet Effects:__

Allowance Inventory - Reflects increases in the value of Allowance Inventory due to (1) P&E Transfers In and (2) Intercompany Purchases. Reflects decreases in the value of Allowance Inventory due to (1) P&E Transfers Out, (2) Intercompany Sales and (3) SO2 Emissions.

Accounts Receivable/Payable - Reflects receivables/payables associated with (1) Intercompany Allowance Purchases/Sales, (2) P&E Transfers and (3) settlements for allowances consumed for sales to foreign companies.

Other Regulatory Liabilities - Represents the deferred gain from allowance sales to other Members.

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT
MODIFICATION No. 1
1996 FORECAST

	APCO	CSP	I&M	KYPC	OPCO	SYSTEM
Allowance Transfer Summary (Tons)						
EPA Awarded Allowances	-	101,444	47,489	-	757,340	906,273
Other Allowances - Ormet	-	-	-	-	66,400	66,400
SO2 Emissions	-	(87,800)	(32,200)	-	(343,000)	(463,000)
Over/(Under) Compliance	-	13,644	15,289	-	480,740	509,673
Allowance Transfers:						
Gavin Reallocation	68,318	58,918	-	1,560	(128,796)	-
P&E Transfers	(2,876)	(1,131)	(4,240)	(136)	8,383	-
Intercompany Puch/(Sales)	106,943	13,287	82,930	33,473	(236,633)	-
Subtotal - Allowance Transfers	172,385	71,074	78,690	34,897	(357,046)	-
Increase/(Decrease) in Allowance Bank	172,385	84,718	93,979	34,897	123,694	509,673
Bank Level - Beginning of Year	116,490	60,473	69,315	24,400	100,984	371,661
Bank Level - End of Year	288,875	145,191	163,294	59,296	224,678	881,334
Financial Statement Effects of Allowance Transfers ($000)						
INCOME STATEMENT:						
Sales for Resale	756	441	558	156	845	2,755
Purchased Power Expense	142	65	60	29	51	346
SO2 Emissions Expense	-	633	2,533	-	4,267	7,434
Net Effect	614	(258)	(2,035)	126	(3,472)	(5,025)
BALANCE SHEET:						
ASSETS:						
Allowance Inventory	13,400	1,048	7,676	4,240	(6,656)	19,707
Accts Receivable - Assoc Co	197	54	441	16	30,277	30,984
Accts Receivable - Other	756	395	450	156	653	2,409
Total Assets	14,352	1,497	8,568	4,411	24,273	53,100
LIABILITIES:						
Accts Payable - Assoc Co	13,738	1,754	10,603	4,285	605	30,984
Other Regulatory Liabilities	-	-	-	-	27,141	27,141
Total Liabilities	13,738	1,754	10,603	4,285	27,745	58,125

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT
MODIFICATION No. 1
1997 FORECAST

	APCO	CSP	I&M	KYPC	OPCO	SYSTEM
Allowance Transfer Summary (Tons)						
EPA Awarded Allowances	-	88,554	47,489	-	502,821	638,864
Other Allowances - Ormet	-	-	-	-	17,900	17,900
SO2 Emissions	-	(95,600)	(24,700)	-	(350,500)	(470,800)
Over/(Under) Compliance	-	(7,046)	22,789	-	170,221	185,964
Allowance Transfers:						
Gavin Reallocation	50,055	43,866	-	2,133	(96,054)	-
P&E Transfers	(7,318)	(6,084)	(5,033)	(39)	18,474	-
Intercompany Puch/(Sales)	4,619	3,838	22,324	8,977	(39,758)	-
Subtotal - Allowance Transfers	47,356	41,620	17,291	11,071	(117,338)	-
Increase/(Decrease) in Allowance Bank	47,356	34,574	40,080	11,071	52,883	185,964
Bank Level - Beginning of Year	288,875	145,191	163,294	59,296	224,678	881,334
Bank Level - End of Year	336,231	179,765	203,374	70,367	277,562	1,067,298

Financial Statement Effects of Allowance Transfers ($000)

	APCO	CSP	I&M	KYPC	OPCO	SYSTEM
INCOME STATEMENT:						
Sales for Resale	1,138	655	742	238	1,213	3,985
Purchased Power Expense	152	69	75	32	40	368
SO2 Emissions Expense	-	574	1,831	-	3,510	5,915
Net Effect	985	11	(1,164)	206	(2,337)	(2,298)
BALANCE SHEET:						
ASSETS:						
Allowance Inventory	170	(74)	922	1,252	(3,016)	(746)
Accts Receivable - Assoc Co	477	93	440	5	5,813	6,827
Accts Receivable - Other	1,138	599	675	238	967	3,617
Total Assets	1,785	618	2,037	1,495	3,763	9,698
LIABILITIES:						
Accts Payable - Assoc Co	799	606	3,201	1,289	931	6,827
Other Regulatory Liabilities	-	-	-	-	5,169	5,169
Total Liabilities	799	606	3,201	1,289	6,100	11,996

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT - MODIFICATION No. 1
CALCULATION OF INTERCOMPANY PURCHASES/(SALES)
1996 FORECAST
(TONS)

		APCO	CSP	I&M	KYPC	OPCO	SYSTEM
[A]	Bank Level - Beginning of Year	116,490	60,473	69,315	24,400	100,984	371,661
[B]	Annual Over/(Under) Compliance	-	13,644	15,289	-	480,740	509,673
[C]	Gavin Reallocation	68,318	58,918	-	1,560	(128,796)	-
[D]	P&E Transfers	(2,876)	(1,131)	(4,240)	(136)	8,383	-
[E] = [A]+[B]+[C]+[D]	Subtotal	181,932	131,904	80,364	25,824	461,311	881,334
[F]	December 1996 MLR	0.32777	0.16474	0.18528	0.06728	0.25493	1.00000
[G] = [F] * 881,334	MLR-Share of System Allowance Bank	288,875	145,191	163,294	59,296	224,678	881,334
[H] = [G] - [E]	Purchases/(Sales) Required to Achieve MLR-Share of System Allowance Bank	106,943	13,287	82,930	33,473	(236,633)	-

Page 5 of 6

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT - MODIFICATION No. 1
CALCULATION OF INTERCOMPANY PURCHASES/(SALES)
1997 FORECAST
(TONS)

		APCO	CSP	I&M	KYPC	OPCO	SYSTEM
[A]	Bank Level - Beginning of Year	288,875	145,191	163,294	59,296	224,678	881,334
[B]	Annual Over/(Under) Compliance	-	(7,046)	22,789	-	170,221	185,964
[C]	Gavin Reallocation	50,055	43,866	-	2,133	(96,054)	-
[D]	P&E Transfers	(7,318)	(6,084)	(5,033)	(39)	18,474	-
[E] = [A]+[B]+[C]+[D]	Subtotal	331,612	175,927	181,050	61,390	317,319	1,067,298
[F]	December 1997 MLR	0.31503	0.16843	0.19055	0.06593	0.26006	1.00000
[G] = [F] * 1,067,298	MLR-Share of System Allowance Bank	336,231	179,765	203,374	70,367	277,562	1,067,298
[H] = [G] - [E]	Purchases/(Sales) Required to Achieve MLR-Share of System Allowance Bank	4,619	3,838	22,324	8,977	(39,758)	-

APPENDIX B

PROCEEDS/COSTS ASSOCIATED WITH THIRD PARTY SALES/PURCHASES, PREVIOUSLY DEFERRED

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT
MODIFICATION No. 1
($000)

Member's Share of Proceeds/(Costs)
Associated with Third Party Allowance Transactions

	APCO	CSP	I&M	KYPC	OPCO	SYSTEM
Proceeds from EPA Auctions	819	574	560	151	3,383	5,487
Proceeds from Other Allowance Sales	11,788	5,421	5,949	2,240	9,305	34,703
Cost of Purchased Allowances	(503)	(231)	(254)	(96)	(397)	(1,480)
Total	12,104	5,763	6,256	2,296	12,291	38,710

AEP System
Allowance Purchases/Sales
Deferred Pending Final Agreement
($000)

	APCO	CSP	I&M	KYPC	OPCO	SYSTEM
EPA Auction Proceeds						
1993 Auction Proceeds	212	162	158	39	1,002	1,573
1994 Auction Proceeds	291	198	193	54	1,142	1,878
1995 Auction Proceeds	250	168	164	46	964	1,592
Subtotal	753	528	515	139	3,108	5,043
Plus Accrued Carrying Charge through May 1996	66	46	45	12	275	444
Total Credit to be Retained by each Member	819	574	560	151	3,383	5,487
Allowance Sales						
1994 Sale of Allowances						31,619
Plus Accrued Carrying Charge through May 1996						3,084
Total						34,703
March 1994 MLR	0.33968	0.15620	0.17144	0.06456	0.26812	1.00000
Member's Share of Net Proceeds	11,788	5,421	5,949	2,240	9,305	34,703
Allowance Purchases						
1994 EPA Auction Purchase of 8,788 allowances						(1,287)
Plus Accrued Carrying Charge through May 1996						(193)
Total Cost						(1,480)
March 1994 MLR	0.33968	0.15620	0.17144	0.06456	0.26812	1.00000
Member's Share of Purhcase Price	(503)	(231)	(254)	(96)	(397)	(1,480)

APPENDIX C

COMPARISON OF REVENUE REQUIREMENTS

BASE CASE (IAA) vs MLR CASE (MODIFICATION No. 1 to the IAA)

AEP System
Comparison of Revenue Requirments
Base Case vs MLR Case
($ Millions)

	APCO	CSP	I&M	KYPC	OPCO	TOTAL
5 Year Average						
Base Case	1,551	1,053	1,131	292	1,594	5,621
MLR Case	1,551	1,051	1,135	292	1,585	5,614
Change	-	(2)	4	-	(9)	(7)
10 Year Average						
Base Case	1,743	1,191	1,253	342	1,748	6,277
MLR Case	1,740	1,188	1,253	340	1,753	6,274
Change	(3)	(3)	-	(2)	5	(3)
20 Year NPV @10.14%						
Base Case	16,647	11,579	11,539	3,298	15,916	58,979
MLR Case	16,638	11,574	11,536	3,298	15,932	58,978
Change	(9)	(5)	(3)	-	16	(1)

Note:

Forecast data based on AEP System Acid Rain Compliance Plan, filed before the P.U.C.O. on October 14, 1994.

REVENUE REQUIREMENTS

BASE CASE

APCO
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	1,439	0.0	0.0	0.0	0.0	1,439
1996	1,484	0.0	0.0	0.0	0.0	1,484
1997	1,551	0.0	0.0	0.0	0.0	1,551
1998	1,611	0.0	0.0	0.0	0.0	1,611
1999	1,669	0.0	0.0	0.0	0.0	1,669
2000	1,772	0.0	0.0	1.6	1.6	1,774
2001	1,855	0.0	0.0	1.1	1.1	1,856
2002	1,930	0.0	0.0	0.7	0.7	1,931
2003	2,017	0.0	0.0	0.4	0.4	2,017
2004	2,098	0.0	0.0	0.3	0.3	2,098
2005	2,201	0.0	0.0	0.2	0.2	2,201
2006	2,337	0.0	0.0	0.1	0.1	2,337
2007	2,464	0.0	0.0	0.1	0.1	2,4
2008	2,555	0.0	0.0	0.0	0.0	2,55
2009	2,761	0.0	0.0	0.0	0.0	2,761
2010	2,929	0.0	0.0	23.3	23.3	2,952
2011	3,087	0.0	0.0	17.1	17.1	3,104
2012	3,246	0.0	0.0	12.1	12.1	3,258
2013	3,339	0.0	0.0	13.2	13.2	3,352
2014	3,545	0.0	0.0	4.6	4.6	3,550

5-yr Average	1,551	0.0	0.0	0.0	0.0	1,551
10-yr Average	1,743	0.0	0.0	0.4	0.4	1,743
NPV @ 10.14%	16,632	0.0	0.0	15.4	15.4	16,647

CSP
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

		Effect of Interim Allowance Agreement				Total
	Base Level	Internal Sales	External Sales	Consumed Allowances	Subtotal	Revenue Requirement
1995	976	0.0	0.0	0.1	0.1	976
1996	1,009	0.0	0.0	0.2	0.2	1,009
1997	1,051	0.0	0.0	0.1	0.1	1,051
1998	1,094	0.0	0.0	0.1	0.1	1,094
1999	1,133	0.0	0.0	0.1	0.1	1,133
2000	1,214	0.0	0.0	0.1	0.1	1,214
2001	1,269	0.0	0.0	0.1	0.1	1,269
2002	1,326	0.0	0.0	0.1	0.1	1,326
2003	1,388	0.0	0.0	0.1	0.1	1,388
2004	1,451	0.0	0.0	0.0	0.0	1,451
2005	1,536	0.0	0.0	0.0	0.0	1,536
2006	1,632	0.0	0.0	0.0	0.0	1,632
2007	1,736	0.0	0.0	0.0	0.0	1,736
2008	1,810	(4.1)	0.0	0.0	(4.1)	1,806
2009	1,999	0.0	0.0	0.0	0.0	1,999
2010	2,177	0.0	0.0	7.5	7.5	2,185
2011	2,269	0.0	0.0	13.5	13.5	2,283
2012	2,378	0.0	0.0	12.7	12.7	2,391
2013	2,447	0.0	0.0	13.6	13.6	2,461
2014	2,495	0.0	0.0	15.6	15.6	2,511

5-yr Average	1,053	0.0	0.0	0.1	0.1	1,053
10-yr Average	1,191	0.0	0.0	0.1	0.1	1,191
NPV @ 10.14%	11,568	(1.1)	0.0	11.5	10.5	11,579

I&M
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement: Internal Sales	External Sales	Consumed Allowances	Subtotal	Total Revenue Requirement
1995	1,050	0.0	0.0	0.7	0.7	1,051
1996	1,091	0.0	0.0	1.7	1.7	1,093
1997	1,156	0.0	0.0	0.8	0.8	1,157
1998	1,158	0.0	0.0	0.3	0.3	1,158
1999	1,195	0.0	0.0	0.1	0.1	1,195
2000	1,267	0.0	0.0	0.0	0.0	1,267
2001	1,312	0.0	0.0	0.0	0.0	1,312
2002	1,368	0.0	0.0	0.0	0.0	1,368
2003	1,431	0.0	0.0	0.0	0.0	1,431
2004	1,497	0.0	0.0	0.0	0.0	1,497
2005	1,518	0.0	0.0	0.0	0.0	1,518
2006	1,594	0.0	0.0	0.0	0.0	1,594
2007	1,672	0.0	0.0	0.0	0.0	1,[illegible]
2008	1,727	(6.1)	0.0	0.0	(6.1)	1,721
2009	1,781	0.0	0.0	0.0	0.0	1,781
2010	1,806	0.0	0.0	0.4	0.4	1,806
2011	1,860	0.0	0.0	3.4	3.4	1,863
2012	1,972	0.0	0.0	3.4	3.4	1,975
2013	2,066	0.0	0.0	3.5	3.5	2,070
2014	2,256	0.0	0.0	0.6	0.6	2,257
5-yr Average	1,130	0.0	0.0	0.7	0.7	1,131
10-yr Average	1,253	0.0	0.0	0.4	0.4	1,253
NPV @ 10.14%	11,536	(1.6)	0.0	4.9	3.3	11,539

KYPC
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	264	0.0	0.0	0.0	0.0	264
1996	279	0.0	0.0	0.0	0.0	279
1997	293	0.0	0.0	0.0	0.0	293
1998	304	0.0	0.0	0.0	0.0	304
1999	318	0.0	0.0	0.0	0.0	318
2000	349	0.0	0.0	11.6	11.6	361
2001	365	0.0	0.0	10.9	10.9	376
2002	382	0.0	0.0	9.6	9.6	392
2003	401	0.0	0.0	9.1	9.1	410
2004	417	0.0	0.0	8.4	8.4	425
2005	453	0.0	0.0	7.2	7.2	460
2006	472	0.0	0.0	6.3	6.3	478
2007	495	0.0	0.0	6.1	6.1	501
2008	511	0.0	0.0	12.6	12.6	524
2009	538	0.0	0.0	24.1	24.1	562
2010	563	0.0	0.0	18.9	18.9	582
2011	604	0.0	0.0	23.6	23.6	628
2012	648	0.0	0.0	24.8	24.8	673
2013	668	0.0	0.0	27.5	27.5	696
2014	689	0.0	0.0	31.1	31.1	720
5-yr Average	292	0.0	0.0	0.0	0.0	292
10-yr Average	337	0.0	0.0	5.0	5.0	342
NPV @ 10.14%	3,238	0.0	0.0	60.5	60.5	3,298

OPCO
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	1,518	(21.2)	0.0	0.0	(21.2)	1,497
1996	1,566	(20.1)	0.0	0.0	(20.1)	1,546
1997	1,599	0.0	0.0	0.1	0.1	1,599
1998	1,647	0.0	0.0	0.1	0.1	1,647
1999	1,683	0.0	0.0	0.1	0.1	1,683
2000	1,803	0.0	(135.9)	0.1	(135.8)	1,667
2001	1,867	0.0	0.0	1.0	1.0	1,868
2002	1,905	0.0	0.0	12.1	12.1	1,917
2003	1,978	0.0	0.0	13.8	13.8	1,992
2004	2,048	0.0	0.0	17.9	17.9	2,066
2005	2,093	0.0	0.0	5.1	5.1	2,098
2006	2,179	0.0	0.0	0.9	0.9	2,180
2007	2,261	0.0	0.0	0.2	0.2	[illegible]
2008	2,310	(1.5)	0.0	0.0	(1.5)	[illegible]
2009	2,427	(36.9)	0.0	0.0	(36.9)	2,390
2010	2,407	(41.1)	0.0	0.1	(41.0)	2,366
2011	2,603	(57.7)	(2.8)	0.0	(60.5)	2,543
2012	2,743	(51.9)	(22.3)	0.0	(74.2)	2,669
2013	2,791	(58.0)	(22.4)	0.1	(80.3)	2,711
2014	3,030	(44.1)	(44.0)	0.1	(88.0)	2,942

5-yr Average	1,603	(8.3)	0.0	0.1	(8.2)	1,594
10-yr Average	1,761	(4.1)	(13.6)	4.5	(13.2)	1,748
NPV @ 10.14%	16,075	(89.6)	(90.5)	21.1	(159.0)	15,916

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT - Base Case w/ Allowance Sales
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	5,247	(21.2)	0.0	0.8	(20.4)	5,227
1996	5,429	(20.1)	0.0	1.9	(18.2)	5,411
1997	5,650	0.0	0.0	1.0	1.0	5,651
1998	5,814	0.0	0.0	0.5	0.5	5,815
1999	5,998	0.0	0.0	0.3	0.3	5,998
2000	6,405	0.0	(135.9)	13.4	(122.5)	6,283
2001	6,668	0.0	0.0	13.1	13.1	6,681
2002	6,911	0.0	0.0	22.5	22.5	6,934
2003	7,215	0.0	0.0	23.4	23.4	7,238
2004	7,511	0.0	0.0	26.6	26.6	7,538
2005	7,801	0.0	0.0	12.5	12.5	7,814
2006	8,214	0.0	0.0	7.3	7.3	8,221
2007	8,628	0.0	0.0	6.4	6.4	8,634
2008	8,913	(11.7)	0.0	12.6	0.9	8,914
2009	9,506	(36.9)	0.0	24.1	(12.8)	9,493
2010	9,882	(41.1)	0.0	50.2	9.1	9,891
2011	10,423	(57.7)	(2.8)	57.6	(2.9)	10,420
2012	10,987	(51.9)	(22.3)	53.0	(21.2)	10,966
2013	11,311	(58.0)	(22.4)	57.9	(22.5)	11,289
2014	12,015	(44.1)	(44.0)	52.0	(36.1)	11,979
5-yr Average	5,628	(8.3)	0.0	0.9	(7.4)	5,620
10-yr Average	6,285	(4.1)	(13.6)	10.4	(7.4)	6,277
NPV @ 10.14%	59,048	(92.2)	(90.5)	113.4	(69.4)	58,979

REVENUE REQUIREMENTS

MLR CASE

APCO
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	1,439	0.0	0.0	0.0	0.0	1,439
1996	1,484	0.0	0.0	0.0	0.0	1,484
1997	1,551	0.0	0.0	0.0	0.0	1,551
1998	1,611	0.0	0.0	0.0	0.0	1,611
1999	1,669	0.0	0.0	0.0	0.0	1,669
2000	1,772	(6.4)	(31.0)	11.6	(25.8)	1,746
2001	1,855	(6.8)	0.0	8.6	1.8	1,857
2002	1,930	(4.9)	0.0	5.6	0.7	1,931
2003	2,017	(4.9)	0.0	3.6	(1.3)	2,016
2004	2,098	(6.0)	0.0	2.2	(3.8)	2,094
2005	2,201	(2.6)	0.0	1.2	(1.4)	2,200
2006	2,337	0.0	0.0	0.6	0.6	2,338
2007	2,464	0.0	0.0	1.5	1.5	2,466
2008	2,555	0.0	0.0	9.0	9.0	2,564
2009	2,761	0.0	0.0	22.9	22.9	2,784
2010	2,929	0.0	0.0	23.9	23.9	2,953
2011	3,087	0.0	(0.8)	17.9	17.1	3,104
2012	3,246	0.0	(6.0)	16.4	10.4	3,256
2013	3,339	0.0	(5.9)	18.4	12.5	3,352
2014	3,545	0.0	(11.9)	18.7	6.8	3,552
5-yr Average	1,551	0.0	0.0	0.0	0.0	1,551
10-yr Average	1,743	(2.9)	(3.1)	3.2	(2.8)	1,740
NPV @ 10.14%	16,632	(14.5)	(21.2)	41.6	5.8	16,638

CSP
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	976	(3.5)	0.0	0.0	(3.5)	973
1996	1,009	0.0	0.0	0.1	0.1	1,009
1997	1,051	(1.5)	0.0	0.1	(1.4)	1,050
1998	1,094	(1.7)	0.0	0.1	(1.6)	1,092
1999	1,133	(1.1)	0.0	0.0	(1.1)	1,132
2000	1,214	(2.1)	(23.3)	0.0	(25.4)	1,189
2001	1,269	(0.4)	0.0	0.0	(0.4)	1,269
2002	1,326	0.0	0.0	1.3	1.3	1,327
2003	1,388	0.0	0.0	2.3	2.3	1,390
2004	1,451	0.0	0.0	3.1	3.1	1,454
2005	1,536	0.0	0.0	3.7	3.7	1,540
2006	1,632	0.0	0.0	4.8	4.8	1,637
2007	1,736	0.0	0.0	6.6	6.6	1,743
2008	1,810	0.0	0.0	9.5	9.5	1,820
2009	1,999	0.0	0.0	14.7	14.7	2,014
2010	2,177	0.0	0.0	15.5	15.5	2,193
2011	2,269	0.0	(0.4)	15.0	14.6	2,284
2012	2,378	0.0	(2.9)	15.0	12.1	2,390
2013	2,447	0.0	(2.9)	16.2	13.3	2,460
2014	2,495	0.0	(5.2)	22.9	17.7	2,513

5-yr Average	1,053	(1.6)	0.0	0.1	(1.5)	1,051
10-yr Average	1,191	(1.0)	(2.3)	0.7	(2.7)	1,188
NPV @ 10.14%	11,568	(7.5)	(14.9)	28.3	5.9	11,574

I&M
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	1,050	0.0	0.0	3.4	3.4	1,053
1996	1,091	0.0	0.0	4.0	4.0	1,095
1997	1,156	0.0	0.0	4.8	4.8	1,161
1998	1,158	0.0	0.0	5.1	5.1	1,163
1999	1,195	0.0	0.0	5.4	5.4	1,200
2000	1,267	(3.9)	(17.5)	6.4	(15.0)	1,252
2001	1,312	(4.4)	0.0	4.7	0.3	1,312
2002	1,368	(3.8)	0.0	3.2	(0.6)	1,367
2003	1,431	(4.7)	0.0	2.2	(2.5)	1,429
2004	1,497	(6.2)	0.0	1.4	(4.8)	1,492
2005	1,518	(6.0)	0.0	0.8	(5.2)	1,513
2006	1,594	(7.6)	0.0	0.4	(7.2)	1,587
2007	1,672	(9.1)	0.0	0.2	(8.9)	1,663
2008	1,727	(9.1)	0.0	3.3	(5.8)	1,721
2009	1,781	(4.1)	0.0	4.6	0.5	1,782
2010	1,806	(1.0)	0.0	5.8	4.8	1,811
2011	1,860	0.0	(0.5)	4.3	3.8	1,864
2012	1,972	0.0	(3.8)	6.3	2.5	1,975
2013	2,066	0.0	(3.7)	7.1	3.4	2,069
2014	2,256	0.0	(7.3)	8.6	1.3	2,257

5-yr Average	1,130	0.0	0.0	4.5	4.5	1,135
10-yr Average	1,253	(2.3)	(1.8)	4.1	0.0	1,253
NPV @ 10.14%	11,536	(21.1)	(12.2)	33.6	0.3	11,536

KYPC
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	264	0.0	0.0	0.0	0.0	264
1996	279	0.0	0.0	0.0	0.0	279
1997	293	0.0	0.0	0.0	0.0	293
1998	304	0.0	0.0	0.0	0.0	304
1999	318	0.0	0.0	0.0	0.0	318
2000	349	0.0	(4.8)	9.6	4.8	354
2001	365	0.0	0.0	7.6	7.6	373
2002	382	0.0	0.0	6.2	6.2	388
2003	401	0.0	0.0	6.4	6.4	407
2004	417	0.0	0.0	7.2	7.2	424
2005	453	0.0	0.0	10.4	10.4	463
2006	472	0.0	0.0	13.6	13.6	486
2007	495	0.0	0.0	15.7	15.7	511
2008	511	0.0	0.0	18.4	18.4	529
2009	538	0.0	0.0	21.3	21.3	559
2010	563	0.0	0.0	23.6	23.6	587
2011	604	0.0	(0.1)	24.3	24.2	628
2012	648	0.0	(0.7)	25.4	24.7	673
2013	668	0.0	(0.6)	28.1	27.5	696
2014	689	0.0	(1.0)	32.5	31.5	721
5-yr Average	292	0.0	0.0	0.0	0.0	292
10-yr Average	337	0.0	(0.5)	3.7	3.2	340
NPV @ 10.14%	3,238	0.0	(3.1)	63.0	60.0	3,298

OPCO
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

		Effect of Interim Allowance Agreement				Total
	Base Level	Internal Sales	External Sales	Consumed Allowances	Subtotal	Revenue Requirement
1995	1,518	(17.0)	0.0	0.0	(17.0)	1,501
1996	1,566	(29.5)	0.0	0.0	(29.5)	1,537
1997	1,599	(13.7)	0.0	0.2	(13.5)	1,586
1998	1,647	(13.2)	0.0	0.2	(13.0)	1,634
1999	1,683	(16.3)	0.0	0.3	(16.0)	1,667
2000	1,803	0.0	(33.3)	8.1	(25.2)	1,778
2001	1,867	0.0	0.0	11.2	11.2	1,878
2002	1,905	0.0	0.0	8.4	8.4	1,913
2003	1,978	0.0	0.0	6.1	6.1	1,984
2004	2,048	0.0	0.0	5.5	5.5	2,054
2005	2,093	(5.7)	0.0	2.4	(3.3)	2,090
2006	2,179	(10.0)	0.0	1.4	(8.6)	2,170
2007	2,261	(13.4)	0.0	1.2	(12.2)	2,249
2008	2,310	(13.5)	0.0	8.2	(5.3)	2,305
2009	2,427	(38.8)	0.0	5.7	(33.1)	2,394
2010	2,407	(43.4)	0.0	4.9	(38.5)	2,369
2011	2,603	(59.3)	(0.8)	0.4	(59.7)	2,543
2012	2,743	(66.1)	(5.6)	0.0	(71.7)	2,671
2013	2,791	(73.8)	(5.6)	0.2	(79.2)	2,712
2014	3,030	(77.8)	(11.0)	0.1	(88.7)	2,941

5-yr Average	1,603	(17.9)	0.0	0.1	(17.8)	1,585
10-yr Average	1,761	(9.0)	(3.3)	4.0	(8.3)	1,753
NPV @ 10.14%	16,075	(146.0)	(22.3)	25.5	(142.8)	15,932

AEP SYSTEM
INTERIM ALLOWANCE AGREEMENT - MLR CASE
REVENUE REQUIREMENTS
($ MILLIONS)

	Base Level	Effect of Interim Allowance Agreement				Total Revenue Requirement
		Internal Sales	External Sales	Consumed Allowances	Subtotal	
1995	5,247	(20.5)	0.0	3.4	(17.1)	5,230
1996	5,429	(29.5)	0.0	4.1	(25.4)	5,404
1997	5,650	(15.2)	0.0	5.1	(10.1)	5,640
1998	5,814	(14.9)	0.0	5.4	(9.5)	5,805
1999	5,998	(17.4)	0.0	5.7	(11.7)	5,986
2000	6,405	(12.4)	(109.9)	35.7	(86.6)	6,318
2001	6,668	(11.6)	0.0	32.1	20.5	6,689
2002	6,911	(8.7)	0.0	24.7	16.0	6,927
2003	7,215	(9.6)	0.0	20.6	11.0	7,226
2004	7,511	(12.2)	0.0	19.4	7.2	7,518
2005	7,801	(14.3)	0.0	18.5	4.2	7,805
2006	8,214	(17.6)	0.0	20.8	3.2	8,217
2007	8,628	(22.5)	0.0	25.2	2.7	8,631
2008	8,913	(22.6)	0.0	48.4	25.8	8,939
2009	9,506	(42.9)	0.0	69.2	26.3	9,532
2010	9,882	(44.4)	0.0	73.7	29.3	9,911
2011	10,423	(59.3)	(2.6)	61.9	0.0	10,423
2012	10,987	(66.1)	(19.0)	63.1	(22.0)	10,965
2013	11,311	(73.8)	(18.7)	70.0	(22.5)	11,289
2014	12,015	(77.8)	(36.4)	82.8	(31.4)	11,984

5-yr Average	5,628	(19.5)	0.0	4.7	(14.8)	5,613
10-yr Average	6,285	(15.2)	(11.0)	15.6	(10.6)	6,274
NPV @ 10.14%	59,048	(189.1)	(73.7)	192.1	(70.7)	58,977

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

American Electric Power Service Corporation : Docket No. ER96-______-000

NOTICE OF FILING

(date)

Take notice that on (date), American Electric Power Service Corporation, on behalf of Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, and Ohio Power Company, (the AEP Companies) tendered for filing an amendment to the AEP System Interim Allowance Agreement. The purpose of the amendment to the Agreement is to establish the allocation of costs and revenues related to the sale or purchase of allowances to or from non-affiliated companies.

The AEP Companies request an effective date of September 1, 1996, but the Amendment relates back to the effective date of the Agreement.

Copies have been served upon the state regulatory commissions in Indiana, Kentucky, Michigan, Ohio, Tennessee, Virginia and West Virginia.

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, 1A, Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 384.211 and 18 CFR 385.214). All such motions or protests should be filed on or before ________________. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestant 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.

Lois D. Cashell, Secretary